FINAL PROSPECTUS

AyalaLand

Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226
Telephone Number: (632) 750-6694

₱5.0 Billion Fixed Rate Callable Bonds Due 2019

Issue Price: 100% of Face Value
Interest Rate: 5.6250% p.a.

and

₱5.0 Billion Fixed Rate Callable Bonds Due 2022

Issue Price: 100% of Face Value
Interest Rate: 6.0000% p.a.

BPI Capital Corporation   HSBC

Joint Lead Managers and Underwriters

BDO Capital & Investment Corporation   First Metro Investment Corporation Metrobank Group

Co-Lead Managers

The date of this Prospectus is April 12, 2012

Ayala Land, Inc. (“Ayala Land,” the “Issuer” or the “Company”) is offering fixed rate callable bonds (the “Bonds”) with an aggregate principal amount of ₱10,000,000,000.00 with an oversubscription option of up to ₱5,000,000,000.00. The Bonds shall be issued simultaneously in two (2) series on the Issue Date: (a) the Seven-Year Bonds shall have a term ending seven (7) years from the Issue Date, or on April 27, 2019, with a fixed interest rate of 5.6250% per annum and a one-time call option on the 1st Business Day immediately succeeding the 10th Interest Payment Date on April 27, 2017; and (b) the Ten-Year Bonds shall have a term ending ten (10) years from the Issue Date, or on April 27, 2022, with a fixed interest rate of 6.0000% per annum and a one-time call option on the 14th Interest Payment Date on April 27, 2019, or the immediately succeeding Business Day if such date is not a Business Day. Interest on the Bonds shall be payable semi-annually in arrears on April 27 and October 27 of each year while the Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the Bonds are outstanding (see “Description of the Bonds” – “Interest”).

Subject to the consequences of default as contained in the Trust Agreement, and unless otherwise redeemed prior to Maturity Date, the Bonds will be redeemed at par (or 100% of face value) on the relevant Maturity Date (see ‘‘Description of the Bonds’’ - ‘‘Redemption and Purchase”).

The Bonds shall constitute the direct, unconditional, and unsecured obligations of Ayala Land and shall at all times rank pari passu and rateably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured obligations of Ayala Land, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Ayala Land’s secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

The Bonds have been rated PRS Aaa by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings. The rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency concerned.

The Bonds shall be offered to the public at face value through the Joint Lead Managers and Underwriters and Co-Lead Managers named below with the Philippine Depository & Trust Corp. (“PDTC”) as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Register of Bondholders, and listed in the Philippine Dealing & Exchange Corp. (“PDEx”). The Bonds shall be issued in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

Ayala Land expects to raise gross proceeds of up to ₱15,000,000,000. The net proceeds are estimated to be up to ₱14,858,559,375.00, after deducting fees, commissions and expenses relating to the offering of the Bonds. Proceeds of the Offer are intended to be used for general corporate purposes (see “Use of Proceeds”). The Underwriters shall receive a fee of up to ₱54,035,000.00 on the final aggregate nominal principal amount of the Bonds issued.

On March 5, 2012, Ayala Land filed a Registration Statement, as subsequently amended on March 23, 27, and 28, 2012, with the Securities and Exchange Commission (“SEC”), in connection with the offer and sale to the public of the Bonds up to an aggregate principal amount of ₱15,000,000,000.00. The SEC is expected to issue an order rendering the registration statement effective, and a corresponding permit to offer securities for sale covering the Offer.

However, there can be no assurance in respect of: (i) whether Ayala Land would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by Ayala Land to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within Ayala Land's control, including but not limited to: prevailing interest rates, the financing requirements of Ayala Land's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The Offer is being conducted exclusively in the Philippines and pursuant to requirements under Philippines laws, rules and regulations that may be different from those of certain other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Bonds in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, nor may any offering material relating to the Bonds be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

Ayala Land confirms that this Prospectus contains all information relating to the Company, its subsidiaries and affiliates which is, in the context of the issue and offering of the Bonds, material (including all information required by the applicable laws of the Republic of the Philippines). There are no other facts the omission of which would make any statement in this Prospectus misleading in any material respect. Ayala Land confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. Ayala Land, however, has not independently verified any such publicly available information, data or analysis.

Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. The Underwriters do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.

The contents of this Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the Bonds receiving a copy of this Prospectus acknowledges that he has not relied on the Underwriters in his investigation of the accuracy of such information or in his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds. Investing in the Bonds involves certain risks. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on "Risk Factors and Other Considerations."

No dealer, salesman or other person has been authorized by Ayala Land and the Underwriters to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Ayala Land or the Underwriters.

Ayala Land is organized under the laws of the Philippines. Its principal office is at the Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226, with telephone number (632) 750-6694.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

AYALA LAND, INC.

By:

ANTONINO T. AQUINO
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

Before me, a notary public in and for the city named above, personally appeared Antonino T. Aquino with Passport No. XX4033426 issued at Manila on June 25, 2009, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this ___ day of APR 12 2012 2012 at Makati City.

Doc No. 113;
Book No. 278;
Page No. 24;
Series of 2012.

EMMANUEL C. PARAS
Notary Public for Makati City
Appointment No. M-251 until Dec. 31, 2012
Roll of Attorney No. 27192
PTR No. 3178236MA; 01/04/12; Makati City
IBP No. 869717; 01/02/12; Makati Chapter
SyCipLaw Center, 105 Paseo de Roxas
Makati City, 1226 Metro Manila
Philippines

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements." These forward-looking statements have been based largely on the Company's current expectations and projections about future events and financial trends affecting its business. Words or phrases such as "believes," "expects," "anticipates," "intends," "plans," "foresees" or other words or phrases of similar import are intended to identify forward-looking statements. Similarly, statements that describe Ayala Land's objectives, plans or goals are also forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statements. Important factors that could prevent forward-looking events and circumstances from occurring or could cause actual results to differ materially from the expectations of Ayala Land include, among others:

General Economic and Political Conditions

- changes in Philippine and international interest rates
- changes in political, economic and social conditions in the Philippines
- changes in foreign exchange control regulations in the Philippines
- changes in the value of the Peso

Conditions of the Real Estate Industry

- increasing competition in the Philippine real estate industry
- changes in laws and regulations that apply to the Philippine real estate industry

Factors Affecting Ayala Land's Operations

- Ayala Land's ability to maintain and further improve its market share in the various segments of the Philippine real estate market
- demand for Ayala Land's projects in the Philippines
- Ayala Land's ability to enter into various financing programs
- operational and implementation issues that Ayala Land may encounter in its projects
- Ayala Land's ability to manage changes in costs attendant to operations

For a further discussion of such risks, uncertainties and assumptions, see the "Risk Factors and Other Considerations" section of this Prospectus. Prospective purchasers of the Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Prospectus and Ayala Land undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

DEFINITION OF TERMS

As used in this Prospectus, the following terms shall have the meanings ascribed to them:

"Affiliate" shall mean, with respect to Ayala Land, Inc., any corporation directly or indirectly controlled by it, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of management, contract or authority granted by said corporation to Ayala Land, Inc.

"Application to Purchase" shall mean the document to be accomplished by applicants for the application to purchase the Bonds.

"Ayala Group" refers to Ayala Corporation and its subsidiaries and affiliates.

"Ayala Land" or **"ALI"** or the **"Company"** or the **"Issuer"** refers to Ayala Land, Inc.

"Banking Day" or **"Business Day"** shall be used interchangeably to refer to a day on which commercial banks are open for business in Makati City, Metro Manila.

"BDO Capital" shall refer to BDO Capital and Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 20th Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City.

"Beneficial Owner" shall mean any person (and "Beneficial Ownership" shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that, a person shall be deemed to have an indirect beneficial ownership interest in any security which is:

i. held by members of his immediate family sharing the same household;
ii. held by a partnership in which he is a general partner;
iii. held by a corporation of which he is a controlling shareholder; or
iv. subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities; provided, however, that, the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer:

    a. A broker dealer;
    b. An investment house registered under the Investment Houses Law;
    c. A bank authorized to operate as such by the BSP;
    d. An insurance company subject to the supervision of the Office of the Insurance Commission;

e. An investment company registered under the Investment Company Act;
f. A pension plan subject to regulation and supervision by the BIR and/or the Office of the Insurance Commission or relevant authority; and
g. A group in which all of the members are persons specified above.

"BIR" shall mean Bureau of Internal Revenue.

"Bond Agreements" shall mean the Trust Agreement between the Issuer and the Trustee, and the Registry and Paying Agency Agreement between the Issuer, the Registrar and the Paying Agent.

"Bondholder" shall mean a person whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.

"Bonds" shall refer to the Seven-Year Bonds and the Ten-Year Bonds in the aggregate principal amount of ₱10,000,000,000.00 with an oversubscription option of up to ₱5,000,000,000.00 to be issued by Ayala Land and shall mature on April 27, 2019 and April 27, 2022, respectively.

"BPI" shall refer to Bank of the Philippine Islands, an affiliate of the Ayala Group.

"BPI Capital" shall refer to BPI Capital Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 8th Floor, BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City.

"BPI-AMTG" shall refer to Bank of the Philippine Islands – Asset Management and Trust Group

"BSP" refers to *Bangko Sentral ng Pilipinas*.

"Co-Lead Managers" shall refer to BDO Capital and FMIC.

"FMIC" shall refer to First Metro Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 45th Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Salcedo, Village, Makati City.

"HSBC" shall mean The Hongkong and Shanghai Banking Corporation Limited, a banking corporation duly licensed and authorized to operate in the Philippines, with address at the HSBC Centre, 3058 Fifth Avenue West, Bonifacio Global City, Taguig City.

"IAS" shall mean International Accounting Standards.

"Interest Payment Date" shall mean the Seven-Year Bond Interest Payment Date and the Ten-Year Bond Interest Payment Date.

"Issue Date" shall mean the date on which the Bonds shall be issued by the Issuer.

"Joint Lead Managers and Underwriters" shall refer to BPI Capital and HSBC, being the Joint Lead Managers and Underwriters appointed by the Issuer under the Underwriting Agreement.

"Lien" shall mean any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligations.

"Majority Bondholders" shall mean the holders of more than fifty percent (50%) of the principal amount of the Bonds then outstanding.

"Master Certificate of Indebtedness" shall mean the certificate to be issued by the Issuer to the Trustee evidencing and covering such amount corresponding to the Bonds.

"Maturity Date" shall mean, for the Seven-Year Bonds, the date falling on the seventh (7^{th}) anniversary of the Initial Issue Date, and for the Ten Year Bonds, the date falling on the tenth (10^{th}) anniversary of the Initial Issue Date; provided that, in the event that the Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be automatically extended to the immediately succeeding Business Day.

"Offer" shall mean the offering of Bonds by the Issuer under the Conditions as herein contained.

"Offer Period" shall refer to the period, commencing within two (2) days from the date of the SEC Permit, during which the Bonds shall be offered to the public.

"PAS" shall mean Philippine Accounting Standards.

"Paying Agent" shall refer to PDTC, the party which shall receive the funds from the Issuer for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders.

"PDEx" shall refer to the Philippine Dealing and Exchange Corporation.

"PDTC" shall refer to the Philippine Depository & Trust Corporation.

"Pesos," **"₱"** and **"Philippine currency"** shall mean the legal currency of the Republic of the Philippines.

"PFRS" shall mean Philippine Financial Reporting Standards.

"Philippines" shall mean the Republic of the Philippines.

"PhilRatings" shall refer to the Philippine Rating Services Corporation.

"PSE" shall refer to the Philippine Stock Exchange.

"Record Date" shall refer to the cut-off date in determining Bondholders entitled to receive interest or principal amount due.

"Register of Bondholders" shall mean the electronic records of the Registrar bearing the official information on the names and addresses of the Bondholders and the number of Bonds they respectively hold, including all transfers of the Bonds and the names of subsequent transferee Bondholders, maintained pursuant to and under the Registry and Paying Agency Agreement.

"Registrar" shall refer to PDTC, being the registrar for the Bonds appointed by the Issuer and Trustee under the Registry and Paying Agency Agreement.

"Registry Confirmation" shall refer to the written advice to be sent by the Registrar to Bondholders.

"SEC" means the Philippine Securities and Exchange Commission or its successor agency/ies.

"SEC Permit" shall mean the Permit to Sell issued by the SEC in connection with the Offer.

"Seven-Year Bonds" shall mean the 5.6250% fixed rate callable bonds due 2019 with an aggregate principal amount of ₱5,000,000,000 which shall be issued in connection with the Offer on Issue Date.

"Seven-Year Bond Call Option" shall mean the Issuer's right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds registered in such Bondholder's name at a redemption price computed as the sum of: (i) one hundred one and a half percent (101.5%) of face value of the outstanding principal amount of the Bonds being redeemed; and (ii) accrued interest computed up to the Seven-Year Bond Call Option Date.

"Seven-Year Bond Call Option Date" shall mean the 1st Business Day immediately succeeding the 10th Interest Payment Date.

"Seven-Year Bond Interest Payment Date" shall mean October 27, 2012 for the first Seven-Year Bond Interest Payment Date, and April 27 and October 27 of each year, or the next Business Day if such date is not a Business Day, during which any of the Seven-Year Bonds are outstanding.

"Seven-Year Bond Interest Rate" shall mean 5.6250% per annum. The Seven-Year Bond Interest Rate shall be applied to compute for the interest due on a relevant Payment Date; provided that, the interest accruing on the Seven-Year Bonds as of a Seven-Year Bond Interest Payment Date shall be calculated on the basis of a month of 30/360 days.

"Seven-Year Bond Maturity Date" shall mean the date at which the Seven-Year Bonds shall be redeemed by the Issuer by paying the principal amount thereof, and which date is seven (7) years from the Issue Date. Unless previously redeemed or cancelled, the Seven-Year Bond Maturity Date shall be on April 27, 2019 or the next Business Day, if such date is not a Business Day.

"SRC" shall mean the Securities Regulation Code of the Philippines (Republic Act No. 8799).

"Tax Code" shall mean the National Internal Revenue Code, as amended, and its implementing rules and regulations.

"Taxes" shall mean any present or future taxes including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, and taxes on the overall income of the Joint Underwriters or of the Bondholders.

"Ten-Year Bonds" shall mean the 6.0000% fixed rate callable bonds due 2022 with an aggregate principal amount of ₱5,000,000,000 which shall be issued in connection with the Offer on Issue Date.

"Ten-Year Bond Call Option" shall mean the Issuer's right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds registered in such Bondholder's name at a redemption price computed as the sum of: (i) one hundred two percent (102%) of face value of the outstanding principal amount of the Bonds being redeemed; and (ii) accrued interest computed up to the Ten-Year Bond Call Option Date.

"Ten-Year Bond Call Option Date" shall mean the 14th Interest Payment Date, or the immediately succeeding Business Day if such date is not a Business Day.

"Ten-Year Bond Interest Payment Date" shall mean October 27, 2012 for the first Ten-Year Bond Interest Payment Date, and April 27 and October 27 of each year, or the next Business Day if such date is not a Business Day, during which any of the Ten-Year Bonds are outstanding.

"Ten-Year Bond Interest Rate" shall mean 6.0000% per annum. The Ten-Year Bond Interest Rate shall be applied to compute for the interest due on a relevant Payment Date; provided that, the interest accruing on the Ten-Year Bonds as of a Ten-Year Bond Interest Payment Date shall be calculated on the basis of a month of 30/360 days.

"Ten-Year Bond Maturity Date" shall mean the date at which the Ten-Year Bonds shall be redeemed by the Issuer by paying the principal amount thereof, and which date is ten (10) years from the Issue Date. Unless previously redeemed or cancelled, the Ten-Year Bond Maturity Date shall be on April 27, 2022 or the next Business Day, if such date is not a Business Day.

"Trustee" shall refer to BPI-AMTG appointed by the Issuer under the Trust Agreement.

"Underwriters" shall refer to BDO Capital, BPI Capital, HSBC, and FMIC.

Titles of sections, subsections and clauses in this Prospectus are used for convenience of reference only and do not limit or affect the interpretation of the sections and subsections hereof. In case of conflict between the provisions of this Prospectus and the Bond Agreements, the provisions of the Bond Agreements shall prevail.

EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective purchasers should read the entire Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" and the financial statements and the related notes to those statements included in this Prospectus.

The Company

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation's existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an initial public offering ("IPO") of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation's effective interest in Ayala Land to 88%. Since then, Ayala Corporation's effective interest has been further reduced to about 53% as of December 31, 2011 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, exchanges under bonds due 1996 and bonds due 2001, disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993. Further reduction of Ayala Corporation's equity in Ayala Land has also been effected by the conversion to Ayala Land Common B Shares of the entire ₱3 billion convertible long term commercial paper publicly issued by the Company in December 1994.

As of December 31, 2011, equity attributable to equity holders of Ayala Land amounted to ₱62.4 billion. It is listed on the PSE with a market capitalization of ₱197.4 billion as of December 31, 2011, based on Ayala Land's common share closing price of ₱15.16 as of that date.

Ayala Land is the largest real estate conglomerate in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses. Its principal businesses include planning and development of mixed-use properties, particularly, the subdivision and sale of high-end, middle-income and affordable residential lots and housing units, leisure community developments, commercial lots and the development and leasing of retail space and land in planned communities. Ayala Land also builds and sells residential condominium and office buildings, and develops industrial and business parks. Ayala Land, through its subsidiaries, also owns hotels and movie theaters, and provides property management and construction services to its own projects and to third parties for industrial buildings and government infrastructure projects.

The Company's residential products are distributed to a wide range of clients through various sales groups. Ayala Land established a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which exclusively markets and sells high-end properties and condominium projects developed by Ayala Land. Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Alveo Land Corp. ("Alveo") (middle-income housing), Avida Land Corp. ("Avida") (affordable housing), Amaia Land Corp. ("Amaia") (economic housing), and BellaVita Land Corp. ("BellaVita") (socialized housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers. Ayala Land International Sales, Inc. (“ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the Company’s residential brands abroad. ALISI also signed up marketing partners in various jurisdictions. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi.

Ayala Land’s total consolidated revenues for 2011 amounted to ₽44.2 billion, up by 17% compared to ₽37.8 billion for 2010. Net income attributable to equity holders of Ayala Land rose by 31% to ₽7.1 billion in 2011 from ₽5.5 billion in 2010.

As of December 31, 2011, Ayala Land spent ₽29.9 billion for project and capital expenditures, 49% more than the ₽20.1 billion spent during the same period in 2010. Residential development accounted for 53% of total, with shopping centers and corporate business accounting for 14% and 4% of total capital expenditures, respectively.

As of December 31, 2011, Ayala Land had ₽154.6 billion in total assets. Ayala Land’s cash and cash equivalents and short-term investments stood at ₽24.8 billion with a current ratio of 1.65:1 as of such date. Bank debt-to-equity ratio was at 0.55:1, while net debt-to-equity ratio was at 0.16:1.

New Projects

In 2011, Ayala Land launched 20,613 residential units, including around 7,200 units in the economic housing segment under its subsidiary Amaia Land Corporation (“Amaia”) and 600 units in the newly launched BellaVita Land Corp. (“BellaVita”) to cater to the socialized housing segment.

The Company also plans to aggressively expand the gross leasable area (“GLA”) of its shopping centers as it continues to roll out the geographic and product expansion of its shopping centers. Ayala Land has several malls in the pipeline, including smaller and value mall formats under wholly-owned subsidiaries Primavera Town Centre, Inc. and ARVO Commercial Corp.

Part of this expansion is the Abreeza Mall in Davao, which opened in May 2011 with an additional 53,000 square meters (sqm) of GLA, as well as Solenad 2 in NUVALI with 5,300 sqm of GLA. This year, Harbour Point in Subic (39,000 sqm of GLA) and Centrio in Cagayan de Oro (46,000 sqm of GLA) are expected to open and boost Ayala Land’s total retail GLA.

The Company also continued to expand its Business Process Outsourcing (“BPO”) office building footprint with the launch of 46,000 sqm of BPO office GLA in various locations across the country – including the second BPO building in Baguio and the new developments in Davao Abreeza and Fairview, Quezon City.

Last year, the operations of Philippine Energy Solutions, Inc. (PhilEnergy) began officially, with current projects involving the construction of district cooling systems (DCS) at the ongoing redevelopment of Ayala Center and Alabang Town Center.

MDC Build Plus was likewise formed, a 100% subsidiary of MDC, which will cater primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

The Company will adjust its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

Ayala Land's Principal Strengths

Ayala Land's principal strength lies in its involvement in highly diversified business segments such as the development of high-end subdivision lots and residential buildings, middle-income residential projects and affordable housing development, as well as in traditional office, BPO office and shopping center leasing, development and sale of industrial lots, hotel operations, property development and construction. Ayala Land holds the dominant share of the market in most of these business segments.

The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a robust economy, rising foreign inflows, particularly from Overseas Filipinos ("OF"), increased affordability and the availability of attractive financing from banks, resilient consumption spending in retail, and encouraging long-term prospects for office space in the BPO sector.

With over eight decades of experience together with Ayala Corporation, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier Central Business District ("CBD") and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City ("BGC"), Cebu, and Canlubang.

The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivisions and high-rise, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

With control of 49 hectares of land in the Makati CBD and another 11.3 hectares in BGC as of the end of 2011, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 1,382-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries Makati Development Corporation ("MDC") and Ayala Property Management Corporation ("APMC"), which are the country's largest and most experienced construction and property management companies, respectively.

The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices.

In 2011, Ayala Land received the Platinum Award for Corporate Governance and garnered a 99% rating from the Philippine Institute of Corporate Directors' Corporate Governance

Scorecard, the highest in the country. In 2011, the Company was again awarded the “Platinum Award for All Around Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations” by The Asset Magazine. Ayala Land was also adjudged “Best Overall Developer in the Philippines” by Euromoney for the third consecutive year in 2011 in its annual Real Estate Awards. Last year, Ayala Land was also named as the Finance Team of the Year in the 2011 Asia CEO Awards.

Attractive Stock. Over the last six (6) years, Ayala Land has delivered an average Total Shareholder Return of 22% per annum.

Ayala Land’s Business Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government, NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its headquarter-type (“HQ”) offices or locate in its BPO facilities. Ayala Land is also the partner of choice for strategic new partners, such as the Shangri-La and Kingdom Hotels groups, which want to make significant new investments in the country and help prime the Company’s strategic growth centers.

Ayala Land plans to enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on four main pillars that will lay the ground work for the Company’s long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control measures and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels, enhance its internal talent pool and support systems and ensure that these are supportive of the Company’s growth objectives.

Ayala Land's Principal Shareholder

Ayala Land's principal shareholder, Ayala Corporation, effectively owns 53% of Ayala Land as of December 31, 2011, and is one of the Philippines' oldest conglomerates, with diversified operations in real estate and hotels, telecommunications, financial services, water distribution, electronics manufacturing, information technology and automotive dealerships.

Ayala Land's Principal Executive Offices

Ayala Land's executive offices are at the 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226. The telephone number at this address is (632) 908-3895 and the fax number is (632) 750-7946.

Risk Factors

Prospective investors should consider carefully all of the information set forth in this Prospectus and, in particular, prospective purchasers should evaluate the specific factors set forth under the section "Risk Factors and Other Considerations" of this Prospectus for risks involved in the purchase of the Bonds. These factors may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the over-all political, economic, and business environment in the Philippines, in general.

As a real estate developer, Ayala Land competes with other developers and developments to attract purchasers of land and condominiums, retail and office tenants, and clientele for the retail outlets, restaurants and hotels in its commercial centers in terms of reputation, reliability, price, and the quality and location of the community in which the relevant project is located. Ayala Land's successful financial and operating performance as a real estate company will impact on its ability to refinance or repay its debt, including the Bonds. Moreover, the offering of the Bonds should be evaluated in terms of its impact on the consolidated indebtedness of Ayala Land and the operating risks inherent in a further increase in its debt.

Ayala Land is further subject to certain debt covenants for the Bond issuance and its other existing debt. Ayala Land's failure to comply with these covenants could cause a default which, if not waived, could result in the debt becoming immediately due and payable. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of Ayala Land's debt, in which case Ayala Land may not be able to perform its payment obligations under the Bonds. In such case, the Bonds, being unsecured debt, will be effectively subordinated in right of payment to all secured debt of Ayala Land to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

External factors affecting Ayala Land's businesses include the impact of current and future Philippine laws and regulations on certain aspects of real estate development, such as environment, health and safety, the effect of natural catastrophes, and political or economic instability in the country, including foreign exchange rate fluctuations which could impact on the acquisition cost of certain dollar-denominated construction materials and equipment necessary for Ayala Land's business.

Summary of Financial and Operating Data

The following table sets forth financial and operating information and other data of Ayala Land. Prospective purchasers of the Bonds should read the summary financial data below together with the financial statements and the notes thereto, as well as the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus. The summary financial data for the three years ended December 31, 2011, 2010, and 2009 were derived from Ayala Land's audited financial statements, including the notes thereto, which are included in this Prospectus. Ayala Land's financial statements are prepared in compliance with PFRS.

	AUDITED For the year ended December 31		
(in million Pesos, except EPS)	**2011**	**2010**	**2009**
Income Statement Data			
Revenues	44,206	37,813	30,455
Costs and expenses			
Real estate	26,518	23,707	18,149
Hotel operations	1,423	1,240	867
General & administrative	3,480	3,188	2,793
Interest and other charges	2,075	1,818	2,800
Subtotal	33,496	29,953	24,609
Income before income tax	10,710	7,860	5,846
Provision for income tax	2,619	1,572	1,165
Income before income associated with noncurrent assets held for sale	8,091	6,288	4,681
Income associated with noncurrent assets held for sale		-	-
Net Income	8,091	6,288	4,681
Net Income attributable to:			
Equity holders of Ayala Land	7,140	5,458	4,039
Non-controlling interests	951	830	642
	8,091	6,288	4,681
Unappropriated retained earnings,			
Beginning	32,757	28,570	25,372
Cash dividends	(1,971)	(1,271)	(841)
Net Income attributable to equity holders of Ayala Land	7,140	5,458	4,039
Unappropriated retained earnings, end	37,926	32,757	28,570
Earnings per share (diluted)*			
Income before income associated with noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.	₱0.55	₱0.41	₱0.31
Net income attributable to equity holders of Ayala Land	₱0.55	₱0.41	₱0.31

* Based on weighted average number of shares (in thousands): 12,953,322 as of December 31, 2011; 13,038,594 as of December 31, 2010; and 13,007,235 as of December 31, 2009

	AUDITED As of December 31		
(in million Pesos)	**2011**	**2010**	**2009**
Balance Sheet Data			
Cash and cash equivalents[1]	24,795	19,857	15,524
Land and improvements	18,737	16,052	17,768
Investment properties	30,490	25,745	25,413
Total assets	154,619	121,675	107,742
Long-term debt-current portion	1,557	2,328	378
Long-term debt (net of current portion)	28,335	15,753	16,804
Total liabilities	82,577	56,205	48,877
Equity:			
Attributable to equity holders of Ayala Land	62,357	56,857	52,392
Non-controlling interests	9,686	8,613	6,803
Total equity	72,043	65,470	59,195

[1] Includes Cash and Cash Equivalents, Short-term Investments and Financial Assets at Fair Value through Profit or Loss.

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End 2011	*End 2010*	*End 2009*
Current ratio [1]	*1.65:1*	*1.67:1*	*1.95:1*
Debt-to-equity ratio [2]	*0.55:1*	*0.37:1*	*0.36:1*
Net debt(cash)-to-equity ratio [3]	*0.16:1*	*0.02:1*	*0.06:1*

	FY 2011	*FY 2010*	*FY 2009*
Return on assets [4]	*5.2%*	*4.8%*	*3.9%*
Return on equity [5]	*12.0%*	*10.0%*	*8.0%*

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds) / stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[4] *Net income attributable to equity holders of Ayala Land, Inc. / average total assets*
[5] *Net income attributable to equity holders of Ayala Land, Inc. / average stockholders' equity attributable to equity holders of Ayala Land, Inc.*

SUMMARY OF THE OFFER

Issuer	:	Ayala Land, Inc. ("ALI")
Issue	:	Fixed rate callable bonds (the "Bonds") constituting the direct, unconditional, unsecured and general obligations of the Issuer.
Issue Amount	:	₱10,000,000,000.00 with an oversubscription option of up to ₱5,000,000,000.00.
Use of Proceeds	:	The net proceeds of the Issue are intended to be used by ALI for general corporate purposes.
Issue Price	:	100% of face value.
Form and Denomination of the Bonds	:	The Bonds shall be issued in scripless form in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter.
Offer Period	:	The Offer shall commence on April 16, 2012 and end at 3:00 pm on April 20, 2012.
Issue Date	:	April 27, 2012
Maturity Date	:	Seven-Year Bonds: seven (7) years from Issue Date Ten-Year Bonds: ten (10) years from Issue Date
Interest Rate	:	Seven-Year Bonds: fixed interest rate of 5.6250% per annum. Ten-Year Bonds: fixed interest rate of 6.0000% per annum.
Interest Payment Date	:	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on April 27 and October 27, or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on October 27, 2012, until and including the Maturity Date (each, an "Interest Payment Date").
Call Option	:	Prior to the respective Maturity Dates of the Bonds, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds on the relevant Call Option Date. The Issuer shall give no less than 30 nor more than 60 days prior written notice of its intention to redeem the Bonds at the Call Option Date stated in such notice.

Call Option Date	Seven-Year Bonds: one-time call option may be exercised on the 1st Business Day immediately succeeding the 10th Interest Payment Date. Ten-Year Bonds: one-time call option may be exercised on the 14th Interest Payment Date or the immediately succeeding Business Day if such date is not a Business Day The amount payable to the Bondholders in respect of such Seven-Year Bond Call Option exercise shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of (i) one hundred one and a half percent (101.5%) of the principal amount; and (ii) accrued interest computed up to the Seven-Year Bond Call Option Date. The amount payable to the Bondholders in respect of such Ten-Year Bond Call Option exercise shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of (i) one hundred two percent (102%) of the principal amount; and (ii) accrued interest computed up to the Ten-Year Bond Call Option Date.
Redemption for Taxation Reasons	If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par or 100% face value plus accrued interest.
Final Redemption	Except when Call Options are exercised, the Bonds will be redeemed at par or 100% face value on each of their respective Maturity Dates.
Status of the Bonds	The Bonds shall constitute the direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.
Listing	The Issuer intends to list the Bonds in the PDEx on Issue Date.

RISK FACTORS AND OTHER CONSIDERATIONS

GENERAL RISK WARNING

- *The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.*
- *Past performance is not a guide to future performance.*
- *An investor deals in a range of investments each of which may carry a different level of risk.*

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake its, his, her or their own research and study on the trading of securities before commencing any trading activity. Investors may request information on the securities and Issuer thereof from the SEC which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those classified as high risk securities.

RISK FACTORS

An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds. This Prospectus contains forward-looking statements that involve risks and uncertainties. Ayala Land adopts what it considers conservative financial and operational controls and policies to manage its business risks. Ayala Land's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are arranged in the order of their importance to the Company.

1. Ayala Land faces a highly competitive business environment

Ayala Land is subject to significant competition in each of its principal businesses. Competitive pressure is expected to remain as large property developers focus on the value-conscious middle market. Sustained demand growth is not likely to occur without real improvement in employment and real incomes. However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

Ayala Land competes with other developers and developments to attract purchasers of land and residential units, office and retail tenants as well as other construction and property management firms, and hotel operators.

Land and Residential Sales

With respect to land and condominium sales, Ayala Land competes for purchasers primarily on the basis of reputation, reliability, price and the quality and location of the community in which the relevant site is located. With respect to its horizontal residential housing developments, Ayala Land competes for buyers based on quality of projects and reasonable pricing of units.

(a) High-end residential

Ayala Land continues to be the leader in the high-end residential market. It competes with a price premium over other high-end developers but justifies it with superior locations, workmanship quality, timely project completions, and overall reputation in the real estate industry. Through these, it has been able to keep well ahead of other high-end players.

Real estate has always been a major investment vehicle for the affluent. However, in a volatile environment, such as the recent financial crisis and the subsequent global economic downturn, the high-end market tends to “wait and see,” or they simply choose to place their money in other investment instruments. With confidence returning as market risks abated in 2009, sales of high-end lots, like Westgrove Heights, Santierra, and Elaro in NUVALI, and units such as Park Terraces I, II and III (Pointe Two) continued to record significant performances last year, resulting in the 17% increase in take up for the ALP brand.

Ayala Land has mitigated the market risks it faces through carefully planned project launches, clear product differentiation, product innovation, and increased market expansion through overseas sales and new segments.

(b) Middle-income residential

In the middle-income market segment, the environment remains challenging due to the number and aggressive moves of competitors. Nonetheless, Ayala Land’s middle-income residential business (through its subsidiary, Alveo) posted significant growth last year as economic outlook and prospects in the real estate sector remained robust. Sales from Alveo increased 92% from 2010 and demand is expected to remain strong this year for several reasons: (a) more upbeat economic outlook, (b) strong buying interest from the domestic market and overseas based Filipinos, and (c) emerging preference for condominium living. Ayala Land remains confident that it can compete effectively in this segment because of its superior product offering in terms of location, amenities, features, after-sales service, and very competitive pricing and payment terms.

(c) Affordable residential

Ayala Land offers affordable residential projects through its wholly-owned subsidiary, Avida Land Corporation. In this highly competitive segment, there is an increase in activities and marketing efforts of major developers to reach their desired target market. Last year, sales from Avida posted a significant 92% increase over the previous year.

(d) Economic Housing

Ayala Land entered the economic housing segment last year with the launch of AmaiaScapes in Laguna under the Company's subsidiary, Amaia Land Corp., carrying the brand Amaia. This segment is expected to provide a steady end-user demand in the long-term as one-third of the estimated 18 million Filipino households and majority of the almost four (4) million national housing backlog belong to this segment. As a result, sales from Amaia grew 152% from the previous year.

(e) Socialized Housing

Ayala Land formally launched its first socialized housing project last year under the BellaVita brand in Cavite from subsidiary BellaVita Land Corp. Like the economic housing segment, this group is likewise seen to as a stable source of end-user demand in the local residential market as more than 60% of Filipino households fall under this income class.

Positive factors spurring interest because of their long-term effects in the real estate industry are the:

- Increased developments north of Manila due to the North Luzon Expressway and the opening of the Subic-Clark-Tarlac toll expressway;
- Rehabilitation of the South Luzon Expressway to spur growth in the Cavite, Laguna, Batangas area south of Metro Manila;
- Increasing purchases by the overseas-based Filipino market due to marketing and promotions by various developers;
- Availability of financing from the Home Development Mutual Fund (Pag-IBIG); and
- Relatively low mortgage rates and longer maturities

Office Space and Retail Rental

With respect to its office rental properties, Ayala Land competes for tenants primarily based upon the quality and location of the relevant building, the reputation of the building owner, the quality of support services provided by the property manager, and rental and other charges. Under the current environment, lease rates and occupancy levels however are under pressure in the Makati CBD where Ayala Land office buildings are located. According to research data provided by Colliers International Philippines, vacancy rate for all office grades in the Makati CBD as of end-December 2011 is estimated at 4.0% and down from end-2010's 5.5% level, with average lease rates rising 6% during the same comparative periods.

With respect to its retail properties for lease, Ayala Land competes for tenants primarily based upon the ability of the relevant retail center to attract customers, which generally depends on the quality and location of, and mix of tenants in, the relevant retail center and the reputation of the owner and/or operator of the retail center, as well as rental and other charges. The market for shopping centers has become especially competitive and the number of competing properties is expected to grow. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers.

Ayala Land, nonetheless, has maintained healthy occupancy levels and experienced increasing lease rates.

Industrial Property Business

The industrial property business is affected by oversupply as well as limited industrial expansion and declining foreign investments. Overall, the industrial property segment is not likely to show significant demand improvement in the medium term.

Ayala Land, through Laguna Technopark, Inc. (LTI), remains the preferred location for locators and has been successfully expanding its offerings at a time when industrial parks in the Calabarzon area have been experiencing the effects of an oversupply of manufacturing and processing facilities.

Hotels and Resorts Operations

Although the hotel industry has seen increasing visitor arrivals in the past several years, it is generally subject to the slowdown in business activity due to global financial and local political turmoil and security concerns. Nonetheless, according to the Department of Tourism, 3.9 million foreign tourists visited the Philippines in 2011 which was 11% higher than the 3.5 million tourists recorded in the previous year.

Infrastructure, Construction and Property Development

Ayala Land's construction business is exposed to any potential sector-wide slowdown in construction activities.

Notwithstanding stiff competition in the industry, Ayala Land intends to maintain and enhance its position as the leading property developer in the Philippines by continuing its over-all business strategy of developing large-scale, mixed-use integrated communities within growth centers that perpetuate its strong market presence while ensuring a steady revenue growth for the Company. Ayala Land further intends to diversify its revenue base by expanding its real estate business into different markets, specifically the economic and socialized housing segments where bulk of consumer "end-user" demand lies, and geographic areas and growth centers across the country where there are significant growth opportunities or where its proposed developments complement its existing businesses.

2. Ayala Land's leverage creates a number of operating risks and might affect its ability to repay the Bonds

The increase in debt of Ayala Land could have certain adverse consequences. For example, it could:

- reduce Ayala Land's ability to service its existing debt obligations, including the Bonds;

- affect Ayala Land's ability to obtain additional financing for working capital, capital expenditures, debt service and other purposes;
- require Ayala Land to divert a substantial portion of its cash flow from operations to debt service;
- affect Ayala Land's flexibility in reacting to and taking advantage of developments and opportunities in the Philippine economy, the Philippine property development industry and its business; or
- place Ayala Land at a competitive disadvantage to its competitors that have less debt.

As of December 31, 2011, ₱27.8 billion of Ayala Land's consolidated short-term and long-term debt of ₱34.5 billion was evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Ayala Land.

Ayala Land's ability to refinance or repay its debt depends on its successful financial and operating performance, which will be affected by a number of factors, many of which are beyond its control. If Ayala Land is unable to refinance its debt, obtain necessary waivers or obtain new financing under these circumstances, Ayala Land would have to consider other various financing options such as sale of assets, procuring additional capital and other options available to Ayala Land under applicable law. Ayala Land might also have to modify, delay or abandon its development and expansion plans. See sections "Management's Discussion and Analysis of Financial Condition and Results of Operation" of this Prospectus."

3. Ayala Land is subject to certain debt covenants

The Bond Agreements and agreements for certain debts of Ayala Land contain covenants that limit its ability to, among other things:

- incur additional long-term debt to the extent that such additional indebtedness results in a breach of a required debt-to-equity ratio;
- materially change its nature of business;
- merge, consolidate, or dispose of substantially all its assets; and
- encumber, mortgage or pledge some of its assets.

Complying with these covenants may cause Ayala Land to take actions that it otherwise would not take or not take actions that it otherwise would take. Ayala Land's failure to comply with these covenants would cause a default, which, if not waived, could result in the debt becoming immediately due and payable. In this event, Ayala Land may not be able to repay or refinance such debt on terms that are acceptable to Ayala Land or at all. See sections "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of the Bonds" of this Prospectus.

Ayala Land has historically taken a prudent stance in managing its debt obligations by ensuring that any corporate act, whether or not performed in the ordinary course of business, does not violate any existing debt covenants. In the event that any significant corporate act or business transaction is seen to potentially affect its debt covenants that would lead to accelerating the payment of existing debt, Ayala Land shall endeavor to obtain the necessary waivers in accordance with relevant debt agreements.

4. The occurrence of certain events of default under Ayala Land's other debt could affect Ayala Land's ability to repay the Bonds

A significant portion of the debt of Ayala Land contains terms which allow a lender to accelerate Ayala Land's debt if any event or change in circumstances occurs which, in the sole opinion of such lender, would materially impair Ayala Land's ability to repay its debt. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of the Company's debt. In which case, it may not be able to perform its payment obligations under the Bonds.

Ayala Land has not defaulted in any of its debt obligations while the PRS Aaa rating for its ₱4.0 billion Bonds has been maintained by PhilRatings since the time of issuance in August 2008. It shall continue its strategy of compliance with its debt obligations by adopting the necessary internal controls in financial management and adopting good corporate governance policies that will ensure that transactions do not violate debt covenants.

5. The Bonds will be effectively subordinated to other debt

The Bonds will be effectively subordinated in right of payment to all secured debt of Ayala Land to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

Under Philippine law, in the event a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt not evidenced by a public instrument. Debt becomes evidenced by a public instrument when it has been acknowledged by the creditor and the debtor before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a *jurat* (a statement by one party of the circumstances in which an affidavit was made) may also be sufficient to make a document a public instrument. Accordingly, it may be possible for debt to become evidenced by a public instrument through the unilateral action of a creditor without the knowledge of the borrower.

As of December 31, 2011, ₱27.8 billion of Ayala Land's consolidated short-term and long-term debt of ₱34.5 billion was evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Ayala Land.

Notwithstanding the foregoing, investors are assured of Ayala Land's continuing track record of prudent financial management which has allowed it to be in a net debt-to-equity position of 0.16:1.00 as of December 31, 2011. Thus, in the unlikely event that Ayala Land is dissolved, there will be sufficient assets for disposition that will meet all its debt obligations, whether secured or unsecured.

6. Ayala Land from time to time considers business combination alternatives

Although Ayala Land's loan covenants contain certain restrictions on business combinations, Ayala Land will be able to engage in certain types of combinations. Business combinations involve financial and operational risks and could result in significant changes to Ayala Land's operations, management and financial condition. These changes could adversely affect Ayala Land's ability to fulfill its obligations under the Bonds and reduce the value of the Bonds.

Ayala Land takes into consideration its existing debt obligations and concomitant debt covenants in making any major business investments or acquisitions. Any financial commitments under such business combinations are evaluated in terms of the inflow of revenues of such projects and their ability to service their own financial requirements once fully operational.

7. Successful development of Ayala Land's projects is dependent on various factors

There is no certainty that Ayala Land's current and future projects will be implemented as planned and within the projected timetable. Real estate developments are subject to risks such as delays in obtaining financing and/or finalizing project plans and/or obtaining approvals, increases in construction costs, natural calamities and/or market downturns hereinafter described. Ayala Land's future financial performance may be significantly affected by factors that limit its ability to finance and complete its current and future projects in a timely and cost-effective manner and to market them successfully.

Ayala Land continually looks for growth opportunities in different market segments and geographic areas in order that any negative impact on a particular market segment or geographic area by reason of political, economic or other factors will allow it to pursue its projects or other developments not affected thereby, thus providing it with a steady revenue base.

8. Ayala Land's business is affected by regulation in the Philippines

Ayala Land operates a material part of its businesses in a regulated environment. Ayala Land is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions and the management and disposal of, and exposure to, hazardous materials.

Ayala Land cannot predict what environmental or health and safety legislation or regulations will be amended or enacted in the future; how existing or future laws or regulations will be enforced, administered or interpreted; or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations or to respond to environmental claims.

Ayala Land, through its construction and property management arms, keeps itself abreast of the latest technologies that enable it to implement existing sanitation, environment and safety laws and regulations at cost-efficient means, a strategy which has earned Ayala Land awards from several local and international organizations.

9. Natural catastrophes may affect Ayala Land's businesses adversely

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, volcanic eruptions and earthquakes. The occurrence of such natural catastrophes may materially disrupt and adversely affect the business operations of Ayala Land.

Although there can be no assurance that it will be adequately compensated for all damages and economic losses resulting from natural catastrophes, Ayala Land maintains comprehensive insurance against natural catastrophes to cover its various developments.

10. Government and Economic Factors

The growth and profitability of Ayala Land will be influenced by the general political situation in, and the state of the economy of, the Philippines. Any political or economic instability in the future may have a negative effect on the financial results of Ayala Land and the level of dividends paid and distributions made by Ayala Land's subsidiaries.

Political Considerations

The Philippines has from time to time experienced political and military instability. In February 1986, a peaceful uprising ended the 21-year rule of President Ferdinand Marcos and installed Corazon Aquino as President of the Philippines. Between 1986 and 1989, there were a number of attempted *coups d'etat*, none of which were successful. Political conditions in the Philippines were generally stable during the 1990s following the election of Fidel V. Ramos as President in 1992.

In 2000, Ramos' successor, Joseph Estrada, was subject to allegations of corruption, resulting in impeachment proceedings, mass public protests, withdrawal of support of the military, and Estrada's removal from office. The Vice President, Gloria Macapagal-Arroyo, was sworn in as President on January 20, 2001. In May 2001, violent clashes between government forces and Estrada loyalists occurred when Estrada was imprisoned to face charges of plunder.

On July 23, 2003, a group of more than 200 armed soldiers took over and occupied the Oakwood Premier Ayala Center, a serviced apartment project owned by Makati Property Ventures, Inc., a former subsidiary of Ayala Hotels, Inc., and located at the Ayala Center in Makati City. The group accused the Arroyo administration of corruption and terrorist acts. After hours of negotiations, the group agreed to return to barracks. The soldiers have been demoted following their prosecution in the court martial proceedings.

The Philippines has also been subject to sporadic terrorist attacks in the past five years. The Philippine army has been in conflict with the Abu Sayyaf organization which has been identified as being primarily responsible for kidnapping and terrorist activities in the Philippines. A series of bombings in the southern part of the Philippines also occurred in 2004. On February 14, 2005, three bomb explosions in the Makati financial district in Manila, Davao City and General Santos City resulted in the deaths of eight persons and injuries to more than 100 people.

On May 10, 2004, national presidential elections were held and, on June 24, 2004, pursuant to the Constitution, a joint session of Congress declared Gloria Macapagal-Arroyo as President-elect. President Arroyo began her six-year term on June 30, 2004. Certain opposition candidates including defeated presidential candidate Fernando Poe, Jr. questioned the election results, alleging massive fraud and disenfranchisement of voters. On July 23, 2004, Mr. Poe petitioned the Philippine Supreme Court, acting as the Presidential Electoral Tribunal, to order a recount of votes cast in more than 118,000 precincts nationwide. The petition was eventually dismissed following the death of Mr. Poe on December 14, 2004.

On November 29, 2007, a Philippine Senator and former lieutenant, Antonio Trillanes IV, led a group of military officers in walking out of a trial for the occupation of the Oakwood Premier Ayala Center and seizing a hotel in Makati to demand President Arroyo's resignation. The group peacefully surrendered after a 6-hour standoff with government forces.

In 2010, the country held its first computerized elections under the supervision of the Commission on Elections, where the son of former President Corazon C. Aquino Senator Benigno S. Aquino III -won the presidency by a wide margin over closest rival former President Joseph Estrada. Aquino's victory displayed the highest electoral mandate for the winning president (post the 1987 Constitution) at 42% or more than 15 million votes. The vice-presidential race was won by former Makati City Mayor Jejomar S. Binay with a tight margin over second running candidate Senator Mar Roxas.

While the current administration is pursuing rapid, broad-based and sustainable economic growth, there is no assurance that the future administrations will adopt economic policies conducive to sustaining economic growth. Any future economic, political or social instability in the Philippines could adversely affect Ayala Land's business, financial condition or results of operations.

Economic Considerations

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency, imposition of exchange controls, debt restructuring and electricity shortages and blackouts.

The regional Asian financial crisis in 1997 resulted in, among others, the depreciation of the Philippine peso, higher interest rates, slower growth and a reduction in the country's credit ratings. Since the Asian financial crisis, the country experienced a ballooning budget deficit, volatile exchange rates and a relatively weak banking sector.

The government instituted several reform measures in the fiscal and banking sectors, among others, that strengthened the country's economic fundamentals, resulting in improved investor confidence and increased economic activities. However, real gross domestic product (GDP) growth slowed down to 3.7% in 2011 versus a 7.3% growth registered in 2010 as a result of weak government spending and uncertainties in the global financial markets, particularly in Europe. Should economic conditions of the Philippines deteriorate, such deterioration could affect Ayala Land's financial condition and results of operations.

To mitigate the abovementioned risks, Ayala Land shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing business, economic, and political environments taking into consideration the interests of its customers, stakeholders and creditors.

RISKS RELATING TO THE BONDS

Liquidity Risk

The Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Company cannot guarantee that the market for the Bonds will always be active or liquid. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

As with all fixed income securities, the Bond's market value moves (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders who may either make a gain or incur a loss when they decide to sell the Bonds.

Retention of Ratings Risk

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Bonds have no Preference under Article 2244(14) of the Civil Code

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident foreign individual" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident foreign individual" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident foreign individual who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident foreign individual doing business in the Philippines," otherwise, such non-resident foreign individual who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident foreign individual not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

TAXATION OF INTEREST

The National Internal Revenue Code of 1997, as amended, provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident foreign individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20%. Generally, interest on the Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% withholding tax while that received by non-resident foreign individuals not engaged in trade or business is taxed at the rate of 25%. Interest income on the Bonds received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 30% final withholding tax. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

The foregoing rates applicable to non-residents are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest arises in the Philippines and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

VALUE-ADDED TAX

Gross income arising from the sale of the Bonds in the Philippines by Philippine-registered dealers in securities shall be subject to a 12% value-added tax.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five (5) years or less	5%
Maturity period is more than five (5) years	1%

In case the maturity period referred above is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of ₱1.00 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

Under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with a maturity date of more than five (5) years shall not be subject to income tax.

Estate and Donor's Tax

The transfer of the Bonds from the estate of a deceased person to his heirs shall be subject to estate tax, which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000.

A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000, and where the donee or beneficiary is other than a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor and lineal descendant or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

Where the deceased or donor is a non-resident, the above rules shall apply only to his properties, including the Bonds, that are located in the Philippines at the time of death (for a deceased) or donation (for a donor).

USE OF PROCEEDS

Ayala Land expects that the net proceeds of the Offering shall amount to approximately ₱14.9 Billion after fees, commissions and expenses. Proceeds from the Offering are intended to be used for general corporate purposes

Net proceeds from the Offer is estimated as follows:

		Total
Estimated proceeds from the sale of the Bonds		₱15,000,000,000.00
Less: Estimated Upfront Expenses		
Documentary Stamp Tax	75,000,000.00	
Underwriting Fee	54,035,000.00	
Rating Fee	5,040,000.00	
SEC Registration		
SEC Registration Fee	4,312,500.00	
SEC Legal Research Fee	43,125.00	
Estimated Professional Expenses	1,960,000.00	
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	500,000.00	
Registry and Paying Agency Fee	337,500.00	
Trustee Fees	112,500.00	
Listing Fee	100,000.00	
		141,440,625.00
Estimated net proceeds to Ayala Land, Inc.		₱14,858,559,375.00

Aside from the fees enumerated above, the Company will be paying the following estimated annual fees related to the Bonds:

1. PhilRatings annual monitoring fee of ₱560,000.00;
2. BPI-AMTG as trustee to the Bondholders annual retainer fee of ₱250,000.00, in quarterly payments;
3. PDTC registry maintenance annual fee of ₱375,000.00, in quarterly payments;
4. PDTC as paying agent annual fee of ₱200,000.00; and
5. PDEx annual listing maintenance fee of ₱300,000.00.

All other expenses incurred in connection with the offering of the Bonds, including documentary stamp tax, fees of the Trustee, Registrar and Paying Agent and the Joint Lead Managers and Underwriters and Co-Lead Manager's legal counsel will be for the account of the Issuer.

In the event of any deviation / adjustment in the planned use of proceeds, the Company shall inform the SEC and the stockholders of the same within 30 days prior to its implementation.

Net Proceeds from the Offering will be used by Ayala Land to partially support its consolidated project and capital expenditure program for 2012. At the start of this year, Ayala Land budgeted a total of ₱37.0 billion for consolidated project and capital expenditures to be spent this year, broken down as follows:

Residential developments Ongoing and new residential projects such as Park Terraces, West Super Block, Ayala Westgrove Heights; Nuvali projects (Santierra, Elaro, Venare, Treveia, Avida Village and Avida Estates, Avida Parkway Settings, Avida Settings); Other Makati projects (Senta and Lerato); Marquee Residences; Leisure projects (Kasa Luntian and Anvaya); Avida Towers in Alabang, Centera, Bonifacio Global City, New Manila, San Lorenzo, Sucat and Cebu; Amaia Scapes in Laguna, Cavite and Lipa; Amaia Skies in Cubao; Amaia Steps in Novaliches; and BellaVita in Gen. Trias	**57%**
Corporate business BPO offices which include UP North Science and Technology Park Expansion, UPIS Office, Glorietta 1 & 2, Abreeza and Baguio	**4%**
Shopping centers Ayala Center Redevelopment, UPIS Mall, Solenad, The District Cavite, Northpoint Mall, Harbour Point Mall, Fairview Mall, Abreeza Mall and Centrio Mall	**13%**
Landbank management Startegic areas around Metro Manila and around the country	**12%**
Visayas-Mindanao Visayas and Mindanao expansion	**2%**
Hotels & Resorts businesses Kukun Hotels, Holiday Inn, El Nido Resorts	**12%**
	100%

Ayala Land intends to launch about 24,800 residential units, 20% more than the 20,613 units launched in 2011. ALI also plans to aggressively expand its leasing portfolio as it continues to work on its programmed two (2) million sqm and 750,000 sqm expansion of its shopping centers and business process outsourcing (BPO) office leasable area, respectively, over the next 5 years.

In addition to the Net Proceeds from the Offering, project and capital expenditures will be funded from existing cash and cash from operations, pre-selling, additional borrowings and proceeds from the sale of non-core assets.

The Company will adjust its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

DETERMINATION OF OFFERING PRICE

The Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

BPI Capital, HSBC, BDO Capital, and FMIC, pursuant to an Underwriting Agreement with Ayala Land dated April 12, 2012 (the "Underwriting Agreement"), have agreed to act as the Underwriters for the Offer and as such, distribute and sell the Bonds at the Issue Price, and have also committed to underwrite up to ₱15,000,000,000 on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

The amount of the commitments of the Underwriters are as follows:

BPI Capital	₱6,000,000,000
HSBC	₱5,000,000,000
BDO Capital	₱2,000,000,000
FMIC	₱2,000,000,000
Total	**₱15,000,000,000**

There is no arrangement for the Underwriters to return to Ayala Land any unsold Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Ayala Land of the net proceeds of the Bonds.

The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Ayala Land or other members of the Ayala Group of which Ayala Land forms a part.

Except for BPI Capital, the Underwriters have no direct relations with Ayala Land in terms of ownership by either of their respective major stockholder/s. BPI Capital is a wholly-owned subsidiary of the Bank of the Philippine Islands (BPI). Ayala Land and BPI are affiliated companies, each having Ayala Corporation as a major shareholder.

SALE AND DISTRIBUTION

The distribution and sale of the Bonds shall be undertaken by the Underwriters who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters from purchasing the Bonds for their own respective accounts.

OFFER PERIOD

The Offer Period shall commence on April 16,2012 and end at 5:00 p.m. on April 23, 2012.

APPLICATION TO PURCHASE

Applicants may purchase the Bonds during the Offer Period by submitting to the Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Bonds in the manner provided therein. Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory(ies) thereof. Individual applicants must also submit, in addition to the foregoing, a photocopy of any one of the following identification cards (ID): passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by Ayala Land. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

ALLOTMENT OF THE BONDS

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, subject to Ayala Land's right of rejection.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the Underwriters from whom such application to purchase the Bonds was made.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk.

PURCHASE AND CANCELLATION

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract at any price without any obligation to make pro-rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

SECONDARY MARKET

Ayala Land intends to list the Bonds in the PDEx. Ayala Land may purchase the Bonds at any time in the PDEx trading system without any obligation to make pro-rata purchases of Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. The Issuer will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered in the Register of Bondholders.

DESCRIPTION OF THE BONDS

The following is a description of certain terms and conditions of the Bonds. This description of the terms and conditions of the Bonds set forth herein does not purport to be complete and is qualified in its entirety by reference to the agreements relating to the Bonds, copies of which are available for inspection at the offices of the Trustee. The terms and conditions set out in this section will, subject to amendment, be set out in the Trust Agreement between the Issuer and the Trustee.

The issue of up to ₱15,000,000,000.00 aggregate principal amount of Seven-Year Bonds and Ten-Year Bonds (the "Bonds") was authorized by a resolution of the Board of Directors of Ayala Land dated February 20, 2012. The Bonds shall be constituted by a Trust Agreement executed on April 12, 2012 (the "Trust Agreement") between the Issuer and BPI-AMTG (the "Trustee", which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement). The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A Registry and Paying Agency Agreement executed on April 12, 2012 (the "Registry and Paying Agency Agreement") in relation to the Bonds among the Issuer, the Registrar, and the Paying Agent. The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (₱50,000.00) in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market. The Seven-Year Bonds shall mature on April 27, 2019 and the Ten-Year Bonds shall mature on April 27, 2022, unless earlier redeemed by the Issuer pursuant to the terms of the call options thereof and subject to the provisions on redemption and payment below.

PDTC has no interest in or relation to Ayala Land which may conflict with its roles as Registrar and as Paying Agent for the Offer. BPI-AMTG has no interest in or relation to the Ayala Land which may conflict with the performance of its functions as Trustee.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Registrar. The holders of the Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

Form and Denomination

The Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (₱50,000.00) each, as a minimum, and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

Title

Legal title to the Bonds shall be shown in the register of Bondholders (the "Register of Bondholders") maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all

Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

BOND RATING

The Bonds have been rated PRS Aaa by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. The ratings reflect the following factors: (1) ALI's well diversified portfolio, complemented by solid brand equity and a highly experienced management team; (2) sound profitability, coupled with strong cash flow generation and cash reserves and (3) conservative capitalization, with ample room for additional debt. The ratings also consider the continued favorable outlook in terms of the performance of the real estate sector, backed by sound economic fundamentals. PRS Aaa is the highest rating assigned by PhilRatings.

PhilRatings' ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to ALI and may change the ratings at any time, should circumstances warrant a change. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

TRANSFER OF BONDS

Register of Bondholders

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas,* the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Bonds may be made during the period commencing on a Record Date as defined in the section on "Interest Payment Date."

Transfers; Tax Status

Bondholders may transfer their Bonds at any time to persons of similar tax status (*i.e.*, tax-exempt to tax-exempt, taxable to taxable); otherwise, such Bondholder may sell only on an Interest Payment Date. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under *"Payment of Additional Amounts; Taxation",* below, within three days from the settlement date for such transfer. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEx shall be allowed between tax-exempt and non-tax exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days' notice to the Trustee) at par plus accrued interest.

Payment of Additional Amounts; Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between 20% and 30% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

(a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the Tax Reform Act of 1997, as amended and its implementing rules and regulations as maybe in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

(d) Value Added Tax (“VAT”) under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer’s account.

Secondary Trading of the Bonds

The Issuer intends to list the Bonds in PDEx for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof for as long as any of the Bonds are listed on PDEx. Secondary market trading in PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEx and PDTC.

RANKING

The Bonds constitute direct, unconditional, and unsecured Peso-denominated obligations of the Issuer and shall rank pari *passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations preferred by the law.

INTEREST

Interest Payment Dates

Each Bond bears interest on its principal amount from and including Issue Date at the rate of 5.6250% p.a. for Seven-Year Bonds and 6.0000% p.a. for Ten-Year Bonds, payable semi-annually in arrears on October 27, 2012 for the first interest payment date, and April 27 and October 27 of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment, if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the respective Maturity Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date (the “Record Date”), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

Each Bond shall cease to bear interest from and including the Maturity Date, as defined in the discussion on *“Final Redemption”,* below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *“Penalty Interest”,* below) shall apply.

Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

CALL OPTIONS

Seven-Year Bond Call Option

On the Seven-Year Bond Call Option Date, the Issuer shall have the right, but not the obligation, to redeem (in whole but not in part) the outstanding Seven-Year Bonds at a redemption price computed as the sum of: (i) one hundred and one half percent (101.5%) of face value of the outstanding principal amount of the Bonds being redeemed; and (ii) accrued interest computed up to the Seven-Year Bond Call Option Date.

Seven-Year Bond Call Option Date

The Issuer may exercise the one-time call option on the Seven-Year Bonds on the 1st Business Day immediately succeeding the 10th Interest Payment Date on April 27, 2017.

Ten-Year Bond Call Option

On the Ten-Year Bond Call Option Date, the Issuer shall have the right, but not the obligation, to redeem (in whole but not in part) the outstanding Ten-Year Bonds at a redemption price computed as the sum of: (i) one hundred two percent (102%) of face value of the outstanding principal amount of the Bonds being redeemed; and (ii) accrued interest computed up to the Ten-Year Bond Call Option Date.

Ten-Year Bond Call Option Date

The Issuer may exercise the one-time call option on the Ten-Year Bonds on the 14th Interest Payment Date on April 27, 2019, or the immediately succeeding Business Day if such date is not a Business Day.

Exercise of the Call Options

Should the Issuer elect to exercise a Call Option, it shall do so by delivery of an original and three (3) copies of a notice of such exercise to the Trustee, submitted during business hours on a date no earlier than 60 days and no later than 30 days prior to the relevant Call Option Date. Once executed, completed and delivered to the Trustee, a Call Option notice is irrevocable.

Upon receipt of a Call Option notice fully complying with these Terms and Conditions, the Trustee shall transmit the same notice to the Bondholders.

Notwithstanding anything to the contrary, in the event the Issuer has notified the Trustee that it will exercise the Call Option, any interest payment due on the Interest Payment Date immediately preceding the relevant Call Option Date shall be paid on such Call Option Date.

REDEMPTION AND PURCHASE

Final Redemption

Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on April 27, 2019 for the Seven-Year Bonds and on April 27, 2022 for the Ten-Year Bonds (the "Maturity Date"). However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the Maturity Date is not a Business Day.

Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days' notice to the Trustee) at par plus accrued interest.

Purchase and Cancellation

The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("Change of Law") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

(a) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.

(b) Any provision of the Trust Agreement or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents.

(c) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the cash settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent, subject as provided in the Paying Agency and Registry Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

FINANCIAL RATIOS

The Issuer shall maintain a Debt to Equity Ratio of not more than 3:1. “Debt to Equity Ratio” means the ratio which Total Liabilities bears to Total Stockholders’ Equity.

NEGATIVE PLEDGE

For as long as any of the Bonds remain outstanding, the Issuer covenants that it shall not, without the prior written consent of the Bondholders holding more than 50% of the principal amount of the Bonds then outstanding (the “Majority Bondholders”), permit any indebtedness for borrowed money to be secured by or to benefit from Security in favor of any creditor or class of creditors without providing the Bondholders with the same kind or class of Security, the benefit of which is extended equally and ratably among them to secure the Bonds; provided however that, this restriction shall not prohibit the following:

(a) Any Security over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (i) the payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset.

(b) Any Security constituted for any obligation or credit facility incurred for the purpose of pursuing any infrastructure project or investment therein, whether such infrastructure project is undertaken by the Issuer itself, by its Affiliates, and/or by the Issuer or its Affiliates with third parties, and whether the same is carried on separately from or integrated with any of the real estate development of the Issuer, or any Security constituted by the Issuer on its right to receive income or revenues (whether in the form of dividends or otherwise) from infrastructure projects or related investments therein.

(c) Any Security created for the purpose of paying current Taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty; or the validity of which is contested in good faith in appropriate proceedings upon stay of execution of the enforcement thereof and adequate reserves having been provided for the payment thereof.

(d) Any Security to secure, in the normal course of the business of the Issuer or its Affiliates: (i) statutory or regulatory obligations; (ii) surety or appeal bonds; (iii) bonds for release of attachment, stay of execution or injunction; or (iv) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases.

(e) Any Security: (i) imposed by law, such as carrier's, warehousemen's, mechanics' liens and other similar liens arising in the ordinary course of business and not material in amount; (ii) arising out of pledge or deposits under the workmen's compensation laws, unemployment insurance, old age pensions or other social security or retirement benefits or similar legislation; and (iii) arising out of set-off provisions in the normal course of its financing arrangements; provided that, the Bondholders hereunder shall also have to the extent permitted by applicable law, and upon notice to the Issuer, a similar right of set-off.

(f) Any Security in favor of banks, insurance companies, other financial institutions and Philippine government agencies, departments, authorities, corporations or other juridical entities, which secure a preferential financing obtained by the Issuer under a governmental program, and which cover assets of the Issuer which have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding Five Billion Pesos (₱ 5,000,000,000.00).

(g) Any Security existing on the date of the Trust Agreement which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Agreement.

(h) Any Security established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets or the requirements of the BSP on loans and financial accommodations extended to directors, officers, stockholders and related interest.

(i) Any Security constituted for the purpose of guaranteeing an obligation of an Affiliate in connection with any contract or agreement that has been assigned to such Affiliate by the Issuer.

(j) The assignment, transfer or conveyance of the right of the Issuer to receive any of its income or revenues from receivables arising out of the sale of property held for sale by the Issuer in the ordinary course of business ("Project Receivables").

(k) The assignment, transfer or conveyance of the right of the Issuer to receive any income or revenues other than from Project Receivables; provided that, the constitution by the Issuer of such lien shall not cause the Issuer to exceed the ratio of the amount of indebtedness of the Issuer secured by any lien constituted pursuant to this subparagraph (k) to the non-current assets of the Issuer (as computed in accordance with Philippine Financial Reporting Standards and based on the most recent audited financial statements of the Issuer) which ratio shall not be more than 0.5:1.

(l) Any Security to be constituted on the assets of the Issuer after the date of the Trust Agreement which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Agreement or any Security for an aggregate loan accommodation not exceeding the equivalent of 10% of the market value of the consolidated assets of the Issuer as reflected in the latest appraisal report submitted by an independent and reputable appraiser.

(m) Any Security constituted over the investment of the Issuer in any of its Affiliates, whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said Affiliates.

(n) Any Security constituted for the purpose of guaranteeing an obligation of an Affiliate in connection with any contract or agreement (other than for borrowed money).

(o) Any title transfer or retention of title arrangement entered into by the Issuer in the normal course of its trading activities on the counterparty's standard or usual terms;

(p) Any Security created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purpose of securing loan facilities denominated in Philippine Pesos granted by the Issuer in an aggregate principal amount not exceeding the amount of the deposit of the face amount (or value) of that financial instrument;

(q) Any Security created over cash deposits or marketable investment securities in favor of a bank or financial institution to secure any borrowed money in connection with a treasury transaction; *provided that*, the aggregate amount of security does not at any time exceed US$30,000,000.00 or its equivalent. For this purpose, a "treasury transaction" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management;

(r) The assignment, transfer or conveyance by way of security (in any case without recourse) if the Issuer's right to receive any income or revenues from any asset of the Issuer not used in the ordinary course of business; *provided that*, the constitution by the Issuer of such security shall not cause the Issuer to breach the Debt to Equity Ratio.

EVENTS OF DEFAULT

The Issuer shall be considered in default under the Bonds and the Trust Agreement in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) *Payment Default*

The Issuer fails to pay when due and payable any amount which the Issuer is obliged to pay to the Bondholders under the Trust Agreement and the Bonds, provided that, such non-payment shall not constitute and Event of Default if it is solely due to an administrative or technical cause, not attributable to the fault or negligence of the Issuer, affecting the transfer of funds despite timely payment instruction being given by the Issuer and such payment is received by the Paying Agent within two (2) Business Days from the relevant due date.

(b) *Representation/Warranty Default*

Any representation and warranty of the Issuer hereof or any certificate or opinion submitted pursuant hereto proves to have been untrue, incorrect or misleading in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than 14 days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Bondholders to that effect.

(c) *Other Default*

The Issuer fails to perform or violates any other provision, term of the Trust Agreement and the Bonds, and such failure or violation is not remediable or, if remediable, continues to be unremedied after the applicable grace period, or in the absence of such grace period, after 30 days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed financial ratio, (particularly a maximum debt to equity ratio of 3:1.0 and within ten (10) Business Days from the date of the occurrence of said violation, with respect to any other covenant or obligation; provided that, the Events of Default constituting a payment default, expropriation, insolvency or closure default, or a violation of a negative covenant shall not be remediable.

(d) *Cross Default*

The Issuer violates any term or condition of any contract executed by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within ten (10) Business Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the Bonds; provided however that, no event of default shall occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds Five Hundred Million Pesos (₱ 500,000,000.00).

(e) *Expropriation Default*

The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or the substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

(f) *Insolvency Default*

The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which term shall include, but shall not be limited to: (i) filing of a petition in any bankruptcy, reorganization (other than a labor or management reorganization), winding-up, suspension of payment or liquidation proceeding, or any other proceeding analogous in purpose and effect; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors; (iv) the admission in writing by the Issuer of its inability to pay its debts; or (v) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization (other than a labor or management reorganization), winding-up, liquidation or appointment of trustee or receiver of the Issuer or a substantial portion of its property or assets, and the relevant proceedings, to the extent not initiated by the Issuer, shall not have been reversed or stayed within a period of 60 days or such longer period as the Issuer satisfies the Bondholders is appropriate under the circumstances.

(g) *Judgment Default*

Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of Five Hundred Million Pesos (₱500,000,000.00) or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within 30 calendar days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

(h) *Writ and Similar Process Default*

Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of the Issuer's assets, business or operations and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within 30 calendar days after its issue or levy.

(i) *Closure Default*

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of 30 calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or *force majeure.*

CONSEQUENCES OF DEFAULT

(a) If any one or more of the Events of Default shall have occurred and be continuing, either the Trustee, by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding.

(b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default*,* the Majority Bondholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such declaration made by the Trustee pursuant to a consequence of default*,* and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; *provided that,* no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

(c) At any time after any Event of Default shall have occurred, the Trustee may:

i. by notice in writing to the Issuer, require the Registrar and Paying Agent to:

(x) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Paying Agency and Registry Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

(y) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided that, such notice shall be deemed not to apply to any document or record which the Registrar and Paying Agent is not obliged to release by any law or regulation; and

ii. by notice in writing to the Issuer require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, proviso (x) above and the Issuer's positive covenant to pay principal and interest on the Bonds, more particularly set forth in Section 4.1(a) of the Trust Agreement, shall cease to have effect.

In case any amount payable by the Issuer under the Bonds, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay Penalty Interest on the defaulted amount(s) from the time the amount falls due until it is fully paid.

(d) If any one or more of the events enumerated as a Change of Law in the section *"Change in Law or Circumstance"* above, shall occur and be continuing for a period of 30 days with respect to the events contemplated in (a) or (b) of said section, and for a period of 15 Business Days with respect to the events contemplated in (c) of said section, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said 15 or 30-day period, may declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any pre-payment penalty, anything in the Trust Agreement or in the Bonds contained to the contrary notwithstanding, subject to the notice requirements under the discussion on *"Notice of Default"* below.

Notice of Default

The Trustee shall, within 30 days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as described in *“Payment Default”* above, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 12% p.a. (the “Penalty Interest”) from the time the amount falls due until it is fully paid.

Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first,* to the payment to the Registrar and Paying, to the Trustee, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second,* to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest, which payment shall be made pro-rata among the Bondholders; *third,* to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, with Penalty Interest, which payment shall be made pro-rata among the Bondholders; and *fourth,* the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee.

Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion below on *"Ability to File Suit".*

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for 60 days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, expropriation default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

TRUSTEE; NOTICES

Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Agreement and this Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Bank of the Philippine Islands – Asset Management and Trust Group
Attention:	The Trust Officer
Subject:	Ayala Land Fixed Rate Callable Bonds due 2019 and 2022
Address:	17th Floor Bank of the Philippine Islands Building 6768 Ayala Avenue corner Paseo de Roxas, Makati City

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Notice to the Bondholders

The Trustee shall send all Notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) 15 days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by Ayala Land to the Securities and Exchange Commission on a matter relating to the Bonds shall be deemed a notice to Bondholders of said matter on the date of the first publication.

Binding and Conclusive Nature

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement.

Duties and Responsibilities of the Trustee

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

(c) None of the provisions contained in this Agreement or Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving 30 days' prior written notice to the Issuer and to the Bondholders of such resignation.

(b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide holder for at least six months (the "Bona Fide Bondholder") may, for and in behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee. A successor trustee must possess all the qualifications required under pertinent laws.

(c) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within 30 days there from remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor trustee, any Bona Fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee.

(d) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders.

(e) Any resignation or removal of the Trustee and the appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee; provided however that, until such successor trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities as herein provided; provided finally that, such successor trustee possesses all the qualifications as required by pertinent laws.

Successor Trustee

(a) Any successor trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

Reports to the Bondholders

(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

    (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders a brief report within 90 days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

Inspection of Documents

The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

1. Trust Agreement
2. Registry and Paying Agency Agreement
3. Articles of Incorporation and By-Laws of the Company
4. Registration Statement of the Company
5. Opinions of the legal counsels indicated above

MEETINGS OF THE BONDHOLDERS

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty five percent (25)% of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than 45 days nor later than 15 days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

Failure of the Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

Procedure for Meetings

(a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(b) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one (1) or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous.

Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

AMENDMENTS

The Issuer and the Trustee may amend or waive any provisions of the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the Terms and Conditions of the Bonds with notice to every Bondholder following the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds) or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

(a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on any Bond;

(c) reduce the principal of or extend the Maturity Date or vary the Call Option Date of any Bond;

(d) impair the right of any Bondholder to receive payment of principal of and interest on such holder’s Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;

(e) reduce the amount payable upon the redemption or repurchase of any Bond under the Terms and Conditions or change the time at which any Bond may be redeemed;

(f) make any Bond payable in money other than that stated in the Bond;

(g) subordinate the Bonds to any other obligation of Ayala Land;

(h) release any security interest that may have been granted in favor of the Bondholders;

(i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or

(j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the paragraph entitled "Notice to the Bondholders."

GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

VENUE

Any suit, action, or proceeding against the Issuer with respect to the Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

WAIVER OF PREFERENCE

The obligation created under the Bond Agreements and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

CERTAIN DEFINED TERMS

The following sets forth the respective definitions of certain terms used in this Terms and Conditions of the Bonds. Except as otherwise provided and where context indicates otherwise, defined terms in this Terms and Conditions of the Bonds have the meanings ascribed to them in the Trust Agreement.

(a) **Affiliate** means any corporation, directly or indirectly controlled by the Issuer, whether by way of ownership of at least 20% of the total issued and outstanding capital stock of such corporation, or the right to elect at least 20% of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of contract or authority granted by said corporation to the Issuer.

(b) **Bankruptcy** means, with respect to a Person, (a) that such Person has (i) made an assignment for the benefit of creditors; (ii) filed a voluntary petition in bankruptcy; (iii) been adjudged bankrupt, or insolvent; or had entered against such Person an order of relief in any bankruptcy or insolvency proceeding; (iv) filed a petition or an answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation or filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of such nature; or (v) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties; (b) 60 days have elapsed after the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation and such proceeding has not been dismissed; or (c) 60 days have elapsed since the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties and such appointment has not been vacated or stayed or the appointment is not vacated within 60 days after the expiration of such stay.

(c) **Current Liabilities** means the aggregate (as of the relevant date of circulation) of all liabilities of the Issuer falling due on demand or within one (1) year, including that portion of Long Term Debt which falls due within one (1) year (but excluding the current portion of any provision for estimated liability for land and property development) and such other liabilities as would be determined as such under the Philippine Financial Reporting Standards.

(d) **Long Term Debt** means the aggregate (as of the relevant date of calculation) of all those component parts of the liabilities of the Issuer which fall due or whose final payment is due on a date more than one (1) year after the relevant date for calculation, exclusive of reserve for land development and deferred credits, i.e., unearned income and/or unrealized gains.

(e) **Majority Bondholders** means the holders of more than 50% in principal amount, of the Bonds then outstanding.

(f) **Security** means any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties, for the purpose of securing its or its Affiliates' obligation.

(g) **Total Liabilities** means the aggregate (as of the relevant date for calculation) of Current Liabilities and Long Term Debt.

(h) **Total Stockholders' Equity** means the aggregate (as of the relevant date for calculation) of the par value of the outstanding common stock, preferred stock, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the property, plant and equipment of the Issuer effected in compliance with the Philippine Financial Reporting Standards, and any reserve for expansion projects, less any intangible assets such as, but not limited to, goodwill, trademarks, patents, copyrights, leaseholds, and treasury stocks.

INTERESTS OF NAMED EXPERTS

LEGAL MATTERS

All legal opinion / matters in connection with the offering of the Bonds which are subject of this Offer will be passed upon by SyCip Salazar Hernandez & Gatmaitan for the Underwriters and by Co Ferrer & Ang-Co Law Offices for the Company.

INDEPENDENT AUDITORS

SyCip Gorres Velayo & Co., independent auditors and a member firm of Ernst & Young Global, audited Ayala Land, Inc. and Subsidiaries' consolidated financial statements as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 included in this Prospectus.

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

DESCRIPTION OF BUSINESS

Overview

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation's existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an IPO of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation's effective interest in Ayala Land to 88%. Since then, Ayala Corporation's effective interest has been further reduced to about 53% as of December 31, 2009 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, exchanges under Bonds due 1996 and Bonds due 2001, disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993. Further reduction of Ayala Corporation's equity in Ayala Land has also been effected by the conversions to Ayala Land common B shares of the entire ₱3 billion convertible Long Term Commercial Paper publicly issued in December 1994.

As of December 31, 2011, equity attributable to equity holders of Ayala Land, Inc. amounted to ₱62.4 billion. It is listed on the PSE with a market capitalization of ₱197.4 billion as of December 29, 2011 based on Ayala Land's common share closing price of ₱15.16 as of that date.

Ayala Land's Businesses

Ayala Land is the largest real estate conglomerate in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses.

The Residential Business Group ("RBG") of Ayala Land develops and sells high-end residential and leisure community developments through Ayala Land Premier ("ALP"); taps the middle-income urban residential segment through its wholly-owned subsidiary Alveo; develops and sells affordable house-and-lot packages and farm/hacienda lots through Avida, also a wholly-owned subsidiary; and caters to the economic and socialized housing segments through its subsidiaries Amaia Land Corp. (formerly First Communities Realty, Inc.) and BellaVita Land Corp. (formerly South Maya Ventures, Inc.)

Ayala Land's Strategic Landbank Management Group ("SLMG") is involved in the acquisition, development and sale of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, hotels and resorts, and all the services that make up a vibrant and sustainable community.

The Ayala Malls Group ("AMG") develops shopping centers and leases to third parties retail space and land therein. Through its subsidiaries, Ayala Theaters Management, Inc. and Five Star Cinema, Inc., it also operates movie theatres in these shopping centers. The Company has also ventured into the operation of food courts and entertainment facilities to complement its shopping center operations. A wholly-owned subsidiary Primavera Town Centre, Inc. was also formed to develop, operate and manage smaller retail formats with a size of less than 10,000 sqm of GLA called neighborhood centers.

The Company's Ayala Businesscapes Group ("ABG") is involved in the development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings; and fee-based management and operations of office buildings.

The Company's Hotels and Resorts Group is involved in the development, operation and management of branded hotels and eco-resorts; and leasing of land to hotel tenants.

Ayala Land's geographic businesses are engaged in the development, sale and lease of the Company and subsidiaries' product offerings in key cities in the Visayas and Mindanao regions. In the international market, it has investments in an Asian real estate private equity fund and its fund management company.

Its support businesses, on the other hand, include construction and property management of Ayala Land and third-party projects, and waterworks operations and sewage treatment facilities in some of the Company's projects.

Vision

Ayala Land's vision and mission is to enhance its standing and reputation as the Philippines' leading real estate developer, and to be a strong partner in nation building. By developing integrated, masterplanned and sustainable mixed-use communities in vibrant growth centers all over the country, it strives to continually elevate the quality of life for all of its customers.

Ayala Land shall be a responsible corporate citizen, and act with integrity, foresight and prudence. It shall empower its employees to deliver products that exceed its customers' expectations and build long-term value for its shareholders.

Competitive Strengths

Attractive Industry Fundamentals. The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a stable economy, steady foreign inflows, particularly from OFs, increased affordability and the availability of attractive financing from banks, strong consumption spending in retail, and encouraging prospects for office space in the BPO sector.

Experience and Track Record. With over eight (8) decades of experience together with Ayala Corporation, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier CBD and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City ("BGC"), Cebu, and NUVALI in Canlubang.

Trusted Brand and Unparalleled Product Line-up. The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivision and high-rise, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

Large, Strategic Landbank. With control of 49 hectares of land in the Makati CBD and another 11.3 hectares in BGC, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 1,382-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

Financial and Operating Resources. The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries Makati Development Corporation ("MDC") and Ayala Property Management Corporation ("APMC"),, which are the country's largest and most experienced construction and property management companies, respectively.

Strong Management Team and Governance. The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices.

In 2011, Ayala Land received the Platinum Award for Corporate Governance and garnered a 99% rating from the Philippine Institute of Corporate Directors' Corporate Governance Scorecard, the highest in the country. In 2011, the Company was again awarded the "Platinum Award for All Around Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" by The Asset Magazine. Ayala Land was also adjudged "Best Overall Developer in the Philippines" by Euromoney for the third consecutive year in 2011 in its annual Real Estate Awards. Last year, Ayala Land was also named as the Finance Team of the Year in the 2011 Asia CEO Awards.

Attractive Stock. Over the last six (6) years, Ayala Land has delivered an average Total Shareholder Return of 22% per annum.

Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government and NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its HQ-type offices or locate in its BPO facilities. Ayala Land is also the partner of choice for strategic new partners, such as the Shangri-La and Kingdom Hotels groups, which want to make significant new investments in the country and help prime the Company's strategic growth centers.

Ayala Land plans to maintain and enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on four main pillars that will lay the ground work for the Company's long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control initiatives and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels and enhance its internal talent pool and support systems ensure that these are supportive of the Company's growth objectives.

Products / Business and Recent Updates

Ayala Land is the largest and most diversified real estate company in the Philippines. It has organized its operations into several core businesses and support businesses. Its core business units consist of Residential Development, Strategic Landbank Management, Shopping Centers, Corporate Business, and Hotels and Resorts.

PROPERTY DEVELOPMENT

Residential Development

RBG is involved in the sale of high-end residential lots and units (including leisure community developments), middle-income residential lots and units, affordable lots and units, and economic housing lots and units. It caters to domestic and overseas Filipino markets across the high-end, middle-income and affordable segments.

In recent years, overall growth of the residential market has been strong largely as a result of a huge housing backlog of 3.8 million units and affordable mortgage loans. On the international front, the continued growth of OF remittances has injected new demand into the residential market. In response to these opportunities, Ayala Land will continue to grow its residential business line, which accounted for 54% of total revenues in 2011. A robust project pipeline will enable the Company to expand its product offering in existing areas and accelerate geographic expansion, aided by strategic landbanking and mixed-use development and project management projects.

The Company will strengthen and provide clear differentiation across its four residential brands, each targeting a distinct segment of the market: ALP for the high-end segment, Alveo for the middle-income market; Avida for the affordable housing segment; Amaia for the economic housing segment; and BellaVita for the socialized housing segment.

To be more competitive, the Company will continue to enhance margins by leveraging its brand and track record to maximize pricing power where possible, along with managing construction costs and streamlining the project delivery process.

The Company's ongoing residential projects under the ALP brand include Santierra and Elaro in NUVALI, The Crestwood at Ayala Westgrove Heights, Ayala Greenfield Estates, The Residences at Greenbelt (Laguna Tower, San Lorenzo Tower and Manila Tower), One Serendra and most recently, the three towers of Park Terraces in Makati. Ayala Land also introduced in 2005 its first leisure community project, Anvaya Cove Seaside Leisure Community, located in Morong, Bataan. Anvaya Cove, a 320-hectare development, is a high-end seaside residential resort community which offers a wide array of real estate options including residential lots, villas, and beach and nature club, among others.

In 2011, Ayala Land booked about 5,400 units, which was 73% higher than the year earlier. The Company was able to add 20,613 units of new inventory to buyers in 2011 with strong take up on new projects across all five brands.

Majority of the new units were from ALP's Park Elaro (217) and Park Terraces Twin Tower (370), Alveo's Venare Phase 2 in NUVALI (906), Kroma (821) Solinea in Cebu (591), The Maridien (508), Avida Settings Cavite Ph 2 (412), Avida Park Settings NUVALI (431), Avida Towers Alabang (498), Avida's Centera I (552) and II (642), BGC Citiflex (567), Prime Taft (665), BGC 34th Street (652), Centrio in Cagayan de Oro (522), and AmaiaScapes Northpoint in Bacolod (1,550), AmaiaScapes Cabanatuan (1,394), Amaia Steps Novaliches (2,060) and Amaia Skies Cubao (1,126).

Sales to OF accounted for 17% of total residential sales in 2011, 38% higher in value terms as the impact of the US subprime crisis waned. Around 69% of the OF sales in 2011 came from the US and Asia-Pacific markets.

Aside from the expansion of sales efforts into other US states, Ayala Land is also looking at increasing its penetration in other markets such as Europe, the Middle East, and other fast growing markets like Singapore, China and Australia.

Strategic Landbank Management

SLMG is involved in the acquisition and development of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, and all the services that make up a vibrant and sustainable community.

With a long-term horizon, SLMG views its key landbank areas as launching pads for decades of development. Its approach to landbanking is oriented towards value creation and realization. SLMG applies financial discipline with a focus on yields, cashflows, and the judicious buying and selling of lots at the opportune time. The group develops, updates and refines masterplans, providing clear framework for decision making. It also engages community-based stakeholders such as local government units and other government entities to assure that vital infrastructure is in place to support the long-term development plans. Embedded in all these, and central to value creation and retention over time, is the concept of sustainability.

As of December 31, 2011, Ayala Land has a portfolio composed of 49 hectares in the Makati CBD, 11.3 hectares in BGC and 1,382 hectares in Canlubang, Laguna (NUVALI).

In August 2009, the Company signed a joint-venture agreement with the National Housing Authority ("NHA") for the development of a 29.1 hectare North Triangle property in Quezon City into a transit-oriented mixed-use CBD. Other recent moves made by Ayala Land to sustain growth in momentum in future years include the following:

- In Makati: The Ayala Center Redevelopment

  The redevelopment program for Ayala Center involves introducing pioneering mixed use development characterized by higher overall density and more integrated, efficient and forward looking concepts.

  The redevelopment program involves the turnover of a 7,377 sqm land located at the corner of Makati Avenue to Kingdom Hotel Investments for the development of a high-end hotel complex.

  Last year, the three towers of Park Terraces at the Ayala Center were launched. A branded businessman's hotel, a BPO office, and Glorietta 1 & 2, which form part of the first phase of the Ayala Center redevopment, is expected to open its doors to the public this year.

  In December 2008, Ayala Land launched Glorietta 5 which consists of three levels of retail, five levels of BPO and two levels of basement parking.

  Meanwhile, Phase 2 of the Greenbelt 5 complex opened in October 2008 complementing Phase 1 of Greenbelt 5 and The Link parking/retail building which opened in October 2007.

  Land values remain high in the area. As of end-December 2011, developable land in Makati CBD is estimated by Colliers International at ₱290,000 per sqm.

- In BGC: Value Realization

  The Company's priming activities include Market! Market!, Serendra and Bonifacio High Street. Projects such as the recently opened St. Luke's Hospital, Mind Museum, and the Shangri-La Hotel Complex, will further drive land values upon completion. Last year, Bonifacio High Street (BHS) Central – an extension of the existing BHS – was opened with an additional 10,000 sqm of retail GLA.

- In Canlubang / NUVALI: Full Scale Regional Center

  Priming of NUVALI, the Company's showcase township development for environmental, economic and social sustainability, is well underway. Better than expected land values have been realized for the 5,039 residential lots and units put on the market since the soft launch of all residential brands in October 2007. The first BPO building in NUVALI One Evotech with total GLA of 11,500 sqm became operational by the 4th quarter of 2008 and the second BPO building Two Evotech opened last year. Solenad 2, the sequel to the first retail component of the development Solenad 1 also opened last year with an additional 5,300 sqm of GLA.

On the infrastructure side, the North-South road was already completed, as well as the establishment of Wi-Fi access in the lakeside area.

Total project development cost is estimated at ₱6 billion for phase 1 from 2007 to 2013. In a disclosure dated January 12, 2012, Ayala Land and its subsidiaries will be spending an estimated ₱12.5 billion as part of its capital expenditure program over the next five years in NUVALI through various developments, which will include residential, retail, office and hotel projects.

Visayas-Mindanao

The Company has been active at all fronts of real estate business in the Visayas and Mindanao regions. Through affiliates Cebu Holdings, Inc. (“CHI”) and Cebu Property Ventures Development Corporation (“CPVDC”), the Company offers the full range of Ayala Land’s product line-up in the region: residential development, shopping center operations, office and BPO buildings and sale of commercial lots and club shares at City Sports Club Cebu.

It pioneered the seaside residential developments in Cebu with its landmark Amara project and has remained a market leader for the third consecutive year since its launch in 2005. In June 2007, Ayala Land entered the southern Philippine real estate market with the launch in Cagayan de Oro of Alegria Hills, ALP’s first development in Mindanao. Two other Ayala Land projects in Negros Occidental continued to set the standards for local residential developments, Ayala Northpoint and Plantazionne Verdana Homes, both located in the suburbs of Bacolod City. In 2010, Ayala Land introduced its first high-rise residential towers in Cebu through ALP’s 1016 Residences and Avida Towers Cebu I and II.

Given Cebu’s role as a primary destination and international gateway in Visayas and Mindanao, its shopping market has grown significantly and has extended to other key cities in the province. Ayala Land, through CHI, has embarked on a major expansion and renovation of Ayala Center Cebu. Adjacent to the mall, The Terraces opened at Ayala Center Cebu with additional 7,900 sqm of GLA while the second phase of the redevelopment is currently undergoing construction. All in all, Ayala Center Cebu registered an occupancy rate of 97% as of end-December, 2011.

With the growth of the IT industry, the demand for office space from both local and multinational companies continues to increase in Cebu. The Company, in partnership with CPVDC, built office spaces for lease to IT and IT-enabled firms and constructed Cebu eBloc, a 12-storey mid-rise office condominium, with a retail space at the ground floor.

As for developments in the Mindanao region, Ayala Land recently launched the first high rise residential projects in Davao through Alveo’s Abreeza Residences and in Cagayan de Oro through Avida Centrio Towers. As mentioned earlier, Abreeza Mall in Davao opened its doors to the public last May.

COMMERCIAL LEASING

Shopping Centers

AMG is involved in the development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; and management and operations of malls which are co-owned with partners. Ayala Land operates and manages a total of more than 20 shopping centers and retail areas with a combined 1.08 million sqm in GLA.

Ayala Land operates movie theater complexes with a more than 40 screens and one live performance theater situated in its shopping centers. The movie theaters are operated primarily as a means of attracting customers to its shopping centers. The theaters are managed by Ayala Theaters Management, Inc. and Five Star Cinema, Inc., wholly-owned subsidiaries of Ayala Land.

Leases for retail space within the shopping centers are generally short-term, ranging from one to five years for the initial lease, renewable annually. Land leases, on the other hand, have longer terms, usually up to 50 years in the case of hotel tenants. In general, rental rates for retail space equal the higher of (i) a basic rent plus a percentage of the tenant's gross sales, or (ii) a specified minimum amount. Rental rates for leases on hotel and department store sites are generally based on a percentage of gross sales.

Ayala Land's large-scale mixed-use developments that feature a retail component are greatly enhanced by the quality and distinctiveness of the retail concepts conceived and implemented by AMG. At the BGC, for instance, Serendra and Bonifacio High Street are priming the development in its City Center. Serendra's retail zone complements the suburban lifestyle of the residential development with authentic and unique restaurants and shops.

AMG continuously provides compelling and engaging mall events and promotions which enhance the shopping experience and sustain high pedestrian traffic. More than 10,000 event days or at least 30 events were being held daily, among them product launches, concerts, children's meet-and-greet events and youth-oriented fairs, at the Ayala Malls in 2011.

AMG provides a strong year-round support to all merchants. Merchants are valued as long-term partners. AMG constantly interacts and exchanges ideas with its merchants and provides training and development support where needed.

The average occupancy rates of the consolidated malls were at 96% as of end December 31, 2011. In 2011, rental rates were 7% higher compared with 2010 despite the closure of high-yielding malls Glorietta 1 & 2 from the ongoing Ayala Center redevelopment. TriNoma, which opened in May 2007, had an average occupancy rate of 99% as of end of 2011. MarQuee Mall in Pampanga, which opened on September 26, 2009, experienced increasing occupancy, with last year ending at 89%. AMG's first mall in Davao Abreeza opened in May last year with almost 50,000 sqm of retail GLA and an occupancy of 86% as of end-2011.

Ayala Land will pursue expansion plans anchored on the opportunities presented by the continued aspirational and lifestyle spending as well as growing value-consciousness among many families in different geographic areas. To ensure pipeline growth is based on right fundamentals, attention will be paid to selecting strategic sites, developing differentiated and superior product, serving the right markets, and ensuring proper execution of concepts for each new mall.

The Company also entered into a 50-year lease agreement with the Subic Bay Metropolitan Authority ("SBMA") and signed a joint-venture agreement with Anflo Management & Investment Corp. and Mindanao Motors Corp. which involves the construction of a shopping mall called Harbour Point inside the Subic Freeport Zone and in Cagayan de Oro City (Centrio), respectively, as part of the Company's geographic expansion program. Last year, a 30-year lease contract agreement was signed with Ellimac Prime Holdings for the development of a retail complex within a 6-hectare property in Fairview, Quezon City, called Fairview Terraces.

Last February 2011, the Board of Regents of the University of the Philippines (U.P.) awarded to the Company the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as the U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The Company signed a 25-year lease contract for the property, with an option to renew said lease for another 25 years by mutual agreement.

The project will involve the construction of a retail establishment with 63,000 sqm of available gross leasable area (GLA) and a combination of headquater-and-BPO-office type building with an estimated 8,000 sqm of GLA. The project, which has an estimated project cost of ₱3.0 bilion, is scheduled to break ground within the year and is expected to be completed by the fourth quarter of 2013.

Corporate Business

ABG is involved in the development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings; and fee-based management and operations of office buildings. Ayala Land owns and operates 5 traditional and 24 BPO buildings with a total area of 388,000 sqm. Ayala Land also manages four (4) office buildings with a total area of 61,000 sqm.

Ayala Land aims to be the leading provider of office space for BPOs and significantly built up its BPO portfolio from end-2007 levels of 35,803 sqm of GLA. The build-up involved a variety of offerings - in very choice locations - covering stand-alone, build-to-suit office buildings, integrated nodes within large-mixed used developments such as Glorietta 5 and Vertex One in San Lazaro, and entire self-contained BPO and IT campuses like the UP-Ayala Land TechnoHub, One and Two Evotech Buildings in NUVALI, and the Baguio TechnoHub.

While Makati has been well established as the country's premier CBD for decades, the prospects are bright for BGC to mirror Makati's success in the future. Large corporates have purchased land and have chosen to build or relocate their offices in BGC.

Occupancy rates are at 91% for traditional office buildings and 74% for BPO buildings as of end-December 2011, due to opening of new BPO office buildings, with rental rates steady from end of 2011 for both traditional and BPO office buildings.

HOTELS AND RESORTS

Ayala Land is also involved in the development, operation and management of hotels and eco-resorts. As of December 31, 2011, Ayala Land has in its portfolio the Hotel InterContinental Manila (334 rooms), the Cebu Marriott (301 rooms), a 20% stake in a Kingdom Hotel complex composed of a Fairmont Hotel (300 rooms), Raffles Suites (30 rooms), Raffles branded private residences (189 rooms) to be constructed within Ayala Center and four Kukun Hotels being developed across key sites around the country. The recovery in tourist arrivals and increase in business travelers in 2011 resulted in higher revenue per available room (REVPAR) for Hotel InterContinental Manila.

In 2010, Ayala Land successfully ventured into eco-tourism via the partnership with the Ten Knots Group for a 60% stake in the world-famous El Nido Resorts in Palawan. As of end of 2010, there are 150 rooms available from Miniloc, Lagen and Apulit (previously Club Noah) Island Resorts in El Nido. Pangalusian Island Resort, with 42 villas, is expected to officially open shop this year.

In addition, the Company also broke ground for Ayala Land's owned and operated boutique businessman's hotels called Kukun in Cagayan de Oro and NUVALI, in addition to BGC and Davao City which broke ground in 2010, to cater to the increasing number of business travelers into the country.

SERVICES

Its support businesses include construction of Ayala Land and third-party projects, hotels development and management, property management, and waterworks operations and sewage treatment facilities in some of the Company's projects.

Construction

A wholly-owned subsidiary of Ayala Land, MDC is engaged in engineering, design and construction of vertical and horizontal developments including roads, bridges and utilities. MDC is responsible for horizontal construction works at Ayala Land's land developments and is likewise engaged in private industrial and government infrastructure projects. MDC also developed residential condominium buildings and mall projects. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors. As of end-December 2011, MDC had a total of 67 projects worth ₱39.7 billion outstanding construction contracts. MDC collaborated with First Balfour, Inc. to build the state-of-the-art 600-bed St. Luke's Medical Center at BGC, which was completed in November 2009 and was opened to the public in January 2010.

MDC Build Plus was likewise formed, a 100% subsidiary of MDC, which will cater primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

Property Management

APMC, a wholly-owned subsidiary of Ayala Land, is engaged in property management, principally for Ayala Land and its subsidiaries. It also provided its services to third-party clients. Ayala Land's waterworks services pertain mainly to the operations of the water facilities in its residential and industrial developments (Laguna Technopark).

APMC guarantees worry-free ownership and helps property owners over the long haul in such areas as water, power and telecommunications, security, sustainable design and best practices aligned with green buildings, and assistance in managing the properties of owners living elsewhere. It offers a full suite of services not only to Ayala property owners and lessees but also to third party clients, including a centralized 24/7 concierge service as well as manages third party-carparks and is considered one of the largest third party carpark operators in the country today. Among its key third-party clients are the International School Manila, Capitol Golf & Country Club, Makati Medical Center, Philippine Heart Center, ABS-CBN and all of Citibank's buildings, offices and branches nationwide. As of December 31, 2011, APMC has 157 managed facilities and has ₱531 million outstanding property management contracts.

International

Outside of the Philippines, Ayala Land is leveraging its current competencies to pursue attractive real estate investment opportunities.

The year 2007 marked the establishment and operation of ARCH Capital and its first Asian property fund, ARCH Capital Asian Partners LP. ARCH Capital Asian Partners is a private equity fund set up to pursue investments in Asian property markets which are in strong growth phases such as China, India and Thailand. The fund has several seeded investments and a number of projects that are moving actively. Among these are significant interests in a middle market residential community development project in Macau, a scaled medium-rise condominium project in Samut Prakarn province, Bangkok, and a high-end condominium project on Rama IV in the heart of Bangkok-Sathorn CBD. The fund's project management team, with its strong residential community development experience and the depth and support of Ayala personnel, has been actively involved in project design and planning stages for these projects.

First Longfield Investments Limited (incorporated in 2006) is wholly-owned by Ayala Land. Through Green Horizons Holdings Limited, it has a 17% stake in Arch Capital Management Co. Ltd, the fund management company established to handle the Asian private real estate equity fund which is co-sponsored by Ayala Land with Ayala Corporation.

In a disclosure to the SEC, PSE and Philippine Dealing & Exchange Corporation dated March 7, 2011, Ayala Land, Ayala Corporation and The Rohatyn Group ("TRG"), an emerging markets-focused private investment firm, completed an exchange of ownership interests in ARCH Capital Management Co., Ltd ("ARCH Capital") and ARCH Capital Asian Partners, G.P. (a Cayman Islands company).

Ayala Land and Ayala Corporation, as sponsors of ARCH Capital, co-founded the investment management firm in 2006 together with Richard Yue. The exchange of ownership interest will result in TRG acquiring Ayala Land's 17% stake and Ayala Corporation's 33% interest, with Richard Yue retaining his current 50% interest in ARCH Capital. The completed exchange of ownership interests will leave the activities, management, focus, and shareholder structure of the ARCH Capital Fund unchanged, with Ayala Land retaining its current 8% stake in the Arch Capital Fund. Arch Capital Fund has existing projects in India, Thailand and China.

In a disclosure to SEC, PSE and PDEx dated 03 August 2010, the Company's wholly-owned subsidiary Regent Wise Investments Limited and Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. ("SSTEC") have signed an Equity Joint Venture Agreement for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-City ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase the future direction of urban planning and sustainable development.

The Company is currently developing residential units as part of the planned more than 1,100 units within a 19-tower residential complex which will be located at the gateway of the Eco-City's

Start-Up Area. The project is ideally located and will be among the first developments that visitors will see when they enter the Eco-City. The project will be constructed in two phases and is expected to cost approximately US$220 million. The first phase, comprising 11 towers, started construction by end-2010 and is expected to be completed within 20 months. Beyond this residential development, the Company and SSTEC are also exploring the possibility of collaborating on additional joint ventures within the Eco-City.

Other Revenue

In addition to the above business lines, Ayala Land also derives income from its investment activities and sale of non-core assets.

Contributions to Revenue

The table below illustrates the amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for 2011, 2010 and 2009: (in ₱'000)

	2011	2010	2009
Consolidated revenues			
Domestic	44,205,533	37,813,499	30,455,244
Foreign	-	-	-
Net operating income			
Domestic	13,289,719	10,461,130	9,034,000
Foreign	-	-	-
Net income *(Attributable to equity holders of ALI)*			
Domestic	7,140,308	5,458,134	4,039,256
Foreign	-	-	-
Total assets			
Domestic	154,619,179	121,675,262	107,741,848
Foreign	-	-	-

Residential development business contributed 61% of 2011 consolidated revenues. The residential business includes development and sale of high-end lots and units, leisure properties, middle-income, affordable and economic housing.

Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets over the past three years

With 4,885 hectares of developable area in its landbank as of December 31, 2011, ALI believes that it has sufficient properties for development in next 10-15 years given its rapid pace of expansion.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In March 31, 2008, Ayala Land completed the sale of 100% of its equity shareholdings in three wholly-owned subsidiaries to Megaworld Corporation. The subsidiaries jointly own and operate a public parking facility in Ayala North, Makati CBD. The properties are considered non-strategic assets.

In a disclosure to the SEC dated August 27, 2009, ALI and the NHA signed a Joint Venture Agreement to develop the 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began last October 3, 2008.

ALI's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the NEDA Joint Venture Guidelines, features the development of a new CBD in Quezon City. The CBD will be developed as the Philippines' first transit-oriented mixed-use CBD that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset into a model for urban renewal. The development will also generate jobs and revenues both for both local and national governments.

ALI's vision for the North Triangle Property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the property, similar to the development experience in Fort Bonifacio.

ALI's track record, strong branding, and ability to attract top locators will ensure that the development will achieve its highest potential value. In the development and management of CBDs, ALI's signature projects include the master-planned Makati CBD, BGC, Cebu Business Park, and Madrigal Business Park in Alabang.

The total project cost is estimated at ₱22.0 billion, inclusive of future development costs and the current value of the property, which ALI and the NHA will contribute as their respective equity share in the joint venture. ALI expects to start development within two years.

In March 2010, Ayala Land signed a 35-year lease agreement with the Pison group for a 2-hectare property in Iloilo City that will be used for the development of BPO buildings.

In April 2010, the Company through wholly-owned subsidiary Amaia signed a joint-development agreement ("JDA") with Eton Properties Inc. for the development of a 4-hectare property in Calamba, Laguna that will form part of Amaia Scapes in Laguna. In addition, Avida also signed a JDA with the Philippine National Bank for the development of a 2.3-hectare property along EDSA corner Reliance and Mayflower Sts. in Mandaluyong City into a residential complex.

As reported in the SEC Form 17-Q dated November 9, 2010, the Company announced a 30-year lease contract agreement signed with Ellimac Prime Holdings (Puregold and S&R Stores Group) for the development of a 6-hectare property in Fairview, Quezon City.

In a disclosure to the SEC, PSE, and PDEx dated 10 February 2011, the Board of Regents of the University of the Philippines (U.P.) awarded to the Company the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as the

U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The Company signed a 25-year lease contract for the property, with an option to renew said lease for another 25 years by mutual agreement.

The project will involve the construction of a retail establishment with 63,000 sqm of available gross leasable area (GLA) and a combination of headquater-and-BPO-office type building with an estimated 8,000 sqm of GLA. The project, which has an estimated project cost of ₱3.0 bilion, is scheduled to break ground within the year and is expected to be completed by the fourth quarter of 2013.

In another disclosure dated February 25, 2011, the Company and its subsidiary, Alveo Land Corp., have also entered into an agreement with Philippine Racing Club, Inc. to jointly pursue the development of the 21-hectare property located in Barangay Carmona, Makati City, more commonly known as the former “Sta. Ana Racetrack”, subject to the fulfillment of certain closing conditions agreed upon by the parties. The project is intended as a mixed-use development consisting of residential, retail, and office components and will form part of the Company’s ongoing developments in the City of Makati.

Last July 2011, the Provincial Government of Negros Occidental (“PGNO”) and Ayala Land Inc. have completed successful negotiations for the development of the PGNO’s 7.7 hectare property located in San Juan St., North Capitol Road, Bacolod City (the “Provincial Capitol Property”). An investment of approximately ₱6.0 billion is estimated by Ayala Land for the planning and construction of an integrated mixed-use civic and commercial district that will combine the center of government with commercial and residential uses, making the growth center of Metro Bacolod and Negros Occidental – the Capitol Civic Center – a one of a kind convergence of business community and government.

On November 2011, South Maya Ventures, Corp. (SMVC), a subsidiary of Ayala Land, Inc., operating under the brand name BellaVita – the Company’s 5th residential brand – launched its first residential subdivision project in December 2011 in a 13.6-hectare property in General Trias, Cavite. The site is highly accessible from different routes and is strategically located at the center of schools, places of work, public transportation terminals and commercial destinations.

Phase 1 of the project will involve the development of 602 residential units within a 5.4-hectare parcel of land inside the property. Lot sizes will range from 34-65 sqm with a floor area of 21-23 sqm. Average prices are between ₱400,000.00 to ₱650,000.00 per unit. The project will have an estimated project cost of ₱250 million and is expected to be completed by 2013.

On November 23, 2011, the Company and Mitsubishi Corporation (“MC”) of Japan announced that they have formalized a partnership to jointly engage in operations that will promote increased energy efficiency in the Philippines. The initiatives of the joint-venture partnership will be conducted through Philippine Integrated Energy Solutions, Inc. (PhilEnergy), which will be owned 60% by ALI and 40% by MC.

In 2011, Philenergy has already allocated an investment of close to a billion pesos for the construction two DCS plants which will serve the needs of the Ayala Center redevelopment in Makati and the Alabang Town Center. The Company is currently planning other DCS projects in Cebu, Davao, Cagayan de Oro, and Quezon City and will also tap into the large domestic and even regional market of facilities that require energy-saving solutions.

Various Diversification/new product lines introduced by the Company during the last three years

In 2010, Ayala Land entered into the economic housing segment with the launch of AmaiaScapes in Laguna under the Company's subsidiary Amaia Land Corp. carrying the brand Amaia. This segment is expected to provide a steady end-user demand in the long-term as one-third of the estimated 18 million Filipino households and majority of the almost four million national housing backlog units belong to this segment.

Ayala Land also ventured into eco-tourism via the partnership with the Ten Knots Group for a 60% stake in the world-famous El Nido Resorts in Palawan in 2010.

In addition, the Company also broke ground for the first of Ayala Land's owned and operated boutique businessman's hotel in BGC and Davao City to pave the way for its entry into the businessman's hotel category and cater to the increasing number of business travelers into the country.

In 2011, the Company's 5th residential brand BellaVita, which will cater to the socialized housing segment, launched its first residential subdivision project in a 13.6-hectare property in General Trias, Cavite. The site is highly accessible from different routes and is strategically located at the center of schools, places of work, public transportation terminals and commercial destinations.

In addition, Philippine Integrated Energy Solutions, Inc. (Philenergy) has already begun official operations with the construction two district cooling system (DCS) plants which will serve the needs of the Ayala Center redevelopment in Makati and the Alabang Town Center. The Company is currently planning other DCS projects in Cebu, Davao, Cagayan de Oro, and Quezon City and will also tap into the large domestic and even regional market of facilities that require energy-saving solutions.

Distribution Methods of Products

The Company's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land (parent company) has its own in-house sales team. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 7,800 brokers and sales agents guided by a strict Code of Ethics.

The OF market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI also signed up marketing partners in Bahrain, Saudi Arabia, London and Spain. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi. In addition, One Ayala program, which bundles the products and services of Ayala Land, the BPI and Globe Telecom, gives access to potential Ayala Land clients overseas, i.e. through BPI's 17 overseas offices and 81 tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Amaia (economic housing), Avida (affordable housing) and Alveo (middle-income housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

Effective second half of 2008, residential sales support transactions of ALP, Alveo, and Avida is being undertaken by the shared services company Amicassa Process Solutions, Inc. (“APSI”) put up by the Company. Last year, Aprisa Business Solutions, Inc. (APRISA) completed its full roll-out to handle transactional accounting processes across the Ayala Land group.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its mall business, Ayala Land’s main competitor is SM Prime whose focus on mall operations gives SM Prime some edge over the Company in this line of business. Nevertheless, Ayala Land is able to effectively compete for tenants primarily based on its ability to attract customers -- which generally depends on the quality and location of its shopping centers, mix of tenants, reputation as a developer, rental rates and other charges.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner, quality of support services provided by its property manager, rental and other charges.

With respect to residential lot and condominium sales, Ayala Land competes with developers such as Megaworld, DMCI Homes, Robinsons Land, and SM Development Corporation. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income/affordable housing business, Ayala Land sees the likes of SM Development Corp, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

For the economic housing segment, Amaia competes with Camella Homes, DMCI Homes, Filinvest, Robinsons Land and SM Development Corporation.

Project and Capital Expenditures (Consolidated)

As of December 31, 2011, Ayala Land spent ₱29.9 billion for project and capital expenditures, 49% more than the ₱20.1 billion spent during the same period in 2010. Residential development accounted for 53% of total, with shopping centers and corporate business accounting for 14% and 4% of total capital expenditures, respectively.

The ₱29.9 billion capital expenditures for end of 2011 represent 92% of the ₱32.6 billion budget for the year, with the discrepancy resulting from timing difference of disbursements.

The Company will adjust its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

Subsidiaries and Affiliates

As of December 31, 2011, there are several companies which are either subsidiaries or affiliates of Ayala Land. Certain details and the percentage of direct and effective ownership held by Ayala Land of each of these companies are described below:

	Date of Incorporation	Ownership (%)	
		By Ayala Land	**By Subsidiary / Affiliate**
CORE BUSINESS			
Property Development			
Alveo Land Corp. (formerly Community Innovations, Inc.	September 29, 1995	100.0	
Serendra, Inc.	June 7, 1994	28.1	38.9
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	November 15, 2011		65.0
Avida Land Corp.	October 30, 1990	100.0	
Buklod Bahayan Realty and Development Corp.	November 5, 1996		100.0
Avida Sales Corp.	December 22, 2008		100.0
Amicassa Process Solutions, Inc.	June 2, 2008		100.0
Amaia Land Corp. (formerly First Communities Realty, Inc.)	May 29, 2000	100.0	
BellaVita Land Corp (formerly South Maya Ventures Corp.),	March 21, 1995	100.0	
Roxas Land Corporation	March 16, 1996	50.0	
Amorsedia Development Corporation	March 6, 1996	100.0	
OLC Development Corporation	June 28, 1996		100.0
Ayala Greenfield Development Corp.	July 17, 1997		50.0
Allysonia International Ltd.	February 18, 2000		100.0
Ayala Land Sales, Inc.	March 6, 2002	100.0	
Ayala Land International Sales, Inc.	March 29, 2005	100.0	
Nuevo Centro, Inc.	April 15, 2011	100.0	
BG West Properties, Inc.	August 5, 2011	50.0	
BG South Properties, Inc.	August 10, 2011	50.0	
BG North Properties, Inc.	August 5, 2011	50.0	
Aurora Properties, Inc.	December 3, 1992	70.0	
Vesta Property Holdings, Inc.	October 22,1993	70.0	
Ceci Realty, Inc.	August 22, 1974	60.0	
Bonifacio Land Corporation[a]	October 20, 1994	5.3	4.8
Fort Bonifacio Development Corp.[b]	February 7, 1995	5.3	55.0
Emerging City Holdings, Inc.	July 19, 2002	50.0	
Columbus Holdings, Inc.	July 19, 2002		70.0
Bonifacio Land Corporation[a]	October 20, 1994	10.0	69.9
Fort Bonifacio Development Corp.[b]	February 7, 1995		55.0
Berkshires Holdings, Inc.	December 4, 2002	50.0	
Columbus Holdings, Inc.	July 19, 2002		30.0
Bonifacio Land Corporation[a]	October 20, 1994	5.3	69.9

	Date of Incorporation	Ownership (%) By Ayala Land	By Subsidiary / Affiliate
Fort Bonifacio Development Corp.[b]	February 7, 1995		55.0
Regent Time International Limited	March 28, 2003	100.0	
Bonifacio Land Corporation [a]	October 20, 1994	5.3	4.8
Fort Bonifacio Development Corp[b]	February 7, 1995		55.0
Buendia Landholdings, Inc.	October 27, 1995	100.0	
Red Creek Properties, Inc.	October 17, 1994	100.0	
Crimson Field Enterprises, Inc.	October 26, 1995	100.0	
Crans Montana Property Holdings Corp	December 28, 2004	100.0	
HLC Development Corporation	June 28, 1996		100.0
Ecoholdings Company, Inc.	September 25, 2008	100.00	
Shopping Centers			
NorthBeacon Commercial Corporation	August 13, 1970	100.0	
Station Square East Commercial Corporation	March 17, 1989	69.0	
Accendo Commercial Corp.	December 17, 2007	67.0	
ALI-CII Development Corporation	August 6, 1997	50.0	
Alabang Commercial Corporation	June 28, 1978	50.0	
South Innovative Theatre Management, Inc.	February 2, 2001		100.0
North Triangle Depot Commercial Corporation	March 20, 2001	49.3	
Lagoon Development Corporation	August 30, 1996	30.0	
Primavera Towncentre, Inc.	December 18, 2009	100.0	
Subic Bay Town Centre, Inc.	March 9, 2010	100.0	
Ayala Theatres Management, Inc.	August 10, 1984	100.0	
Five Star Cinema, Inc.	December 18, 2000	100.0	
Food Court Company, Inc.	November 14, 1997	100.0	
Leisure and Allied Industries Phils., Inc.	October 10, 1997	50.0	
Cagayan de Oro Gateway Corp	March 3, 2010	51.0	
Arvo Commercial Corporation	June 23, 2011	100.0	
Corporate Business			
Laguna Technopark, Inc.	November 15, 1990	75.0	
Ecozone Power Mgt. Inc.	August 20, 2010		100.0
Asian I-Office Properties, Inc	September 24, 2007	60.0	
ALI Property Partners Corp.	July 26, 2006	68.0	
One Dela Rosa Prop. Devt. Inc.	September 4, 2006		100.0
First Gateway Real Estate Corp.	September 4, 2006		100.0
Glensworth Development, Inc.	August 23, 2007		100.0
UP North Property Holdings, Inc.	March 26, 2007		100.0
Gisborne Property Holdings, Inc.	August 24, 2007	100.0	
Sunnyfield E-Office Corporation	July 7, 2008	100.0	
Asterion Technopod, Inc.	July 8, 2008	100.0	
Crestview E-Office Corporation	July 8, 2008	100.0	
Summerhill E-Office Corporation	July 7, 2008	100.0	
Hillsford Property Corp.	August 24, 2007	100.0	
Hotels and Resorts			
Ayala Hotels, Inc.	April 11, 1991	50.0	
AyalaLand Hotels and Resorts Corporation	September 21, 2010	100.0	
Enjay Hotels, Inc.	July 12, 1990		100.0
Cebu Insular Hotel Company, Inc.	April 6, 1995		62.9
Greenhaven Property Venture, Inc.	July 9, 2008		100.0

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
Bonifacio Hotel Ventures, Inc.	October 13, 2010		100.0
Southcrest Hotel Ventures, Inc.	October 18, 2010		67.0
Northgate Hotel Ventures, Inc.	October 18, 2010		70.0
North Triangle Hotel Ventures, Inc.	October 18, 2010		100.0
EcoSouth Hotel Ventures, Inc.	May 19, 2011		100.0
Ten Knots Philippines, Inc.	November 22, 1979	60.0	
Ten Knots Development Corp.	August 22, 1992	60.0	
Visayas Mindanao			
Cebu Holdings, Inc.	December 9, 1988	47.3	
Cebu Property Ventures & Development Corp.	August 2, 1990	7.8	76.3
Asian I-Office Properties, Inc.	September 24, 2007		40.0
Cebu Leisure Company, Inc.	January 31, 1994		100.0
CBP Theatre Management Inc.	February 1, 1994		100.0
Cebu Insular Hotel Company, Inc.	April 6, 1995		37.1
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	November 15, 2011		35.0
International			
First Longfield Investments Limited	October 23, 2006	100.0	
Green Horizons Holdings Limited	October 25, 2006		100.0
ARCH Capital Partners L.P.	April 19, 2007		8.0
Regent Wise Investments Limited	May 12, 2010	100.0	
Tianjin Eco-City Ayala Land Development Co., Ltd.	November 17, 2010	40.0	
SUPPORT BUSINESS			
Construction			
Makati Development Corporation	August 15, 1974	100.0	
MDC Build Plus	October 17, 2011		100.0
MDC Subic	June 28, 2010		100.0
Property Management			
Ayala Property Management Corporation	August 8, 1977	100.0	
OTHERS			
MZM Holdings, Inc. (MZM)	October 9, 1997	100.0	
Studio Ventures, Inc.	September 19,1997	100.0	
AyalaLand Commercial REIT, Inc.	September 30, 2010	100.0	
Aprisa Business Process Solutions, Inc.	September 21, 2010	100.0	
Philippine Integrated Energy Solutions, Inc.	September 21, 2010	60.0	
Direct Power Services, Inc.	September 14, 2011	100.0	
KHI-ALI Manila, Inc.	January 30, 2007	60.0	
KHI Manila Property, Inc.	August 13, 2007	20.0	
Astoria Investment Ventures, Inc.[c]	February 29, 1996	100.0	
ALInet.com, Inc.	May 5, 2000	100.0	
CMPI Holdings, Inc.	May 30, 1997	60.0	
CMPI Land, Inc.	March 27, 1998		60.0

[a] *ALI's effective ownership in Bonifacio Land Corporation is 45.05%*
[b] *ALI's effective ownership in Fort Bonifacio Development Corporation is 24.78%*
[c] *Pertains to common shares*

Residential Development

Alveo Land Corp., 100% owned by Ayala Land, offers various residential products to the middle-income market. Alveo's projects over the past three years include Verdana Homes Mamplasan, Verdana Village Center, MarQuee, Treveia NUVALI, Celadon Residences, Celadon Park, The Columns at Ayala Avenue, The Columns at Legazpi Village, Senta and Ametta Place in Pasig.

Avida Land Corp., a 100%-owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots. Avida also ventured into the development and sale of farm/hacienda/commercial lots. Project launches in the past three years included Avida Towers Sucat, Avida Towers New Manila, Avida Towers San Lazaro, Avida Towers Makati West, Avida Settings NUVALI, Avida Residences San Fernando, Avida Residences Sta. Cecilia, and Riego de Dios Village.

Amaia Land Corp., formerly a subsidiary of Avida is now a wholly owned subsidiary of Ayala Land, was established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment.

BellaVita Land Corp. (formerly South Maya Ventures Corp.), wholly-owned subsidiary of Ayala Land, aims to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011.

Serendra, Inc., 28%-owned by ALI and 39%-owned by Alveo, is engaged in residential development. In 2004, it launched Serendra, a residential complex at the BGC in Taguig.

Solinea (formerly Bigfoot Palms, Inc.), a landholding entity, was acquired on March 05, 2011 through Alveo Land Corporation through acquisition of 65% shares of stock. The remaining 35% was acquired by Cebu Holdings, Inc., an associate of the Group.

Roxas Land Corp., 50% owned, sold-out One Roxas Triangle in 2007. The project was started in 1996 and was completed in September 2001.

Ayala Greenfield Development Corporation ("AGDC"), 50-50% owned by Ayala Land and Greenfield Development Corporation, started development of Ayala Greenfield Estates in Calamba, Laguna in 1999. Over the past twelve years, AGDC continued to develop and sell lots in this high-end residential subdivision.

Nuevo Centro, Inc., a wholly-owned subsidiary of Ayala Land, was established primarily to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities.

BG West Properties, Inc., BG South Properties, Inc. and *BG North Properties, Inc.* were incorporated to engage in the development of high-end, middle-end and affordable residential and retail projects, respectively, in Bonifacio Global City.

Strategic Landbank Management

Aurora Properties, Inc. and *Vesta Property Holdings, Inc.* are 70% owned by Ayala Land, while Ceci Realty, Inc. (incorporated in 1974) is 60% owned. These companies, joint ventures with the Yulo Family, finalized plans for the development of nearly 1,700 hectares of land in Canlubang, Laguna.

Emerging City Holdings, Inc. and *Berkshires Holdings, Inc.*, both 50% owned, served as Ayala Land's corporate vehicles in the acquisition of a controlling stake in Bonifacio Land Corp. / Fort Bonifacio Development Corp. ("FBDC") through Columbus Holdings, Inc. in 2003. FBDC continues to sell commercial lots and condominium units at the BGC while it leases out retail spaces.

Regent Time International Limited, 100% owned by Ayala Land, also owns a stake at Bonifacio Land Corp. / Fort Bonifacio Development Corp.

Shopping Centers

NorthBeacon Commercial Corporation – formerly Alabang Theatres Management Corporation, is Ayala Land's wholly-owned vehicle for its MarQuee Mall in Pampanga, which commenced development in March 2007 and began operations in September 2009.

Station Square East Commercial Corporation, 69% owned subsidiary of Ayala Land, broke ground in 2002 for Market! Market!, a 150,000-sqm mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 and Phase 1B in 2005.

Accendo Commercial Corp., with a 67% stake, ALI entered into a joint venture agreement with Anflo Group to develop a mixed-use project in Davao City.

ALI-CII Development Corporation, a 50-50% joint venture with Concepcion Industries, continued to operate Metro Point, a mid-market mall at the corner of EDSA and Taft Avenue, which was completed in the fourth quarter of 2001.

Alabang Commercial Corporation, 50% owned by Ayala Land, continued to manage and operate the Alabang Town Center.

North Triangle Depot Commercial Corporation, 49% owned by Ayala Land, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 191,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

Lagoon Development Corporation, 30% owned by Ayala Land, is a joint venture company with Extraordinary Development Corporation. It continued to operate Pavilion Mall which is located in Biñan, Laguna.

Primavera Town Centre, Inc, 100% wholly-owned subsidiary, was also formed to handle the planning, development and management of small-format retail facilities known as "neighborhood centers" within the Company's existing and planned growth centers across the country.

Subic Bay Town Centre, Inc., 100% owned by Ayala Land, was incorporated on March 9, 2010 for the planning, development management of a mall to be located in Subic Bay Freeport Zone.

Ayala Theaters Management, Inc., 100% owned, continued to manage and operate theaters at the Ayala Center in Makati.

Five Star Cinema, Inc., also wholly-owned, continued to manage and operate theaters at the Alabang Town Center.

Food Court Company, Inc., a 100% owned subsidiary of Ayala Land, handles foodcourt operations known as Food Choices at the Glorietta 4.

Leisure and Allied Industries Phils., Inc., a 50-50% joint venture of Ayala Land with Australian company, LAI Asia Pte. Ltd., continued to operate family entertainment centers called TimeZone in various Ayala malls, as well as other malls.

Cagayan De Oro Gateway Corp. was established to pursue a mixed-use development with a 47,000 sqm regional mall as its centerpiece. A 150-room boutique hotel shall be located on top of the mall, while a single tower residential condominium with 21 floors and 522 rooms shall be located right beside the mall. The project is strategically located in the economic hub of Cagayan de Oro City.

Arvo Commercial Corporation (ACC), a wholly owned subsidiary of the Ayala Land, was established primarily to develop and operate shopping malls within the ALI identified growth areas across the country.

Corporate Business

Laguna Technopark, Inc., 75% owned, continued to sell industrial lots to local and foreign company locators. It also leases ready-built factory units within the Laguna Technopark.

Asian I-Office Properties, Inc - In 2008, the Company was invited by CPVDC, an ALI affiliate, to be a partner in the Asian i-Office Properties, Inc. ("AiO") for a 60% stake. It manages and operates two BPO buildings located in the Asiatown IT Park in Cebu (eBloc and Peak Building A).

ALI Property Partners Corp., is the Company's 80%-owned vehicle in partnership with MLT Investments (Goldman Sachs) which handle various BPO projects and investments.

Gisborne Property Holdings, Inc., Sunnyfield E-Office Corporation, Asterion Technopod, Inc., Crestview E-Office Corporation, Summerhill E-Office Corporation and Hillsford Property Corp. are wholly-owned entities established to handle, develop and manage all future BPO buildings located at various growth centers within the Philippines.

Hotels and Resorts

Ayala Hotels, Inc., 50% owned, currently manages hotel land lease operations.

AHRC, a wholly-owned subsidiary of Ayala Land which will serve as a holding company for the Group's hotels and resorts operations.
Ten Knots Philippines, Inc. and Ten Knots Development Corp. (The Ten Knots Group), 60% owned by Ayala Land in partnership with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) involved in the development of parcels of land and islands into resorts in Palawan.

Greenhaven Property Venture, Inc., 100% owned by Ayala Land established to plan, develop and manage the hotel being constructed in Glorietta 1 as part of the Ayala Center redevelopment project.

Visayas-Mindanao

Cebu Holdings, Inc., 47% owned by Ayala Land, continued to manage and operate the Ayala Center Cebu and sell condominium units and lots within the Cebu Business Park. The company also launched Amara, a high-end seaside residential subdivision, and continued to sell club shares at City Sports Club Cebu. Through Cebu Property Ventures Development Corporation, CHI also continued to sell lots at the Asiatown IT Park.

International

First Longfield Investments Limited is wholly-owned by Ayala Land. Through Green Horizons Holdings Limited, it has a 17% stake in Arch Capital Management Co. Ltd, the fund management company established to handle the Asian private real estate equity fund which is co-sponsored by Ayala Land with Ayala Corporation.

Regent Wise Investments Limited (Regent Wise), a wholly-owned subsidiary of Ayala Land, formed to enter into an Equity Joint Venture with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-city ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development.

Tianjin Eco-City Ayala Land Development Co., Ltd. is currently developing residential units as part of the planned more than 1,100 units within a 19-tower residential complex which will be located at the gateway of the Tianjin Eco-City's Start-Up Area. The project is ideally located and will be among the first developments that visitors will see when they enter the Eco-City. The project will be constructed in two phases and is expected to cost approximately US$220 million. The first phase, comprising 11 towers, started construction by end-2010 and is expected to be completed within 20 months. Beyond this residential development, the Company and SSTEC are also exploring the possibility of collaborating on additional joint ventures within the Eco-City.

Construction

Makati Development Corporation, 100% owned by Ayala Land, continued to engage in engineering, design and construction of horizontal and low-rise vertical developments. It continued to service site development requirements of Ayala related projects while it provided services to third-parties in both private and public sectors.

MDC Build Plus was formed to cater primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

Property Management

Ayala Property Management Corporation, 100%-owned by Ayala Land, continued to manage properties of Ayala Land and its subsidiaries. It also provided its services to third-party clients.

Others

AyalaLand Commercial REIT, Inc., a wholly-owned subsidiary of Ayala Land was formed in September as a vehicle through which Ayala Land will own and operate select investment properties and which Ayala Land intends to undertake an IPO under the recently passed

Republic Act No. 9856 or the Philippines Real Estate Investment Trust ("REIT") Law. Said investment properties shall include prime shopping center and office assets currently owned by the Company which are mature, have recurring income streams and have achieved stable occupancy rates.

Aprisa Business Solutions, Inc., a wholly-owned subsidiary of Ayala Land that will initially manage transactional accounting services.

Philippine Integrated Energy Solutions, Inc., a wholly owned subsidiary of Ayala Land established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity.

Direct Power Services, Inc., (DirectPower), a wholly owned subsidiary of the ALI, was formed to engage in the bulk purchase and supply of electricity and to introduce various energy solutions.

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Research and Development

While the Company engages in research and development activities, the expenses incurred in connection with these activities are not material.

Employees

Ayala Land - parent company has a total workforce of 495 regular employees (1,397 including manpower of wholly-owned subsidiaries) as of December 31, 2011.

The breakdown of the ALI - Parent Company employees according to type is as follows:

Executive	23
Managers	183
Supervisors	89
Rank & File	200
Total	495

ALI Parent has recently concluded negotiations with the union and inked a new three (3) year collective bargaining agreement, covering January 2012 to December 2014 that provides for salary increases based on performance. The company continues to nurture an open and cooperative relation with the union.

The Company has embarked on a robust leadership development and talent management program for leaders at the frontline, middle management and senior leaders. It has also implemented retention initiatives that has resulted in the lowest attrition levels and has strongly pushed for a strong performance management where all employees up to staff individual contributors have clear key result objectives and basis for performance assessments and feedback.

Intellectual Property and Licenses

Intellectual Property

The Company has been licensed by Ayala Corporation, as the owner of the brand and business name “Ayala”, to use the name “Ayala” in all of the Company’s current projects which carries the said brand. The Company is required to obtain the consent and approval of Ayala Corporation for future projects which will carry the brand.

Ayala Land (by itself or through its subsidiaries) has secured registrations for its major brands ALP, Alveo, Avida, Amaia, BellaVita, and Ayala Malls. As a matter of policy, the Company and its subsidiaries also apply for, obtain and maintain tradename registrations for its various developments, projects and events.

In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of ten (10) years, unless terminated earlier.

Licenses

Phenix Building System. A joint venture agreement between Maison Individuelles, S.A. (“MISA”) of France and Avida was organized in June 1998 and subsequently registered with the SEC as Laguna Phenix Structures Corporation (“LPSC”) in July 1999.

LPSC, a 50%-50% joint venture, is primarily engaged in the business of manufacturing, installation, erection and construction, marketing and promotion, and wholesaling of buildings, houses and other structures and accessories using the “Phenix” technology (for which a patent has been registered and issued in the Philippines under RP Patent No. 29862). Both MISA and Avida assigned their respective license rights to LPSC since the latter’s incorporation.

Regulation

Presidential Decree No. 957, as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for primarily residential purposes. The Housing and Land Use Regulatory Board (“HLURB”) is the administrative agency of the Government which enforces this decree and has jurisdiction to regulate the real estate trade and business.

In this regard, all subdivision plans and condominium project plans of ALI are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, ALI’s financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant local government unit. ALI, as owner of and dealer in real estate projects, is required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Dealers, brokers and salesmen of real estate projects of ALI are also required to register with the Philippine Regulatory Commission. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party. ALI has been able to maintain these permits and licenses.

Under current regulations, ALI as developer of residential subdivisions is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. On the other hand, as a developer of commercial subdivisions, ALI is required to reserve at least 3.5% of the gross project area for parks or playgrounds. ALI has been compliant with these requirements.

Under the agrarian reform law and the regulations issued thereunder by the Department of Agrarian Reform (“DAR”), land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR. Republic Act No. 9700, the law extending the term of the comprehensive agrarian reform program for another five (5) years, was signed by President Arroyo on August 7, 2009. Prior to undertaking any development of agricultural lands, ALI obtains the necessary conversion as approved by the DAR.

While the 1987 Philippine Constitution prohibits foreigners from owning land, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. To the extent of the foregoing, ALI’s foreign market for real estate projects is limited

Republic Act No. 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB. ALI has been compliant with this requirement in accordance with the rules and regulations implementing Republic Act No. 7279.

Construction

The construction industry in the Philippines is subject to regulation by the Government as described below.

Licenses. A regular contractor's license is required to be obtained from the Philippine Contractors Accreditation Board (“PCAB”). In applying for and granting such license, the PCAB takes into consideration the applicant-contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity, (ii) equipment capacity, (iii) experience of firm, and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate Government agencies prior to actually undertaking each project. MDC is duly accredited by the PCAB as a licensed contractor and maintains all required qualifications in compliance with the PCAB’s requirements.

Minimum Philippine Ownership Requirement. Under Philippine law, in order to bid on publicly funded Government contracts, a contractor must be at least 75% owned by Philippine nationals.

For purposes of this determination, Ayala Land has maintained at least 60% ownership by Philippine nationals, to be considered owned by a Philippine National for purposes of the foregoing determination with respect to MDC.

Property Laws

Land Registration

The Philippines has adopted a system of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims annotated on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription.

Unregistered land may be brought under the system if, after proper surveying, application, publication, service of notice and hearing, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals. After the lapse of the period of appeal, the Registry of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and issuance of a new title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

In accordance with the said system of land registration, ALI ensures that all properties held or developed are properly covered by valid and subsisting certificates of title.

Zoning

Land use may be limited by zoning ordinances enacted by provinces, cities or municipalities. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. All developments of ALI comply with the applicable zoning classification.

Subdivisions and Condominiums

All subdivision lots and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the local government unit in which the project is situated. The development of subdivision lots and condominium projects can commence only after the local government unit has issued the development permit.

The issuance of a development permit is dependent on compliance with required project standards and technical requirements which may differ depending on the nature of the project. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one (1) year from the issuance of the development permit.

Subdivision lots or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision lot or condominium project and compliance with applicable laws and regulations. All documents evidencing conveyances of subdivision and condominium units should be registered with the relevant Registry of Deeds.

Title to the subdivision lot or condominium unit must be delivered to the purchaser upon full payment of the purchase price.

The foregoing permits, licenses and approvals are secured by and complied by ALI for its subdivision and condominium developments

Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually. ALI promptly pays the real estate taxes and assessments on the properties it owns.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“ECC”) prior to commencement. As a requisite for the issuance of an ECC, an environmentally critical project must prepare an Environmental Impact Statement (“EIS”), while a project in an environmentally critical area must prepare an Initial Environmental Examination (“IEE”), without prejudice to the power of the DENR to require a more detailed EIS. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project’s environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental

Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

ALI secures ECCs prior to commencement of its real estate projects and exerts best efforts to comply with the conditions specified therein. In general, there have been no materially significant or extraordinary costs incurred by ALI and its subsidiaries, taken as a whole, in respect of environmental compliance. ALI and its subsidiaries' costs of compliance with applicable environmental laws and regulations vary from project to project depending on various factors, especially local conditions. However, none of such costs have been material in respect of their finances as a whole.

DESCRIPTION OF PROPERTIES

LANDBANK / PROPERTIES WITH MORTGAGE OR LIEN

The following table provides summary information on ALI's landbank as of December 31, 2011. Properties are wholly-owned and free of lien unless noted.

Location	*Hectares*	*Primary land use*
Makati [1]	49	Commercial/Residential
Taguig [2]	23	Commercial/Residential
Makati (outside CBD)	22	Commercial/Residential
Alabang [3]	18	Commercial/Residential
Las Piñas/Paranaque	132	Commercial/Residential
Manila / Pasay [4]	6	Commercial/Residential
Quezon City [5]	116	Commercial/Residential
Metro Manila	***366***	
Canlubang [6]	1,382	Commercial/Residential/Industrial
Laguna (ex-Canlubang) [7]	525	Commercial/Residential/Industrial
Cavite[8]	199	Commercial/Residential
Batangas/Rizal/Quezon [9]	74	Commercial/Residential
Calabarzon	***2,180***	
Bulacan/Pampanga [10]	***765***	Commercial/Residential
Others in Luzon [11]	***1,088***	Commercial/Residential
Bacolod/Negros Occidental [12]	21	Commercial/Residential
Cebu [13]	197	Commercial/Residential
Davao [14]	70	Commercial/Residential
Cagayan De Oro [15]	180	Commercial/Residential
Iloilo [16]	18	
Visayas/Mindanao	***486***	
TOTAL	***4,885***	

[1] Makati includes sites of Mandarin Hotel (1.6 ha.) and Peninsula Hotel (2.0 ha.) which are 50% owned through Ayala Hotels, Inc., and remaining area at Roxas Triangle (0.3 ha.) which is 50% owned.

[2] Taguig includes 9.8 ha. site of Market! Market! under lease arrangement with BCDA; 0.6 ha. in Serendra which is under joint development agreement with the Bases Conversion and Development Authority ("BCDA"); 11.3 ha. in Taguig is owned through Fort Bonifacio Development Corporation.

For Market! Market!, the lease agreement with the BCDA covers a period of 25 years (renewable for another 25 years) and involves an upfront cash payment of ₱688 million and annual lease payments with fixed and variable components.

For Serendra, the joint development agreement with BCDA involves an upfront cash payment of ₱700 million plus a guaranteed revenue stream totaling ₱1.1 billion over an 8-year period, which ended on February 15, 2012.

[3] Alabang pertains to the 17.6 ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp. (ACC), 3.7 ha. of which is subject of a Mortgage Trust Indenture as security for ACC's short-term loans with Bank of the Philippine Islands.

[4] Manila/Pasay includes 1.7 ha. which are under joint venture with Manila Jockey Club, Inc. and 0.3 ha. site of Metro Point which is 50% owned through ALI-CII Development Corp.

[5] Quezon City includes 46.5 ha. under lease arrangement with University of the Philippines; the 13 ha. site of TriNoma which is is 49% owned by ALI through North Triangle Depot Commercial Corp. is under lease arrangement with the Department of Transportation and Communication; a 9.9 ha. property under a joint development agreement and a 4.1 –ha. property being developed under a lease contract - both of which are with the Philippine Tuberculosis Society, Inc.; a 2.0 ha. property which is being leased from Ellimac Prime Holdings, Inc.; a 29.2 ha. property on a joint development agreement with the National Housing Authority and a 2.0 ha. property under lease agreement with MBS Development Corp.

[6] Canlubang includes 1,062 ha. which are 70% owned through Aurora Properties, Inc. and Vesta Holdings, Inc.; also includes 253 ha. which are 65% owned through Ceci Realty, Inc.

[7] Laguna (excluding Canlubang) includes 156 ha. which are under a 50-50% joint venture with Greenfield Development Corp.; 11.1 ha. in Laguna Technopark, Inc. which is 75% owned by Ayala Land; and 3.3 ha. site of Pavilion Mall which is under 25-year lease arrangement with Extra Ordinary Group, with an option to renew every 5 years thereafter.

[8] Cavite includes 2.9 ha. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines and a 5 ha. property being developed under a land lease agreement.

[9] Batangas includes 7 ha. in Sto. Tomas project which is under an override arrangement.

[10] Pampanga includes 540 ha. in Porac is 55% owned under Nuevo Centro.

[11] Other properties in Luzon includes 275.8 ha in Bataan pertaining to the Anvaya Cove property which is under joint development agreement with SUDECO, a 6.5 ha. property in Subic on lease agreement with Subic Bay Management Authority and a 19 ha. land lease with the government in Palawan.

[12] Bacolod includes 1.8 ha. in Ayala Northpoint which is under override arrangement.

[13] Cebu includes about 10 ha. in Cebu Business Park (including Ayala Center Cebu) which is 47% owned through Cebu Holdings, Inc. (CHI); 0.62 ha. Cebu Insular Hotel site owned by Ayala Hotels, Inc. and Cebu Holdings, Inc.; 8 ha. in Asiatown IT Park which is owned by Cebu Property Ventures and Development Corporation which in turn is 76% owned by CHI; 7.3 ha. in Amara project, (66% owned by CHI) which is under joint venture with Coastal Highpoint Ventures, Inc.

8.84 ha. property (within the Cebu Business Park) which houses the Ayala Center Cebu is subject of a mortgage trust indenture securing term loan with Bank of the Philippine Islands.

0.62 ha. is subject of a mortgage trust indenture securing Cebu Insular Hotel Company Inc.'s term loan with Bank of the Philippine Islands, as of year-end 2011.

Also includes a 2.1 ha. property under a joint development agreement with Villareal Real Corp.

[14] Davao includes a 9.6 ha. property which is 70% owned through Accendo Commercial Corp.

[15] Cagayan de Oro includes 3.3 ha. which are 70% owned through Cagayan de Oro Gateway Corp. and 177 ha. which is under a JDA agreement with Promenade Land Holdings, Inc.

[16] Includes a 2.0 ha. land lease for the Iloilo BPO property and a 16 ha. property owned through a JDA agreement

LEASED PROPERTIES

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

On January 28, 2011, a notice was given to the Company for the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for a 58,000 square meters another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space.

RENTAL PROPERTIES

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. In the year 2011, rental revenues from these properties accounted for ₱8.14 billion or 18% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

PROPERTY ACQUISITIONS

With 4,885 hectares in its landbank as of December 31, 2011, Ayala Land believes that it has sufficient properties for development in next twenty-five (25) years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In a disclosure to the SEC dated February 10, 2011, ALI was awarded by the Board of Regents of the University of the Philippines (U.P.) the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The lease contract is for a period of 25 years, with an option to renew said lease for another 25 years by mutual agreement. The development of the site involves the construction of a retail establishment with 63,000 square meters of available GLA and a combination of headquarter-and-BPO office type building with an estimated 8,000 square meters of GLA.

In February 2011, the Company through wholly-owned subsidiary Alveo Land entered into an agreement with Philippine Racing Club, Inc. to jointly pursue the development of the 21-hectare property located in Barangay Carmona, Makati City, more commonly known as “Sta. Ana Racetrack.” The project is intended as a mixed-use development and will form part of the Company’s ongoing developments in the City of Makati.

MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES

Of the Company’s properties in Makati, 1.37 ha. is mortgaged with BPI in compliance with BSP ruling on directors, officers, stockholders and related interests.

CERTAIN LEGAL PROCEEDINGS

As of December 31, 2011, ALI is not involved in any litigation it considers material. However, certain individuals and entities have claimed an interest in ALI's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning October 1993, ALI filed petitions in the RTC of Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these adverse claimants. A number of these cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The remaining pending cases involve the remaining area of approximately 126 hectares.

ALI has made no provision in respect of such actual or threatened litigations.

As a result of the explosion which occurred on October 19, 2007 at the basement of the Makati Supermarket Building, the Philippine National Police has filed a complaint with the Department of Justice ("DOJ") and recommended the prosecution of certain officers/employees of Makati Supermarket Corporation, the owner of the building, as well as some employees of ALI's subsidiary, Ayala Property Management Corp. ("APMC"), among other individuals, for criminal negligence. In a Joint Resolution dated April 23, 2008, the DOJ special panel of prosecutors ruled that there was no probable cause to prosecute the APMC employees for criminal negligence. This was affirmed by the DOJ Secretary in a Resolution dated November 17, 2008. A Motion for Reconsideration was filed by the Philippine National Police which remains pending with the DOJ. To date, no civil case has been filed by any of the victims of the incident.

MARKET PRICE OF AND DIVIDENDS ON AYALA LAND'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Ayala Land was incorporated in June 1988 and was listed on the PSE in July 1991.

Market Information

Ayala Land common shares are listed in the PSE.

Stock Prices (in ₱/share)

	High			Low			Close		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
First Quarter	16.38	13.50	7.30	13.80	10.00	5.00	15.50	13.00	5.70
Second Quarter	16.98	14.75	9.70	15.00	12.50	5.60	15.60	13.50	8.10
Third Quarter	17.10	18.70	12.00	13.50	13.25	8.10	14.58	17.60	11.50
Fourth Quarter	16.92	18.44	12.50	14.00	15.52	10.25	15.16	16.46	11.25

The market capitalization of ALI as of December 29, 2011, based on the closing price of ₱15.16/share, was approximately ₱197.4 billion. ALI's closing price as of February 29, 2012 was ₱20.50 which translates to a market capitalization of ₱266.98 billion.

Stockholders

The following are the top 20 direct holders of the common and preferred shares of the Company:

Common Shares: *There are approximately 10,495 holders of common equity security of the Company as of January 31, 2012.*

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
1.	Ayala Corporation	6,934,509,515	53.1659%
2.	PCD Nominee Corp. (Non-Filipino)	4,988,237,976	38.2441%
3.	PCD Nominee Corp. (Filipino)	797,969,372	6.1179%
4.	ESOWN Administrator 2009	29,132,820	0.2234%
5.	ESOWN Administrator 2010	21,204,167	0.1626%
6.	ESOWN Administrator 2011	14,179,479	0.1087%
7.	Jose Luis Gerardo Yulo	11,453,030	0.0878%
8.	ESOWN Administrator 2006	9,266,917	0.0710%
9.	ESOWN Administrator 2005	8,811,307	0.0676%
10.	ESOWN Administrator 2008	6,140,420	0.0471%
11.	Estrellita B. Yulo	5,732,823	0.0440%
12.	Maria Alexandra Q. Caniza	4,531,026	0.0347%
13.	ESOWN Administrator 2007	4,089,678	0.0314%
14.	Pan Malayan Management and Investment Corp.	4,002,748	0.0307%
15.	Xavier P. Loinaz	3,993,681	0.0306%

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
16.	Ma. Angela Y. La O'	3,728,620	0.0286%
17.	Ma. Lourdes G. Latonio	3,624,650	0.0278%
18.	Lucio W. Yan	3,483,871	0.0267%
19.	Telengtan Brothers & Sons, Inc.	3,480,000	0.0267%
20.	Elvira L. Yulo	2,972,000	0.0228%

Preferred Shares: *There are approximately 1,873 holders of preferred shares of the Company as of January 31, 2012.*

	Stockholder Name	No. of Preferred Shares	Percentage (of Preferred Shares)
1.	Ayala Corporation	12,679,029,436	97.2721%
2.	Standard Chartered Bank on Behalf of UBS AG London A/C IPB Segregated Client A/C	69,046,020	0.5297%
3.	HSBC Manila OBO 000-081356-567	12,924,000	0.0992%
4.	HSBC Manila OBO 000-529701-550	12,440,440	0.0954%
5.	HSBC Manila OBO 000-102335-550	12,129,600	0.0930%
6.	DB MLA OBO SSBTC Fund 0IT1	11,528,247	0.0884%
7.	HSBC Manila OBO 000-042721-550	11,171,500	0.0857%
8.	DB MLA OBO SSBTC Fund C041	10,195,901	0.0782%
9.	DB MLA OBO SSBTC Fund C021	9,247,920	0.0709%
10.	HSBC Manila OBO 000-082560-550	8,696,372	0.0667%
11.	DB MLA OBO SSBTC Fund 0IT4	8,687,023	0.0666%
12.	HSBC Manila OBO A/C 026-106294-550	8,458,822	0.0649%
13.	SCB OBO RBC Dexia ISB JG MASF	6,844,440	0.0525%
14.	Investors Securities, Inc.	6,318,606	0.0485%
15.	Standard Chartered Bank on Behalf of UBS AG Ldn Asia Equity	5,963,600	0.0458%
16.	HSBC Manila OBO 000-009738-550	5,644,800	0.0433%
17.	SB Equities, Inc.	3,945,299	0.0303%
18.	HSBC Manila OBO 000-018242-550	3,579,214	0.0274%
19.	Asiasec Equities, Inc.	3,561,019	0.0273%
20.	DB Manila OBO SSBTC Fund 7798	3,396,000	0.0260%

Dividends

STOCK DIVIDEND (Per Share)			
PERCENT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
20%	February 1, 2007	May 22, 2007	June 18, 2007

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.03	May 9, 2007	June 7, 2007	July 3, 2007

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.03	November 20, 2007	December 20, 2007	January 10, 2008
0.03	May 12, 2008	June 11, 2008	June 27, 2008
0.03	November 6, 2008	December 5, 2008	January 8, 2009
0.03	May 12, 2009	June 11, 2009	June 30, 2009
0.03	November 19, 2009	December 18, 2009	January 19, 2010
0.045	June 1, 2010	June 30, 2010	July 23, 2010
0.048	November 30, 2010	December 14, 2010	January 11, 2011
0.0733	Feb. 24, 2011	March 23, 2011	April 15, 2011
0.0733	Aug. 26, 2011	Sept. 20, 2011	Oct. 5, 2011
0.109488	February 20, 2012	March 7, 2012	March 27, 2012

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Special cash dividends are declared depending on the availability of cash, taking into account the Company's capital expenditure and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

Recent Sale of Securities

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the Executive Stock Option Plan (ESOP) and the subscription to the common shares under the Executive Stock Ownership Plan (ESOWN) as follows:

Year	No. of Shares	
	ESOP (exercised)	ESOWN (subscribed)
2009	1.8 Million	38.3 Million
2010	7.4 Million	25.2 Million
2011	3.2 Million	14.8 Million

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plan of Operations

Ayala Land's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company.

Principles of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land and the following wholly owned and majority owned subsidiaries as of December 31, 2011:

	Percentages of Ownership	
	2011	2010
Real Estate:		
Alveo Land Corporation	**100%**	100%
Serendra, Inc.	**39**	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	**65**	–
Serendra, Inc.	**28**	28
Amorsedia Development Corporation and Subsidiaries	**100**	100
OLC Development Corporation	**100**	100
Ayala Greenfield Development Corporation (AGDC)	**50**	50
Avida Land Corporation and Subsidiaries (Avida)	**100**	100
Buklod Bahayan Realty and Development Corp.	**100**	100
Amicassa Process Solutions, Inc.	**100**	100
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	**100**	100
Ayala Land International Sales, Inc.	**100**	100
Ayala Land Sales, Inc.	**100**	100
Buendia Landholdings, Inc.	**100**	100
Crans Montana Holdings, Inc.	**100**	100
Crimson Field Enterprises, Inc.	**100**	100
Ecoholdings Company, Inc.	**100**	100
NorthBeacon Commercial Corporation (NBCC)	**100**	100
Red Creek Properties, Inc.	**100**	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100
Asterion Technopod, Incorporated (ATI)	**100**	100
Crestview E-Office Corporation (CeOC)	**100**	100
Gisborne Property Holdings, Inc.	**100**	100
Hillsford Property Corporation (HPC)	**100**	100
Primavera Towncentre, Inc. (PTI)	**100**	100
Summerhill E-Office Corporation (Summerhill)	**100**	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100
Subic Bay Town Centre, Inc.	**100**	100

Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**	100
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100
Arvo Commercial Corporation	**100**	–
BellaVita Land Corporation	**100**	–
Nuevo Centro, Inc.	**100**	–
ALI Property Partners Holding Corp. (APPHC)	**–**	80
ALI Property Partners Corp. (APPCo)	**–**	60
APPCo	**68**	20
Laguna Technopark, Inc.	**75**	75
Aurora Properties Incorporated	**70**	70
Vesta Property Holdings, Inc.	**70**	70
Station Square East Commercial Corporation (SSECC)	**69**	69
Asian I-Office Properties, Inc. (AiO)	**60**	60
Accendo Commercial Corp. (Accendo)	**67**	67
Cagayan de Oro Gateway Corp	**51**	–
Ceci Realty, Inc.	**60**	60
CMPI Holdings, Inc.	**60**	60
ALI-CII Development Corporation (ALI-CII)	**50**	50
Roxas Land Corporation (RLC)	**50**	50
Construction:		
Makati Development Corporation (MDC) & Subsidiaries	**100**	100
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	**50**	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100
Enjay Hotels, Inc.	**100**	100
Greenhaven Property Venture, Inc.	**100**	100
Cebu Insular Hotel Company, Inc.	**63**	63
Ten Knots Phils, Inc. (TKPI)	**60**	60
Ten Knots Development, Corp. (TKDC)	**60**	60
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Ayala Theatres Management, Inc. and Subsidiaries	**100**	100
Entertainment:		
Five Star Cinema, Inc.	**100**	100
Leisure and Allied Industries Philippines, Inc. (LAI)	**50**	50
Others:		
MZM Holdings, Inc. (MZM)	**100**	100
ALInet.com, Inc. (ALInet)	**100**	100
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**	100
Food Court Company, Inc.	**100**	100
Aprisa Business Process Solutions, Inc.	**100**	100
Studio Ventures, Inc.	**100**	100
DirectPower Services, Inc. (DirectPower)	**100**	–
Philippine Integrated Energy Solutions, Inc. (Phil. Energy)	**60**	100

Results of Operations for the Year Ended December 31, 2011

Ayala Land, Inc. ("ALI" or "the Company") posted a record consolidated net income of ₱8.09 billion for the year 2011, 29% higher than the ₱6.29 billion generated the previous year. Net of non-controlling interests, net income attributable to equity holders of Ayala Land, Inc. amounted to ₱7.14 billion, which was 31% higher than the ₱5.46 billion recorded in 2010. Consolidated revenues reached ₱44.21 billion, 17% higher year-on-year. Revenues from Real Estate and Hotels, which comprised bulk of consolidated revenues, increased by 16% to ₱41.23 billion with growth largely driven by the strong performance of the Property Development business.

Margins of the Company's key business lines continued to improve with strict control of project costs and direct operating expenses (discussed below in the Business Segment review). Corporate costs have also been contained, resulting to the drop in the ratio of General and Administrative Expenses (GAE) to revenues, from 8.4% in 2010 to 7.9% in 2011. With total revenues growing faster than total expenses, net income margin improved to 16% in 2011 from 14% the previous year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Property Development. Property Development, which includes the sale of residential units, as well as the sale of commercial and industrial lots, posted revenues of ₱25.26 billion in 2011, 27% higher than the ₱19.85 billion reported in 2010.

Revenues from the residential segment reached ₱23.99 billion in 2011, 29% higher than the ₱18.60 billion reported the previous year, driven by the higher bookings and steady progress on construction across all residential brands. Ayala Land Premier (ALP) generated ₱9.51 billion in revenues or an improvement of 36% year-on-year on the back of a 35% growth in bookings and the construction progress in projects such as Park Terraces 1 and 2 in Makati City, and Santierra and Elaro in NUVALI. Alveo and Avida also posted year-on-year revenue growth of 15% and 44% to ₱5.83 and ₱6.06 billion, respectively, following the strong sales of newly-launched projects such as Sedona Parc (Cebu) and Venare (NUVALI) for Alveo, and Avida Towers Centera 1 and 2 (Mandaluyong City) and the second tower of Avida Towers Cebu. New residential brand Amaia further contributed to residential revenues in 2011 as it generated ₱841 million largely from the full year impact of its maiden project AmaiaScapes Laguna.

Sales take-up value in 2011 reached ₱51.72 billion, equivalent to an average monthly sales take-up of ₱4.31 billion and 56% higher than the ₱2.76 billion average monthly sales take-up achieved the previous year. Residential gross profit (GP) margins of vertical projects improved to 33% from 31% with the impact of various measures designed to lower project construction costs, while GP margins of horizontal developments declined slightly to 46% from 47% due to a shift in mix towards more house and lot packages rather than the sale of lots. The Company's four residential brands, together with fifth brand Bella Vita that caters to the socialized housing segment, launched a total of 20,613 units in 2011. For 2012, the Company is anticipating continued demand for residential products and will be launching about 24,800 units across all residential brands.

Revenues from the sale of commercial and industrial lots grew by 2% in 2011 to ₱1.27 billion, largely due to the sale of 14 commercial lots in NUVALI. GP margins improved to 54% from 45% as the NUVALI commercial lots carried higher margins compared to the industrial lots in

Laguna Technopark that were sold in 2010.

Commercial Leasing. Commercial Leasing includes the Company's Shopping Center and Office Leasing operations. Total revenues for Commercial Leasing amounted to ₱7.46 billion in 2011, 16% higher than the ₱6.45 billion recorded the previous year.

Revenues from Shopping Centers increased by 14% to ₱4.96 billion in 2011, driven by higher average occupancy and lease rates. Average occupancy rate across all malls reached 96% compared with 94% in 2010. The opening of Abreeza Mall in Davao City and Solenad 2 in NUVALI, coupled with the continued improvements in the occupancy of Market! Market! and MarQuee Mall, resulted in a 9% expansion in occupied gross leasable area (GLA). This more than offset the additional closures in Glorietta effected in early 2011 due to the Ayala Center redevelopment. Average lease rates also rose in 2011 by 7% brought about by negotiated and programmed rental escalations. The retail environment remained buoyant as same-store sales for all building and land leases increased by 5% and 3%, respectively. The EBITDA margin of Shopping Centers improved to 60% from 59% the previous year with the higher occupancy and lease rates across all malls and effective management of direct operating expenses.

Revenues from Office leasing operations rose by 19% to ₱2.50 billion in 2011 from ₱2.11 billion the previous year. The revenue growth was generated by the significant increase in occupied GLA of business process outsourcing (BPO) office spaces, which increased by 22% year-on-year (equivalent to 41,220 square meters). Total available BPO GLA reached 315,736 square meters as of year-end, while average BPO lease rates remained steady at Php580 per square meter. This was achieved despite a change in the portfolio mix as most of the increase in occupied GLA occurred in provincial (and therefore lower rent) locations. The improvement in occupied BPO occupied space accounted for the one percentage-point improvement in the EBITDA margin of the total office portfolio, which reached 80% in 2011.

Hotels and Resorts. Revenues of the Company's Hotels and Resorts business improved by 18% to ₱2.24 billion in 2011. This was largely due to the impact of the consolidation of the El Nido Resorts operations in Palawan, through the acquisition of a 60% stake in the Ten Knots Group in April 2010. A total of 150 island resort rooms in Lagen, Miniloc and Apulit Island (formerly Club Noah) were added to the Hotels and Resorts portfolio that operates 634 hotel rooms between Hotel InterContinental Manila and Cebu City Marriott. EBITDA margins for Hotels and Resorts however declined to 29% from 33% with the start-up costs of Apulit Island resort and the pre-operating expenses of the upcoming Kukun hotels. The Company is currently constructing its first four owner-operated businessman's hotels under its own brand Kukun in Bonifacio Global City, Cagayan de Oro, Davao and NUVALI. The first two hotels are expected to begin operations this year.

Services. Services, comprised of the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of ₱6.26 billion in 2011. This was 13% lower than the ₱7.21 billion posted in 2010 following the Company's deliberate move to focus on internal projects in its construction operations. Only revenues from third-party contracts, or the revenue share of third-party minority interests in internal projects, are reflected as construction revenues in consolidated Company accounts. The decline in Construction revenues more than offset the 7% growth in Property Management revenues, which reached ₱1.11 billion in 2011 with the addition of new carpark management contracts, compared with ₱1.03 billion the previous year. Before inter-company eliminations, however, Construction revenues grew by 42% to ₱13.77 billion. The blended EBITDA margin for Services improved by one percentage-point to 8%.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees declined by 1% to ₱899 million in 2011 from ₱906 million the previous year, as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at Bonifacio Global City. This was countered by the stronger performance of TriNoma, which is accounted for under the equity method, and the mark-to-market gains on the investment holdings of First Longfield Investments Ltd. (investment vehicle for ARCH Capital Partners L.P.). Interest, Investment and Other Income meanwhile increased by 38% to ₱2.08 billion in 2011 compared with the ₱1.50 billion the previous year. The increase was accounted for mostly by the higher interest income earned from higher average cash balances for the period and gains from the Company's divestment of its ownership stake in ARCH Capital Management Co., Ltd. in March 2011.

Expenses

Total expenses amounted to ₱33.50 billion in 2011, 12% more than the ₱29.95 billion incurred in the 2010. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 12% year-on-year amounting to ₱27.94 billion. General and administrative expenses (GAE) meanwhile grew by 9% to ₱3.48 billion, largely because of payroll-related expenses, but significantly slower than overall revenue growth thus allowing the GAE-to-revenue ratio to decline to 7.9% from 8.4% in 2010. Interest Expense, Financing and Other Charges increased by 14% year-on year to ₱2.08 billion, mostly due to higher interest charges with the additional ₱10.0 billion in fixed-rate corporate notes issued by the Company in January 2011. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 6.3%, from 7.5% in 2010.

Project and Capital Expenditure

The Company spent a record high of ₱29.91 billion for project and capital expenditures in 2011, 49% more than the ₱20.06 billion spent the previous year. Residential development accounted for 53% of the total, while 18% was spent for land acquisition. Shopping centers, hotels and resorts, other land development activities and BPO offices accounted for the balance of 14%, 6%, 5% and 4%, respectively. For 2012, the Company has earmarked another ₱37.0 billion for capital expenditures largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the acquisition of new landbank which will help sustain the Company's growth trajectory over the coming years.

Financial Condition

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the ₱10.0 billion notes issued at the start of 2011 brought Cash and Cash Equivalents to ₱24.60 billion, with a corresponding Current Ratio of 1.65: 1. Total Borrowings stood at ₱34.53 billion as of December 2011 from ₱20.97 billion the previous year, translating to a Debt-to-Equity Ratio of 0.55: 1 and a Net Debt-to-Equity Ratio of 0.16: 1.

Retained earnings amounting to ₱6.0 billion was appropriated for future expansion (see Note 20 of AFS). In the normal course of business of ALI, that represents continuing appropriation for land banking activities and planned building construction project. Each year ALI incurred residential capital expenditures for property development which includes among others land banking and building construction projects. The annual appropriation by ALI is being fully utilized to cover part of the annual expenditure requirement of the Company. In 2012, it is expected that the capital expenditure requirement will exceed the ₱6.0 billion appropriation, hence the Company will provide future appropriation as the need arises.

As of December 31, 2011, retained earnings available for dividend declaration adjusted amounts to ₱19.2 billion as indicated in the reconciliation attached to the audited financial statements. Subsequently, the Company declared dividends at ₱0.109488 per common share on February 20, 2012, payable on March 27, 2012 to stockholders of common shares as of record date on March 7, 2012. This will reduce the retained earnings available for dividend declaration by ₱1.4 billion.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End 2011	*End 2010*
Current ratio [1]	*1.65:1*	*1.67:1*
Debt-to-equity ratio [2]	*0.55:1*	*0.37:1*
Net debt(cash)-to-equity ratio [3]	*0.16:1*	*0.02:1*
	FY 2011	*FY 2010*
Return on assets [4]	*5.2%*	*4.8%*
Return on equity [5]	*12.0%*	*10.0%*

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds) / stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[4] *Net income attributable to equity holders of Ayala Land, Inc. / average total assets*
[5] *Net income attributable to equity holders of Ayala Land, Inc / average stockholders' equity attributable to equity holders of Ayala Land, Inc.*

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2011.

Material changes (+/- 5% or more) in the financial statements

Income Statement Items – 2011 versus 2010

16% increase in real estate revenues
Mainly due to higher residential sales bookings, incremental project completion and sale of commercial lots in NUVALI.

18% increase in hotel revenues
Primarily due to impact of full year consolidation of El Nido Resorts operations in Palawan.

56% increase in interest and investment income
Largely due to higher income from money market placements and divestment of ownership stake in ARCH Capital Management Co., Ltd.

12% increase in real estate cost and 15% increase in hotel expenses
Mainly due to higher real estate revenues and consolidation of El Nido Resorts operations.

9% increase in general and administrative expenses
Primarily due to higher payroll costs and benefits.

22% increase in interest and financing expenses
Mainly due to higher debt levels.

30% decrease in other charges
Mainly due to lower provisions for bad debts and impairment

67% increase in provision for income tax
Mainly due to higher taxable income.

15% increase in net income attributable to minority interests
Primarily due to higher income from Ayala Property Partners Corp., Ceci Realty, Inc. and Vesta Property Holdings, Inc.

Balance Sheet Items – 2011 versus 2010

37% increase in cash and cash equivalents
Mainly due to additional borrowings and collections from new projects.

87% decrease in short-term investments
Primarily due to liquidation of short-term investments to fund property acquisition.

100% decrease in financial assets at fair value through profit or loss
Primarily due to maturity of fixed income securities.

31% increase in accounts and notes receivables (net)
Largely due to launch of new residential projects.

52% increase in real estate inventories
Mainly due to incremental project completion of existing and new projects.

49% increase in other current assets
Mainly due to higher prepaid expenses for commissions and marketing fees and increase in creditable withholding tax and value-added input tax following the acquisition of properties for development by Alveo Land and Avida Land.

50% increase in non-current accounts and notes receivables
Largely due to sale of new residential projects.

17% increase in land and improvements
Primarily due to acquisition of sites for new projects.

16% increase in investments in associates and jointly controlled entities
Mainly due to additional equity infusions in Regent Wise Investments Limited, First Longfield Investments and in newly established jointly controlled entities: BG West Properties, Inc., BG South Properties, Inc., and BG North Properties, Inc.

18% increase in investment properties (net)
Primarily due to completion of malls and office buildings.

29% increase in property and equipment
Largely due to purchases of AyalaLand Hotels and Resorts Corp., Phil. Energy and Accendo Commercial Corp., and modernization of Makati Development Corp.

6% decrease in deferred tax assets (net)
Mainly due to realization of gains on real estate sales.

12% increase in other non-current assets
Largely due to increase in construction guarantee and other deposits.

47% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of new projects.

61% increase in short-term debt
Mainly due to additional bank loans of ALI Parent.

149% increase in income tax payable
Primarily due to higher provisioning of Vesta Property Holdings, Inc., ALI Property Partners Corp., and Alveo Land.

33% decrease in current portion of long-term debt
Largely due to loan payments of ALI Parent.

45% decrease in other current liabilities
Mainly due to lower customer deposits from residential projects.

80% increase in long-term debt - net of current portion
Primarily due to fixed-rate corporate notes issued by ALI Parent.

16% decrease in pension liabilities
Mainly due to adjustments made to reflect latest actuarial valuation.

25% increase in deferred tax liabilities (net)
Mainly due to increase in deferred tax liabilities of Serendra, ALI Parent and Alveo Land.

19% increase in deposits and other noncurrent liabilities
Mainly due to security deposits of new shopping center tenants

13% increase in retained earnings
Primarily due to the increase in net income.

15% increase in stock options outstanding

Largely due to revaluation of unsubscribed ESOWN shares.

33% increase in unrealized gain on available-for-sale financial assets
Mainly due to revaluation of fixed income securities.

12% increase in noncontrolling interests
Primarily due to capital infusions to Solinea Inc., Cagayan de Oro Gateway Corp. and Phil. Energy of respective partners.

Review of 2010 Operations versus 2009

Results of Operations

Ayala Land posted a record ₽5.46 billion in net income for the year 2010, 35% higher than the ₽4.04 billion recorded the previous year. The Company's net income of ₽1.52 billion in the fourth quarter was also a new record for core quarterly earnings and was the 7th straight quarter of positive earnings growth.

Consolidated revenues in 2010 reached ₽37.81 billion, 24% higher year-on-year. Real Estate and Hotel revenues increased by 28% to ₽35.41 billion, with robust growth across all major business lines. Margins of the Company's residential, shopping center and corporate businesses continued to improve. Corporate cost control has also been improving with the continued drop in the ratio of General and Administrative Expenses ("GAE") to revenues, from 9% in 2009 to 8% in 2010. With total revenues growing faster than total expenses and the effective income tax rate steady at 20%, net income margin improved to 14% in 2010 from 13% the previous year.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Residential Development. Residential revenues reached ₽16.64 billion in 2010, 16% higher than the ₽14.34 billion reported the previous year, as the combined value of bookings for all residential brands more than doubled to ₽24.00 billion. ALP generated revenues of ₽7.22 billion in 2010, up 10% year-on-year. ALP accounted for 43% of total residential revenues following the strong sales of Park Terraces (Makati) and Serendra West Tower (BGC) condominium units as well as Santierra lots in NUVALI. Alveo and Avida meanwhile also posted year-on-year revenue growth of 26% and 15%, respectively, with higher bookings from the success of new launches such as Meranti (BGC) and Venare (NUVALI) for Alveo and Avida Towers Cebu and Alabang for Avida. Together with newly launched fourth brand Amaia Land, the Company's four residential brands launched a total of 10,115 units in 2010, more than three times the number launched the previous year. This resulted in a strong sales take-up value of ₽33.14 billion in 2010, averaging nearly ₽2.8 billion of sales take-up every month. Residential Gross Profit (GP) margins of horizontal developments improved to 43% in 2010 from 41% the previous year, while GP margins of vertical projects improved to 28% from 26%. For 2011, the Company is anticipating continued demand for residential products and will be launching over 20,000 units across all residential brands with an estimated sales value of ₽57.0 billion.

Shopping Centers. Total revenues for shopping centers amounted to ₽4.60 billion in 2010, 3% higher than the previous year. This was driven by the 1% expansion in occupied GLA as the continued ramp-up of MarQuee Mall in Pampanga and the improved occupancy rate at Glorietta

5 more than offset the closure of Glorietta 1. The retail environment remained buoyant as same-store sales for all building and land leases increased by 7% year-on-year. The revenue impact of the higher average occupancy rates (which reached 94% for all malls, from 92% in 2009) however was tempered by a 2% decline in average rental rates due to product mix with lower per sqm building lease rates in MarQuee Mall and Glorietta 5 compared with what was previously achieved in Glorietta 1. Shopping Centers EBITDA margins improved slightly to 63% from 62% with an improved portfolio performance despite the continuing impact of the Ayala Center redevelopment. For 2011, the Company is set to start the operations of additional 126,000 sqm of GLA with the opening of Abreeza Mall in Davao and Harbor Point in Subic, among others. The Company will also launch a total of eight new projects across the country this year, adding add another 175,000 sqm of GLA to the portfolio over the next few years.

Corporate Business. Revenues from the Company's office building portfolio reached ₱2.40 billion in 2010, compared with ₱1.99 billion the previous year. The 21% improvement in office building revenues was generated by the significant increase in occupied BPO office GLA, which increased by 34% (equivalent to 48,725 sqm) year-on-year, as the outlook and demand for BPO space continue to improve. Total available BPO GLA has now reached 272,676 sqm with an occupancy rate of 70% (and an 88% lease-out rate) compared with 55% a year ago. Average BPO lease rates increased by 1% due to programmed escalations despite changes in the portfolio mix as most of the increase in occupancy in 2010 occurred in the Company's non-CBD locations, which carry lower average lease rates. The higher occupancy rate of the BPO portfolio mainly accounted for the improvement in EBITDA margins which increased from 62% to 68% in 2010. For 2011, the Company continues to see positive prospects for expansion within and outside Metro Manila and will begin the construction of additional 200,000 sqm of GLA. The Company will also start the operation of five new BPO buildings in 2011 in Baguio, NUVALI, Iloilo, Bacolod and Cebu totaling 55,000 sqm of GLA.

Strategic Landbank Management and Visayas-Mindanao. Revenues from the Strategic Landbank Management Group (SLMG) and the Visayas-Mindanao Group amounted to ₱3.15 billion in 2010, 34% higher than the previous year, largely due to overrides on the successful sales performance of Park Terraces in Makati and Santierra in NUVALI, as well as some commercial lot sales in NUVALI. GP margins likewise improved to 56% from 48% with significant bookings in higher-margin override units.

Other Businesses. Other Businesses, namely Construction, Property Management and Hotels, generated combined revenues (net of inter-company eliminations) of ₱8.86 billion in 2010, 79% higher than the ₱4.96 billion posted the previous year. The improvement came largely from the higher completion of external construction projects and improving hotel operations combined with the impact of the consolidation of the El Nido resort operations. Total EBITDA for Other Businesses in aggregate also improved by 5% to ₱899 million but EBITDA margins went down by 10% compared with 17% in 2009. This was due to a decline in margins on external construction projects of MDC, lower margins for the El Nido resort operations and some start-up costs for new carparks being managed by APMC.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees declined by 6% to ₱906 million in 2010 from ₱968 million the previous year as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at BGC. This offset the stronger performance of shopping center joint ventures accounted for under the equity method, particularly TriNoma and Alabang Town Center, and affiliate CHI which also saw an improvement in the performance of Ayala Center Cebu. Interest, Investment and Other Income likewise decreased by 10% to ₱1.27 billion in 2010, compared with the ₱1.41 billion the previous year due to lower interest rates on the Company's cash balances.

Expenses

Total expenses amounted to ₱29.95 billion, 22% more than the ₱24.61 billion spent in 2009. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at ₱24.95 billion, rose by 31% year-on-year largely because of higher construction activity on external MDC projects. GAE meanwhile grew by 14% to ₱3.19 billion due to the donation of a parcel of land in NUVALI to Xavier School as part of the Company's priming efforts for the area. Despite this, the GAE-to-revenue ratio dropped to 8% from 9% last year due to effective corporate cost control measures. Meanwhile, Interest Expense and Other Financing Charges declined by 35% to ₱1.82 billion due to the absence of provisions for impairment (which were recorded in 2009) as well as the lower average cost of debt on the Company's borrowings.

Project and Capital Expenditures

The Company spent a total of ₱20.1 billion for project and capital expenditures in 2010, 44% more than the ₱14.0 billion spent in 2009. Residential Development accounted for almost half of the total or 47%, while Hotels spent another 17%. Strategic Landbank Management and the Visayas-Mindanao groups, Shopping Centers and Corporate Business accounted for the balance of 16%, 14% and 6%, respectively. For 2011, the Company has earmarked another ₱32.6 billion for capital expenditures largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the expected acquisition of new landbank which will help sustain the Company's strong growth trajectory over the coming years.

Financial Condition

The Company's balance sheet continued to be robust with strong cash inflows from the successful pre-sales of various residential launches. Cash and Cash Equivalents stood at ₱19.9 billion with a Current Ratio of 1.67: 1. Total Borrowings stood at ₱21.0 billion from ₱18.8 billion as of December 2009, translating to a Debt-to-Equity Ratio of 0.37: 1 and a Net Debt-to-Equity Ratio of 0.02: 1. This gives the Company significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. In January 2011, the Company raised ₱10.0 billion through the issuance of fixed-rate corporate notes, consisting of ₱5.7 billion in 5-year notes, ₱3.3 billion in 10-year notes, and ₱1.0 billion in 15-year notes. This was notable in that it allowed the Company to take advantage of the attractive financing window and lower its borrowing cost and also because the 15-year tranche was the first such fixed-rate issue by a Philippine corporate and enables the Company to more effectively match the duration of its landbank assets with its financial liabilities.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End- 2010	End-2009
Current ratio [1]	1.67:1	1.95:1
Debt-to-equity ratio [2]	0.37:1	0.36:1
Net debt(cash)-to-equity ratio [3]	0.02:1	0.06:1
	FY 2010	FY 2009
Return on assets [4]	4.8%	3.9%
Return on equity [5]	10%	8.0%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds) / stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[3] *Interest-bearing debt less cash, cash equivalents & investment in government securities / stockholders' equity attributable to equity holders of Ayala Land, Inc.*
[4] *Net income attributable to equity holders of Ayala Land, Inc / average total assets*
[5] *Net income attributable to equity holders of Ayala Land, Inc / average stockholders' equity attributable to equity holders of Ayala Land, Inc.*

There were no events that triggered direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2010.

Material changes (+/- 5% or more) in the financial statements

Income Statement Items – 2010 versus 2009

27% increase in real estate revenues
Mainly due to higher sales from newly launched residential projects such as Park Terraces, Serendra West Tower and Santierra of ALP and Meranti of Alveo, and growth in Construction business.

33% increase in hotel revenues
Primarily due to higher occupancy and REVPAR at InterContinental Hotel Manila and Cebu City Mariott, and consolidation of El Nido resort operations.

5% decline in interest income
Mainly due to lower interest rates on money market placements.

6% decrease in equity in net earnings of associates and jointly controlled entities
Largely due to lower contribution from Fort Bonifacio Development Corporation despite of better performance of affiliate investments CHI and shopping center joint ventures accounted for under the equity method.

31% decline in other income
Mainly due to lower development management fees from third party projects.

31% increase in real estate costs and expenses
Mainly due to higher real estate revenues and construction activity on external MDC projects.

14% increase in general and administrative expenses
Primarily due to higher payroll costs and benefits.

14% increase in interest expense and other financing charges
Mainly due to new and additional loans.

43% increase in hotel and resort operation costs and expenses
Primarily due to higher hotel occupancy levels and consolidation of Ten Knots Group.

81% decrease in other charges
Largely due to absence of provision for impairment.

35% increase in provision for income tax
Mainly due to higher taxable income for the period.

29% increase in net income attributable to noncontrolling interests
Primarily due to higher income from NUVALI companies, ALI Property Partners Holdings Corp. (APPHC) and Leisure and Aliied Industries Philippines, Inc.

Balance Sheet Items – 2010 versus 2009

71% increase in cash and cash equivalents
Mainly due to liquidation of short term investments and fixed income securities, proceeds from pre-selling of residential products and MDC's collection of downpayment from new projects.

69% decrease in short-term investments
Primarily due to maturity of short-term investments.

53% decrease in financial assets at fair value through profit or loss and available-for-sale financial assets
Mainly due to maturity of investments.

8% increase in accounts and notes receivables (net)
Largely due to launch of new projects and higher receivables of MDC from external contracts.

63% increase in real estate inventories
Mainly due to reclassification of NUVALI land from unsubdivided to saleable, and incremental project completion of existing and new projects.

18% increase in other current assets
Mainly due to MDC's prepaid expenses representing cost of materials, equipment rentals and salaries for new and existing projects, and prepaid taxes.

69% increase in non-current accounts and notes receivables
Largely due to trade receivables of Alveo, Avida and Vesta Property Holdings, Inc.

7% decrease in land and improvements
Mainly due to reclassification of NUVALI land from unsubdivided to saleable.

6% increase in investment properties
Largely due to disbursements related to the construction of Abreeza Mall.

24% increase in property and equipment
Mainly due to consolidation of Ten Knots Group.

92% increase in deferred tax assets
Largely due to unrealized gain on real estate projects under construction.

46% increase in other noncurrent assets
Mainly due to increase in utility and other deposits.

34% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of existing and new projects, and increase in accrued and taxes payable.

77% increase in short-term debt
Mainly due to new loan availment of ALI-parent, Avida, APPHC and Laguna Technopark, Inc.

68% decrease in income tax payable
Largely due to income tax payments made by Aurora Properties Inc. and Ceci Realty, Inc.

516% increase in current portion of long-term debt
Primarily due to reclassification of ALI-parent and APPHC loans payable from non-current to current.

6% decrease in other current liabilities
Mainly due to decrease in customer deposits.

6% decrease in long-term debt – net of current portion
Mainly due to reclassification of ALI-parent and APPHC loans from non-current to current, and loan pretermination of Enjay Hotels, Inc.

63% increase in pension liabilities
Primarily due to additional retirement contributions.

296% increase in deferred tax liabilities
Largely due to Serendra Inc. and consolidation of Ayala Hotels and Resorts Corporation.

11% decrease in deposits and other noncurrent liabilities
Primarily due to decrease in customer and security deposits, and deferred interest income on ALI advances and unearned management fees.

47% increase in deferred credits
Largely due to unearned revenues and management fees.

12% increase in retained earnings
Mainly due to increase in income.

12% increase in stock options outstanding
Primarily due to new ESOWN shares granted in May 2010.

145% increase in unrealized gain on available-for-sale financial assets

Primarily due to revaluation of fixed income securities AFS, and investments in shares of Ayala Corporation and Alabang Country Club.

27% increase in non-controlling interests in net assets of subsidiaries
Largely attributed to APPHC, Ceci Realty, Asian I-Office Properties, Inc. and Ten Knots Group.

Review of 2009 Operations versus 2008

Results of Operations

Ayala Land, Inc. posted a strong financial performance for the full year 2009 despite a challenging macroeconomic environment, especially in the first quarter of last year. Consolidated core net income reached ₱4.04 billion in 2009, nearly matching the record ₱4.13 billion in earnings (excluding large transactions) generated the previous year. The Company's quarterly financial performance also improved steadily, with the ₱1.12 billion in net income generated in the fourth quarter of 2009 up 7% quarter-on-quarter and 16% year-on-year, respectively. This was achieved through a combination of relatively stable operating revenues from key business segments and effective cost control measures.

Consolidated revenues of ₱30.46 billion in 2009 were 10% lower than the ₱33.75 billion recorded the previous year. The decline was accounted for mostly by the 8% drop in revenues from Real Estate and Hotel operations and the absence of capital gains from a large transaction, specifically the sale of the Valero lots in March 2008. Real Estate and Hotel operations revenues were lower, mostly on the Company's decision to reduce its external third-party construction contracts while aggregate consolidated revenues from the company's core residential and leasing operations remained flat.

Despite the lower consolidated revenues, consolidated NOI reached ₱9.03 billion in 2009, declining by only 3% from the ₱9.33 billion posted the previous year. This reflected the overall improvement in blended NOI margins to 32% in 2009 from 30% the previous year. Shopping Centers and Corporate Business margins stabilized as leased-out rates in new malls and BPO office buildings steadily moved up, while an improvement in Strategic Landbank Management margins offset the decline in Residential and Support Businesses margins which were hampered by high input costs at the start of the year. The improvement in NOI margins and a 12% reduction in GAE contributed to narrowing the gap between the after-tax Net Income of ₱4.04 billion in 2009 compared with the ₱4.81 billion (including large transactions) recorded in 2008.

Business Segments

The details of the individual performance of each business segment are discussed as follows:

Residential Development. Residential Development revenues amounted to ₱14.23 billion in 2009, 6% lower than the ₱15.22 billion posted the previous year, as the combined value of bookings for the three brands dropped due to uncertain market conditions in the first quarter and a limited supply of new product launches in 2009. ALP revenues registered a decline of 15% to ₱6.53 billion as the gradual recovery in demand was not met with adequate inventory. Meanwhile, Alveo Land and Avida Land both posted growth rates of 2% year-on-year. Alveo's revenues reached ₱4.03 billion while Avida's reached ₱3.67 billion as advancing percentages of completion on projects under construction offset the decline in new bookings. The Residential Business remained the biggest contributor to the Company's NOI, accounting for 43% of total at

₱3.85 billion. NOI margins dropped to 27% from 29% largely because the completion mix was weighted towards the lower-margin products. For 2010, the Company is anticipating a strong turn-around in market conditions and will be launching its most aggressive campaign ever, with over 9,200 units to be launched from 28 projects across all residential brands. 2010 will also be noteworthy for the Company's initial foray into the economic housing segment through a newly established fourth brand known as Amaia Land Corporation, with a maiden project to be launched in Laguna within the first quarter.

Shopping Centers. Total revenues for Shopping Centers rose by 4% to ₱4.44 billion in 2009 as its GLA portfolio increased with the opening of MarQuee Mall in Angeles, Pampanga in September 2009. Blended occupancy rates remained at 92% despite the Ayala Center redevelopment-related closures in Glorietta 1 as well as the start-up operations of MarQuee Mall. Average building rent for all malls dropped by 5% to ₱1,019 per sqm per month, mostly due to the lower average lease rates in MarQuee Mall. NOI for Shopping Centers meanwhile improved by 9% to ₱2.34 billion and accounted for 26% of the Company's total NOI. NOI margins also improved to 53% from 50% with the continued ramp-up of new malls. For 2010, the Company will continue with the construction of its Abreeza Mall in Davao, which is expected to open in 2011. It is also expected to launch the Phase 2 development of Ayala Center Cebu, while breaking ground in several other provincial locations for both regional malls as well as its community and neighborhood center products.

Corporate Business. Revenues from Corporate Business nearly doubled to ₱1.99 billion in 2009 from ₱1.09 billion the previous year. The growth was derived largely from the expansion of the BPO office portfolio that reached a total of 178,160 sqm of leased-out GLA as of year-end 2009, compared with 82,224 sqm as of year-end 2008. Revenues were also boosted by higher average BPO lease rates that went up by 22% to an average of ₱582 per sqm per month with the start of operations of two higher-yielding BPO office buildings in Makati in 2009 (Solaris One and Glorietta 5 BPO). Meanwhile, the performance of the HQ office buildings continued to be positive. Average lease rates for the HQ buildings increased by 4% to ₱806 per sqm per month on programmed rental escalations as well as above-average renewal rental rates, with occupancy rates remaining high at 96%. NOI meanwhile increased by 86% to ₱1.08 billion in 2009, accounting for 12% of the Company's total. NOI margins also improved to 54% from 53% as a result of improving occupancy rates in the recently opened buildings. For 2010, the Company continues to see positive prospects for expansion in select locations and will begin construction on Two Evotech in Nuvali as well as several other BPO buildings in Luzon and the Visayas region.

Strategic Landbank Management. Revenues from the Strategic Landbank Management Group (SLMG) amounted to ₱2.26 billion in 2009, 24% higher than the previous year, largely due to the significant construction completion of its share in booked NUVALI residential and commercial lot sales. The strong revenue growth also led to an increase in NOI by 32% to ₱832 million from ₱632 million in 2008 (and contributed 9% to total NOI). NOI margins likewise improved to 37% from 35% with a greater percentage of construction accomplishment in higher-margin lots in NUVALI.

Visayas-Mindanao. Revenues from Visayas-Mindanao improved by 20% to ₱194 million in 2009 from ₱161 million the previous year. Most of the revenue growth came from increasing percentage completion at Alegria Hills in Cagayan de Oro and from higher bookings in new phases of Plantazionne Verdana Homes in Negros Occidental. NOI contribution was ₱17 million, or less than 1% of total.

Support Business. The Support Businesses, namely Construction, Property Management and Hotels, generated revenues (net of inter-company eliminations) of ₱4.96 billion in 2009, 38% lower than the ₱8.05 billion posted the previous year. The decline was a result of the winding down and subsequent lower contribution from external construction projects as the Company deliberately adopted a strategy of focusing more on internal construction projects. Consequently, NOI for the Support Businesses in aggregate also dropped by 44% to ₱909 million, or 10% of total. Overall margins were likewise lower at 18% compared with 20% the previous year, although these stabilized in the second half of 2009, compared with a larger average year-on-year drop in the first two quarters of last year.

Equity in Net Earnings of Investees, Interest and Other Income

Equity in Net Earnings of Investees grew by 9% to ₱968 million from ₱885 million, mostly from the contribution of Fort Bonifacio Development Corporation (in which the Company holds an effective stake of 24.8%) and the improved performance of shopping center joint ventures accounted for under the equity method (particularly TriNoma and Alabang Town Center). Meanwhile, Interest, and Other Income decreased by 37% to ₱1.41 billion in 2009 compared with the ₱2.25 billion the previous year. Higher management fees and interest income on higher average cash balances in 2009 were not enough to compensate for the absence of capital gains derived from the sale of shares in wholly-owned subsidiaries Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. in March 2008.

Expenses

Total expenses dropped to ₱24.61 billion in 2009, 6% lower than the ₱26.30 billion recorded in 2008. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at ₱19.02 billion, declined by 11%, reflecting the strong project cost control initiatives. GAE was also contained at ₱2.79 billion, dropping by 12% from the previous year with savings from a corporate restructuring program in 2008 as well as strong cost control initiatives implemented in 2009. Meanwhile, Interest Expense, Financing and Other Charges went up by 52% to ₱2.80 billion, mostly due to the increase in average loan balances for 2009 as the Company ramped up its borrowing program.

Project and Capital Expenditures

ALI spent a total of ₱16.24 billion for project and capital expenditures in 2009, 14% less than the record ₱18.89 billion spent in 2008. Residential Development accounted for 60% of the total, followed by Strategic Landbank Management with 17% and Shopping Centers and Corporate Business each accounting for 8% of total. For 2010, the Company has earmarked a new record high of ₱27.17 billion for capital expenditures as it expects its most aggressive year ever with record product launches and activity levels across all product segments. The capital expenditure allocation is expected to cover expenses related to the launch of new residential and leasing projects, the ongoing construction completion of existing projects under development, as well some possible land acquisition as the Company seeks to expand its presence in more growth centers across the country.

Financial Condition

The Company's balance sheet continued to be robust with a close to zero net-debt position and significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. Cash and Cash Equivalents stood at ₱15.52 billion with a Current Ratio of

1.95:1. Total Borrowings as of year-end 2009 stood at ₱18.81 billion, compared with ₱16.75 billion as of December 2008, translating to a Debt-to-Equity Ratio of 0.36:1 and a Net Debt-to-Equity Ratio of 0.06:1. The Company has been managing its debt profile effectively, with 91% in long-term debt (with 84% of total carrying a fixed-rate) and an average borrowing rate of 7.9%, down from 8.0% the previous year. The Company's borrowings carry an average maturity tenor of 4.4 years. In order to support its expansion plans, the Company intended to continue ramping-up its borrowing program in 2010.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End-2009	*End-2008*
Current ratio [1]	1.95:1	1.89:1
Debt-to-equity ratio [2]	0.36:1	0.34:1
Net debt/(cash)-to-equity ratio[3]	0.06:1	0:03:1
	FY 2009	*FY 2008*
Return on assets [4]	3.9%	5.2%
Return on equity [5]	8.0%	10.2%

[1] Current assets / current liabilities
[2] Total interest-bearing debt (inclusive of bonds) / stockholders' equity attributable to equity holders of Ayala Land, Inc.
[3]Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.
[4]Net income / average total assets
[5] Net income / average stockholders' equity attributable to equity holders of Ayala Land, Inc.

Significant Transactions

As part of its strategic plan to develop more growth centers around the country, the Company concluded two key landbank acquisitions. ALI forged in August 2009 a joint venture agreement with the NHA to develop the 29.1-hectare North Triangle Property in Quezon City into the Philippines' first transit-oriented mixed-use CBD. The total project cost is estimated at ₱22 billion, inclusive of programmed development costs and the current value of the property. The Company also recently signed in October 2009 a 50-year lease agreement with the SBMA for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone into an integrated mixed-use community which will include a shopping mall, BPO office building and a hotel. The total investment in the area is expected to reach approximately ₱3 billion, inclusive of the investments generated from the project's multiplier-effect from retail, office and hotel locators.

Material changes (+/- 5% or more) in the financial statements

Income Statement Items – 2009 versus 2008

8% decline in real estate revenues
Largely due to lower revenues from the construction business with the winding down and subsequent lower contribution from external construction projects.

7% decrease in hotel operations revenues

Mainly due to lower occupancy rate and average room rate of Hotel Intercontinental Manila.

9% increase in equity in net earnings of associates and jointly controlled entities
Primarily due to higher income from Fort Bonifacio Development Corp., Alabang Commercial Corp. and North Triangle Depot Commercial Corp. (NTDCC) that offset lower income from CHI and CPVDC.

12% decline in interest income
Mainly due to the payment by Bonifacio Land Corp. of an intercompany loan in 2008.

52% decrease in other income
Largely due to absence of large transactions during the period against the sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc and Streamwood Property, Inc. in March 2008.

11% decline in real estate costs and expenses
Primarily due to impact of project cost control initiatives.

12% drop in general and administrative expenses
Mainly due to lower payroll costs and benefits, and the impact of spend management initiatives involving controllable costs.

28% increase in interest expense and other financing charges
Largely due to higher level of debt.

84% increase in other charges
Primarily due to provisioning for bad debts and write-offs due to impairment of real estate inventories.

44% decrease in provision for income tax
Mainly due to the lower taxable income for the period and reduction in income tax rate to 30%.

12% increase in net income attributable to noncontrolling interests
Largely due to higher income from Ceci Realty, Inc and Aurora Properties Holdings, Inc.

Balance Sheet items – 2009 versus 2008

17% decrease in cash and cash equivalents
Primarily due to reclassification of money market placements with terms of more than 90 days to short-term investments.

79% increase in short term investments and financial assets at fair value through profit or loss
Largely due to increase in money market placements with terms of more than 90 days

100% increase in available for sale financial assets – current portion
Mainly due to investment in fixed income securities.

9% increase in real estate inventories
Largely due to Ayala Land Premier developments including Abrio, Westgrove Heights and Anvaya, and new projects such as Ametta Place and Verdana Homes Mamplasan Phase 3.

9% decline in other current assets
Primarily due to lower prepaid expenses of Makati Development Corp.

11% increase in non-current accounts and notes receivable
Mainly due to higher receivables of Avida.

11% increase in land and improvements
Largely due to land acquisitions and incidental costs related to site preparation and clearing of various properties.

9% increase in investment in associates and jointly controlled entities
Mainly due to additional investment in Fort Bonifacio Holdings and higher earnings from Emerging City Holdings Inc. and Berkshire Holdings Inc.

55% increase in available-for-sale financial assets
Primarily due to investment in fixed income securities maturing on years 2013, 2014 and 2016.

43% increase in investment properties
Mainly due to completion of malls and buildings such as MarQuee Mall, UP-AyalaLand TechnoHub (new buildings), Cebu E-bloc, Glorietta 5 and Vertex One, and additional disbursements related to the construction of Ayala Center Redevelopment.

62% decline in property and equipment
Primarily due to reclassification of operational and completed buildings to investment properties.

36% increase in deferred tax assets
Largely due to Ceci Realty's higher unrealized sales collection.

7% decline in accounts and other payables
Primarily due to the completion of ALI Parent and Makati Development Corp. projects.

27% increase in short term debt
Mainly due to new loan availments of ALI Parent and Avida.

151% increase in income tax payable
Primarily due to higher creditable withholding tax recognized by Alveo Land and Ceci Realty in 2008.

55% increase in current portion of long-term debt
Largely due to the reclassification of loans from non-current to current of APPHC and Ayala Hotels Inc.

93% increase in other current liabilities
Mainly due to increase in customers' deposits in Serendra, Ceci Realty and Aurora Properties.

10% increase in long-term debt- net of current portion
Largely due to increase in Fixed Rate Corporate Notes (FXCNs).

46% decline in pension liabilities
Mainly due to adjustments made to reflect latest actuarial valuation.

7% decline in deferred tax liabilities
Primarily due to the shift in the corporate tax rate from 35% to 30%.

31% increase in deposits and other non-current liabilities
Largely due to the increase in security and construction deposits from MarQuee Mall, Glorietta 5 BPO, UP-AyalaLand TechnoHub and One Evotech.

9% decline in deferred credits
Mainly due to the income realization of Serendra Inc. following project completion.

10% increase in retained earnings
Largely due to current year's net income net of dividends.

70% increase in stock options outstanding
Primarily due to exercise of ESOWN grant.

5% increase in unrealized gain on available-for-sale financial assets
Mainly due to revaluation of Ayala Corporation preferred shares.

11% increase in noncontrolling interests in net assets of subsidiaries
Largely attributed to Accendo Commercial Corp., APPHC and APPCo.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip Gorres Velayo & Company through its Partner, Ms. Jessie D. Cabaluna audited Ayala Land, Inc.'s and Subsidiaries' financial statements and schedules for the years ended December 31, 2009, 2010 and 2011 included in this Prospectus, and has the following registration numbers:

CPA Cert. #	36317
PTR #	3174583, January 2, 2012, Makati City
SEC Accreditation #	0069-AR-2 (Group A), February 11, 2010, valid until February 10, 2013

a. **Audit and Audit-Related Fees**

ALI and its subsidiaries paid its external auditors the following fees in the past three years: *(in ₱ million; with VAT)*

	Audit & Audit-related Fees	Tax Fees	Other Fees
2011	11.9*	-	-
2010	10.3*	-	-
2009	8.1*	-	-

** Pertains to audit fees; no fees for other assurance and related services*

Under paragraph D.3.1 of the ALI Audit and Risk Committee Charter, the Audit Committee (composed of Oscar S. Reyes, Mercedita S. Nolledo and Jaime C. Laya) recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

b. **Tax Fees**

Tax consultancy services are secured from entities other than the appointed external auditor.

For the December 31, 2011 Financial Statements

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective January 1, 2011.

PAS 24 (Amended), *Related Party Disclosures*
The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity

PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*
The amendment altered the definition of a financial liability in order to classify rights issues and certain options or warrants as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010

- PFRS 3, *Business Combinations*
  This amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

  It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

  The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

- PFRS 7, *Financial Instruments: Disclosures*
  This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:
  a. Clarify that only financial asset whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
  b. Requires, for all financial assets, to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
  c. Remove of the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
  d. Remove of the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
  e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- PAS 1, *Presentation of Financial Statements*
  This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*
  This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

The Group expects no impact from the adoption of the amendments on its financial position or performance.

Future Changes in Accounting Policies
The Group will adopt the following amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective 2012

PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

PFRS 7, *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Effective 2013

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PAS 1, *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance.

PAS 19, *Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19.

PFRS 7, *Financial instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in

accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.

PFRS 12, *Disclosures of Interests with Other Entities*
This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PFRS 13, *Fair Value Measurement*
This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under PFRS when fair value is required or permitted by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.

Revised PAS 27, *Separate Financial Statements*
This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9. This Standard is issued concurrently with PFRS 10 and together, the two PFRSs will supersede PAS 27 (as amended in 2008). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Revised PAS 28, *Investment in Associates and Joint Ventures*
This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard prescribes the accounting for investments in associates and joint ventures. Equity method is defined in the revised standard as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee. The revised standard is to be applied by all entities that are investors with joint control of, or significant influence or owns 20% to 50% interest over, an investee. This standard supersedes PAS 28 (as revised in 2003). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Effective 2014

PAS 32, *Financial Instruments: Presentation — Offsetting Financial Assets and Financial liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective 2015

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. The Group shall conduct in early 2012 another impact evaluation using outstanding balances of financial statements as of December 31, 2011. The Group's decision whether to early adopt either PFRS 9 (2009) of PFRS 9 (2010) for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case

revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

(as of December 31, 2011)

The write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

Board of Directors

Fernando Zobel de Ayala	Jaime C. Laya
Jaime Augusto Zobel de Ayala	Aurelio R. Montinola III
Antonino T. Aquino	Mercedita S. Nolledo
Francis G. Estrada	Oscar S. Reyes
Delfin L. Lazaro	

Fernando Zobel de Ayala, Filipino, 51, has served as Chairman of the Board of ALI since 1999. He also holds the following positions: President and Chief Operating Officer of Ayala Corporation; Chairman of Manila Water Company, Inc., Alabang Commercial Corp., Ayala DBS Holdings, Inc., AC International Finance Limited and Ayala International Pte, Ltd.; Co-Vice Chairman of Ayala Foundation, Inc. and Mermac, Inc.; Board Member of Integrated Micro-Electronics, Inc., Globe Telecom, Inc., Bank of the Philippine Islands, Asiacom Philippines, Inc.; Member of The Asia Society, World Economic Forum, INSEAD East Asia Council and World Presidents' Organization; Vice Chairman of Habitat for Humanity International and the Chairman of the steering committee of Habitat for Humanity's Asia Pacific Capital Campaign; a member of the Board of Directors of Caritas Manila, Kapit Bisig para sa Ilog Pasig Advisory Board, Pilipinas Shell Corporation and Pilipinas Shell Foundation.

Jaime Augusto Zobel de Ayala, Filipino, 52, has served as a Director, Vice Chairman and member of the Executive Committee of ALI since 1988. He also holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Co-Vice Chairman of Mermac, Inc., and the Ayala Foundation, Inc.; Director of Manila Water Co., Inc., Alabang Commercial Corporation, and Ayala International Pte Ltd.; Chairman of Harvard Business School Asia-Pacific Advisory Board, World Wildlife Fund Philippine Advisory Council and Children's Hour Philippines, Inc.; Vice Chairman of the Asia Business Council; Co-Vice Chair of the Makati Business Club Member of Harvard University Asia Center Advisory Committee; Member of the Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, The Asia Society, International Business Council of the World Economic Forum, Pacific Basin Economic Council, Philippine Economic Society and Toshiba International Advisory Group; and Member of the Board of Trustees of the Eisenhower Fellowships, and the Singapore Management University.

Antonino T. Aquino, Filipino, 64, has served as Director and President of ALI since April 2009. He also holds the following positions: Senior Managing Director of Ayala Corporation; Chairman of Alveo Land Corp., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Ayala Hotels, Inc., Makati Development Corp., Ayala Property Management Corp., North Triangle Depot Commercial Corp. and Station Square East Commercial Corp.; President and Director Fort Bonifacio Development Corp., Alabang Commercial Corp., Accendo Commercial Corp., Aurora Properties, Inc., Ceci Realty, Inc. and Vesta Property Holdings, Inc.; Director of Manila

Water Company, Inc.; and President of Hero Foundation and Bonifacio Arts Foundation, Inc. He also serves as a member of the board of various corporate social responsibility foundations such as Ayala Foundation, Inc., Manila Water Foundation, Inc., Makati Commercial Estate Association, Inc. and Makati Environment Foundation. He also served as President of Manila Water Company, Inc., and Ayala Property Management Corporation and a Business Unit Manager in IBM Philippines, Inc. He was named “Co-Management Man of the Year 2009” by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership.

Francis G. Estrada, Filipino, 62, has served as Independent Director of ALI since April 2008. His other significant positions are: Independent Director of Philamlife (Chairman of the Risk Management Committee and Member of the Investment and Audit Committees); Member of the Board of Advisers and Technology Committee of Rizal Commercial Banking Corporation; Chairman of the Board of Visitors of Philippine Military Academy; Vice-Chairman and Fellow of the Institute of Corporate Directors; Member of the National Mission Council (Chairman of the Investment Committee) of De La Salle Philippines; Director of De La Salle, Canlubang; Director of the Clean Air Initiative – Asia; Trustee of the Sociedad Espanola de Beneficiencia; Director of the Maximo T. Kalaw Foundation; member of the Management Association of the Philippines and American Chamber of Commerce; former Chairman of De La Salle University; former President of the Asian Institute of Management; Chairman and Founder of Equity Managers Asia, Inc. He was named "Most Outstanding Alumnus" of the Asian Institute of Management in 1989.

Delfin L. Lazaro, Filipino, 65, has served as member of the Board of ALI since 1996. He also holds the following positions: Chairman of Philwater Holdings Co., Inc., Atlas Fertilizer & Chemicals, Inc. and AYC Holdings, Ltd.; Chairman and President of Purefoods International, Ltd., and A.C.S. T. Business Holdings, Inc.; Director of Ayala Corporation, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Manila Water Co., Inc., AI North America, Inc., Ayala DBS Holdings, Inc., Probe Productions, Inc. and Empire Insurance Company. Formerly, he was the President and CEO of Benguet Corporation and Secretary of the Department of Energy of the Philippines. He was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successively high growth levels up to the Asian crisis in 1997.

Jaime C. Laya, Filipino, 73, has served as an Independent Director of ALI since April 2010. He is the Chairman of the Board of Directors of Philippine Trust Company (Philtrust Bank). He is also: an Independent Director of GMA Network, Inc. and Philippine AXA Life Insurance Co., Inc.; and a regular director of Philippine Ratings Services Corporation; Trustee of De la Salle University-Taft, St. Paul's University - Quezon City, Cultural Center of the Philippines, Fundacion Santiago and Manila Polo Club. He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines; Chairman of the National Commission for Culture and Arts; and Professor and Dean of Business Administration of the University of the Philippines.

Aurelio R. Montinola, III, Filipino, 60, has served as member of the Board of ALI since February 2005. He is the President and CEO of Bank of the Philippine Islands. His other affiliations, among others, include: Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI-Philam Life Assurance Corp., BPI Europe Plc., Amon Trading Corporation; Vice Chairman and President of the BPI Foundation, Inc.; Vice

Chairman of the Asia/Pacific Regional Advisory Board of Mastercard Incorporated, Republic Cement Corp., LGU Guarantee Corp., Far Eastern University and Philippine Business for Education, Inc.; Director of the BPI Capital Corporation, BPI Family Savings Bank, Inc.; and Member of the Management Association of the Philippines; and Trustee of the Makati Business Club, and Ayala Foundation, Inc.

Mercedita S. Nolledo, Filipino, 70, has served as Director of ALI since 1994. She currently holds the following positions: Senior Counsel of the Ayala Group of Companies; Chairman of BPI Investment Management, Inc. and FEB Management, Inc.; Director of Anvaya Cove Beach and Nature Club, Inc., AG Counselors Corporation, Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings Corporation, Bank of the Philippine Islands, BPI Capital Corporation, and BPI Family Savings Bank; Member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; and President of Sonoma Properties, Inc. She also served as a Director of Ayala Corporation from 2004 to September 2010.

Oscar S. Reyes, Filipino, 65, has served as an Independent Director of ALI since April 2009. Among his other positions are: Chairman of MRL Gold Philippines, Inc. and Link Edge Inc.; Member of the Board of Bank of the Philippine Islands, Philippine Long Distance Telephone Company (Advisory Board), SMART Communications, Inc., Pepsi Cola Products Philippines, Inc., Sun Life Financial Plans Inc., Basic Energy Corporation, Alcorn Gold Resources Corporation and Manila Electric Company where he also serves as Chief Operating Officer. Prior to these posts, he served the Shell Group of Companies in the Philippines in various capacities, including Country Chairman and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V. He is a member of the Board of Trustees of Pilipinas Shell Foundation Inc., SGV Foundation, and El Nido Foundation and One Meralco Foundation.

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's operations, policies and practices.

Management Committee Members / Key Executive Officers

Antonino T. Aquino*	President and Chief Executive Officer
Bernard Vincent O. Dy	Executive Vice President
Vincent Y. Tan	Executive Vice President
Arturo G. Corpuz	Senior Vice President
Raul M. Irlanda	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Emilio J. Tumbocon	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Dante M. Abando	Vice President
Ruel C. Bautista	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Maria Corazon G. Dizon	Vice President
Anna Ma. Margarita B. Dy	Vice President
Steven J. Dy	Vice President

Michael Alexis C. Legaspi	Vice President
Joselito N. Luna	Vice President
Francis O. Monera	Vice President
Rosaleo M. Montenegro**	Vice President
Rodelito J. Ocampo	Vice President
Maria Teresa T. Ruiz	Vice President
Ma. Rowena Victoria M. Tomeldan	Vice President
Solomon M. Hermosura	Corporate Secretary
Sheila Marie U. Tan	Assistant Corporate Secretary

* *Member of the Board*
** *Retired on December 31, 2011*

Bernard Vincent O. Dy, Filipino, 48, is an Executive Vice President & member of the Management Committee of Ayala Land, Inc. since 2005. Currently, he is the Head of the Residential Business Group, Commercial Business Group and Corporate Marketing and Sales Group of ALI. His other significant positions include: Chairman of Ayala Land International Sales, Inc., Anvaya Cove Golf & Sports Club and Amicassa Process Solutions, Inc., Vice Chairman of Avida Land Corp. and Alveo Land Corporation, President of Serendra, Inc., Director of Fort Bonifacio Development Group, Ayala Land Sales, Inc., Bellavita Land Corporation, Amaia Land Corporation, North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation and Ayala Greenfield Golf & Leisure Club.

Vincent Y. Tan, Filipino, 61, is an Executive Vice President and Head of the Planning Group of ALI. He is a member of the Management Committee of ALI. His other positions include: Chairman and Director of Laguna Technopark, Inc. and Ecozone Power Management, Inc., Director of Ayala Greenfield Golf & Leisure Club, Inc., Ayala Property Partners Corporation, First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc., Gisborne Property, Inc.; UP North Property Holdings, Inc., Station Square East Commercial Corp.; North Triangle Depot Commercial Corporation, Metro Rail Transit Development Corporation and MRT Development Corporation.

Arturo G. Corpuz, Filipino, 56, is a Senior Vice President and member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Aurora Properties, Inc. and of Vesta Properties Holdings, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning.

Raul M. Irlanda, Filipino, 56, is a Senior Vice President and a member of the Management Committee of ALI. He is the Chief Executive Officer of Ayala Property Management Corporation, Philippine Integrated Energy Solutions Inc. and DirectPower Inc., Board member of Makati Development Corporation and MDC BuildPlus Inc. He is also the Chairman of Technical Council Committee of ALI, Director of Tower One Condominium Corporation, and the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA); Governor of Makati Commercial Estate Association Inc. (MaCEA), Ayala Center Association and also the Group Head of Ayala Security Force.

Jose Emmanuel H. Jalandoni, CFA, Filipino, 44, is a Senior Vice President and member of the Management Committee of Ayala Land, Inc. He is the Group Head of ALI-Capital and Hotels Group. His significant positions include: President and CEO of Ayala Hotels, Inc. and Ayalaland

Hotels and Resorts Corporation; Director of Ten Knots Philippines, Inc.; Chairman & Director of Cebu Insular Hotel Co. Inc. and Enjay Hotels, Inc. He is a member of the Investment Committee of Arch Capital Asian Partners, G.P. (Cayman) and KHI-ALI Manila, Inc. He joined ALI in 1996 and held various positions in the company.

Emilio J. Tumbocon, Filipino, 55, is a Senior Vice-President of Ayala Land, Inc., and a member of its Management Committee. He heads the ALI VisMin Group and concurrently Technical Services Director of Superblock Projects. His other significant positions are Director of the following companies: Cebu Holdings, Inc., Cebu Property Ventures Development Corporation, Cebu Insular Hotel Co., Inc., Asian-I Office Properties, Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corp., Makati Development Corporation, MDC Buildplus, Inc., Ayala Property Management Corporation, Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Direct Power Services, Inc., Philippine Integrated Energy Solutions, Inc., Ecozone Power Management, Inc., Northgate Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Alabang Gateway Property Ventures, Inc., Bonifacio Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., and Crest View E-Office Corporation. He is a Member of the Construction Industry Arbitration Commission of the Department of Trade & Industry, Past President of the Philippine Constructors Association, Inc. (PCA) & a certified Project Management Professional (PMP) of the Project Management Institute.

Jaime E. Ysmael, Filipino, 51, is a Senior Vice President, Chief Finance Officer, Compliance Officer and member of the Management Committee of Ayala Land, Inc. Concurrently, he is a Managing Director of Ayala Corporation. His other significant positions include: Chairman of the Board of Directors of Aprisa Business Process Solutions, Inc.; Director and President of CMPI Holdings, Inc. and CMPI Land, Inc.; President of Tower One & Exchange Plaza Condominium Corporation; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels and Resorts Corporation and Anvaya Cove Beach & Nature Club, Inc.; Director, Treasurer and ExCom Member of Ayala Hotels, Inc., Enjay Hotels, Inc. and Cebu Holdings, Inc.; Director of Alabang Commercial Corp., Avida Land Corp., Cebu Insular Hotel Company, Inc., North Triangle Depot Commercial Corp., Station Square East Commercial Corp., Philippine Integrated Energy Solutions, Inc, Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Properties Holdings, Inc. Prior to his stint with ALI, he was Assistant Vice President at the Strategic Planning Group of Ayala Corporation.

Dante M. Abando, Filipino, 47, is a Vice President and Member of the Management Committee of ALI. He is concurrently President and a Member of the Board of Directors of Makati Development Corporation and MDC BuildPlus, Inc. His other significant positions include Director of Alveo Land, Ayala Property Management Corp., Avida Land, Corp., Serendra Inc. and President and Director of Anvaya Golf Club, Inc. Prior to joining ALI, he served as Manager of Philkoei International, Inc. and Construction Engineer for DM Consunji, Inc.

Ruel C. Bautista, Filipino, 56, is a Vice President of ALI. He is concurrently the Executive Vice President of Makati Development Corporation and Head of Construction Operations Group 1. Prior to joining ALI, he served in various project management and engineering capacities for other private institutions for close to 25 years.

Augusto D. Bengzon, Filipino, 48, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp., Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc and the HERO Foundation; Director of the Anvaya Cove Golf and Sports Club; and Trustee of the PNP Foundation, Inc. Prior to joining ALI, he was Vice President and Credit Officer at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management.

Aniceto V. Bisnar, Jr., Filipino, 47¸ is a Vice President of ALI and General Manager of NUVALI, Strategic Land Bank Management Group. His other significant positions include: Senior Vice President and General Manager of Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc.; General Manager of Ayala Greenfield Development Corporation; Chairman of Crimson Field Enterprises, Inc.; and Director of Red Creek Properties, Inc. He was formerly the Head of Commercial Operations of Fort Bonifacio Development Corporation which developed Bonifacio Global City, and was Director of Bonifacio Estates Services Corp., Bonifacio Water Corp., Bonifacio Transport Corp., Bonifacio Gas, Inc., Bonifacio Global City Estate Association, and Bonifacio Arts Foundation, Inc. He is a Board of Trustee of the HERO Foundation. He joined ALI in 1994 and occupied various positions covering land acquisition, planning & development and general management positions.

Manuel A. Blas II, Filipino, 56, is a Vice-President of Ayala Land Inc. and Head of Commercial Operations in Bonifacio Global City. He is also assigned as Managing Director of Bonifacio Arts Foundation Inc., spearheading the first world class science museum in the country to be called The Mind Museum.

Maria Corazon G. Dizon, Filipino, 48, is a Vice President and Head of Business Development and Strategic Planning of the Commercial Business Group, which consists of malls and office leasing developments. She also holds the following significant positions in the following companies: Director, MRT Development Corporation , North Triangle Depot Commercial Corporation, Accendo Commercial Corporation, CDO Gateway Corporation and Station Square East Commercial Corporation; Director and Chairman, Cavite Commercial Town Center, Fairview Prime Commercial Corp, Primavera Towncenter, Inc. Arvo Commercial Corporation and Subic Bay Town Center Inc. Over the years in ALI, she occupied various key positions that including Asset Management Head and Chief Finance Officer for the Ayala Malls Group, Head of Corporate Control and Analysis Division and Head of ALI Investor Relations Unit.

Anna Ma. Margarita B. Dy, Filipino, 42, is a Vice President and member of the Management Committee of Ayala Land, Inc. since August 2008. She is the Head of the Strategic Landbank Management Group (SLMG). Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation, Aurora Properties, Inc., Vesta Properties Holdings, Inc., and CECI Realty, Inc. Prior to joining ALI, she was a Vice President at Benpres Holdings Corporation.

Steven J. Dy, Filipino, 46, is a Vice President of ALI since December 2010 and is assigned to the international initiative of the company in China. Prior to this assignment, he was with the corporate business group for three years heading one of the project development groups and the business development. He had the same responsibilities when he was with Avida Land Corporation.

Michael Alexis C. Legaspi, Filipino, 53, is a Vice President of ALI and Chief Operating Officer of Ayala Hotels, Inc. & AyalaLand Hotels & Resorts Corp. He serves as the President of Enjay Hotels, Inc. and Cebu Insular Hotels Co. Inc. and is a Director of AyalaLand Hotels & Resorts Corp, KHI-ALI Manila, Inc., Greenhaven Property Ventures, Inc., Southcrest Hotel Ventures, Inc, Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Ten Knots Development Corp., Ten Knots Phils., Inc., Bacuit Bay Corp., and Chirica Resorts. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Senior Vice President and Head of Operations of Ayala Property Management Corporation.

Joselito N. Luna, Filipino, 47 is a Vice President and member of the Management Committee since August 2008. He is also Ayala Land, Inc.'s Chief Architect and Head of Innovation and Design Group. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc. and Anvaya Cove Golf & Sports Club Inc.. He joined ALI in 1990 as a Registered Architect and Environmental Planner.

Francis O. Monera, Filipino, 57, is a Vice President of Ayala Land, Inc. He is currently the President of Cebu Holdings, Inc. (CHI) and Cebu Property Ventures & Development Corp. (CPVDC) He.has served as a director of CHI and CPVDC since April 2006. Before joining ALI, he was the Senior AVP/Corporate Controller of Philippine National Construction Corporation. He served as President of the Cebu Chamber of Commerce and Industry from February 2006 to 2008. He is currently the Vice President for Visayas of Philippine Chamber of Commerce and Industry and Director of Mactan Cebu International Airport Authority.

Rosaleo M. Montenegro, Filipino, 52, was a Vice President of ALI. He was the President of Avida Land Corp.; Chairman and President of Buklod Bahayan Realty & Development Corp.; and Director of Avida Sales Corp., Amaia Land Corp. (formerly First Communities Realty, Inc.), Amicassa Process Solutions, Inc. and Ayala Land Sales, Inc. He has retired from the Company effective January 1, 2012.

Rodelito J. Ocampo, Filipino, 49, is a Vice President of ALI. He is currently Makati Development Corporation's Project Manager of Manila Extension Offices/Facilities (MNOX) Project of the US Embassy, US States Department. Before his MDC assignment, he served as Construction Management Director of Avida Land Corporation and Alveo Land Corporation, wholly owned subsidiaries of ALI and Construction Management Director of ALI's Residential Buildings Group. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years.

Maria Teresa T. Ruiz, Filipino, 57, is a Vice President and member of the Management Committee of ALI since October 2007. She serves as Head of the Human Resources and Public Affairs Group which covers External Affairs and Corporate Communications. She is a Director of Aprisa Business Process Solutions Inc. Prior to joining ALI, she served as head of the Human Resources, Organization Development, or Corporate Communications functions in Wyeth Philippines, Zuellig Pharma, Solid Cement, Coca Cola Bottlers and PLDT.

Maria Rowena Victoria M. Tomeldan, Filipino, 50, is a Vice President and Head, Operations and Support Services, Commercial Business Group. Her other significant positions include: Governor of the Ayala Center Association; Chairman of the Board of Directors of Ayala Theatres Management, Inc., Five Star Cinema, Inc. and Leisure and Allied Industries, Phils., Inc., and NorthBeacon Commercial Corporation; Director of ALI-CII Development Corporation, Bonifacio Global City Estate Association, and Alabang Commercial Corporation; Board member of Cagayan De Oro Gateway Corporation and Asian I-Office Properties Inc; President of Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc, Subic Bay Town Centre Inc, MZM Holdings Inc, Studio Ventures Inc, Arvo Commercial Corporation, Cavite Commercial Town Center Inc, Ecozone Power Management Inc, ALI Property Partners Holdings Corporation, One Dela Rosa Property Development Inc, First Gateway Real Estate Inc, UP North Property Holdings Inc, Glensworth Development Inc, Gisborne Property Holdings Inc (Fairview Prime Commercial Corporation), Crestview E-Office Corporation (Westview Commercial Ventures Corporation), Sunnyfield E-Office Corporation, Asterion Technopod Inc, Summerhill E-Office Corporation and Hillsford Property Corporation; Vice President of Accendo Commercial Corporation. Presently, she is a member of the International Council of Shopping Centers (ICSC) Asia Advisory Council and the ICSC Asia Research Council.

Solomon M. Hermosura, Filipino, 49, has served as Corporate Secretary of the Company since April 2011. He is a Managing Director of Ayala Corporation and a member of its Management Committee (Holding Company). He is also the General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He was Corporate Secretary of Integrated Micro-Electronics, Inc. until June 7, 2011.

Sheila Marie U. Tan, Filipino, 44, is the Assistant Corporate Secretary of Ayala Land, Inc. Currently, she also holds the Position of Corporate Secretary of Integrated Micro-Electronics, Inc., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Ayala Theatres Management, Inc. Avida Land Corporation, Alabang Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc, Makati Development Corporation and Ayala Property Management Corporation. She is also the Assistant Corporate Secretary of Ayala Corporation. She was the former head of the Legal Department of Ayala Land, Inc. before she transferred to Ayala Corporation as Associate Director effective January 1, 2009.

Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board of Directors, and Jaime Augusto Zobel de Ayala, Vice Chairman, are brothers.

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

a. None of them has been involved in any bankruptcy petition.
b. None of them has been convicted by final judgment in a criminal proceeding or is subject to a pending criminal proceeding, both domestic and foreign.
c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

As of end-2011, the Company is not involved in any litigation it considers material. In any event, below are the legal proceedings involving the Company that may be significant.

Las Piñas Property

Certain individuals and entities have claimed an interest in ALI's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning in October 1993, ALI filed petitions in the Regional Trial Courts (RTC) in Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these claimants. These cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The controversy involves the remaining area of approximately 126 hectares.

ALI has made no provision in respect of such actual or threatened litigations.

EXECUTIVE COMPENSATION

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

"Section 17 – Each director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form, and structure of the fees and other compensation of directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.

The compensation and remuneration committee of the Board of Directors shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope." (As Amended April 13, 2011.)"

During the 2011 annual stockholders' meeting, the stockholders ratified the resolution increasing the remuneration of non-executive directors as follows:

	From	To
Retainer Fee:	₱500,000.00	₱1,000,000.00
Board Meeting Fee per meeting attended:	₱100,000.00	₱200,000.00
Committee Meeting Fee per meeting attended:	₱20,000.00	₱100,000.00

None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director.

The Company has no other arrangement with regard to the remuneration of its directors and officers aside from the compensation received as herein stated.

Officers. The Company adopts a performance-based compensation scheme. The total annual compensation of the President and Management Committee members amounted to ₱177.25 million in 2010 and ₱241.42 million in 2011. The projected total annual compensation for the current year is ₱250.00 million.

Total compensation paid to all senior personnel from Manager and up amounted to ₱398.57 million in 2010 and ₱477.99 million in 2011. The projected total annual compensation for the current year is ₱506.66 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Antonino T. Aquino* President & CEO			
Bernard Vincent O. Dy Executive Vice President			
Vincent Y. Tan Executive Vice President			
Arturo G. Corpuz Senior Vice President			
Raul M. Irlanda Senior Vice President			
Jose Emmanuel H. Jalandoni Senior Vice President			
Emilio J. Tumbocon Senior Vice President			
Jaime E. Ysmael Senior Vice President & CFO			
Dante M. Abando Vice President			
Anna Ma. Margarita B. Dy Vice President			
Joselito N. Luna Vice President			
Maria Teresa T. Ruiz Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2010 (restated)	₱149.75M	₱27.50M
	Actual 2011	₱148.70M	₱92.72M
	Projected 2012	₱158M	₱92M**
All other officers*** as a group unnamed	Actual 2010 (restated)	₱377.32M	₱21.25M
	Actual 2011	₱329.49M	₱148.50M
	Projected 2012	₱358.16M	₱148.50M**

** Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes.*
*** Exclusive of Stock Option exercise.*
**** Managers and up.*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash. The total annual compensation includes the basic salary and other variable pay (performance bonus and exercise of Stock Option Plan). The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

Options Outstanding

The Company has offered its Executive Stock Option Plan ("ESOP") to the Company's officers since 1998. Of the above named officers, there were 1.2 million common shares exercised for the year 2011 by the above-named officers, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Joselito N. Luna	1,204,061	Various	₱4.35	₱5.70*

** Average prices on the dates of grant.*

The Company has adjusted the exercise price of the options awarded to the above named officers due to the stock dividend paid by the Company in June 2007.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year period. In case the grantee retires, he is given three years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

For other details on stock options, please refer to Note 29 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2011 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS

Security ownership of certain record and beneficial owners of more than 5% as of January 31, 2012.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of the Outstanding Common & Preferred Shares)
Common	Ayala Corporation[1] 34/F Tower One Bldg. Ayala Ave., Makati City	Ayala Corporation[2]	Filipino	6,934,509,515	26.59166%
Preferred				12,679,029,436	48.62008%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited[4]	Singaporean	2,462,432,271	9.44265%
Common	PCD Nominee Corporation (Non-Filipino)[4] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited[5]	British	1,600,095,934	6.13586%

Security ownership of directors and management (executive officers) as of January 31, 2012.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of the Outstanding Common & Preferred Shares)
Directors				
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Antonino T. Aquino	16,344,044 (direct & indirect)	Filipino	0.06267%
Common	Mercedita S. Nolledo	306,305 (direct & indirect)	Filipino	0.00014%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%
Common	Oscar S. Reyes	231,601 (direct & indirect)	Filipino	0.00089%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Aurelio R. Montinola III	3,579 (direct & indirect)	Filipino	0.00001%
CEO and Most Highly Compensated Executive Officers				
Common	Antonino T. Aquino	16,344,044 (direct & indirect)	Filipino	0.06267%
Common	Vincent Y. Tan	9,160,151 (indirect)	Filipino	0.03513%

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[1] Ayala Corporation ("AC") is the parent of the Company.

[2] As per By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.

[3] The PCD is not related to the Company.

[4] Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively, "Aberdeen") are the clients of a participant of PCD. Aberdeen has the power to decide how their shares in the Company are to be voted.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of the Outstanding Common & Preferred Shares)
Common	Bernard Vincent O. Dy	5,187,813 (indirect)	Filipino	0.01989%
Common	Arturo G. Corpuz	3,376,048 (direct & indirect)	Filipino	0.01295%
Common	Raul M. Irlanda	2,199,709 (indirect)	Filipino	0.00844%
Common	Jose Emmanuel H. Jalandoni	3,518,261 (indirect)	Filipino	0.01349%
Common	Emilio J. Tumbocon	8,282,485 (direct & indirect)	Filipino	0.03176%
Common	Jaime E. Ysmael	4,034,971 (direct & indirect)	Filipino	0.01547%
Common	Dante M. Abando	1,278,533 (direct & indirect)	Filipino	0.00490%
Common	Anna Ma. Margarita B. Dy	4,082,503 (indirect)	Filipino	0.01566%
Common	Joselito N. Luna	3,066,073 (direct & indirect)	Filipino	0.01176%
Common	Maria Teresa Ruiz	598,976 (indirect)	Filipino	0.00230%
Other Executive Officers				
Common	Solomon M. Hermosura	480 (direct)	Filipino	0.00000%
Common	Sheila Marie U. Tan	1,182,606 (direct & indirect)	Filipino	0.00453%
Common	Ruel C. Bautista	1,419,647 (direct & indirect)	Filipino	0.00544%
Common	Augusto D. Bengzon	1,346,764 (indirect)	Filipino	0.00516%
Common	Aniceto V. Bisnar, Jr.	605,676 (indirect)	Filipino	0.00232%
Common	Manny A. Blas II	1,610,587 (direct & indirect)	Filipino	0.00618%
Common	Ma. Corazon G. Dizon	1,417,329 (direct & indirect)	Filipino	0.00544%
Common	Steven J. Dy	1,548,336 (indirect)	Filipino	0.00594%
Common	Michael Alexis C. Legaspi	2,451,258 (direct & indirect)	Filipino	0.00940%
Common	Francis O. Monera	2,467,999 (direct & indirect)	Filipino	0.00946%
Common	Rosaleo M. Montenegro*	2,492,130 (direct & indirect)	Filipino	0.00956%
Common	Rodelito J. Ocampo	1,107,981 (direct & indirect)	Filipino	0.00425%
Common	Ma. Rowena Victoria M. Tomeldan	1,714,431 (direct & indirect)	Filipino	0.00657%
All Directors and Officers as a group		**81,070,278**		**0.31088%**

** Retired on December 31, 2011.*

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

Voting Trust Holders of 5% or More

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

No change of control in the Company has occurred since the beginning of its last fiscal year.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of their immediate families was involved or had a direct or indirect material interest.

ALI employees are required to promptly disclose any business and family-related transactions with the company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

DESCRIPTION OF DEBT

As of December 31, 2011, Ayala Land had the equivalent of ₱34.5 billion of outstanding debt, of which ₱210.0 million is secured.

Of Ayala Land's outstanding unsecured debt, ₱27.6 billion is evidenced by a debt instrument that was acknowledged by both the creditor and Ayala Land before a notary public. Under Philippine law, in the event that a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a debt instrument that has been acknowledged by the creditor and the borrower before a notary public enjoys a preference over unsecured debt that has not been so notarized. (*See* discussion under "Risk Factors and Other Considerations" of this Prospectus)

The following tables set forth the outstanding long and short-term debt of Ayala Land and its subsidiaries as of December 31, 2011 (in Peso millions).

Borrower	Short-term	Long-term			Total Debt
		Current	Non-Current	Total	
Ayala Land, Inc.	1,471.5*	325.4	18,266.8	18,592.2	20,063.7
Accendo Commercial Corp.	-	-	1,865.0	1,865.0	1,865.0
Asian i-Office Properties, Inc.	-	4.3	1,091.1	1,095.4	1,095.4
Avida Land Corporation	2,047.0	488.8	-	488.8	2,535.8
Bonifacio Hotel Ventures, Inc.	-	-	159.0	159.0	159.0
Cagayan de Oro Gateway Corp.	-	-	495.0	495.0	495.0
Cebu Insular Hotel Company, Inc.	-	70.0	140.0	210.0	210.0
Chirica Resorts Corporation	38.3*	-	-	-	38.3
Crestview E-Office Corporation	-	-	65.4	65.4	65.4
First Gateway Real Estate Corp.	-	49.7	156.5	206.2	206.2
Glensworth Development, Inc.	-	38.5	384.0	422.5	422.5
Greenhaven Property Ventures, Inc.	-	-	336.2*	336.2	336.2
Hillsford Property Corp.	-	-	103.0	103.0	103.0
Leisure and Allied Industries Phils., Inc.	250.0	-	-	-	250.0
Northbeacon Commercial Corporation	-	10.0	967.5	977.5	977.5
Northgate Hotel Ventures, Inc.	-	-	67.0	67.0	67.0
One Dela Rosa Property Development Inc.	-	206.3	649.0	855.3	855.3
Southcrest Hotel Ventures, Inc.	-	-	55.0	55.0	55.0
Station Square East Commercial Corporation	307.0	48.8	1,484.4	1,533.2	1,840.2
Subic Bay Town Center, Inc.	-	-	570.0	570.0	570.0
Sunnyfield E-Office Corporation	-	-	153.0	153.0	153.0
UP North Property Holdings, Inc.	-	315.0	1,327.5	1,642.5	1,642.5
Vesta Property Holdings, Inc.	525.0	-	-	-	525.0
Total	**₱3,167.3**	**₱1556.8**	**₱28,335.4**	**₱29,892.2**	**₱34,531.0**

*USD33.6 million, USD0.9 million and USD7.7 million, respectively, translated to peso terms using exchange rate of ₱43.84

The table below details Ayala Land's Issuances of Debt Securities / New Financing through Loans from January to December 2011 in Peso Millions.

Borrower	Amount	Nature
Ayala Land, Inc.	₱12,500.8	Issuance of Fixed Rate Corporate Notes, Homestarter Bonds; availment of short-term loans
Accendo Commercial Corp.	1,053.0	Availment of long-term loan
Asian i-Office Properties, Inc.	480.0	Availment of long-term loan
Avida Land Corporation	800.0	Availment of short-term loans
Bonifacio Hotel Ventures, Inc.	159.0	Availment of long-term loan
Chirica Resorts Corporation	37.8	Availment of short-term loans
Cagayan de Oro Gateway Corp.	495.0	Availment of long-term loan
Crestview E-Office Corporation	25.4	Availment of long-term loan
Glensworth Development, Inc.	157.5	Availment of long-term loan
Greenhaven Property Ventures, Inc.	336.3	Availment of long-term loan
Hillsford Property Corp.	68.0	Availment of long-term loan
Northgate Hotel Ventures, Inc.	67.0	Availment of long-term loan
Southcrest Hotel Ventures, Inc.	55.0	Availment of long-term loan
Station Square East Commercial Corporation	557.0	Availment of short-term loans
Subic Bay Town Center, Inc.	475.0	Availment of long-term loan
Sunnyfield E-Office Corporation	103.0	Availment of long-term loan
Vesta Property Holdings, Inc.	525.0	Availment of short-term loan
Total	**₱17,894.8**	

The following sets out the repayments of Debt Securities from January to December 2011 (in Peso millions):

Borrower	Amount	Nature
Ayala Land, Inc.	₱2,832.3	Repayment of Fixed Rate Corporate Notes; Retirement of Homestarter Bonds; and Payment of matured short-term loans
Asian i-Office Properties, Inc.	4.3	Amortization on long-term loan
Avida Land Corp.	155.0	Amortization on long-term loan
Ayala Greenfield Development Corp.	15.0	Payment of matured short-term loans
Cebu Insular Hotel Company, Inc.	70.0	Amortization on long-term loan
First Gateway Real Estate Corp.	36.5	Amortization on long-term loan
Glensworth Development, Inc.	37.5	Amortization on long-term loan
Laguna Technopark, Inc.	100.0	Payment of matured short-term loan
Leisure and Allied Industries Phils., Inc.	65.0	Payment of matured short-term loans
NorthBeacon Commercial Corp.	10.0	Amortization on long-term loan
One Dela Rosa Property Development Inc.	151.3	Amortization on long-term loan
Station Square East Commercial Corporation	620.0	Payment of matured short-term loans and amortization on long-term loans
UP North Property Holdings, Inc.	235.0	Amortization on long-term loan
Total	**₱4,331.9**	

There were no commercial paper issuances and outstanding balance as of the twelve months ended December 31, 2011.

CORPORATE GOVERNANCE

Ayala Land has always been committed to strong and transparent corporate governance, going well beyond mere compliance with the code mandated by law. Ayala Land made several important improvements to its governance in 2004, focusing on increasing the involvement of various governance bodies, strengthening performance management, and ensuring compliance with Philippine Accounting Standards. In 2007, the Company adopted several initiatives aimed toward achieving governance excellence. These include conduct of a Self-Assessment Survey by the Board of Directors, development of Business Contingency Plans, adoption of risk-based audit approach and independent quality review of the Internal Audit function. Ayala Land believes that these changes will streamline its existing business models, improve execution, reduce risks, and better safeguard the collective and individual interests of its diverse set of shareholders.

Ayala Land seeks to promote and enhance compliance of good corporate governance. Ayala Land is requiring observance of good corporate governance of all its subsidiaries, including those that are not listed on the PSE and not covered by the SEC Code of Corporate Governance.

The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top level management with its Revised Manual of Corporate Governance (the " Revised Manual") consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Revised Manual of the SEC.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Revised Manual. The Company has adopted in the Revised Manual the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

FINANCIAL INFORMATION

The following pages set forth Ayala Land's audited consolidated financial statements as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011.

Ayala Land, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2011 and 2010
and Years Ended December 31, 2011, 2010 and 2009

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
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www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ayala Land, Inc. and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

February 20, 2012

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 30)	**₱24,603,213**	₱18,018,807
Short-term investments (Notes 5 and 30)	**191,987**	1,434,337
Financial assets at fair value through profit or loss (Notes 6 and 30)	**–**	404,008
Accounts and notes receivable (Notes 7 and 30)	**21,578,363**	16,426,367
Inventories (Note 8)	**21,908,571**	14,368,671
Other current assets (Note 9)	**7,034,508**	4,718,709
Total Current Assets	**75,316,642**	55,370,899
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 30)	**7,293,682**	4,859,833
Available-for-sale financial assets (Notes 10 and 30)	**710,442**	691,664
Land and improvements (Note 11)	**18,736,580**	16,051,777
Investments in associates and jointly controlled entities (Note 12)	**12,626,231**	10,846,046
Investment properties (Note 13)	**30,490,311**	25,744,826
Property and equipment (Note 14)	**5,395,471**	4,167,989
Deferred tax assets - net (Note 24)	**1,948,633**	2,073,410
Other noncurrent assets (Note 15)	**2,101,187**	1,868,818
Total Noncurrent Assets	**79,302,537**	66,304,363
	₱154,619,179	₱121,675,262

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 16 and 30)	**₱38,129,385**	₱25,891,915
Short-term debt (Notes 17 and 30)	**4,638,844**	2,890,042
Income tax payable	**179,712**	72,298
Current portion of long-term debt (Notes 17 and 30)	**1,556,761**	2,328,160
Other current liabilities (Note 18)	**1,124,576**	2,032,133
Total Current Liabilities	**45,629,278**	33,214,548
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 30)	**28,335,166**	15,752,731
Pension liabilities (Note 27)	**72,204**	86,363
Deferred tax liabilities - net (Note 24)	**744,234**	597,668
Deposits and other noncurrent liabilities (Notes 19 and 30)	**7,795,785**	6,553,824
Total Noncurrent Liabilities	**36,947,389**	22,990,586
Total Liabilities	**82,576,667**	56,205,134

(Forward)

	December 31	
	2011	2010
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	**₱18,960,206**	₱18,681,148
Retained earnings	**43,925,560**	38,756,821
Stock options outstanding (Note 29)	**232,298**	202,500
Unrealized gain on available-for-sale financial assets (Note 10)	**53,909**	40,650
Other reserves (Note 2)	**8,960**	–
Treasury stock	**(823,967)**	(823,967)
	62,356,966	56,857,152
Non-controlling interests	**9,685,546**	8,612,976
Total Equity	**72,042,512**	65,470,128
	₱154,619,179	₱121,675,262

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Real estate (Notes 21 and 26)	**₱38,986,675**	₱33,513,523	₱26,505,560
Hotel and resort operations (Note 22)	**2,244,159**	1,894,917	1,232,443
Interest and investment income (Note 26)	**1,658,896**	1,065,205	1,116,827
Equity in net earnings of associates and jointly controlled entities (Note 12)	**898,550**	905,645	968,004
Other income (Notes 23 and 26)	**417,253**	434,209	632,410
	44,205,533	37,813,499	30,455,244
COSTS AND EXPENSES			
Real estate (Note 23)	**26,517,732**	23,707,381	18,149,304
General and administrative expenses (Notes 23, 27 and 29)	**3,479,612**	3,188,353	2,792,633
Interest expense and other financing charges (Note 23)	**1,879,770**	1,539,111	1,345,491
Hotel and resort operations (Note 23)	**1,423,399**	1,239,938	867,199
Other charges (Note 23)	**195,292**	278,512	1,454,679
	33,495,805	29,953,295	24,609,306
INCOME BEFORE INCOME TAX	**10,709,728**	7,860,204	5,845,938
PROVISION FOR INCOME TAX (Note 24)			
Current	**2,331,615**	2,120,535	1,460,090
Deferred	**287,530**	(548,385)	(295,181)
	2,619,145	1,572,150	1,164,909
NET INCOME	**₱8,090,583**	₱6,288,054	₱4,681,029
Net Income Attributable to:			
Equity holders of Ayala Land, Inc. (Note 28)	**₱7,140,308**	₱5,458,134	₱4,039,256
Non-controlling interests	**950,275**	829,920	641,773
	₱8,090,583	₱6,288,054	₱4,681,029
Earnings Per Share (Note 28)			
Basic/Diluted			
Net income attributable to equity holders of Ayala Land, Inc.	**₱0.55**	₱0.41	₱0.31

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
Net income	**₱8,090,583**	₱6,288,054	₱4,681,029
Other comprehensive income:			
Net gain on available-for-sale financial assets (Note 10)	**15,764**	27,733	11,813
Total comprehensive income	**₱8,106,347**	₱6,315,787	₱4,692,842
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	**₱7,153,567**	₱5,482,173	₱4,040,065
Non-controlling interests	**952,780**	833,614	652,777
	₱8,106,347	₱6,315,787	₱4,692,842

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Par Value and Cash Dividends Per Share Figures)

	Years Ended December 31		
	2011	2010	2009
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1.00 par value (Note 20)			
Issued			
Balance at beginning of year	**₱13,012,004**	₱13,005,338	₱13,003,443
Issuance of shares	**10,767**	6,666	1,895
Balance at end of year	**13,022,771**	13,012,004	13,005,338
Subscribed			
Balance at beginning of year	**96,468**	75,470	39,088
Additions	**14,216**	27,664	38,277
Issuance of shares	**(10,767)**	(6,666)	(1,895)
Balance at end of year	**99,917**	96,468	75,470
Preferred Shares - ₱0.10 par value (Note 20)			
Balance at beginning and end of year	**1,303,460**	1,303,460	1,303,460
Additional Paid-in Capital			
Balance at beginning of year	**4,614,184**	4,326,935	4,179,971
Additions	**273,114**	287,249	146,964
Balance at end of year	**4,887,298**	4,614,184	4,326,935
Subscriptions Receivable			
Balance at beginning of year	**(344,968)**	(262,770)	(168,057)
Additions	**(138,337)**	(159,282)	(111,309)
Collections	**130,065**	77,084	16,596
Balance at end of year	**(353,240)**	(344,968)	(262,770)
Total Paid-up Capital	**18,960,206**	18,681,148	18,448,433
Retained Earnings (Note 20)			
Appropriated for future expansion	**6,000,000**	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	**32,756,821**	28,570,354	25,371,619
Cash dividends			
Common stock - ₱0.15 per share in 2011 and ₱0.09 per share in 2010 and ₱0.06 per share in 2009	**(1,911,088)**	(1,211,186)	(780,040)
Preferred stock - ₱0.005 or 4.64%	**(60,481)**	(60,481)	(60,481)
Net income	**7,140,308**	5,458,134	4,039,256
Balance at end of year	**37,925,560**	32,756,821	28,570,354
	43,925,560	38,756,821	34,570,354

(Forward)

	Years Ended December 31		
	2011	2010	2009
Stock Options Outstanding (Note 29)			
Balance at beginning of year	**₱202,500**	₱180,930	₱106,281
Cost of stock options	**32,540**	34,923	79,977
Stock options exercised	**(2,742)**	(13,353)	(5,328)
Balance at end of year	**232,298**	202,500	180,930
Unrealized Gain on Available-for-sale Financial Assets (Note 10)			
Balance at beginning of year	**40,650**	16,611	15,802
Net changes during the year	**13,259**	24,039	809
Balance at end of year	**53,909**	40,650	16,611
Other Reserves (Note 2)	**8,960**	–	–
Treasury Stock (Note 20)			
Balance at beginning and end of year	**(823,967)**	(823,967)	(823,967)
NON-CONTROLLING INTERESTS			
Balance at beginning of year	**8,612,976**	6,802,539	6,151,050
Net income	**950,275**	829,920	641,773
Net increase in non-controlling interests	**672,369**	1,392,471	492,155
Dividends paid to non-controlling interests	**(552,579)**	(415,648)	(493,443)
Net gain on available-for-sale financial assets	**2,505**	3,694	11,004
Balance at end of year	**9,685,546**	8,612,976	6,802,539
	₱72,042,512	₱65,470,128	₱59,194,900
Total Comprehensive Income			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	**₱7,140,308**	₱5,458,134	₱4,039,256
Non-controlling interests	**950,275**	829,920	641,773
	8,090,583	6,288,054	4,681,029
Net gain on available-for-sale financial assets:			
Equity holders of Ayala Land, Inc. (Note 10)	**13,259**	24,039	809
Non-controlling interests	**2,505**	3,694	11,004
	15,764	27,733	11,813
	₱8,106,347	₱6,315,787	₱4,692,842

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱10,709,728**	₱7,860,204	₱5,845,938
Adjustments for:			
Depreciation and amortization (Notes 13, 14 and 23)	**2,303,713**	1,807,481	1,787,398
Interest expense (Note 23)	**1,838,897**	1,481,101	1,421,742
Dividends received from investees (Note 12)	**311,928**	273,223	218,619
Cost of share-based payments (Note 29)	**178,791**	177,201	148,582
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 23)	**–**	9,338	654
Realized loss (gain) on financial assets at fair value through profit or loss (Note 23)	**(4,423)**	466	(25,156)
Gain on sale of property and equipment	**(964)**	(129)	–
Equity in net earnings of associates and jointly controlled entities (Note 12)	**(898,550)**	(905,645)	(968,004)
Interest income	**(1,532,491)**	(1,065,205)	(1,116,827)
Gain on sale of investments (Note 23)	**(118,403)**	–	–
Provision for impairment losses on (Note 23):			
Receivables	**46,720**	–	–
Investment properties	**147,000**	–	–
Land and improvements	–	–	568,672
Operating income before changes in working capital	**12,981,946**	9,638,035	7,881,618
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	**(5,006,654)**	(115,451)	(1,873,837)
Real estate inventories	**(6,538,497)**	(718,304)	90,630
Other current assets (Note 9)	**(2,174,354)**	(587,491)	399,772
Increase (decrease) in:			
Accounts and other payables	**12,766,342**	6,015,408	(1,367,262)
Other current liabilities (Note 18)	**(907,557)**	(118,580)	1,136,725
Other deposit liabilities (Note 19)	**(310,662)**	(378,613)	(101,739)
Pension liabilities (Note 27)	**(14,159)**	34,282	(45,593)
Cash generated from operations	**10,796,405**	13,769,286	6,120,314
Interest received	**1,582,382**	1,150,195	999,236
Income tax paid	**(2,240,388)**	(2,290,409)	(1,325,632)
Interest paid	**(1,735,121)**	(1,461,938)	(1,384,069)
Net cash provided by operating activities	**8,403,278**	11,167,134	4,409,849

(Forward)

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of investments and financial assets at fair value through profit or loss	**₱1,974,203**	₱6,009,428	₱1,369,401
Sale of available-for-sale financial assets	**16,295**	–	74,458
Disposal of property and equipment	**65,792**	120,146	147,506
Additions to:			
Short-term investments and financial assets at fair value through profit or loss	**–**	(1,434,337)	(3,552,053)
Available-for-sale financial assets (Note 10)	**(16,509)**	–	(1,256,622)
Land and improvements	**(3,174,967)**	(1,800,331)	(3,193,794)
Investments in associates and jointly controlled entities	**(1,389,622)**	(196,349)	(132,313)
Investment properties (Note 13)	**(5,519,903)**	(1,820,990)	(2,643,249)
Property and equipment (Note 14)	**(2,308,560)**	(1,146,018)	(1,353,667)
Acquisition of subsidiary, net of cash acquired (Note 25)	**–**	(1,663,848)	–
Decrease (increase) in accounts and notes receivable - nontrade	**(2,675,802)**	(586,343)	935,885
Decrease (increase) in other noncurrent assets	**(921,250)**	(876,837)	198,050
Net cash used in investing activities	**(13,950,323)**	(3,395,479)	(9,406,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	**17,894,765**	7,915,294	3,584,276
Payments of short and long-term debt (Note 17)	**(4,334,927)**	(5,838,147)	(1,523,642)
Increase (decrease) in deposits and other noncurrent liabilities	**925,975**	(1,025,614)	1,638,594
Capital infusion by non-controlling interests in consolidated subsidiaries	**728,169**	144,057	623,828
Redemption of non-controlling interests in consolidated subsidiaries	**(55,800)**	(104,930)	(120,100)
Proceeds from capital stock subscriptions	**130,065**	77,084	16,596
Dividends paid to non-controlling interests	**(552,579)**	(415,648)	(493,443)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	**(2,604,217)**	(1,033,670)	(856,236)
Net cash provided by (used in) financing activities	**12,131,451**	(281,574)	2,869,873
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,584,406**	7,490,081	(2,126,676)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**18,018,807**	10,528,726	12,655,402
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱24,603,213**	₱18,018,807	₱10,528,726

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Ayala Land, Inc. (the Company) was incorporated in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 52.61%-owned by Mermac, Inc., 10.93%-owned by Mitsubishi Corporation and the rest by the public. The Company's registered office and principal place of business is Tower One, Ayala Triangle, Ayala Avenue, Makati City.

The Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotel and resort operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were endorsed for approval by the Audit Committee on February 15, 2012 and were approved and authorized for issue by the Board of Directors (BOD) on February 20, 2012.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency and all values are rounded to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from the Company's equity.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained.
- Any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements represent the consolidation of the financial statements of the Company and the following domestic and foreign subsidiaries:

	Percentages of Ownership	
	2011	2010
Real Estate:		
Alveo Land Corporation (Alveo)	**100%**	100%
Serendra, Inc.	**39**	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	**65**	–
Serendra, Inc.	**28**	28
Amorsedia Development Corporation and Subsidiaries	**100**	100
OLC Development Corporation	**100**	100
Ayala Greenfield Development Corporation (AGDC)	**50**	50
Avida Land Corporation and Subsidiaries (Avida)	**100**	100
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	**100**	100
Ayala Land International Sales, Inc.	**100**	100
Ayala Land Sales, Inc.	**100**	100
Buendia Landholdings, Inc.	**100**	100
Crans Montana Holdings, Inc.	**100**	100
Crimson Field Enterprises, Inc.	**100**	100
Ecoholdings Company, Inc. (ECI)	**100**	100
NorthBeacon Commercial Corporation (NBCC)	**100**	100
Red Creek Properties, Inc.	**100**	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100
Asterion Technopod, Incorporated (ATI)	**100**	100
Crestview E-Office Corporation (CeOC)	**100**	100
Gisborne Property Holdings, Inc.	**100**	100
Hillsford Property Corporation (HPC)	**100**	100

(Forward)

	Percentages of Ownership	
	2011	2010
Primavera Towncentre, Inc. (PTI)	**100%**	100%
Summerhill E-Office Corporation (Summerhill)	**100**	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100
Subic Bay Town Centre, Inc.	**100**	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**	100
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100
Arvo Commercial Corporation	**100**	–
BellaVita Land Corporation	**100**	–
Nuevo Centro, Inc.	**100**	–
ALI Property Partners Holding Corp. (APPHC) (Note 25)	**–**	80
ALI Property Partners Corp. (APPCo) (Note 25)	**–**	60
APPCo (Note 25)	**68**	20
Laguna Technopark, Inc.	**75**	75
Aurora Properties Incorporated	**70**	70
Vesta Property Holdings, Inc.	**70**	70
Station Square East Commercial Corporation (SSECC)	**69**	69
Asian I-Office Properties, Inc. (AiO)	**60**	60
Accendo Commercial Corp. (Accendo)	**67**	67
Cagayan de Oro Gateway Corp	**51**	–
Ceci Realty, Inc.	**60**	60
CMPI Holdings, Inc.	**60**	60
ALI-CII Development Corporation (ALI-CII)	**50**	50
Roxas Land Corporation (RLC)	**50**	50
Construction:		
Makati Development Corporation and Subsidiaries (MDC)	**100**	100
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	**50**	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100
Enjay Hotels, Inc.	**100**	100
Greenhaven Property Venture, Inc.	**100**	100
Cebu Insular Hotel Company, Inc.	**63**	63
Ten Knots Phils, Inc. (TKPI) (Note 25)	**60**	60
Ten Knots Development, Corp. (TKDC) (Note 25)	**60**	60
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Ayala Theatres Management, Inc. and Subsidiaries	**100**	100
Entertainment:		
Five Star Cinema, Inc.	**100**	100
Leisure and Allied Industries Philippines, Inc. (LAI)	**50**	50
Others:		
MZM Holdings, Inc. (MZM)	**100**	100
ALInet.com, Inc. (ALInet)	**100**	100
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**	100
Food Court Company, Inc.	**100**	100
Aprisa Business Process Solutions, Inc.	**100**	100
Studio Ventures, Inc.	**100**	100
Directpower Services, Inc. (Directpower)	**100**	–
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**60**	100

AC owns the other 50% of AHI. The Company exercises control over AHI. Likewise, the Company, through its 50% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of RLC, AGDC, ALI-CII and LAI. Accordingly, the accounts of AHI, RLC, AGDC, ALI-CII and LAI are consolidated to the accounts of the Company.

The following entities were organized in 2011:

Directpower Services, Inc., (Directpower), a wholly owned subsidiary of the Company, was formed on September 14, 2011 to engage in the bulk purchase and supply of electricity and to introduce various energy solutions.

Arvo Commercial Corporation (ACC), a wholly owned subsidiary of the Company, was established on June 23, 2011 primarily to develop and operate shopping malls within the Company's identified growth areas across the country.

Cagayan De Oro Gateway Corp. was established to pursue a mixed-use development with a 47,000 square meter regional mall as its centerpiece. A 150-room boutique hotel shall be located on top of the mall, while a single tower residential condominium with 21 floors and 522 rooms shall be located right beside the mall. The project is strategically located in the economic hub of Cagayan de Oro City.

Nuevo Centro, Inc., a wholly-owned subsidiary of the Company, was established on April 15, 2011 to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities.

BellaVita Land Corp. (formerly South Maya Ventures Corp.), wholly-owned subsidiary of the Company, aims to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011.

Also, on March 5, 2011, the Group through Alveo acquired a landholding entity, by way of acquisition of shares of stock of Solinea, Inc. (formerly Bigfoot Palms, Inc.) which was incorporated and registered on April 2, 2007 with the purpose of developing properties particularly located in Cebu Business Park to generate future income.

Alveo purchased 16.25 million shares of Solinea, Inc. for ₱230.8 million, representing 65% of shares of stock, while Cebu Holdings, Inc. (CHI), an associate, purchased the remaining 8.75 million shares for ₱124.2 million, representing 35% of shares of stock.

The following entities were organized in 2010:

ALI established a wholly-owned subsidiary, AHRC, and infused cash in the latter to acquire Enjay Hotels, Inc., GPVI and CIHCI from AHI. As such, AHRC becomes the holding company for the Group's hotel operations.

Regent Wise, a wholly-owned subsidiary of ALI, signed an Equity Joint Venture Agreement with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-city ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development.

Amaia, a subsidiary of Avida, is now a wholly owned subsidiary of the Company, established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment. Additional capital infusion was made by the Company in 2011 to fund Amaia's planned expansion program for the next five years.

ALCRI was formed in September as a vehicle through which the Company will own and operate selected investment properties and which the Company intends to undertake an initial public offering under the recently passed Republic Act 9856 or the Philippines Real Estate Investment Trust (REIT) Law. Said investment properties shall include prime shopping center and office assets currently owned by the Company which are mature, have recurring income streams and have achieved stable occupancy rates.

PhilEnergy is a wholly owned subsidiary established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity.

In 2011, the Company sold its 40% interest in PhilEnergy for ₱137.0 million. Gain on sale recognized as other reserves amounted to ₱9.0 million.

Aprisa Business Solutions, Inc. is also a wholly-owned subsidiary of the Company that will initially manage transactional accounting services.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective January 1, 2011. Except as otherwise indicated, the adoption of the new and amended standards and interpretations did not have any significant impact on the Group's financial statements.

PAS 24 (Amended), *Related Party Disclosures*
The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*
The amendment altered the definition of a financial liability in order to classify rights issues and certain options or warrants as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010

- PFRS 3, *Business Combinations*
  This amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

  It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

  The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

- PFRS 7, *Financial Instruments: Disclosures*
  This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:
  a. Clarify that only financial asset whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
  b. Requires, for all financial assets, to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
  c. Remove the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
  d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
  e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

- PAS 1, *Presentation of Financial Statements*
  This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.

- PAS 27, *Consolidated and Separate Financial Statements*
  This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Future Changes in Accounting Policies
The Group will adopt the following amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

Effective 2012
PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Effective 2013
PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance.

PAS 19, *Employee Benefits (Amendment)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19.

PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (c) from the amounts in (d) above.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.

PFRS 12, *Disclosures of Interests with Other Entities*
This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PFRS 13, *Fair Value Measurement*
This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under PFRS when fair value is required or permitted by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.

Revised PAS 27, *Separate Financial Statements*
This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9. This Standard is issued concurrently with PFRS 10 and together, the two PFRSs will supersede PAS 27 (as amended in 2008). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Revised PAS 28, *Investment in Associates and Joint Ventures*
This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard prescribes the accounting for investments in associates and joint ventures. Equity method is defined in the revised standard as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee. The revised standard is to be applied by all entities that are investors with joint control of, or significant influence or owns 20% to 50% interest over, an investee. This standard supersedes PAS 28 (as revised in 2003). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Effective 2014
PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective 2015
PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. The Group shall conduct in early 2012 another impact evaluation using outstanding balances of financial statements as of December 31, 2011. The Group's decision whether to early adopt either PFRS 9 (2009) of PFRS 9 (2010) for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

"Day 1"difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income under "Interest income" and "Interest expense and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the consolidated statement of income under "Other income" or "Other charges".

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2010, the Group holds its "Treasury bonds and Treasury bills" for trading purposes and classifies them as financial assets at FVPL. The Group has not designated any financial asset as at FVPL. These financial assets already matured during 2011.

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

The amortization is included in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income under "Other income" or "Other charges" when the HTM investments are derecognized and impaired, as well as through the amortization process.

As of December 31, 2011 and 2010, the Group has no HTM investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Short-term investments" and "Accounts and notes receivable" except for "Advances to contractors".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income under the "Other charges" account.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise these are classified as noncurrent assets.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized gain on available-for-sale financial assets" in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income under "Other income" account or "Other charges" account. Where the Group holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the consolidated statement of income under the "Other charges" account.

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group's short-term and long-term debts, accounts and other payables, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension).

Deposits and Retentions Payable
Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using the effective interest method.

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the "Real estate revenue" account in the consolidated statement of income.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
a. the rights to receive cash flows from the asset have expired;
b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

c. the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income under “Other charges” account.

Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest income" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Club shares are stated at the lower of cost and NRV. The cost of club shares sold is determined on the basis mainly of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses, including borrowing costs during the development stage. NRV is the estimated selling price less estimated cost to complete and sell.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Materials, Parts and Supplies
Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Investments in Associates and Jointly Controlled Entities

Investments in associates and jointly controlled entities (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Interest in a Joint Venture

MDC has an interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control. MDC recognizes its interest in the joint venture using proportionate consolidation. MDC combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies into line with those of MDC.

Adjustments are made in MDC's financial statements to eliminate MDC's share of unrealized gains and losses on transactions between MDC and the joint venture. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the NRV of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

As of December 31, 2011 and 2010, intangible asset pertaining to leasehold right is included under "Other noncurrent assets".

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and jointly controlled entities
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Share-based Payments
The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options
For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 29.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options
For options granted before November 7, 2002 that have vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 28).

Employee Share Purchase Plans
The Company has an employee share purchase plan (ESOWN) which allows the grantees to purchase the Company's shares at a discounted price. The Company recognizes the difference between the market price at the time of subscription and the subscription price as stock compensation expense over the holding period. Where the subscription receivable is collectible over more than one year, the subscription price is adjusted for the time value and treated as additional stock compensation expense. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Other current liabilities" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Other current liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company's in-house technical staff.

Revenue from construction contracts included in the "Real estate" account in the consolidated statement of income is recognized using the percentage-of-completion method, measured principally on the basis of the estimated physical completion of the contract work.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Rooms revenue from hotel and resort operations are recognized when the services are rendered.

Revenue from banquets and other special events are recognized when the events take place.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.

Commissions

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Expenses
Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in “Real estate inventories”, “Investment properties” and “Property and equipment” accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Group as Lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Current Tax

Current tax assets and liabilities for the current and prior periods and measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Comparative Information

PAS 1, *Presentation of Financial Statements*, requires an entity to present a statement of financial position as at the beginning of the earliest period when it reclassifies items in its financial statements. The Group identified certain trade receivables as noncurrent as of December 31, 2010 and corrected certain investment properties and liabilities to be presented as inventories and other noncurrent assets and land and improvements, respectively.

However, management believes that the presentation of a statement of financial position as at the beginning of the earliest period presented is no longer necessary since the amount of assets reclassified from current to noncurrent trade receivables and certain investment properties to be presented as real estate inventories and other noncurrent assets is not material to the financial statements as it comprise only -2.22%, -0.51%, -2.65%, and -1.10% of total current assets, total assets, total noncurrent liabilities, and total liabilities, respectively. The reclassification has no effect on profit or loss and equity since the transfers were between current and noncurrent assets.

As a result, the December 31, 2010 balances in the statement of financial position were restated to enhance inter-period comparability.

Foreign Currency Transactions
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 31 of the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of the property as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers among others, the significance of the penalty, including the economic consequence to the lessee.

Operating lease commitments - Group as lessee
The Group has entered into lease contracts with various parties to develop commercial or retail properties. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Classification of property
The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Distinction between real estate inventories and land and improvements
The Group determines whether a property will be classified as Real estate inventories or Land and land improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Real estate inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (Land and improvements).

Property acquisitions and business combinations
The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Collectibility of the sales price
In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Impairment of AFS equity investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 10).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 35).

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate and construction contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Note 21 for the related balances.

Estimating allowance for impairment losses
The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. See Note 7 for the related balances.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 8 for the related balances.

Evaluation of asset impairment
The Group reviews investments in associates and jointly controlled entities, land and improvements, investment properties, property and equipment and other noncurrent assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in associates and jointly controlled entities, investment properties, land and improvements, property and equipment, and other noncurrent assets. See Notes 11, 12, 13, 14 and 15 for the related balances.

Estimating useful lives of property and equipment and investment properties
The Group estimates the useful lives of its property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could materially be affected by changes in estimates brought about by changes in factors mentioned above. See Notes 13 and 14 for the related balances.

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. See Note 24 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 29 for the related balances.

Estimating pension obligation and other retirement benefits
The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 27 and include among others, discount rate, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations. See Note 27 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Notes 19 and 30 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2011	2010
	(In Thousands)	
Cash on hand and in banks	**₱5,081,820**	₱3,667,807
Cash equivalents	**19,521,393**	14,351,000
	₱24,603,213	₱18,018,807

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

The range of interest rates of the cash equivalents follow:

	2011	2010
Philippine Peso	**1.3% to 4.9%**	1.0% to 4.5%
US Dollar	**0.3% to 2.0%**	0.3% to 2.1%

5. Short-term Investments

Short-term investments consists of money market placements made for varying periods of more than three (3) months and up one (1) year and earn interest at the respective short-term investment rates.

The range of interest rates of the short-term investments follows:

	2011	2010
Philippine Peso	–	3.7% to 4.5%
US Dollar	**1.9% to 2.0%**	1.9% to 2.3%

6. Financial Assets at FVPL

These are held-for-trading treasury bonds and treasury bills which have yield to maturity of nil and 1.3% in 2011 and 2010, respectively. The Group's remaining Financial Assets at FVPL with an aggregate face value of ₱400.0 million matured in 2011.

As of December 31, 2011, 2010 and 2009, the unrealized loss of financial assets at FVPL amounted to nil, ₱9.3 million and ₱0.7 million, respectively. Net changes in fair value amounted to ₱4.9 million, ₱8.6 million and ₱0.7 million in 2011, 2010 and 2009, respectively.

7. Accounts and Notes Receivable

This account consists of:

	2011	2010
	(In Thousands)	
Trade:		
Residential development	**₱14,558,803**	₱10,621,686
Construction contracts	**1,877,480**	1,035,226
Shopping centers	**1,101,053**	1,022,431
Corporate business	**592,408**	558,019
Management fees	**50,482**	65,573
Others	**741,459**	595,936

(Forward)

	2011	2010
	(In Thousands)	
Advances to contractors and suppliers	**₱3,767,890**	₱2,741,525
Advances to other companies	**2,507,834**	1,749,701
Receivable from related parties (Note 26)	**1,750,055**	1,451,449
Accrued receivable	**1,597,219**	1,037,983
Receivables from employees	**431,515**	464,104
Investment in bonds classified as loans and receivables	**200,000**	200,000
	29,176,198	21,543,633
Less allowance for impairment losses	**304,153**	257,433
	28,872,045	21,286,200
Less noncurrent portion	**7,293,682**	4,859,833
	₱21,578,363	₱16,426,367

The classes of trade receivables of the Group are as follows:

- Residential development - pertains to receivables from the sale of high-end, upper middle-income, affordable residential lots and units, economic housing development, and leisure community developments
- Construction contracts - pertain to receivables from third party construction projects
- Shopping centers - pertain to lease receivables of retail space
- Corporate business - pertain to lease receivables of office and factory buildings and receivables from the sale of office buildings and industrial lots
- Management fees - pertain to fees receivable from facility management

The sales contracts receivable, included under residential development, are collectible in monthly installments over a period of one (1) to ten (10) years and bear annual interest rates ranging from 2.15% to 20.0% computed on the diminishing balance of the principal. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Receivables from construction contracts, shopping centers and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment.

Receivables from related parties, advances to other companies and accrued receivables are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group's employees which are collectible through salary deduction, are interest bearing and has various maturity dates.

Investment in bonds classified as loans and receivables pertain to the Company's investment in Land Bank of the Philippines (LBP) 7.25% unsecured subordinated notes due 2019, callable with step-up interest in 2014. Fitch Ratings assigned a National Long-term rating of AA (phl) to LBP.

Receivables amounting to ₱304.2 million and ₱257.4 million as of December 31, 2011 and 2010, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2011

	Trade					Advances to Other Companies	Total
	Shopping Centers	**Residential Development**	**Construction Contracts**	**Management Fees**	**Others**		
				(In Thousands)			
Balance at beginning of year	**₱153,725**	**₱17,122**	**₱5,927**	**₱4,383**	**₱63,902**	**₱12,374**	**₱257,433**
Provisions during the period (Note 23)	**2,144**	**5,988**	**–**	**–**	**63**	**44,355**	**52,550**
Reversal (Note 23)	**–**	**–**	**–**	**–**	**(4,219)**	**–**	**(4,219)**
Accounts written off	**–**	**–**	**–**	**(1,168)**	**(443)**	**–**	**(1,611)**
Balance at end of year	**₱155,869**	**₱23,110**	**₱5,927**	**₱3,215**	**₱59,303**	**₱56,729**	**₱304,153**
Individually impaired	**₱143,261**	**₱9,555**	**₱5,927**	**₱3,215**	**₱59,303**	**₱45,409**	**₱266,670**
Collectively impaired	**12,608**	**13,555**	**–**	**–**	**–**	**11,320**	**37,483**
Total	**₱155,869**	**₱23,110**	**₱5,927**	**₱3,215**	**₱59,303**	**₱56,729**	**₱304,153**
Gross amounts of receivables individually determined to be impaired	**₱174,475**	**₱34,813**	**₱5,927**	**₱3,215**	**₱59,301**	**₱51,318**	**₱329,049**

2010

	Trade					Advances to Other Companies	Total
	Shopping Centers	Residential Development	Construction Contracts	Management Fees	Others		
				(In Thousands)			
Balance at beginning of year	₱176,946	₱13,008	₱5,927	₱4,383	₱2,546	₱14,774	₱217,584
Provisions during the period (Note 23)	6,000	4,114	–	–	47,092	–	57,206
Acquisition through business combination (Note 25)	–	–	–	–	14,264	–	14,264
Reversal (Note 23)	(2,012)	–	–	–	–	–	(2,012)
Accounts written off	(27,209)	–	–	–	–	(2,400)	(29,609)
Balance at end of year	₱153,725	₱17,122	₱5,927	₱4,383	₱63,902	₱12,374	₱257,433
Individually impaired	₱142,511	₱9,555	₱5,927	₱4,383	₱59,339	₱1,054	₱222,769
Collectively impaired	11,214	7,567	–	–	4,563	11,320	34,664
Total	₱153,725	₱17,122	₱5,927	₱4,383	₱63,902	₱12,374	₱257,433
Gross amounts of receivables individually determined to be impaired	₱168,336	₱9,555	₱5,927	₱4,383	₱59,339	₱12,618	₱260,158

As of December 31, 2011 and 2010, Residential development, Advances to other companies and Receivables from employees with a nominal amount of ₱13,790.2 million and ₱12,758.4 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2011 and 2010 follow:

	2011	2010
	(In Millions)	
Balance at beginning of the year	**₱1,250**	₱668
Additions during the year	**2,380**	1,180
Accretion for the year	**(901)**	(598)
Balance at end of the year	**₱2,729**	₱1,250

In 2011, the Group sold real estate receivables on a without recourse basis to Bank of the Philippines Islands (BPI) amounting to ₱322.8 million at an average discount rate of 6.27% (see Note 26). The discount on these receivables amounting to ₱37.3 million has been included under "Other expenses" in the consolidated statements of income (see Note 23).

Also, the Company entered in an agreement with BPI for the sale of interest bearing loans receivables from employees without recourse amounting to ₱306.0 million with 12% interest rate which resulted to a nil gain or loss (see Note 26).

8. Inventories

This account consists of:

	2011	2010
	(In Thousands)	
Real estate:		
Subdivision land for sale		
At cost	**₱9,273,300**	₱7,347,105
At NRV	**936,183**	936,183
Condominium, residential and commercial units for sale - at cost	**11,356,871**	5,731,054
Club shares - at cost	**342,217**	354,329
	₱21,908,571	₱14,368,671

Inventories recognized as cost of sales amounted to ₱14.6 billion and ₱12.1 billion in 2011 and 2010, respectively, and are included under “Real estate costs and expenses” in the consolidated statements of income. The Group recorded no provision for impairment in 2011 and 2010 while ₱78.1 million was provided in 2009 for the development cost of real estate inventories which may no longer be recovered (see Note 23).

9. Other Current Assets

This account consists of:

	2011	2010
	(In Thousands)	
Prepaid expenses	**₱2,349,799**	₱1,245,845
Creditable withholding tax	**2,448,600**	1,375,516
Value-added input tax - net	**1,675,970**	1,561,830
Deposits in escrow	**147,529**	317,597
Materials, parts and supplies - at cost	**95,471**	92,822
Advances to suppliers	**63,336**	13,141
Others	**253,803**	111,958
	₱7,034,508	₱4,718,709

Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

The Group will be able to apply the creditable withholding taxes against income tax payable.

The value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Deposits in escrow pertain to the proceeds from the sale of Serendra's project. Under its temporary license to sell, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account.

10. **Available-for-sale Financial Assets**

This account consists of investments in:

	2011	2010
	(In Thousands)	
Shares of stock:		
Unquoted	**₱253,800**	₱248,164
Quoted	**168,597**	168,612
Treasury bonds	**216,933**	219,540
	639,330	636,316
Net unrealized gain	**71,112**	55,348
	₱710,442	₱691,664

Investments in unquoted shares includes unlisted shares in public utility companies which the Group will continue to carry as part of the infrastructure that it provides for its real estate projects. These are carried at cost less impairment, if any.

In 2008, the Company purchased preferred shares from AC amounting to ₱100.0 million at a purchase price of ₱500 per share (included under quoted shares of stock).

Movements in the net unrealized gain on AFS financial assets follow:

	2011	2010
	(In Thousands)	
Balance at beginning of year	**₱55,348**	₱27,615
Fair value changes during the year	**15,764**	27,294
Fair value loss transferred to income	–	439
Balance at end of year	**₱71,112**	₱55,348

11. **Land and Improvements**

The rollforward analysis of this account follows:

	2011	2010
	(In Thousands)	
Cost		
Balance at beginning of year	**₱16,561,902**	₱18,066,397
Additions	**4,049,285**	2,282,734
Addition through business combination (Note 25)	–	1,361,645
Transfers*	**(1,364,482)**	(5,148,874)
Balance at end of year	**19,246,705**	16,561,902

(Forward)

	2011	2010
	(In Thousands)	
Allowance for Impairment		
Balance at beginning of year	**₱510,125**	₱780,752
Additions (Note 23)	–	–
Transfers*	–	(270,627)
Balance at end of year	**510,125**	510,125
	₱18,736,580	₱16,051,777

* *Transfers pertain to land to be developed for sale and included under "Inventories" accounts.*

In 2009, the Group recorded provision for impairment amounting to ₱568.7 million included under "Other charges" in the consolidated statement of income (see Note 23).

On August 27, 2009, the Company and the National Housing Authority (NHA) signed a Joint Venture Agreement to develop a 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began last October 3, 2008.

The Company's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the National Economic Development Authority (NEDA) Joint Venture Guidelines, features the development of a new Central Business District (CBD) in Quezon City. The CBD will be developed as the Philippines' first transit-oriented mixed-use central business district that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset in a model for urban renewal. The development will also generate jobs and revenue both for the local and national governments.

The Company's vision for the property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the property, similar to the development experience in Fort Bonifacio.

The total project cost is estimated at ₱22.0 billion, inclusive of future development costs and the current value of the property, which the Company and the NHA will contribute as their respective equity share in the joint venture. Development of Phase 1 is expected to start in 2012.

12. **Investments in Associates and Jointly Controlled Entities**

This account consists of:

	2011	2010
	(In Thousands)	
Acquisition cost	**₱7,536,683**	₱6,343,120
Accumulated equity in net earnings:		
Balance at beginning of year	**4,502,926**	3,870,504
Equity in net earnings during the year	**898,550**	905,645
Dividends received during the year	**(311,928)**	(273,223)
Balance at end of year	**5,089,548**	4,502,926
	₱12,626,231	₱10,846,046

The Group's equity in the net assets of associates and jointly controlled entities and the related percentages of ownership are shown below.

	Percentages of Ownership		**Carrying Amounts**	
	2011	2010	**2011**	2010
			(In Thousands)	
Jointly controlled entities:				
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	**₱3,682,241**	₱3,491,810
Berkshires Holdings, Inc. (BHI)	**50**	50	**1,578,080**	1,496,466
Alabang Commercial Corporation (ACC)	**50**	50	**616,562**	616,809
BG West Properties, Inc. (BGW)	**50**	–	**247,201**	–
BG South Properties, Inc. (BGS)	**50**	–	**195,419**	–
BG North Properties, Inc. (BGN)	**50**	–	**2,537**	–
			6,322,040	5,605,085
Associates:				
Cebu Holdings, Inc. (CHI) and subsidiaries	**47**	47	**2,264,852**	2,105,149
North Triangle Depot Commercial Corporation (NTDCC)	**49**	49	**1,336,389**	1,435,913
Bonifacio Land Corp. (BLC)	**10**	10	**1,160,722**	1,133,133
ARCH Capital Asian Partners L.P.	**8**	8	**739,106**	485,620
Tianjin Eco-City Ayala Land Development Co., Ltd.	**40**	–	**729,374**	–
Lagoon Development Corporation (LDC)	**30**	30	**58,301**	65,964
KHI-ALI Manila, Inc. (KAMI)	**60**	60	**12,375**	11,144
KHI Manila Property, Inc.	**20**	20	**572**	1,803
ARCH Capital Management Co. Ltd. (ARCH Capital)	**–**	17	**–**	2,235
Others	**–**	–	**2,500**	–
			6,304,191	5,240,961
			₱12,626,231	₱10,846,046

As of December 31, 2011 and 2010, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱826.7 million and ₱738.3 million, respectively (see Note 34).

The fair value of the investment in CHI amounted to ₱2,270.5 million and ₱2,268.4 million as of December 31, 2011 and 2010, respectively. CHI's subsidiary, CPVDC, owns 40% interest in AiO (see Note 2).

Financial information on the Company's proportionate share in its significant jointly controlled entities follows (in thousands):

ECHI and Subsidiaries	**2011**	2010
Current assets	**₱2,734,449**	₱2,832,414
Noncurrent assets	**2,546,734**	2,318,476
Total assets	**5,281,183**	5,150,890
Current liabilities	**466,259**	315,717
Noncurrent liabilities	**481,457**	496,362
Total liabilities	**947,716**	812,079
Net operating revenue	**701,559**	733,453
Costs and expenses	**528,770**	550,131
Net income	**172,789**	183,322

BHI and Subsidiaries	**2011**	2010
Current assets	**₱30,087**	₱110
Noncurrent assets	**1,878,180**	1,852,208
Total assets	**1,908,267**	1,852,318
Total liabilities	**3,283**	3,278
Net operating revenue	**57,203**	81,851
Costs and expenses	**28**	3,272
Net income	**57,175**	78,579

ACC	**2011**	2010
Current assets	**₱255,302**	₱344,420
Noncurrent assets	**669,909**	571,938
Total assets	**925,211**	916,358
Current liabilities	**275,897**	269,765
Noncurrent liabilities	**150,225**	141,152
Total liabilities	**426,122**	410,917
Net operating revenue	**356,606**	386,460
Costs and expenses	**214,690**	242,634
Net income	**141,916**	143,826

Financial information on the Company's significant associates follows (in thousands, except earnings per share):

CHI and Subsidiaries	**2011**	2010
Total assets	**₱7,130,254**	₱5,991,591
Total liabilities	**2,101,863**	1,267,014
Net operating revenue	**1,348,890**	1,447,183
Costs and expenses	**883,876**	1,001,920
Net income	**465,014**	445,263
Earnings per share	**0.22**	0.21

NTDCC	**2011**	2010
Total assets	**₱7,242,779**	₱7,478,888
Total liabilities	**4,771,355**	4,905,532
Net operating revenue	**1,776,526**	1,687,628
Costs and expenses	**1,358,854**	1,471,712
Net income	**417,672**	215,916

BLC and Subsidiaries	**2011**	2010
Total assets	**₱42,852,341**	₱41,363,598
Total liabilities	**7,769,318**	5,905,759
Net operating revenue	**4,064,943**	5,730,715
Costs and expenses	**2,893,927**	4,262,233
Net income	**1,171,016**	1,468,482

ARCH Capital Asian Partners L.P.	**2011**	2010
Total assets	**₱17,984,045**	₱17,803,775
Total liabilities	**6,948,333**	7,700,584
Net operating revenue	**1,373,595**	2,028,740
Costs and expenses	**486,186**	902,227
Net income	**894,599**	1,282,802

Investment in ECHI and BHI
On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Metro Pacific Investment Corporation (MPIC) as amended:

(a) The assignment to the Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPIC, pursuant to which, Larouge extended MPIC a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90 million, subject in part to foreign exchange adjustment.

(b) The assignment to the Company and EHI acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus) of the controlling interest in BLC representing 50.38% of BLC's outstanding capital stock. This assignment was effected by MPIC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Company and EHI jointly hold the 50.38% equity interest in BLC through ECHI and BHI. The Company and EHI assigned the notes receivable from MPIC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.38% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method, resulting in a negative goodwill of ₱1.4 billion.

Subsequent to this, the Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates as follows:

On July 31, 2008, the Group acquired, through the Company, Regent and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.66% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPIC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in the Group's effective interest in BLC to 45.05% as of December 31, 2009. In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

The Company's 5.32% direct investment in BLC and 4.78% through Regent are accounted for using the equity method because the Company has significant influence over BLC.

Investment in BGW, BGS and BGN

BGW, BGS and BGN were incorporated on August 5, 10 and 5, 2011, respectively, to engage in the development of high-end, upper middle income and affordable residential and retail projects, respectively, in Bonifacio Global City.

Investment in ARCH Capital

In 2006, the Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and Philippines. On the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Group Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly owned subsidiary of First Longfield, transferring the interests of AC and the Company in ARCH Capital into Fine State and Green Horizons, respectively. Fine State and First Longfield are 100% owned Hong Kong subsidiaries of AC and the Company, respectively.

The Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the Fund. As of December 31, 2011 and 2010, the Company (through Green Horizon) and AC (through Fine State) owned a combined interest in ARCH Capital of nil and 50.0%, respectively.

In 2007, the private equity fund, called ARCH Capital Asian Partners, L.P. (Fund) was established. As at December 31, 2007, the Fund achieved its final closing, resulting in a total investor commitment of US$330.0 million. As a result, portion of the funds disbursed by the Company and AC and invested into the Fund have been returned in 2007, reducing the Company's overall capital invested to ₱214.5 million as of December 31, 2007. In 2009, 2010 and 2011, the Fund made capital call where the Company's share amounts to $2.1 million, and $9.1 million and $2.2 million, respectively.

As of December 31, 2011, the Company's remaining capital commitment with the Fund amounted to US$4.6 million.

On March 7, 2011, the Company, AC and The Rohatyn Group completed an exchange of ownership interests in Arch Capital and ARCH Capital Asian Partners G.P. (a Cayman Islands company), with proceeds and carrying value of the investments as of the date of exchange amounting US$3.8 million and US$.4 million, respectively, resulted to a gain of US$2.9 million, net of transaction costs, lodged in "Interest and investment income" account. The exchange in ownership interest will result in TRG acquiring the Company's 17% stake and AC's 33% interest. The completed exchange of ownership interests did not change the activities, management, focus, and shareholder structure of the ARCH Fund, with the Company retaining its current 8% stake in the fund.

The Company and AC exercise significant influence over the Fund by virtue of their interest in the general partner and in ARCH Capital. Accordingly, the Company and AC account for their investments in the Fund using the equity method of accounting.

Investment in KAMI
In December 2007, the Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprised of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences. The total project cost will be approximately US$153.0 million.

The 7,377-square meter property to be developed was conveyed by the Company to KAMI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

The Company does not consolidate KAMI as it does not exercise control over it.

13. Investment Properties

The rollforward analysis of this account follows:

2011

	Land	Building	Construction in Progress	Total
		(In thousands)		
Cost				
Balance at beginning of year	**₱1,893,826**	**₱28,215,394**	**₱3,223,649**	**₱33,332,869**
Additions	**1,323,748**	**1,689,313**	**3,595,369**	**6,608,430**
Transfers	**(33,815)**	**2,776,157**	**(2,913,513)**	**(171,171)**
Write-off	**–**	**(147,000)**	**–**	**(147,000)**
Balance at end of year	**3,183,759**	**32,533,864**	**3,905,505**	**39,623,128**
Accumulated Depreciation				
Balance at beginning of year	**–**	**7,588,043**	**–**	**7,588,043**
Depreciation	**–**	**1,544,774**	**–**	**1,544,774**
Balance at end of year	**–**	**9,132,817**	**–**	**9,132,817**
Net Book Value	**₱3,183,759**	**₱23,401,047**	**₱3,905,505**	**₱30,490,311**

2010

	Land	Building	Construction in Progress	Total
		(In thousands)		
Cost				
Balance at beginning of year	₱1,919,425	₱26,734,284	₱2,178,395	₱30,832,104
Additions	365,768	209,742	2,334,007	2,909,517
Transfers	(391,367)	1,288,753	(1,288,753)	(391,367)
Retirement	–	(17,385)	–	(17,385)
Balance at end of year	1,893,826	28,215,394	3,223,649	33,332,869
Accumulated Depreciation				
Balance at beginning of year	–	6,508,094	–	6,508,094
Depreciation	–	1,091,558	–	1,091,558
Retirements	–	(11,609)	–	(11,609)
Balance at end of year	–	7,588,043	–	7,588,043
Net Book Value	₱1,893,826	₱20,627,351	₱3,223,649	₱25,744,826

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (like buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

On March 5, 2011, the Group acquired Solinea, Inc., a landholding entity, whose investment properties amounted to ₱417.3 million (see Note 2).

The aggregate fair value of the Group's investment properties amounted to ₱182.4 billion and ₱167.7 billion as of December 31, 2011 and 2010, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The values of the land and condominium units were arrived using the Market Data Approach. In this approach, the value of the land and condominium units is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Consolidated rental income from investment properties amounted to ₱8,137.2 million, ₱7,211.5 million, and ₱7,224.0 million in 2011, 2010 and 2009, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties amounted to ₱2.3 billion in 2011 and ₱2.5 billion in 2010 and ₱3.1 billion in 2009, respectively (see Note 23).

Depreciation and amortization expense pertaining to investment properties amounted to ₱1,544.8 million, ₱1,091.6 million and ₱946.4 million in 2011, 2010 and 2009, respectively (see Note 23).

14. **Property and Equipment**

The rollforward analysis of this account follows:

2011

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In thousands)			
Cost						
January 1	**₱1,487,708**	**₱2,036,787**	**₱1,555,574**	**₱619,470**	**₱4,094,610**	**₱9,794,149**
Additions	**356,986**	**369,117**	**244,286**	**137,427**	**1,200,744**	**2,308,560**
Disposals/Write-offs	**(8,526)**	**(35,291)**	**(23,048)**	**(60,847)**	**(9,172)**	**(136,884)**
Transfers	**(225,835)**	**(255)**	**127,111**	**–**	**(158,332)**	**(257,311)**
December 31	**1,610,333**	**2,370,358**	**1,903,923**	**696,050**	**5,127,850**	**11,708,514**
Accumulated Depreciation and Amortization						
January 1	**565,445**	**1,515,206**	**1,136,489**	**368,336**	**2,040,684**	**5,626,160**
Depreciation and amortization	**114,420**	**217,564**	**167,285**	**90,470**	**169,200**	**758,939**
Disposals	**(6,694)**	**(30,789)**	**(9,846)**	**(15,986)**	**(8,741)**	**(72,056)**
December 31	**673,171**	**1,701,981**	**1,293,928**	**442,820**	**2,201,143**	**6,313,043**
Net Book Value	**₱937,162**	**₱668,377**	**₱609,995**	**₱253,230**	**₱2,926,707**	**₱5,395,471**

2010

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In thousands)			
Cost						
January 1	₱1,317,140	₱1,884,589	₱1,401,893	₱448,299	₱2,922,440	₱7,974,361
Additions	216,820	176,483	173,996	225,509	353,210	1,146,018
Disposals/Write-offs	(46,252)	(24,285)	(20,315)	(54,338)	(51,237)	(196,427)
Acquisition through business combination (Note 25)	–	–	–	–	870,197	870,197
December 31	1,487,708	2,036,787	1,555,574	619,470	4,094,610	9,794,149
Accumulated Depreciation and Amortization						
January 1	434,783	1,294,643	1,062,246	279,839	1,538,267	4,609,778
Depreciation and amortization	158,990	229,610	75,898	123,495	127,930	715,923
Acquisition through business combination (Note 25)	–	–	–	–	376,869	376,869
Disposals	(28,328)	(9,047)	(1,655)	(34,998)	(2,382)	(76,410)
December 31	565,445	1,515,206	1,136,489	368,336	2,040,684	5,626,160
Net Book Value	₱922,263	₱521,581	₱419,085	₱251,134	₱2,053,926	₱4,167,989

The consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱758.9 million, ₱715.9 million and ₱840.7 million in 2011, 2010 and 2009, respectively.

15. **Other Noncurrent Assets**

Other noncurrent assets consist of deferred charges, deposits, pension assets (see Note 27) and other assets.

As of December 31, 2011 and 2010, this account also includes leasehold right of a subsidiary amounting to ₱120.2 million and ₱126.8 million, respectively. This pertains to the right to use an island property expiring on December 31, 2029. The cost amounted to ₱127.4 million and accumulated amortization expense for 2011 and 2010 amounted to ₱7.2 million and ₱0.5 million, respectively. Amortization expense amounted to ₱6.7 million and ₱0.5 million in 2011 and 2010, respectively.

16. **Accounts and Other Payables**

This account consists of:

	2011	2010
	(In Thousands)	
Accounts payable	**₱23,435,637**	₱14,367,569
Accrued project costs	**5,684,761**	2,808,045
Accrued expenses	**4,337,360**	4,044,152
Taxes payable	**2,461,943**	2,123,293
Payable to related parties (Note 26)	**1,049,592**	860,825
Interest payable	**478,852**	211,235
Accrued salaries and employee benefits	**291,992**	249,238
Retention payable	**218,979**	119,051
Accrued rentals	**163,156**	475,858
Dividends payable	**7,113**	632,649
	₱38,129,385	₱25,891,915

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 15 to 60-day terms. Other payables are noninterest-bearing and are normally settled within one year.

Accrued expenses consist mainly of light and power, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, insurance and representation.

17. **Short-term and Long-term Debt**

The short-term debt of ₱4,638.8 million and ₱2,890.0 million in 2011 and 2010, respectively, represents unsecured peso-denominated bank loans and dollar-denominated bank loans of the Company and its subsidiaries. Interest rates for peso-denominated bank loans ranged from 3.50% to 5.00% per annum (p.a.) in 2011 and 3.50% to 5.78% p.a. in 2010. Interest rates for dollar-denominated bank loans of the Company, which amounted to ₱1,509.8 million and ₱643.0 million in 2011 and 2010, respectively, ranged from 1.18% to 2.01% in 2011 and 1.45% to 2.30% in 2010.

Long-term debt consists of:

	2011	2010
	(In Thousands)	
Company:		
Bonds		
Due 2012	**₱325,390**	₱194,600
Due 2013	**4,417,900**	4,204,030
Due 2014	**173,715**	–
Floating rate corporate notes (FRCNs)	**1,000,000**	10,000
Fixed rate corporate notes (FXCNs)	**12,675,000**	5,380,000
	18,592,005	9,788,630

(Forward)

	2011	2010
	(In Thousands)	
Subsidiaries:		
Bank loans - Philippine Peso	**₱10,963,669**	₱8,292,261
Bank loans - US Dollar	**336,253**	–
	11,299,922	8,292,261
	29,891,927	18,080,891
Less current portion	**1,556,761**	2,328,160
	₱28,335,166	₱15,752,731

The Company

Philippine Peso 5-Year Bond due 2013

In 2008, the Company issued ₱4,000.0 million bond due 2013 with fixed rate equivalent to 8.75% p.a. The Philippine Rating Services Corporation (PhilRatings) assigned a PRS Aaa rating on the bond indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings' rating scales for long-term issuances. PhilRatings maintained its rating of PRS Aaa for the ₱4,000.0 million bond in 2011 and 2010.

Philippine Peso Homestarter Bond due 2012

The Company launched a new issue of the Homestarter Bond in October 2009. The bond is to be issued over a series of 36 issues, once every month which commenced on October 16, 2009, up to ₱14.0 million per series or up to an aggregate issue amount of ₱504.0 million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2011 and 2010, bonds issued amounted to ₱325.4 million and ₱194.6 million, respectively.

Philippine Peso Homestarter Bond due 2013

The Company launched another new issue of the Homestarter Bond in April 2010. The bond is to be issued over a series of 36 issues, once every month which commenced on April 16, 2010, up to ₱28.0 million per series or up to an aggregate issue amount of ₱1,008.0 million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected by the bondholder except Ayala Land Premier properties, or 4% of the net selling price of the Ayala Land Premier property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2011 and 2010, bond issued amounted ₱417.9 million and ₱204.0 million, respectively.

Philippine Peso Homestarter Bond due 2014
The Company launched a new issue of the Homestarter Bond in May 2011. The bond is to be issued over a series of 36 issues, once every month which commenced on May 16, 2011, with an initial issue amount of up to ₱56.0 Million or up to an aggregate issue amount of ₱2.0 billion million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for a property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is also subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2011, bond issued amounted to ₱173.7 million.

Philippine Peso 5-, 7- and 10-year FXCNs due 2011, 2013 and 2016
In 2006, the Company issued ₱3,000.0 million FXCNs consisting of 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2016. The FXCNs bear fixed interest rates ranging from 7.25% to 7.75% p.a. depending on the term of the notes. In January 2011, simultaneous to a new corporate note offering, the Company undertook a liability management exercise by offering to prepay holders of the corporate notes issued in 2006 while inviting the same institutions to participate in the new issuance. A number of investors holding up to ₱875.0 million of notes maturing in 2013 and 2016 accepted the offer to be prepaid. On September 23, 2011, the 5-year and one (1) day FXCNs amounting to ₱1,830.0 million matured and were fully repaid by the Company.

Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019
In 2009, the Company issued an aggregate ₱2,380.0 million in 5-, 7- and 10-year notes to various financial institutions and retail investors. The notes will mature on various dates up to 2019. The FXCNs bear fixed interest rates ranging from 7.76% to 8.90%.

Philippine Peso 7-year FRCN due 2016
In 2009, the Company executed a ₱1,000.0 million committed FRCN facility with the LBP, of which an initial ₱10.0 million was drawn on October 12, 2009. The balance of ₱990.0 million was subsequently drawn on November 18, 2011. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriceable quarterly. The FRCNs will mature on the seventh anniversary of the initial drawdown date.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In 2011, the Company issued ₱10.0 billion FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.62% to 7.50% p.a. depending on the term of the notes.

Transaction costs capitalized amounted to ₱88.2 million in 2011. Amortization amounting ₱10.9 million was expensed during the year.

<u>Subsidiaries</u>
The subsidiaries' loans will mature on various dates up to 2018 with floating interest rates at 50 bps to 200 bps spread over benchmark 91-day PDST-R1/R2 and fixed interest rates of 4.50% to 9.72% p.a. The term loan facility of a subsidiary is secured by a Mortgage Trust Indenture over land and building with a total carrying value of ₱1,041.3 million and ₱911.3 million as of December 31, 2011 and 2010, respectively.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of required debt-to-equity ratios; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all of assets. These restrictions and requirements were complied with by the Group.

Interest capitalized amounted to ₱144.0 million and ₱31.7 million in 2011 and 2010, respectively. The average capitalization rates are 6.88% and 7.06% in 2011 and 2010, respectively.

18. Other Current Liabilities

Other current liabilities consist of tenants' deposits and construction bonds to be refunded by the Group through the application of the amount thereof against the rent and service due which amounted to ₱1,124.6 million and ₱2,032.1 million as of December 31, 2011 and 2010, respectively.

19. Deposits and Other Noncurrent Liabilities

Deposits and other noncurrent liabilities consist of:

	2011	2010
	(In Thousands)	
Deposits	**₱5,124,065**	₱4,168,487
Retentions payable	**2,338,399**	1,927,384
Other liabilities (Note 26)	**333,321**	457,953
	₱7,795,785	₱6,553,824

Deposits are initially recorded at fair value, which was obtained by discounting its future cash flows using the applicable rates of similar types of instruments.

Retentions payable pertains to retention from the contractors' progress billings which will be later released after the completion of contractors' project. The retention serves as a security from the contractor should there be defects in the project.

20. Equity

The details of the number of shares in thousands follow:

	2011		2010		2009	
	Preferred	**Common**	Preferred	Common	Preferred	Common
			(In Thousands)			
Authorized	**15,000,000**	**20,000,000**	15,000,000	20,000,000	15,000,000	20,000,000
Issued	**13,034,604**	**13,022,771**	13,034,604	13,012,004	13,034,604	13,005,338
Subscribed	–	**99,917**	–	96,468	–	75,470
Treasury	–	**(79,528)**	–	(79,528)	–	(79,528)
Outstanding	**13,034,604**	**13,043,160**	13,034,604	13,028,944	13,034,604	13,001,280

Preferred Shares
The Company's preferred shares were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.64% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Company's BOD.

Common Shares
The rollforward analysis of the outstanding number of common shares in thousands follows:

	2011	2010	2009
		(In Thousands)	
At beginning of year	**13,028,944**	13,001,280	12,963,003
Additional subscriptions	**14,216**	27,664	38,277
At end of year	**13,043,160**	13,028,944	13,001,280

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Company launched its Initial Public Offering where a total of 400.00 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Company has 10,515 existing certified shareholders as of December 31, 2011.

Treasury Shares
On August 12, 2008, the BOD approved a share buyback program. It is part of the Company's balance sheet management program and aims to (i) improve the Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value.

In 2008, the Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

Retained Earnings

The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.15, ₱0.09 and ₱0.06 per share in 2011, 2010 and 2009, respectively, to all issued and outstanding shares.

On October 3, 2011, August 26, 2010 and August 13, 2009, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.64% per annum to all issued and outstanding preferred shares.

Retained earnings of ₱6.0 billion are appropriated for future expansion. Retained earnings also include undistributed net earnings amounting to ₱16,918.6 million, ₱13,173.5 million and ₱10,451.2 million as of December 31, 2011, 2010 and 2009, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Company's retained earnings available for dividend declaration as of December 31, 2011 and 2010 amounted to ₱19.2 billion and ₱17.7 billion, respectively.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2011 and 2010, the Group had the following ratios:

	2011	2010
Debt to equity	**55.4%**	36.9%
Net debt to equity	**15.6%**	2.0%

Debt consists of short-term and long-term debt. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments, financial assets at FVPL and the current portion of AFS financial assets. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Company less unrealized gain on AFS financial assets.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2011 and 2010.

Financial risk assessment
The Company's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Company's ratio of fixed to floating rate debt stood at 62:38 and 76:24 as of December 31, 2011 and 2010, respectively. As a result, the movement in the actual average interest (borrowing) rate of the Company has been minimal.

Exposure to foreign currency holdings is at $31.2 million and $45.2 million as of December 31, 2011 and 2010, respectively.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on a short term placement.

21. Real Estate Revenue

This account consists of:

	2011	2010	2009
		(In Thousands)	
Real estate sales	**₱24,835,560**	₱19,427,182	₱16,149,196
Rental income (Note 13)	**8,137,247**	7,211,531	7,223,996
Construction contracts	**5,135,115**	6,177,446	2,713,941
Management and marketing fees	**878,753**	697,364	418,427
	₱38,986,675	₱33,513,523	₱26,505,560

22. Revenue from Hotel and Resort Operations

This account consists of:

	2011	2010	2009
		(In Thousands)	
Rooms	**₱1,003,024**	₱895,812	₱724,720
Rental	**621,055**	458,356	151,870
Food and beverage	**534,453**	502,648	333,787
Others	**85,627**	38,101	22,066
	₱2,244,159	₱1,894,917	₱1,232,443

23. Other Income and Costs and Expenses

Other income consists of:

	2011	2010	2009
		(In Thousands)	
Management fees and marketing fees	**₱360,371**	₱397,554	₱337,006
Gain (loss) on sale financial assets at FVPL (Note 6)	**(4,423)**	(466)	25,156
Unrealized loss on financial assets at FVPL (Note 6)	**–**	(9,338)	(654)
Others - net	**61,305**	46,459	270,902
	₱417,253	₱434,209	₱632,410

Other income mainly consists of gain on sale of equipment, gain on sale of waterworks and sewerage facilities and equipment and other properties and foreign exchange gains and losses.

In 2011 and 2010, the net foreign exchange amounted to ₱12.0 million loss and ₱30.8 million gain, respectively.

Real estate costs and expenses consist of:

	2011	2010	2009
		(In Thousands)	
Cost of real estate sales	**₱14,649,001**	₱12,136,886	₱8,889,118
Materials and overhead	**3,276,623**	4,338,807	2,415,222
Depreciation and amortization	**1,881,987**	1,470,474	1,484,796
Marketing and management fees	**1,226,449**	975,319	1,160,470
Manpower costs	**1,104,370**	1,191,111	827,112
Rental	**921,614**	998,654	656,034
Direct operating expenses:			
Taxes and licenses	**828,601**	738,152	716,769
Repairs and maintenance	**612,396**	342,163	516,781
Light and water	**445,166**	376,713	416,071
Professional fees	**387,041**	289,156	190,781
Insurance	**94,367**	110,943	120,629
Transportation and travel	**56,442**	24,698	46,140
Commission	**23,470**	32,018	13,704
Entertainment, amusement and recreation	**13,710**	10,804	13,294
Others	**996,495**	671,483	682,383
	₱26,517,732	₱23,707,381	₱18,149,304

Hotel and resort operations expenses consist of:

	2011	2010	2009
		(In Thousands)	
Property operations, maintenance and energy costs	**₱336,507**	₱204,736	₱136,946
Food and beverage	**279,076**	262,572	202,915
Depreciation and amortization	**191,424**	176,716	128,746
Administrative	**180,500**	176,367	130,156
Rooms	**148,131**	138,988	65,498
Marketing	**85,890**	81,905	58,797
Telephone and other department costs	**77,455**	67,361	24,683
Management fee	**57,726**	68,614	51,672
Land lease	**33,116**	43,155	54,102
Entertainment, amusement and recreation	**6,793**	6,752	3,024
Others	**26,781**	12,772	10,660
	₱1,423,399	₱1,239,938	₱867,199

General and administrative expenses consist of:

	2011	2010	2009
		(In Thousands)	
Manpower costs (Note 26)	**₱2,186,465**	₱1,894,708	₱1,573,867
Depreciation and amortization	**230,302**	160,291	173,856
Professional fees	**213,162**	181,314	238,694
Taxes and licenses	**140,844**	135,042	153,536
Utilities	**119,462**	113,439	111,210
Rent	**87,565**	60,216	67,339
Repairs and maintenance	**84,034**	73,118	80,516
Transportation and travel	**55,867**	69,972	70,560
Advertising	**49,360**	62,411	53,600
Security and janitorial	**47,101**	34,963	42,308
Supplies	**43,423**	33,166	37,723
Insurance	**29,692**	38,411	39,722
Dues and fees	**23,882**	18,071	28,846
Entertainment, amusement and recreation	**22,646**	59,884	73,073
Others	**145,807**	253,347	47,783
	₱3,479,612	₱3,188,353	₱2,792,633

Manpower costs included in the consolidated statements of income follow:

	2011	2010	2009
		(In Thousands)	
Included in:			
Cost of:			
Real estate	**₱1,104,370**	₱1,191,111	₱827,112
Hotel and resort operations	**194,458**	179,445	135,761
General and administrative expenses	**2,186,465**	1,894,708	1,573,867
	₱3,485,293	₱3,265,264	₱2,536,740

Depreciation and amortization expense included in the consolidated statements of income follow:

	2011	2010	2009
		(In Thousands)	
Included in:			
Cost of:			
Real estate	**₱1,881,987**	₱1,470,474	₱1,484,796
Hotel and resort operations	**191,424**	176,716	128,746
General and administrative expenses	**230,302**	160,291	173,856
	₱2,303,713	₱1,807,481	₱1,787,398

Interest expense and other financing charges consist of:

	2011	2010	2009
		(In Thousands)	
Interest expense on:			
Short-term debt	**₱131,592**	₱51,656	₱137,428
Long-term debt	**1,707,305**	1,397,741	1,190,465
Other financing charges	**40,873**	89,714	17,598
	₱1,879,770	₱1,539,111	₱1,345,491

Other charges consist of:

	2011	2010	2009
		(In Thousands)	
Provision for impairment losses on:			
Receivables (Note 7)	**₱52,550**	₱57,206	₱86,892
Land and improvements (Note 11)	**–**	–	568,672
Real estate inventories (Note 8)	**–**	–	78,091
Write-offs and other charges	**142,742**	221,306	721,024
	₱195,292	₱278,512	₱1,454,679

In 2009, the Group recorded provision for impairment losses amounting to ₱78.1 million for the development cost of real estate inventories which may no longer be recovered (see Note 8).

In 2009, write-offs and other charges mainly include the write-down of inventory from purchase of steel bars which amounted to ₱350.3 million.

24. **Income Tax**

The components of deferred taxes are as follows:

Net deferred tax assets:

	2011	2010
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱1,071,486**	₱1,352,511
Allowance for probable losses	**877,258**	742,590

(Forward)

	2011	2010
	(In Thousands)	
Outstanding share-based payments	**₱90,057**	₱115,147
Unrealized foreign exchange losses	**13,154**	110,107
Retirement benefits	**252,574**	102,001
Advanced rental	**129,087**	51,546
Accrued expenses	**5,179**	1,390
Others	**1,204**	3,459
	2,439,999	2,478,751
Deferred tax liabilities on:		
Capitalized interest and other expenses	**(477,015)**	(400,445)
Unrealized foreign exchange gain	**(748)**	–
Others	**(13,603)**	(4,896)
	(491,366)	(405,341)
	₱1,948,633	₱2,073,410

Net deferred tax liabilities:

	2011	2010
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱97,392**	₱170,507
Unrealized foreign exchange losses	**1,105**	2,083
Retirement benefits	**1,842**	1,351
Allowance for probable losses	**3,916**	1,994
NOLCO	**1,075**	–
Advanced rentals	**407**	–
	105,737	175,935
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	**(399,140)**	(392,194)
Difference between tax and book basis of accounting for real estate transactions	**(325,558)**	(213,618)
Prepaid expenses	**(120,134)**	(163,740)
Unrealized foreign exchange gain	**(367)**	(372)
Capitalized interest and other expenses	**(3,586)**	(3,586)
Others	**(1,186)**	(93)
	(849,971)	(773,603)
	(₱744,234)	(₱597,668)

Certain subsidiaries of the Company have NOLCO amounting to ₱194.0 million and ₱189.8 million as of December 31, 2011 and 2010, respectively, and MCIT amounting to ₱6.6 million and ₱4.3 million as of December 31, 2011 and 2010, respectively, which were not recognized. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2011, carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2008	₱3,547	₱3,547	₱–	2011
2009	96,573	1,983	94,590	2012
2010	95,790	1,965	93,825	2013
2011	5,582	–	5,582	
	₱201,492	₱7,495	₱193,997	

MCIT:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2009	₱1,665	₱–	₱1,665	2012
2010	2,671	–	2,671	2013
2011	2,244	–	2,244	2014
	₱6,580	₱–	₱6,580	

Reconciliation between the statutory and the effective income tax rates follows:

	2011	2010	2009
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Interest income and capital gains taxed at lower rates	**(0.09)**	(3.52)	(0.04)
Income subjected to lower income tax rates (Note 31)	**(1.14)**	(1.79)	(0.72)
Equity in net earnings of associates and jointly controlled entities	**(2.52)**	(3.46)	(4.97)
Effect of change in statutory income tax rate		–	–
Others - net	**(1.79)**	(1.23)	(4.34)
Effective income tax rate	**24.46%**	20.00%	19.93%

Board of Investments (BOI) Incentives

On February 9, 2010, the BOI issued in favor of a subsidiary a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Celadon Park Tower 2, Felix Huertas Street, Manila in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of three (3) years commencing from February 2010.

On March 23, 2011, the BOI issued in favor of a subsidiary a Certificate of Registration as New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Laguna, Brgy. Barandal, Calamba City, Laguna. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of four (4) years commencing from March 2011.

On December 13, 2011, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Avida Towers Cebu Tower 1, Asiatown I.T. Park, Lahug, Cebu City. The project has been granted an Income Tax Holiday for a period of four (4) years commencing from December 2011.

On December 14, 2011, the BOI issued in favor of a subsidiary a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Avida Towers San Lazaro Tower 5, Lot 5 E Block 50 C Pista St., Brgy. 350, Zone 035 Sta. Cruz, Manila , Avida Towers Cebu Tower 2, Asiatown I.T. Park, Lahug, Cebu City and Avida Towers Sucat Tower 7, Dr. A. Santos Ave., Brgy. San Dionisio, Parañaque City. The projects have been granted an Income Tax Holiday for a period of three (3) years commencing from December 2011.

25. **Business Combinations**

TKPI and TKDC

The Company entered into an agreement with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) to create a new company which will serve as a holding vehicle for TKPI and TKDC (wholly-owned subsidiaries of the ACC Group before the Company's entry). TKPI/TKDC are mainly involved in the development of parcels of land and islands into resorts in Miniloc, Lagen, Pangulasian and Apulit islands in the municipalities of El Nido and Taytay in Northern Palawan.

The agreement will eventually result in the Company obtaining 60% interest in the new company and ACC Group acquiring 40%. The Company will infuse ₱2.0 billion cash to obtain the 60% stake.

The Company has subscribed to 60% of the shares of TKPI and TKDC, thereby providing the Company with the ability to exercise control over TKPI and TKDC effective April 23, 2010. Accordingly, TKPI and TKDC financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2010.

The following are the fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash and cash equivalents	₱365,652
Trade and other receivables	1,455,940
Inventories	16,393
Other current assets	25,401
Land and improvements (Note 11)	1,361,645
Deposit on land purchase	444,622
Property and equipment (Note 14)	493,328
Other assets	140,640
	4,303,621
Liabilities	
Accounts and other payables	310,177
Deposits and other current liabilities	21,446
Due to related parties	89,232
Loans payable	81,621
Income tax payable	18,630
Deferred tax liabilities - net	399,155
	920,261

(Forward)

Net assets	₱3,383,360
Non-controlling interest in TKDC and TKPI	1,353,344
Total net assets acquired	2,030,016
Acquisition cost	2,029,500
Negative goodwill	₱516

The Company's share in the fair values of the net assets amounted to ₱2,030.0 million, which resulted in a negative goodwill amounting to ₱0.52 million (included under "other income").

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interest has been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

From the date of acquisition, TKDC and TKPI has contributed ₱260.0 million of revenue and ₱10.6 million to the net income of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been ₱37,984.0 million and the net income for the Group would have been ₱6,312.3 million.

Transaction costs of ₱1.02 million have been expensed and are included in administrative expenses.

In 2011, the shareholders of ECI, a subsidiary, approved the increase in its authorized capital stock and the subsequent issuance of these shares in exchange for the investment of ALI and ACC in TKDC and TKPI. The application for the increase in authorized capital stock has been filed with the SEC. As a result of this transaction, ALI and ACC will obtain 60% and 40% ownership interest in ECI, respectively. Also, TKDC and TKPI will become wholly owned subsidiaries of ECI.

During the year, the Company finalized its purchase price allocation and there were no changes to the fair market values of the assets acquired and liabilities assumed for TKDC and TKPI.

APPHC

In 2006, the Company signed an agreement with MLT Investments Ltd. (MIL) and Filipinas Investments Ltd. (FIL) to jointly develop a BPO office building in Dela Rosa Street and to purchase the existing PeopleSupport Building.

APPHC, the joint-venture company formed, is 60% owned by the Company. APPHC owns 60% interest in its subsidiary, APPCo. The remaining 40% interest in both APPHC and APPCo are split evenly between MIL and FIL. APPHC and APPCo are jointly controlled by the Company, MIL, and FIL.

On December 8, 2008, the Company acquired from FIL its 20% ownership in APPHC and APPCo. This resulted in an increase in the Company's effective ownership interest in APPHC from 60% to 80% and APPCo from 36% to 68%, thereby providing the Company with the ability to control the operations of APPHC and APPCo following the acquisition. Accordingly, APPHC and APPCo's financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2008.

On November 16, 2011, the SEC approved the merger of APPHC and APPCo, with APPCo as the surviving entity. The merger was meant to streamline administrative processes and achieve greater efficiency. From the perspective of ALI, the merger did not affect its effective interest, still at 68% in the merged entity.

26. Related Party Transactions

In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements. Transactions with related parties are made at normal market prices.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

2011

	Amounts owed by related parties			Amounts owed to related parties		
	Current	**NonCurrent**	**Total**	**Current**	**NonCurrent**	**Total**
Jointly controlled entities:						
ACC	**₱17,802**	**₱–**	**₱17,802**	**₱–**	**₱–**	**₱–**
Associates:						
CHI	**82,638**	–	**82,638**	–	–	–
BLC	**50,522**	–	**50,522**	–	–	–
NTDCC	**17,160**	–	**17,160**	–	–	–
	150,320	–	**150,320**	–	–	–
Other related parties:						
Columbus	**888,810**	–	**888,810**	**988,808**	–	**988,808**
FBDC	**271,096**	–	**271,096**	–	–	–
Ayala International North America	**196,825**	–	**196,825**	–	–	–
AC	**89,925**	–	**89,925**	**29,478**	–	**29,478**
Cebu Property Ventures Development Corp. (CPVDC)	**58,571**	–	**58,571**	–	–	–
Globe Telecom	**44,267**	–	**44,267**	–	–	–
Bank of the Philippine Islands	**12,292**	–	**12,292**	**31,176**	**9,233**	**40,409**
Bonifacio Hotel Ventures, Inc.	**4,067**	–	**4,067**	–	–	–
Ayala Life	–	–	–	**62**	–	**62**
Manila Water Company, Inc.	–	–	–	–	**32**	**32**
Others	**16,080**	–	**16,080**	**68**	**27**	**95**
	1,581,933	–	**1,581,933**	**1,049,592**	**9,292**	**1,058,884**
	₱1,750,055	**₱–**	**₱1,750,055**	**₱1,049,592**	**₱9,292**	**₱1,058,884**

2010

	Amounts owed by related parties			Amounts owed to related parties		
	Current	NonCurrent	Total	Current	NonCurrent	Total
Jointly controlled entities:						
ACC	₱743	₱–	₱743	₱–	₱–	₱–
Associates						
CHI	102,093	–	102,093	16,454	–	16,454
BLC	–	–	–	80,954	–	80,954
NTDCC	15,790	–	15,790	–	–	–
ARCH Capital	216	–	216	–	–	–
	118,099	–	118,099	97,408	–	97,408
Other related parties:						
Columbus	888,810	–	888,810	491,121	–	491,121
FBDC	109,279	–	109,279	–	–	–
Ayala International North America	217,787	–	217,787	–	–	–
AC	109,402	–	109,402	–	–	–
Cebu Property Ventures Development Corp. (CPVDC)	6,146	–	6,146	268,296	–	268,296
Globe Telecom	11	–	11	–	–	–
Bank of the Philippine Islands	67	–	67	–	–	–
Ayala International PTE. LTD.	19	–	19	–	–	–
Ayala Life	101	–	101	–	–	–
Sonoma Services	217	–	217	–	–	–
City Sport Club Cebu (CSCC)	715	–	715	4,000	–	4,000
Others	53	–	53	–	–	–
	1,332,607	–	1,332,607	763,417	–	763,417
	₱1,451,449	₱–	₱1,451,449	₱860,825	₱–	₱860,825

Revenue from related parties:

	2011	2010	2009
Jointly controlled entities:			
ACC	**₱–**	₱19,293	₱1,503
Associates:			
CHI	**16,548**	60,650	139,973
NTDCC	**7,675**	8,497	5,918
BLC	**–**	–	810,753
	24,223	69,147	956,644
Other related parties:			
Manila Water Company, Inc.	**1,851,582**	699,085	28,353
Globe Telecom, Inc.	**67,071**	7,813	37,542
AC	**35,489**	25,420	2,826
BPI	**15,168**	–	–
Northgate Hotel Ventures, Inc.	**9,424**	–	–
IMI	**7,632**	8,418	–
Southcrest Hotel Ventures, Inc.	**7,146**	–	–
Lamcor	**650**	–	–
Innove Communications, Inc.	**210**	1,732	3,317
MD Distripark	**132**	–	–
South Innovative Theater	**65**	130	–
CPVDC	**–**	9,759	–
Bank of the Philippine Islands	**–**	9,447	15,718
CIHCI	**–**	7,585	–
Cebu Leisure Company, Inc.	**–**	130	–
	1,994,569	769,519	87,756
	₱2,018,792	₱857,959	₱1,045,903

The revenue earned from associates pertains mostly to income from leasing and developmental projects.

Receivables from/payables to related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related, non-interest bearing and payable within one year.

The following describes the nature of the material transactions of the Group with related parties as of December 31, 2011 and 2010:

Parent Company:

- The Company made interest-bearing advances in the amount of ₱217.8 million to Ayala International North America (AINA), an AC subsidiary, for AINA's project in Northern California in 2010 with outstanding balance of ₱196.9 million in 2011.

Affiliates:

- Amounts owed from CHI of ₱102,093
  ₱33,917 - represents management fee of the Company for CHI's Cebu Business Park & Amara projects in Cebu; and systems cost & various advances made by the Company for CHI.

  ₱68,176 - consists of advances and interest due from CHI's subsidiary to the Company's subsidiary (Ayala Hotels, Inc.)

- Amount owed to CHI of ₱16,454
  This comprises substantially the share of CHI's subsidiary, in the collections from joint development project with the Company's subsidiary (Asian I-Office Properties, Inc.).

- The Company, through its subsidiary Avida, advanced ₱107.2 million for selling expenses and transfer costs for AC allocated units on projects under joint development agreement between AC and Avida.

- The Company advanced ₱888.8 million to Columbus for future acquisition of shares in BLC. Columbus, on the other hand, advanced ₱988.8 million and ₱491.1 million in 2011 and 2010, respectively, to the Company for future stocks redemption of ECHI and BHI.

- Receivable from FBDC in 2011 and 2010 amounting to ₱109.3 million largely pertains to management fees which is included under "other income."

- Payable to BPI pertains to availments of services in the normal course of business.

- The Company, through its subsidiary Avida, advanced ₱6.1 million representing CPVDC's share in expenses for the Garden Village project, a joint development project between CPVDC and Avida. CPVDC, on the other hand, has advanced ₱268.3 Million for the cost of the lots acquired for joint development projects with the Company's subsidiaries - Avida and Asian I-Office Properties, Inc.

- The Company, through its subsidiary MDC, has an existing pipe laying contract with MWC, a subsidiary of AC. MDC has reported revenues in the amount of ₱1,851.6 million and ₱699.1 million in 2011 and 2010, respectively, from the contract.

- Revenue from Globe amounting to ₱67.1 million pertains to development management fee which is included under "other income".

Compensation of key management personnel by benefit type follows:

	2011	2010	2009
		(In Thousands)	
Short-term employee benefits	**₱151,381**	₱157,934	₱128,932
Post-employment benefits (Note 27)	**3,183**	23,061	21,313
Share-based payments (Note 29)	**13,301**	20,850	13,719
	₱167,865	₱201,845	₱163,964

27. **Retirement Plan**

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Group's annual contributions to their respective plans consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follow:

	2011	2010	2009
		(In Thousands)	
Current service cost	**₱293,419**	₱134,199	₱115,005
Interest cost on benefit obligation	**128,006**	120,538	135,482
Expected return on plan assets	**(206,309)**	(109,972)	(99,062)
Amortization of actuarial losses (gains)	**(23,671)**	36,186	44,330
Past service cost	**3,355**	2,777	2,777
Total pension expense	**₱194,800**	₱183,728	₱198,532
Actual return on plan assets	**₱153,487**	₱324,916	₱99,277

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2011 and 2010 follow:

	2011	2010
	(In Thousands)	
Benefit obligations	**₱1,987,763**	₱1,707,890
Plan assets	**(1,811,967)**	(1,615,477)
	175,796	92,413
Unrecognized net actuarial losses	**(157,865)**	(53,193)
Unrecognized past service cost	**(21,893)**	(24,670)
Liability (asset) recognized in the consolidated statement of financial position	**(₱3,962)**	₱14,550

As of December 31, 2011 and 2010, pension assets (included under other noncurrent assets) amounted to ₱76.2 million and ₱71.8 million, respectively, and pension liabilities amounted to ₱72.2 million and ₱86.4 million, respectively.

Changes in the present value of the defined benefit obligation follow:

	2011	2010	2009
		(In Thousands)	
Balance at January 1	**₱1,707,890**	₱1,384,799	₱1,277,155
Interest cost	**128,006**	120,538	135,482
Current service cost	**293,419**	134,199	115,005
Curtailments	**(7,209)**	–	–
Settlements	**(13,279)**	(2,118)	–
Transfer of employees	**158**	–	–
Benefits paid	**(189,818)**	(59,692)	(188,534)
Actuarial losses	**68,596**	130,164	45,691
Balance at December 31	**₱1,987,763**	₱1,707,890	₱1,384,799

Changes in the fair value of plan assets follow:

	2011	2010	2009
		(In Thousands)	
Balance at January 1	**₱1,615,477**	₱1,212,764	₱1,057,896
Expected return	**206,309**	109,972	99,062
Contributions	**173,900**	183,359	244,125
Settlements	**–**	(2,118)	–
Benefits paid	**(130,896)**	(59,692)	(188,534)
Actuarial gains (losses)	**(52,823)**	171,192	215
Balance at December 31	**₱1,811,967**	₱1,615,477	₱1,212,764

The Group expects to make contributions of ₱156.6 million to its retirement fund in 2011.

The allocations of the fair value of plan assets follow:

	2011	2010	2009
Investments in debt securities	**60.32%**	58.70%	67.48%
Investments in equity securities	**22.55%**	36.30%	27.38
Others	**17.13%**	5.00%	5.14

As of December 31, 2011 and 2010, the plan assets include shares of stock of the Company with fair value amounting to ₱12.4 million and ₱18.6 million, respectively.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The assumptions used to determine pension benefits for the Group are as follows:

	2011	2010	2009
Discount rate	**5.8 to 8.0%**	8.0 to 10.0%	9.0 to 10.0%
Salary increase rate	**1.0 to 8.0%**	1.0 to 9.0%	7.0 to 10.0%
Expected rate of return on plan assets	**3.7 to 10.0%**	4.0 to 9.0%	8.0 to 10.0%

Amounts for the current and the previous periods follow:

	2011	2010	2009	2008	2007
			(In Thousands)		
Defined benefit obligation	**₱1,987,763**	₱1,707,890	₱1,384,799	₱1,277,155	₱1,574,083
Plan assets	**(1,811,967)**	(1,615,477)	(1,212,764)	(1,057,896)	(1,428,976)
Deficit	**₱175,796**	₱92,413	₱172,035	₱219,259	₱145,107

Amounts of experience adjustment losses (gains) for the current and the previous periods follow:

	2011	2010	2009	2008
		(In Thousands)		
Liabilities	**(₱31,779)**	(₱132,522)	(₱295,911)	₱408,988
Assets	**₱61,881**	₱220,012	₱14,255	₱316,733

28. Earnings Per Share

The following tables present information necessary to compute EPS in thousands except EPS:

EPS on net income attributable to equity holders of the Company are as follows:

	2011	2010	2009
		(In Thousands)	
Net income attributable to equity holders of the Company	**₱7,140,308**	₱5,458,134	₱4,039,256
Less dividends on preferred stock	**60,481**	60,481	60,481
Net income attributable to equity holders for basic and diluted earnings per share	**₱7,079,827**	₱5,397,653	₱3,978,775
Weighted average number of common shares for basic EPS	**12,938,672**	13,016,525	12,985,331
Dilutive shares arising from stock options	**14,650**	22,069	21,904
Adjusted weighted average number of common shares for diluted EPS	**12,953,322**	13,038,594	13,007,235
Basic EPS	**₱0.55**	₱0.41	₱0.31
Diluted EPS	**₱0.55**	₱0.41	₱0.31

In 2011, 2010 and 2009, the convertible preferred shares are ignored in the calculation of diluted EPS since these are antidilutive.

29. Stock Options and Ownership Plans

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 2.5% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

ESOP
Movements in the number of stock options outstanding under ESOP are as follows:

Pre-PFRS 2 Options

	2011	**Weighted average exercise price**	2010	Weighted average exercise price
At January 1	**17,449,397**	**4.26**	22,271,511	4.16
Exercised	**(2,087,014)**	**3.80**	(4,822,114)	3.71
Cancelled	**(1,349,352)**		–	
At December 31	**14,013,031**	**4.15**	17,449,397	4.26

PFRS 2 Options

	2011	**Weighted average exercise price**	2010	Weighted average exercise price
At January 1	**14,025,648**	**4.26**	16,647,814	4.16
Exercised	**(1,139,489)**	**3.80**	(2,622,166)	3.71
At December 31	**12,886,159**	**4.26**	14,025,648	4.26

The options exercised had a weighted average exercise price of ₱3.80 per share or ₱12.3 million in 2011 and ₱3.71 per share or ₱27.6 million in 2010. The average fair market value of the shares at the exercise date was ₱15.52 per share or about ₱ 50.1 million in 2011 and ₱16.45 per share or about ₱122.5 million in 2010.

The fair value of stock options granted is estimated as at the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The fair value of stock options granted under ESOP at June 30, 2005 grant date, and the assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱8.36
Exercise price	₱6.75
Expected volatility	46.30%
Option life	10 years
Dividend yield	3.21%
Interest rate	12.60%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN
In November 2001, the Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Company introduced a revised ESOWN and granted to qualified officers wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the plan are subject to the Company's Right to Repurchase.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2011	**WAEP**	2010	WAEP
At January 1	**27,412,217**	**8.67**	24,849,066	8.67
Granted	**4,852,343**	**13.63**	2,563,151	10.02
Cancelled	**(1,391,042)**		–	–
At December 31	**30,873,518**	**9.52**	27,412,217	8.67

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant. The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date						
	March 31, 2011	March 31, 2010	April 30, 2009	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	3,843,057	2,298,247	5,418,619	15,057,840	494,400	5,270,333	3,036,933
Fair value of each option	₱7.27	₱8.88	₱4.05	₱6.77	₱6.93	₱7.33	₱5.58
Weighted average share price	₱15.5	₱13.00	₱6.40	₱10.50	₱15.00	₱13.00	₱9.30
Exercise price	₱13.2	₱9.74	₱4.96	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	36.25%	43.57%	37.45%	32.04%	34.67%	46.03%	46.32%
Dividend yield	1.01%	0.48%	0.85%	0.49%	0.41%	1.56%	0.77%
Interest rate	5.60%	5.95%	5.94%	8.53%	6.93%	10.55%	11.30%

Total expense recognized in 2011, 2010 and 2009 in the consolidated statements of income arising from share-based payments amounted to ₱178.8 million, ₱177.2 million and ₱148.6 million, respectively (see Note 23).

30. **Financial Assets and Liabilities**

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2011 and 2010:

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVPL	**₱–**	**₱–**	₱404,008	₱404,008
Loans and Receivables				
Cash and cash equivalents	**24,603,213**	**24,603,213**	18,018,807	18,018,807
Short-term investments	**191,987**	**191,987**	1,434,337	1,434,337
Accounts and notes receivable				
Trade				
Residential development	**14,535,693**	**15,203,042**	10,604,564	9,380,665
Construction contracts	**1,871,553**	**1,871,553**	1,029,299	1,029,299
Shopping centers	**945,184**	**945,184**	868,706	868,706
Corporate business	**580,197**	**580,197**	541,209	541,209
Management fees	**47,267**	**47,267**	61,190	61,190
Others	**694,367**	**694,367**	548,844	548,844
Advances to other companies	**2,451,105**	**2,520,009**	1,737,327	1,720,847
Related parties	**1,750,055**	**1,750,055**	1,451,449	1,451,449
Accrued receivable	**1,597,219**	**1,597,219**	1,037,983	1,037,983
Receivable from employees	**431,515**	**432,308**	464,104	436,258
Investment in bonds classified as loans and receivables	**200,000**	**214,518**	200,000	218,990
Total loans and receivables	**49,899,355**	**50,650,919**	37,997,819	36,748,584
AFS financial assets				
Unquoted	**253,800**	**253,800**	248,164	248,164
Quoted	**456,642**	**456,642**	443,500	443,500
Total AFS financial assets	**710,442**	**710,442**	691,664	691,664
Total financial assets	**₱50,609,797**	**₱51,361,361**	₱39,093,491	₱37,844,256
Other Financial Liabilities				
Current				
Accounts payable	**₱21,674,756**	**₱21,674,756**	₱13,681,306	₱13,681,306
Accrued project costs	**5,684,761**	**5,684,761**	2,808,045	2,808,045
Accrued expenses	**4,337,360**	**4,337,360**	4,044,152	4,044,152
Payable to related parties	**1,049,592**	**1,049,592**	860,825	860,825
Interest payable	**478,852**	**478,852**	211,235	211,235
Accrued salaries and employee benefits	**291,992**	**291,992**	249,238	249,238
Retentions payable	**218,979**	**218,979**	119,051	119,051
Accrued rentals	**163,156**	**163,156**	475,858	475,858
Dividends payable	**7,113**	**7,113**	632,649	632,649
Short-term debt	**4,638,844**	**4,638,844**	2,890,042	2,890,042
Current portion of long-term debt	**1,556,761**	**1,556,761**	2,328,160	2,328,160
Noncurrent				
Long-term debt	**28,335,166**	**29,496,948**	15,752,731	16,934,931
Deposits and other noncurrent liabilities	**7,795,785**	**7,805,949**	6,553,824	6,509,648
Total other financial liabilities	**₱76,233,117**	**₱77,405,063**	₱50,607,116	₱51,745,140

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in government securities. Fair value is based on quoted prices as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, advances to other companies and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 13.25% and 9.50% to 13.75% as of December 31, 2011 and 2010, respectively.

AFS quoted equity securities - Fair values are based on quoted prices published in markets.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 2.88% to 7.60% and 2.70% to 7.39% as of December 31, 2011 and 2010, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy
As at December 31, 2011, quoted AFS financial assets have been measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial assets at FVPL amounting to nil and ₱404.0 million in 2011 and 2010, respectively and quoted AFS financial assets amounting to ₱456.6 million in 2011 and 2010 were classified under Level 1 in 2011 and 2010. There are no financial assets and liabilities which have been classified under the Level 2 or 3 category.

There have been no reclassifications from Level 1 to Level 2 or 3 category.

Financial Risk Management and Objectives
The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2011 and 2010 based on contractual undiscounted payments:

2011

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	**₱33,906,561**	**₱–**	**₱–**	**₱33,906,561**
Short-term debt	**4,638,844**	**–**	**–**	**4,638,844**
Long-term debt	**1,556,761**	**22,406,001**	**5,929,165**	**29,891,927**
Deposits and other noncurrent liabilities	**–**	**7,769,403**	**26,382**	**7,795,785**
	₱40,102,166	**₱30,175,404**	**₱5,955,547**	**₱76,233,117**
Interest payable	**₱1,350,500**	**₱5,055,533**	**₱1,545,783**	**₱7,951,816**

2010

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱23,082,359	₱–	₱–	₱23,082,359
Short-term debt	2,890,042	–	–	2,890,042
Long-term debt	2,328,160	13,385,081	2,367,650	18,080,891
Deposits and other noncurrent liabilities	–	6,482,690	71,134	6,553,824
	₱28,300,561	₱19,867,771	₱2,438,784	₱50,607,116
Interest payable	₱1,129,961	₱3,026,829	₱465,489	₱4,622,279

Cash and cash equivalents, Short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets are shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. Treasury bonds with maturity of more than a year from December 31, 2011 are marketable securities and could be sold as and when needed, prior to its maturity in order to meet the Group's short-term liquidity needs.

Credit risk
The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of post dated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. The fair value of security deposits and advance rentals for Shopping centers and Corporate business trade receivables amounted to ₱1,588.5 million and ₱698.3 million in 2011 and ₱1,461.2 million and ₱574.7 million in 2010, respectively. This resulted to a nil net exposure for 2011 and 2010. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The table below shows the maximum exposure to credit risk.

	2011	2010
	(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	**₱24,568,957**	₱18,005,371
Short-term investments	**191,987**	1,434,337
Financial assets at FVPL	**–**	404,008
Accounts and notes receivable		
Trade:		
Residential development	**14,535,693**	10,604,564
Construction contracts	**1,871,553**	1,029,299
Shopping centers	**945,184**	868,706
Corporate business	**580,197**	541,209
Management fees	**47,267**	61,190
Others	**694,367**	548,844
Advances to other companies	**2,451,105**	1,737,327
Related parties	**1,750,055**	1,451,449
Accrued receivable	**1,597,219**	1,037,983
Receivables from employees	**431,515**	464,104
Investment in bonds classified as loans and receivables	**200,000**	200,000
AFS financial assets	**710,442**	691,664
	₱50,575,541	₱39,080,055

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2011 and 2010, the aging analysis of past due but not impaired trade receivables presented per class, follow:

2011

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	60-90 days	90-120 days	>120 days	Total	Impaired	Total
					(In Thousands)				
Trade:									
Residential development	₱13,337,616	₱360,022	₱258,231	₱130,057	₱98,938	₱339,126	₱1,186,374	₱34,813	₱14,558,803
Construction contracts	1,315,179	109,201	97,646	48,654	36,171	264,702	556,374	5,927	1,877,480
Shopping centers	501,529	105,576	57,028	49,472	27,689	185,284	425,049	174,475	1,101,053
Corporate business	280,665	137,432	42,571	53,278	11,197	55,055	299,533	12,210	592,408
Management fees	16,554	–	6,022	1,628	5,106	17,957	30,713	3,215	50,482
Others	667,264	5,985	4,673	2,351	8,729	5,366	27,104	47,091	741,459
Advances to other companies	2,389,947	15,446	18,210	8,056	14,712	10,145	66,569	51,318	2,507,834
Related parties	1,678,753	301	112	72	2,359	68,458	71,302	–	1,750,055
Accrued receivable	1,564,789	–	–	–	–	32,430	32,430	–	1,597,219
Receivables from employees	399,283	18,894	2,940	558	968	8,872	32,232	–	431,515
Investment in bonds classified as loans and receivables	200,000	–	–	–	–	–	–	–	200,000
	₱22,351,579	₱752,857	₱487,433	₱294,126	₱205,869	₱987,395	₱2,727,680	₱329,049	₱25,408,308

2010

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	60-90 days	90-120 days	>120 days	Total	Impaired	Total
					(In Thousands)				
Trade:									
Residential development	₱9,587,103	₱482,614	₱141,617	₱83,867	₱88,673	₱228,257	₱1,025,028	₱9,555	₱10,621,686
Construction contracts	177,815	98,725	170,749	167,069	58,626	356,315	851,484	5,927	1,035,226
Shopping centers	472,717	70,211	55,930	43,766	53,052	158,419	381,378	168,336	1,022,431
Corporate business	394,408	11,251	54,019	42,502	30,536	13,056	151,364	12,247	558,019
Management fees	26,586	–	13,591	1,186	11,913	7,914	34,604	4,383	65,573
Others	464,254	70,522	6,150	1,853	319	5,746	84,590	47,092	595,936
Advances to other companies	1,637,300	38,088	2,897	5,035	21,877	31,886	99,783	12,618	1,749,701
Related parties	1,338,164	102,031	8,099	–	–	3,155	113,285	–	1,451,449
Accrued receivable	1,037,983	–	–	–	–	–	–	–	1,037,983
Receivables from employees	449,134	5,296	235	–	702	8,737	14,970	–	464,104
Investment in bonds classified as loans and receivables	200,000	–	–	–	–	–	–	–	200,000
	₱15,785,464	₱878,738	₱453,287	₱345,278	₱265,698	₱813,485	₱2,756,486	₱260,158	₱18,802,108

The table below shows the credit quality of the Company's financial assets as of December 31, 2011 and 2010:

2011

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
					(In Thousands)			
Cash and cash equivalents	₱24,603,213	₱–	₱–	₱–	₱24,603,213	₱–	₱–	₱24,603,213
Short-term investments	191,987	–	–	–	191,987	–	–	191,987
Accounts and notes receivables								
Trade:								
Residential development	11,210,707	1,317,086	809,823	–	13,337,616	1,186,374	34,813	14,558,803
Construction contracts	1,315,179	–	–	–	1,315,179	556,374	5,927	1,877,480
Shopping centers	365,694	130,150	5,685	–	501,529	425,049	174,475	1,101,053
Corporate business	264,705	15,918	42	–	280,665	299,533	12,210	592,408
Management fees	11,064	–	5,490	–	16,554	30,713	3,215	50,482
Others	667,264	–	–	–	667,264	27,104	47,091	741,459
Advances to other companies	2,107,029	3,755	279,163	–	2,389,947	66,569	51,318	2,507,834
Related parties	1,159,769	–	518,984	–	1,678,753	71,302	–	1,750,055
Accrued receivable	1,564,546	–	243	–	1,564,789	32,430	–	1,597,219
Receivable from employees	209,097	–	190,186	–	399,283	32,232	–	431,515
Investment in bonds classified as loans and receivables	200,000	–	–	–	200,000	–	–	200,000
AFS financial assets								
Unquoted	–	–	–	253,800	253,800	–	–	253,800
Quoted	456,642	–	–	–	456,642	–	–	456,642
	₱44,326,896	₱1,466,909	₱1,809,616	₱253,800	₱47,857,221	₱2,727,680	₱329,049	₱50,913,950

2010

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
					(In Thousands)			
Cash and cash equivalents	₱18,018,807	₱–	₱–	₱–	₱18,018,807	₱–	₱–	₱18,018,807
Short-term investments	1,434,337	–	–	–	1,434,337	–	–	1,434,337
Financial assets at FVPL	404,008	–	–	–	404,008	–	–	404,008
Accounts and notes receivables								
Trade:								
Residential development	6,768,122	1,428,390	1,390,591	–	9,587,103	1,025,028	9,555	10,621,686
Construction contracts	177,815	–		–	177,815	851,484	5,927	1,035,226
Shopping centers	326,020	144,833	1,864	–	472,717	381,378	168,336	1,022,431
Corporate business	390,377	3,880	151	–	394,408	151,364	12,247	558,019
Management fees	6,843	–	19,743	–	26,586	34,604	4,383	65,573
Others	464,254	–	–	–	464,254	84,590	47,092	595,936
Advances to other companies	1,614,777	2,666	19,857	–	1,637,300	99,783	12,618	1,749,701
Related parties	1,333,648	–	4,516	–	1,338,164	113,285	–	1,451,449
Accrued receivable	1,037,983	–	–	–	1,037,983	–	–	1,037,983
Receivable from employees	403,981	–	45,153	–	449,134	14,970	–	464,104
Investment in bonds classified as loans and receivables	200,000	–	–	–	200,000	–	–	200,000
AFS financial assets								
Unquoted	–	–	–	248,164	248,164	–	–	248,164
Quoted	443,500	–	–	–	443,500	–	–	443,500
	₱33,024,472	₱1,579,769	₱1,481,875	₱248,164	₱36,334,280	₱2,756,486	₱260,158	₱39,350,924

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL, AFS quoted securities - based on the nature of the counterparty and the Group's internal rating system

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment

The unquoted AFS financial assets are unrated.

Interest rate risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 62:38 and 76:24 as of December 31, 2011 and 2010, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2011 and 2010, with all variables held constant, (through the impact on floating rate borrowings and changes in fair value of financial assets at FVPL and AFS financial assets):

2011

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Floating rate borrowings	**(₱129,987)**	**₱129,987**

	Effect on equity Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
AFS financial assets	**(₱3,196)**	**₱3,196**

2010

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Financial assets at FVPL	(₱576)	₱578
Floating rate borrowings	(55,868)	55,868
	(₱56,444)	₱56,446

Change in basis points	Effect on equity Increase (decrease) + 100 basis points	- 100 basis points
	(In Thousands)	
AFS financial assets	(₱3,105)	₱3,105

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

2011

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱24,568,957	₱24,568,957	₱–	₱–	₱24,568,957
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	191,987	191,987	–	–	191,987
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	5 years	–	–	–	–	–
AFS financial assets	Fixed at the date of investment or revaluation cut-off	Various	216,933	–	216,933	–	216,933
Accounts and notes receivable	Fixed at the date of sale	Date of sale	13,790,171	4,978,814	5,930,444	151,585	11,060,843
			₱38,768,048	₱29,739,758	₱6,147,377	₱151,585	₱36,038,720
Company							
Short-term debt - US Dollar	Variable	Monthly	₱1,471,538	₱1,471,538	₱–	₱–	₱1,471,538
Long-term debt							
Fixed							
Peso	Fixed at 7.375% to 7.75%	7 and 10 years	295,000	–	295,000	–	295,000
Peso	Fixed at 7.76% to 8.90%	5, 7 and10 years	2,380,000	–	1,103,200	1,276,800	2,380,000
Peso	Fixed at 8.75%	5 years	4,000,000	–	4,000,000	–	4,000,000
Peso	Fixed at 5%	3 years	325,390	325,390	–	–	325,390
Peso	Fixed at 5%	3 years	417,900	–	417,900	–	417,900
Peso	Fixed at 5%	3 years	173,715	–	173,715	–	173,715
Peso	Fixed at 5.625% to 7.50%	5, 10 and15 years	10,000,000	–	5,786,000	4,214,000	10,000,000
Floating							
Peso	Variable	7 years	1,000,000	–	1,000,000	–	1,000,000
Subsidiaries							
Short-term debt							
Peso	Variable	Monthly, quarterly	3,129,000	3,129,000	–	–	3,129,000
US Dollar	Variable	Monthly, quarterly	38,306	38,306	–	–	38,306
Long-term debt							
Fixed							
Peso	Fixed at 4.50% to 9.72%	5 to 7 years	3,940,019	821,261	3,109,533	9,225	3,940,019
Floating							
Peso	Variable at 0.50% to 2.00% over 91-day PDST-R1/R2	Quarterly	7,118,783	410,110	6,279,533	429,140	7,118,783
US Dollar	Variable at 1.30% over 3-month LIBOR	Quarterly	241,120	–	241,120	–	241,120
			₱34,530,771	₱6,195,605	₱22,406,001	₱5,929,165	₱34,530,771

2010

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱18,005,371	₱18,005,371	₱–	₱–	₱18,005,371
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	1,434,337	1,434,337	–	–	1,434,337
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	5 years	404,008	404,008	–	–	404,008
AFS financial assets	Fixed at the date of investment or revaluation cut-off	Various	219,540	–	219,540	–	219,540
Accounts and notes receivable	Fixed at the date of sale	Date of sale	9,369,504	6,077,743	1,567,152	474,348	8,119,243
			₱29,432,760	₱25,921,459	₱1,786,692	₱474,348	₱28,182,499
Company							
Short-term debt – US Dollar	Variable	Monthly	₱643,042	₱643,042	₱–	₱–	₱643,042
Long-term debt							
Fixed							
Peso	Fixed at 7.25% to 7.75%	5, 7 and 10 years	3,000,000	1,830,000	1,170,000	–	3,000,000
Peso	Fixed at 7.75% to 8.90%	5, 7 and 10 years	2,380,000	–	259,900	2,120,100	2,380,000
Peso	Fixed at 8.75%	5 years	4,000,000	–	4,000,000	–	4,000,000
Peso	Fixed at 5%	3 years	194,600	–	194,600	–	194,600
Peso	Fixed at 5%	3 years	204,030	–	204,030	–	204,030
Floating							
Peso	Variable at 0.96% over 91-day PDST-R1	Quarterly	10,000	–	10,000	–	10,000
Subsidiaries							
Short-term debt	Variable	Monthly, quarterly	2,247,000	2,247,000	–	–	2,247,000
Long-term debt							
Fixed							
Peso	Fixed at 5.5% to 9.72%	5 to 7 years	6,258,554	416,379	5,829,725	12,450	6,258,554
Floating							
Peso	Variable at 0.65% to 2.00% over 91-day PDST R1/R2	Quarterly	2,033,707	81,781	1,716,826	235,100	2,033,707
			₱20,970,933	₱5,218,202	₱13,385,081	₱2,367,650	₱20,970,933

Foreign currency risk
Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies and the amount of foreign currency-denominated debt are minimal. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2011 and 2010:

	2011		2010	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent
		(In Thousands)		
Financial Assets				
Cash and cash equivalents	**$24,511**	**₱1,074,565**	$35,316	₱1,549,499
Short-term investments	**2,199**	**96,415**	5,404	236,896
Accounts and notes receivable - net	**4,472**	**196,045**	4,472	196,045
Total	**$31,182**	**₱1,367,025**	$45,192	1,982,440
Financial Liabilities				
Accounts and other payables	**1,008**	**44,178**	1,008	44,178
Short-term debt	**34,440**	**1,509,844**	14,668	643,042
Long-term debt	**7,670**	**336,253**	–	–
Other noncurrent liabilities	**978**	**42,877**	2,518	110,397
Total	**44,096**	**1,933,152**	18,194	797,617
Net foreign currency denominated assets	**($12,914)**	**(₱566,127)**	$26,998	₱1,184,823

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱43.84 to US$1.00, ₱43.84 to US$1.00, and ₱46.20 to US$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2011, 2010 and 2009, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on profit before tax Increase (decrease)	
Change in exchange rate	**2011**	2010
	(In Thousands)	
₱1.00	**(₱12,914)**	₱26,998
(₱1.00)	**12,914**	(26,998)

There is no other impact on the Group's equity other than those already affecting the net income.

Equity Price risk
Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

	Effect on equity Increase (decrease)	
Change in PSEi index	**2011**	2010
	(In Thousands)	
+5%	**₱622**	₱16
-5%	**(622)**	(16)

31. **Segment Information**

The industry segments where the Group and its associates and joint ventures operate follow:

Core business:
- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate business - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Residential developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture
- Strategic landbank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Company's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center. This also includes development, sale and lease, shopping centers and residential developments of the Group's product offerings in key cities in the Visayas and Mindanao regions
- Construction - land development and construction of the Group and third-party projects

Support Businesses:
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets.

In 2010, the Visayas-Mindanao business segment was combined with Strategic Landbank Management.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31 (in millions).

2011

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,965	₱2,550	₱22,149	₱3,060	₱5,151	₱3,356	₱–	₱–	₱41,231
Intersegments sales	459	–	367	100	8,620	209	–	(9,755)	–
Equity in net earnings of associates and jointly controlled entities	291	–	(3)	580	–	–	30	–	898
Total revenue	5,715	2,550	22,513	3,740	13,771	3,565	30	(9,755)	42,129
Operating expenses	3,028	1,295	16,928	2,218	13,052	2,698	1,446	(9,244)	31,421
Operating profit	2,687	1,255	5,585	1,522	719	867	(1,416)	(511)	10,708
Interest income									1,532
Interest expense and other financing charges									(1,632)
Other income									544
Other charges									(443)
Provision for income tax									(2,619)
Net income									₱8,090
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱7,140
Non-controlling interests									950
									₱8,090

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Other Information									
Segment assets	**₱28,184**	**₱22,475**	**₱89,602**	**₱11,920**	**₱15,795**	**₱7,456**	**₱14,251**	**₱ (49,637)**	**₱140,046**
Investment in associates and jointly controlled entities	**2,011**	**–**	**448**	**8,686**	**–**	**–**	**1,481**	**–**	**12,626**
	30,195	**22,475**	**90,050**	**20,606**	**15,795**	**7,456**	**15,732**	**(49,637)**	**152,672**
Deferred tax assets	**8**	**32**	**110**	**253**	**14**	**25**	**1,378**	**128**	**1,948**
Total assets	**30,203**	**22,507**	**90,160**	**20,859**	**15,809**	**7,481**	**17,110**	**(49,509)**	**154,620**
Segment liabilities	**12,020**	**7,777**	**31,002**	**3,517**	**13,623**	**2,457**	**21,938**	**(10,436)**	**81,898**
Deferred tax liabilities	**–**	**19**	**274**	**4**	**–**	**–**	**437**	**(55)**	**679**
Total liabilities	**₱12,020**	**₱7,796**	**₱31,276**	**₱3,521**	**₱13,623**	**₱2,457**	**₱22,375**	**₱(10,491)**	**₱82,577**
Segment additions to:									
Property and equipment	**₱104**	**₱95**	**₱80**	**₱5**	**₱404**	**₱1,437**	**₱54**	**₱–**	**₱2,179**
Investment properties	**2,498**	**1,611**	**210**	**–**	**–**	**–**	**–**	**–**	**4,319**
Depreciation and amortization	**₱939**	**₱534**	**₱152**	**₱60**	**₱106**	**₱213**	**₱269**	**₱–**	**₱2,273**
Non-cash expenses other than depreciation and amortization	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Impairment losses	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

2010

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,597	₱2,402	₱16,404	₱3,149	₱6,177	₱2,679	₱–	₱–	₱35,408
Intersegments sales	404	–	157	467	3,514	194	–	(4,736)	–
Equity in net earnings of associates and jointly controlled entities	250	–	–	620	–	–	36	–	906
Total revenue	5,251	2,402	16,561	4,236	9,691	2,873	36	(4,736)	36,314
Operating expenses	2,875	1,261	13,251	2,693	9,388	2,506	1,134	(4,972)	28,136
Operating profit	2,376	1,141	3,310	1,543	303	367	(1,098)	236	8,178
Interest income									1,065
Interest expense and other financing charges									(1,539)
Other income									434
Other charges									(278)
Provision for income tax									(1,572)
Net income									₱6,288
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱5,458
Non-controlling interests									830
									₱6,288
Other Information									
Segment assets	₱22,785	₱24,119	₱75,887	₱10,378	₱8,546	₱6,329	₱40	(₱38,701)	₱109,383
Investment in associates and jointly controlled entities	2,119	501	–	8,226	–	–	–	–	10,846
	24,904	24,620	75,887	18,604	8,546	6,329	40	(38,701)	120,229
Deferred tax assets									2,073
Total assets									₱122,302
Segment liabilities	₱8,930	₱6,879	₱24,436	₱3,001	₱6,984	₱1,198	₱13,121	(₱8,315)	₱56,234
Deferred tax liabilities									598
Total liabilities									₱56,832
Segment additions to:									
Property and equipment	₱61	₱9	₱211	₱2	₱–	₱724	₱139	₱–	₱1,146
Investment properties	1,664	1,246	–	–	–	–	–	–	2,910
Depreciation and amortization	₱638	₱454	₱94	₱277	₱–	₱282	₱62	₱–	₱1,807
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–

2009

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,443	₱1,993	₱14,002	₱2,342	₱2,714	₱2,244	₱–	₱–	₱27,738
Intersegments sales	446	–	275	253	5,487	212	–	(6,673)	–
Equity in net earnings of associates and jointly controlled entities	176	–	–	788	–	–	4	–	968
Total revenue	5,065	1,993	14,277	3,383	8,201	2,456	4	(6,673)	28,706
Operating expenses	2,700	1,078	11,676	1,971	7,767	2,155	862	(6,400)	21,809
Operating profit	2,365	915	2,601	1,412	`434	301	(858)	(273)	6,897
Interest income									1,117
Interest expense and other financing charges									(1,345)
Other income									632
Other charges									(1,455)
Provision for income tax									(1,165)
Net income									₱4,681
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱4,039
Non-controlling interests									642
									₱4,681
Other Information									
Segment assets	₱18,410	₱18,832	₱59,806	₱10,595	₱6,466	₱2,760	₱9,938	(₱30,941)	₱95,866
Investment in associates and jointly controlled entities	2,093	–	–	8,253	–	–	452	–	10,798
	20,503	18,832	59,806	18,848	6,466	2,760	10,390	(30,941)	106,664
Deferred tax assets									1,078
Total assets									₱107,742
Segment liabilities	₱7,392	₱5,662	₱18,771	₱3,571	₱5,060	₱1,246	₱12,616	(₱5,922)	₱48,396
Deferred tax liabilities									151
Total liabilities									₱48,547
Segment additions to:									
Property and equipment and investment properties	₱1,131	₱431	₱154	₱458	₱–	₱151	₱3,218	(₱648)	₱4,895
Depreciation and amortization	₱967	₱361	₱76	₱11	₱108	₱147	₱117	₱–	₱1,787
Non-cash expenses other than depreciation and amortization	₱80	₱–	₱87	₱1,112	₱4	₱1	₱3	₱–	₱1,287
Impairment losses	₱80	₱–	₱29	₱617	₱4	₱1	₱3	₱–	₱734

32. Registration with Philippine Economic Zone Authority (PEZA) / Board of Investments (BOI)

LTI is registered with PEZA on October 27, 1999 as a non-pioneer "ecozone developer/operator" The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci Realty, Inc. also became registered with PEZA in 2007 as the "developer/operator" of the Lakeside Ecozone.

Glensworth Development, Inc., a wholly owned subsidiary of APPCo, is registered with PEZA as an Economic Zone Information IT Facility Enterprise to construct a 4-storey building at the Lakeside Evozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Company is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

Hillsford Property Corp., a wholly owned subsidiary of the Company, was registered with PEZA last January 29, 2009 as an Ecozone Facilities Enterprise at the John Hay Special Tourism Economic Zone located in Baguio.

Sunnyfield E-Office Corp., a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as a Developer/Operator of Iloilo Technohub.

Crestview E-Office Corp., a wholly owned subsidiary of Ayala Land Inc, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

33. Leases

<u>Operating Leases - Group as Lessor</u>
The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follow:

	2011	2010
	(In Thousands)	
Within one year	**₱2,210,918**	₱1,533,305
After one year but not more than five years	**5,560,887**	4,239,072
More than five years	**1,384,795**	1,820,845
	₱9,156,600	₱7,593,222

<u>Operating Leases - Group as Lessee</u>
The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follow:

	2011	2010
	(In Thousands)	
Within one year	**₱128,971**	₱128,179
After one year but not more than five years	**496,304**	505,599
More than five years	**1,256,247**	1,365,237
	₱1,881,522	₱1,999,015

On January 28, 2011, a notice was given to the Company for the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for a 58,000 square meters another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space.

34. **Interest in a Joint Venture**

MDC has a 51% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a jointly controlled operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 square meters, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009. Activities in 2010 to 2011 mainly pertain to winding down operations and punch listing works.

The share of MDC in the net assets and liabilities of the Joint Venture at December 31, 2011 and 2010 which are included in the consolidated financial statements follow:

	2011	2010
	(In Thousands)	
Current assets		
Cash and cash equivalents	**₱24,622**	₱30,384
Receivables	–	130,928
Amounts due from customers for contract work	**10,582**	8,415
Other current assets	**54,809**	53,780
Property and equipment - net	–	1
Total assets	**₱90,013**	₱223,508
Total liabilities	**₱66,968**	₱109,349

The following is the share of the MDC on the net income of the Joint Venture:

	2011	2010
	(In Thousands)	
Revenue from construction contracts	**₱2,069**	₱20,841
Contract costs	**(9,687)**	(31,702)
Interest and other income	**2,490**	4,833
Loss before income tax	**(5,128)**	(6,028)
Provision for income tax	**(148)**	(115)
Net loss	**(₱5,276)**	(₱6,143)

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱185.3 million 2010. Based on 51% share, MDC received ₱94.5 million cash dividends in 2010.

Provision for income tax pertains to the final tax on interest income.

35. Long-term Commitments and Contingencies

Commitments

The Company and Manila Water Company (MWC) entered into a joint venture agreement to establish a water utility services company which will manage and operate all water systems in Nuvali, as well as, adjacent projects of the Company in Laguna. The joint venture company has not been established as of December 31, 2011.

The Company has signed a 50-year lease agreement with the Subic Bay Metropolitan Authority (SBMA), for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City.

On October 27, 2006, a subsidiary entered into a land lease agreement with a third party for a term of 25 years. The lease generally provides for a monthly rent based on a certain percentage of gross revenue.

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

As part of the bid requirement, the Company procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.

Development Commitment
On October 18, 2010, the Company undertook to cause the planning, developing and construction of Anvaya Golf and Sports Club, Inc's leisure and recreational facilities. The Company shall ensure the development and construction by second quarter of the year 2013 for an estimated total development cost of ₱920.0 million.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

36. Note to Statements of Cash Flows

The noncash activities of the Group pertains to transfers from land and improvements to inventories amounting to ₱1,364.5 million, ₱5,148.9 million and ₱805.0 million in 2011, 2010 and 2009 respectively; transfers from investment properties to inventories amounting to ₱171.2 million and ₱391.4 million in 2011 and 2010 respectively; transfers from property and equipment to inventories amounting to ₱257.3 million in 2011; transfers from property and equipment to investment properties amounting to ₱5,998.2 million in 2009.

37. Events After Reporting Date

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares.
b. Reclassification of the 1.97 billion unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by ₱1.3 billion through additional voting preferred shares and stock rights offer of 13.0 billion voting preferred share from the increase in the authorized capital stock.

Also, the BOD also approved the issuance of bonds in the amount of up to ₱15.0 billion which are to be registered with the SEC. The bonds will have tenors of seven and ten years. Net proceeds will be used to partially finance the Group's planned capital expenditure for 2012.