

SEC Number: 152-747

File Number: _____

AYALA LAND, INC.

(Company's Full Name)

c/o 30/F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

September 30, 2013

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

(Amendments)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **September 30, 2013**
2. Commission Identification Number **152747**
3. BIR Tax Identification No. **000-153-790-000**
4. Exact name of issuer as specified in its charter: **AYALA LAND, INC.**
5. Province, Country or other jurisdiction of incorporation or organization:
Makati City, Philippines
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of issuer's principal office and postal code:
c/o 30/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226
8. Issuer's telephone number, including area code: **(632) 750-6974**
9. Former name, former address, former fiscal year: **not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of September 30, 2013

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	14,173,286,611
Preferred shares	13,066,494,759

Amount of Debt Outstanding
P82.9 billion

11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No []

Stock Exchange: **Philippine Stock Exchange**
Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes

No

(b) has been subject to such filing requirements for the past 90 days:

Yes

No

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements



Ayala Land, Inc.
Unaudited Consolidated Statements of Financial Position
As of September 30, 2013 and December 31, 2012
(in thousand pesos)

	September 30, 2013 Unaudited	December 31, 2012 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents	29,133,290	33,612,746
Short-term investments	-	16,503
Financial assets at fair value through profit or loss	10,819,117	713,716
Accounts and notes receivable - net	44,205,707	40,750,773
Inventories	29,320,047	26,215,377
Other current assets	17,978,509	15,809,324
Total Current Assets	131,456,670	117,118,439
Noncurrent Assets		
Non-current accounts and notes receivable	14,063,630	12,833,909
Land and improvements	59,323,875	49,491,909
Investments in associates and joint ventures	8,717,328	8,350,128
Available-for-sale financial assets	468,639	454,270
Investment properties - net	54,383,743	47,534,795
Property and equipment - net	16,943,518	17,359,869
Deferred tax assets - net	4,365,583	2,476,693
Other noncurrent assets	4,446,420	3,017,124
Total Noncurrent Assets	162,712,736	141,518,697
Total Assets	294,169,406	258,637,136
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	76,681,731	66,585,316
Short-term debt	3,056,900	9,779,146
Income tax payable	554,215	922,648
Current portion of long-term debt	4,606,414	6,584,486
Other current liabilities	5,689,428	5,063,906
Total Current Liabilities	90,588,688	88,935,502
Noncurrent Liabilities		
Long-term debt - net of current portion	74,967,855	58,414,431
Pension liabilities	489,130	481,809
Deferred tax liabilities - net	1,048,461	375,427
Deposits and other noncurrent liabilities	16,924,006	14,438,608
Total Noncurrent Liabilities	93,429,452	73,710,275
Total Liabilities	184,018,140	162,645,777
Equity		
Equity Attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	44,330,947	34,118,600
Retained earnings	54,389,964	49,916,859
Stock options outstanding	197,020	213,758
Unrealized gain(loss) on available-for-sale financial assets	37,164	39,564
Actuarial loss on pension obligations	(155,320)	(155,320)
Other reserves	(2,713,629)	8,960
Treasury stock	-	(2,127,428)
Total Equity	96,086,146	82,014,993
Non-controlling interests	14,065,120	13,976,366
Total Equity	110,151,266	95,991,359
Total Liabilities and Equity	294,169,406	258,637,136

*see Note 4 to Unaudited Consolidated Financial Statements



Ayala Land, Inc. and Subsidiaries
Unaudited Consolidated Statements of Income
For the Three Months and Nine Months Ended September 30, 2013 and September 30, 2012
(In thousand pesos, except earnings per share)

	2013 Unaudited		2012 Unaudited	
	July 1 to September 30	January 1 to September 30	July 1 to September 30 (As restated)	January 1 to September 30 (As restated)
REVENUE				
Real estate	19,965,673	55,777,027	14,017,718	40,043,268
Equity in net earnings of associates and joint ventures	284,451	412,291	100,432	326,786
Interest and investment income	575,358	1,135,200	485,585	1,107,134
Other income	251,192	386,367	258,954	384,727
	21,076,674	57,710,885	14,862,689	41,861,915
COSTS AND EXPENSES				
Real estate	13,486,265	36,566,815	9,515,754	25,899,645
General and administrative expenses	1,557,829	4,087,039	928,217	3,059,726
Interest expense and other financing charges	973,442	2,623,188	640,432	1,693,336
Other charges	224,345	479,083	20,698	242,857
	16,241,881	43,756,125	11,105,101	30,895,564
INCOME BEFORE INCOME TAX	4,834,793	13,954,760	3,757,588	10,966,351
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	1,452,118	4,228,980	832,899	2,726,547
Deferred	(337,420)	(609,157)	209,220	159,034
	1,114,698	3,619,823	1,042,119	2,885,581
NET INCOME	3,720,095	10,334,937	2,715,469	8,080,770
Net Income Attributable to :				
Equity holders of Ayala Land, Inc.	2,979,171	8,602,441	2,291,649	6,617,453
Non-controlling interests	740,924	1,732,496	423,820	1,463,317
	3,720,095	10,334,937	2,715,469	8,080,770
Earnings per Share				
Basic	0.21	0.62	0.17	0.50
Diluted	0.21	0.62	0.17	0.50

*see Note 4 to Unaudited Consolidated Financial Statements



Ayala Land, Inc. and Subsidiaries
Unaudited Consolidated Statements of Comprehensive Income
(in thousand pesos)

	2013 Unaudited		2012 Restated	
	July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
NET INCOME FOR THE PERIOD	3,720,095	10,334,937	2,715,469	8,080,770
Other comprehensive income				
Net gain(loss) on available-for-sale financial assets	(1,800)	(2,400)	(400)	(15,609)
Actuarial loss on pension obligation	-	155,320	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,718,295	10,487,857	2,715,069	8,065,161
Total comprehensive income attributable to :				
Equity holders of the parent	2,977,371	8,755,361	2,291,249	6,601,844
Non-controlling interests	740,924	1,732,496	423,820	1,463,317
	3,718,295	10,487,857	2,715,069	8,065,161

*see Note 4 to Unaudited Consolidated Financial Statements



Ayala Land, Inc. and Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2013 and September 30, 2012
(in thousands)

	January to September 2013 Unaudited	January to September 2012 Restated
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.		
Common shares - P1.00 par value		
Issued		
Balance at beginning of year	13,729,403	13,022,771
Issuance of shares	333,678	701,105
Stock options exercised	-	3,019
Balance at end of period	14,063,081	13,726,896
Subscribed		
Balance at beginning of year	102,159	99,917
Issuance of shares	(333,678)	(22,107)
Stock options exercised	341,725	26,391
Balance at end of period	110,206	104,201
Preferred Shares - P0.10 par value		
Balance at beginning of period		
Issuance of shares	1,306,649	2,610,110
Balance at end of the period	1,306,649	2,610,110
Additional Paid-in Capital		
Balance at beginning of period	18,216,406	4,887,298
Stock options exercised	512,820	13,251,829
Equity issuance cost charged to APIC	(162,394)	-
Issuance of common stock	11,041,644	-
Balance at end of period	29,608,475	18,139,127
Subscriptions Receivable		
Balance at beginning of period	(539,477)	(353,240)
Additions	(380,826)	(405,013)
Collections	162,839	180,283
Balance at end of year	(757,464)	(577,969)
Total Paid-up Capital	44,330,947	34,002,364
Stock Options Outstanding		
Balance at beginning of period	213,758	232,298
Stock options exercised	(16,738)	(27,547)
Balance at end of period	197,020	204,751
Treasury Shares		
	-	(2,127,428)
Retained Earnings		
Appropriated for future expansion	6,000,000	6,000,000
Unappropriated:		
Balance at beginning of period as previously reported	44,061,755	37,925,560
Effect of change in accounting policy for retirement obligation	(144,919)	-
Cash dividends	(4,129,313)	(2,902,133)
Net income	8,602,441	6,617,453
Balance at end of period	48,389,964	41,640,879
Other Reserves	(2,713,629)	8,960
Unrealized Gain on Available-for-Sale Financial Assets	37,164	38,300
Actuarial loss on pension obligations	(155,320)	-
	98,799,775	79,758,866
NON-CONTROLLING INTERESTS		
Balance at beginning of period	9,230,018	9,685,546
Net income	1,732,496	1,463,317
Net increase in non-controlling interests	3,448,330	3,770,345
Dividends paid to non-controlling interests	(345,723)	(130,787)
	14,065,120	14,788,421
	110,151,266	94,556,247



Ayala Land, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
For the Nine Months ended September 30, 2013 and September 30, 2012
(in thousands pesos)

	January to September 2013 Unaudited	January to September 2012 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	13,954,759	10,966,350
Adjustments for:		
Depreciation and amortization	2,727,127	2,117,703
Interest expense	3,134,167	1,675,670
Gain on sale of investments	-	-
Equity in net earnings of associates and joint ventures	(412,291)	(326,786)
Interest and other income	(1,306,467)	(1,046,697)
Realized gain on financial assets at fair value through profit or loss	(157,720)	(15,609)
Provision for doubtful accounts	6,811	900
Operating income before changes in working capital	17,946,386	13,371,531
Changes in operating assets and liabilities:		
Increase (decrease) in :		
Accounts and notes receivable - trade	(1,814,164)	(14,770,111)
Inventories	(3,104,669)	412,293
Other current assets	(2,169,186)	(3,800,679)
Increase (decrease) in :		
Accounts and other payables	11,255,497	11,485,566
Pension liabilities	291,304	8,217
Other current liabilities	625,522	3,412,128
Cash generated from operations	23,030,690	10,118,945
Interest received	1,122,955	877,218
Income tax paid	(4,401,767)	(2,461,908)
Interest paid - net of amount capitalized	(3,879,760)	(1,042,623)
Net cash provided by (used in) operating activities	15,872,118	7,491,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	-	-
Disposals of (additions to):		
Land and improvements	(9,831,965)	(7,482,871)
Investments	(11,154,347)	(11,386,844)
Property and equipment	(695,802)	(3,286,779)
Short term investments	(10,088,898)	118,144
Decrease (increase) in:		
Noncurrent accounts and notes receivable - non trade	(2,693,789)	(2,631,387)
Other assets	(3,448,293)	(986,890)
Net cash provided by (used in) investing activities	(37,913,094)	(25,656,627)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term & long-term debt	22,906,102	27,613,018
Payments of short-term & long-term debt	(15,052,996)	(1,844,388)
Increase (decrease) in :		
Deposits and other noncurrent liabilities	3,158,432	4,486,462
Non-controlling interests in consolidated subsidiaries	(1,298,018)	3,770,345
Proceeds from capital stock subscriptions	10,195,608	15,014,610
Purchase of treasury shares	2,127,428	(1,303,460)
Dividends paid to non-controlling interests	(345,723)	(130,787)
Dividends paid to equity holders of Ayala Land, Inc.	(4,129,313)	(2,902,134)
Net cash provided by (used in) financing activities	17,561,520	44,703,666
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,479,456)	26,538,671
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	33,612,746	24,603,213
CASH AND CASH EQUIVALENTS AT END OF PERIOD	29,133,290	51,141,884

Ayala Land, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2012 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2012.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements include the accounts of Ayala Land, Inc. (herein referred to as "the Company") and its subsidiaries collectively referred to as "Group."

The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), the Group's functional currency, and rounded to the nearest millions except when otherwise indicated.

On November 7, 2013, the Audit Committee approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of Ayala Land, Inc. and subsidiaries.

2. Summary of Significant Accounting Policies

Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2012, except for the adoption of new Standards and Interpretations enumerated below.

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

PFRS 1, First-time Adoption of PFRS - Borrowing Costs

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

PAS 1, Presentation of Financial Statements - Clarification of the requirements for comparative information

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 16, Property, Plant and Equipment - Classification of servicing equipment

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have any significant impact on the Group's financial position or performance.

PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment did not have any impact on its financial position or performance.

PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is applied (Note 12) and has no impact on the Group's financial position or performance.

Effective 2013

PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)

The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment became effective for annual periods beginning on or after July 1, 2012. The amendment affected presentation only and had no impact on the Group's financial position or performance.

PAS 1 Impact

The amendments to PAS 1 change the grouping of items presented in OCI as disclosed below:

Other Comprehensive Income:	Amount (in thousands)
Unrealized gain on available for sale financial assets	38,964
Actuarial loss on pension obligation	155,320

Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (Unrealized gain on available for sale financial assets) is now presented separately from items that will never be recycled (actuarial loss on pension obligation).

PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

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.

The amendments have no impact on the Group’s financial position or performance. However, no additional disclosure was presented by the Group since it does not have offsetting arrangements with their derivative counterparties that are affected by the amendments to PFRS 7.

PFRS 10, *Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that 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. PFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in PFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns.

The changes introduced by PFRS 10 required the 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. The standard became effective for annual periods beginning on or after January 1, 2013.

As a result of the assessment based on PFRS 10 requirements, the Company consolidated North Triangle Depot Commercial Corporation, Cebu Holdings, Inc. and Alabang Commercial Corporation, which were previously accounted for as investments in associates, BG West Properties Inc., BG South Properties Inc. and BG North Properties Inc., which were previously accounted for as jointly controlled entities, in the Company's 2012 consolidated financial statements. The effect of the adoption of PFRS 10 is explained in Note 4.

PFRS 11, Joint Arrangements

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard became effective for annual periods beginning on or after January 1, 2013.

The company has conducted an assessment of the impact of PFRS 11 on its jointly controlled entities. As a result of the assessment based on PFRS 11 requirements, the Company accounted for its jointly controlled entities namely Emerging City Holdings, Inc. and Berkshires Holdings, Inc. as Joint Ventures. The Standard has no impact in the Group's financial statements as the Group already accounts for its investment in jointly controlled entities using the equity method.

PFRS 12, Disclosure of Interests in 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, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required such as information about the significant judgments and assumptions (and changes to those judgments and assumptions) and summarized financial information for subsidiaries with material NCI and interests in associates. The adoption of the standard affects disclosure only (Note 7) and did not have significant financial impact to the Group.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

PAS 19, *Employee Benefits* (Revised)

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 rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments became effective for annual periods beginning on or after January 1, 2013. The impact on the Company's basic and diluted EPS to the adoption of the amendments to PAS 19 is less than ₱0.01 per share.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard. The effect of the adoption of PAS 19 amendment is explained in Note 4.

PAS 27, *Separate Financial Statements* (as revised in 2011)

As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group. The amendment became effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment became effective for annual periods beginning on or after January 1, 2013. The adoption of the standard did not have a significant impact to the Group.

Effective 2014

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

The amendments 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. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition.

A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities.

The Company has conducted an initial evaluation and has assessed that the standard does not have significant impact to the Company. No early adoption will be made as of date of this report as there are still major changes that are expected to be made in the existing draft of the standard that could impact the Company's decision to early adopt or not. PFRS 9 is effective for annual periods beginning on or after January 1, 2017.

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 the 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 interpretation may significantly affect the determination of the Group's 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.

3. Principles of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land, Inc. (ALI) and the following wholly owned and majority owned subsidiaries:

	Percentage of Effective Ownership (%)	
	September 30, 2013	December 31, 2012
Real Estate:		
Alveo Land Corporation (Alveo)	100	100
Serendra, Inc.	39	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	65	65
BG South Properties, Inc. (BGS)	50	-
Serendra, Inc.	28	28
Amorsedia Development Corporation and Subsidiaries	100	100
OLC Development Corporation and Subsidiary	100	100
HLC Development Corporation (HLCDC)	100	100
Allysonia International Ltd.	100	100
Avida Land Corporation and Subsidiaries (Avida)	100	100
Buklod Bahayan Realty and Development Corp.	100	100
Avida Sales Corp.	100	100
Amicassa Process Solutions Inc.	100	100
Avencosouth Corp. (Avencosouth)	70	70
BG North Properties, Inc. (BGN)	50	-
Amaia Land Corporation (Amaia)	100	100
Amaia Southern Properties, Inc. (ASPI)	65	-
Ayala Land International Sales, Inc. (ALISI)	100	100
Ayaland International Marketing, Inc. (AIMI)	100	100
Ayala Land Sales, Inc.	100	100
Buendia Landholdings, Inc.	100	100
BellaVita Land Corporation	100	100
Crans Montana Holdings Corp.	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) (British Virgin Islands)	100	100
Asterion Technopod, Inc. (ATI)	100	100
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corp.) (WCVC)	100	100
Fairview Prime Commercial Corp. (formerly Gisborne Property, Inc.) (FPCC)	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
Ayala Land Commercial REIT, Inc. (ALCRI)	100	100
Arvo Commercial Corp. (Arvo)	100	100
Nuevo Centro, Inc.	100	100
Cavite Commercial Town Center, Inc.	100	100
ALI Property Planners Corp. (APPCo)	100	68
One Dela Rosa Property Development, Inc.	100	68
First Gateway Real Estate Corp.	100	68
Glensworth Development, Inc. (Glensworth)	100	68

UP North Property Holdings, Inc.	100	68
Laguna Technopark, Inc.	75	75
Ecozone Power Management, Inc.	75	75
Aurora Properties Incorporated	78	70
Vesta Property Holdings, Inc. (VPHI)	70	70
Station Square East Commercial Corporation (SSECC)	69	69
Accendo Commercial Corp. (Accendo)	67	67
Avencosouth Corp.	30	20
Cagayan de Oro Gateway Corp. (CDOGCC)	70	70
Ceci Realty, Inc.	60	60
CMPI Holdings, Inc.	60	60
CMPI Land, Inc.	36	36
ALI-CII Development Corporation (ALI-CII)	50	50
Roxas Land Corporation (RLC)	50	50
Adauge Commercial Corporation (Adauge)	100	100
Southgateway Development Corporation (SDC)	100	100
Ayalaland Metronorth, Inc. (AMNI)	100	100
Alabang Commercial Corporation	50	-
North Triangle Depot Commercial Corporation (NTDCC)	49	-
BG West Properties, Inc. (BGW)	50	-
Cebu Holdings, Inc. (CHI)	50	-
Cebu Property Ventures & Development Corporation (CPVDC)	76	-
Cebu Leisure Company, Inc.	100	-
CBP Theatre Management, Inc.	100	-
Cebu Insular Hotel Company Inc.	37	-
Solinea Inc.	35	-
Verde Golf Development Corp.	100	-
Construction:		
Makati Development Corporation and Subsidiaries (MDC)	100	100
MDC - Subic	100	100
MDC – Build Plus, Inc.	100	100
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	50	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	100	100
ALI Makati Hotel & Residences, Inc. (AMHRI)	80	80
ALI Makati Hotel Property, Inc. (AMHPI)	80	80
Enjoy Hotels, Inc. (Enjoy)	100	100
Greenhaven Property Venture, Inc. (GPVI)	100	100
Cebu Insular Hotel Company, Inc. (CIHCI)	63	63
Bonifacio Hotel Ventures, Inc.	100	100
Southcrest Hotel Ventures, Inc.	67	67
Northgate Hotel Ventures, Inc.	70	70
North Triangle Hotel Ventures, Inc.	100	100
Ecosouth Hotel Ventures, Inc.	100	100
ALI Makati Hotels & Residences, Inc.	20	20
ALI Makati Hotel Property, Inc.	20	20
Ten Knots Phils., Inc. and Subsidiary (TKPI)	60	60
Ten Knots Development, Corp. and Subsidiaries (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. (LAIP)	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
Green Horizons Holdings Limited	100	100
Food Court Company, Inc.	100	100
Aprisa Business Process Solutions, Inc.	100	100
Studio Ventures, Inc.	100	100
Directpower Services, Inc.	100	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	60	60
Varejo Corp. (Varejo)	100	100
Solerte, Inc.	100	-

As of September 30, 2013, 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 AMHRI and AMHPI for the fair market valuation done as of October 2, 2012 relative to the business combination.

4. Note to the Restatement of Financial Statement

PFRS 10 Impact

As a result of the assessment based on PFRS 10 requirements, the Company consolidated NTDCC, CHI and ACC, which are currently accounted for as investments in associates, BGW, BGS and BGN, which were previously accounted for as jointly controlled entities, in the Company's 2012 consolidated financial statements.

The change in accounting for these investments will increase total consolidated assets by P27,404.8 million and total consolidated liabilities by P22,958.6 million as of December 31, 2012. Consolidated revenues also increased by P2,848.1 million while consolidated income before income tax increased by P886.8 million for the quarter ended September 30, 2012. Adoption of PFRS 10 has no impact on the Company's EPS. These amounts have considered preliminary purchase price allocation for the entities in which it has obtained control.

Increase (decrease) on Consolidated Statements of Financial Position (amount in thousands):

	Increase
ASSETS	
Current Assets	
Cash and cash equivalents	5,016,348
Short-term investments	-
Financial assets at fair value through profit or loss	-
Accounts and notes receivable	6,664,838
Inventories	2,144,990
Other current assets	2,008,762
Total Current Assets	15,834,939
Noncurrent Assets	
Noncurrent accounts and notes receivable	2,449,864
Available-for-sale financial assets	-
Land and improvements	1,781,756
Investments in associates and jointly controlled entities	(4,801,010)
Investment properties	11,038,348
Property and equipment	801,342
Deferred tax assets - net	186,574
Other noncurrent assets	112,939
Total Noncurrent Assets	11,569,814
	27,404,753
LIABILITIES AND EQUITY	
Current Liabilities	
Accounts and other payables	14,856,773
Short-term debt	496,315
Income tax payable	208,673
Current portion of long-term debt	197,652
Other current liabilities	922,879
Total Current Liabilities	16,682,292
Noncurrent Liabilities	
Long-term debt - net of current portion	4,633,645
Pension liabilities	428,880
Deferred tax liabilities - net	(342,549)
Deposits and other noncurrent liabilities	1,556,353
Total Noncurrent Liabilities	6,276,329
Total Liabilities	22,958,621
Equity	
Equity attributable to equity holders of Ayala Land, Inc.	-
Paid-up capital	-
Retained earnings	(144,895)
Stock options outstanding	-
Unrealized gain on available-for-sale financial assets	-
Actuarial loss on pension obligation	(155,320)
Other reserves	-
Treasury stock	-
	(300,215)
Non-controlling interests	4,746,348
Total Equity	4,446,133
	27,404,753

Increase (decrease) on Consolidated Statements of Income (amount in thousands):

	Increase (Decrease)
REVENUE	
Real estate	3,156,553
Interest Income & investment income	(301,926)
Other Income	(6,513)
	2,848,114
COSTS AND EXPENSES	
Real estate	1,630,981
General and administrative expenses	174,360
Interest expense and other financing charge	144,571
Other charges	11,434
	1,961,346
INCOME BEFORE INCOME TAX	886,768
PROVISION FOR INCOME TAX	
Current	409,658
Deferred	(13,898)
	395,760
NET INCOME	491,008
Net Income Attributable to :	
Equity holders of Ayala Land Inc.	-
Non-controlling interest	491,008
	491,008

PAS 19 Impact

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 Amendment to PAS 19 has been applied retrospectively from January 1, 2012. As a result, expected returns on plan assets of defined benefit plans are not recognized in profit or loss. Instead, interest on net defined benefit obligation (net of the plan assets) is recognized in profit or loss, calculated using the discount rate used to measure the net pension obligation or asset. Unrecognized net actuarial losses are recognized in other comprehensive income.

The effects as at December 31, 2012 (in thousands) are detailed below:

	Increase as at December 31, 2012 (In Thousands)
<u>Consolidated statements of financial position</u>	
Net defined benefit obligation	P428,734
Deferred tax asset	134,620
Retained earnings	148,741
Other comprehensive income	165,373

5. Receivables / Payables

Aging of Receivables (as of September 30, 2013; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Receivables	21,113	8,136	13,326	2,143	44,718
Non-Trade Receivables	11,383	1,422	738	8	13,551
Total	32,496	9,558	14,064	2,151	58,269

Aging of Payables (as of September 30, 2013; in Million Pesos)

	Up to 6 mos.	Over 6 mos. to One Year	Over One Year	Past Due	Total
Trade Payables	22,581	8,523	13,185	-	44,289
Non-Trade Payables	45,366	6,455	5,277	-	57,098
Total	67,947	14,978	18,462	-	101,387

6. Inventories

This account consists of:

<i>(in thousands)</i>	September 2013 (Unaudited)	December 2012 (Restated)
Real estate inventories	P27,998,170	P25,886,406
Club shares	1,321,877	328,971
	29,320,047	26,215,377

7. Disclosure of Interests in Subsidiaries with Material Non-controlling Interests and Interests in Associates

The Company considers a subsidiary with material NCI, an associate and joint venture with material interest if its net assets exceed 5% of its total consolidated net assets as of the reporting period. There are no significant restrictions on the Company's ability to use assets and settle liabilities of the group.

Financial information on the Company's significant subsidiary with material NCI follows:

September 30, 2013	
Cebu Holdings, Inc.	Amount (in thousands)
Current assets	4,057,086
Non-current assets	8,673,444
Current liabilities	3,297,860
Non-current liabilities	3,732,499
Revenue	1,615,496
Net income	449,022
Other comprehensive income	-
Total comprehensive income	449,022

Financial information on associate with material interest on which has the Company has significant influence follows:

September 30, 2013	
Bonifacio Land	Amount (in thousands)
Current assets	180,845
Non-current assets	20,826,882
Current liabilities	1,007
Non-current liabilities	3,460,887
Revenue	554,692
Profit or loss from continuing operation	551,638
Accounting method used	Equity method

8. Short-Term and Long-Term Debt

Short-Term Debt (as of September 30, 2013; in Millions)

<u>Borrower</u>	<u>Amount</u>
ALI	P2,066
Alveo	700
LAIP	175
SSECC	<u>116</u>
Total	P3,057

Long-Term Debt (as of September 30, 2013; in Million Pesos / US\$)

<u>Borrower</u>	<u>Current</u>		<u>Non-Current</u>		<u>Total</u>	
	<u>Peso</u>	<u>US\$</u>	<u>Peso</u>	<u>US\$</u>	<u>Peso</u>	<u>US\$</u>
ALI*	863	-	50,723	59	51,586	59
Accendo	1,031	-	1,450	-	2,481	-
AHRC	211	-	5,374	113	5,585	113
APPCO	1,434	-	265	-	1,699	-
Arvo	2	-	176	-	178	-
Avida	-	-	2,000	-	2,000	-
CDOGC	-	-	2,350	-	2,350	-
CHI	672	-	3,465	-	4,137	-
WCVC	8	-	402	-	410	-
FPCC	-	-	1,600	-	1,600	-
HPC	12	-	81	-	93	-
HLCDC	37	-	1,328	-	1,365	-
NTDCC	235	-	2,787	-	3,022	-
PhilEnergy	-	-	600	-	600	-
SSECC	49	-	1,399	-	1,448	-
SBTCI	33	-	848	-	881	-
Sunnyfield	18	-	121	-	139	-
Total	4,606	-	74,968	172	79,574	172

* Including bonds and FXCNs

Issuances, Repurchases and Repayments of Debt and Equity Securities

Issuances of Debt and Equity Securities / New Financing through Loans –
January – September 2013 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	23,175	availment of new short-term loans and issuance of Homestarter Bonds, Corporate Notes and Corporate Bonds
ACC	100	availment of short-term loan
Accendo	255	availment of long-term loan
AHRC	1,396	availment of long-term loans
Alveo	1,970	availment of short-term loans
APPCO	440	availment of short-term loans
Arvo	128	availment of long-term loans
Avida	1,260	availment of short term and issuance of notes
CHI	1,200	availment of long-term loans
Crestview	105	availment of long-term loan
Fairview	1,600	availment of long-term loan
HLC	1,365	availment of long-term loan
NTDCC	19	availment of long-term loan
PhilEnergy	293	availment of long-term and short-term loan
SSECC	<u>309</u>	availment of short-term loans
Total	<u>33,615</u>	

Repayments of Debt and Equity Securities –
January – September 2013 (in Million Pesos)

<u>Borrower</u>	<u>Amount</u>	<u>Nature</u>
ALI	13,057	repayment of fixed-rate corporate notes, short term loans, Homestarter Bonds and Corporate Bonds
ACC	333	payment of matured short-term loans
Accendo	14	amortization on long-term loan
AHRC	1,475	amortization on long-term loans
Alveo	3,620	payment of matured short-term loans
Amaia	350	payment of matured short-term loans
APPCO	1,458	amortization on long-term loans
CHI	153	amortization on long-term loans
Avida	3,147	payment of matured short-term loans
Crestview	6	amortization on long-term loans
Hillsford	9	amortization on long-term loan
LAIP	35	payment of matured short-term loans
NBCC	968	repayment of long-term loan
NTDCC	146	repayment of long-term loans
Philenergy	228	repayment of matured short-term
SSECC	556	payment of matured short-term and amortization on long-term loans
Sunnyfield	14	amortization on long-term loans
Vesta	<u>525</u>	payment of matured short-term loan
Total	<u>26,094</u>	

HOMESTARTER BONDS 6
Schedule and Use of Proceeds

	PER PROSPECTUS	ACTUAL
Estimated gross proceeds from the sale of the Bonds	P2,000,000,000.	P2,000,000,000
Less: Estimated expenses		
Underwriting and Other Professional Fees	15,000,000	15,060,000
Marketing/Printing/Photocopying Costs and out-of-pocket	2,200,000	1,486,789.27
Documentary Stamp Tax	10,000,000	10,000,000
	27,200,000	26,546,789.27
Estimated net proceeds to Ayala Land, Inc.	P1,972,800,000	P1,973,453,210.73
Balance of Proceeds as 06.30.13	P78,000,000 (approx)	

Ayala Land raised from the Bonds gross proceeds of P2.00 billion. After issue-related expenses, actual net proceeds amounted to approximately P1.97 billion. As of 30 June 2013, net proceeds aggregating to P1.19 billion were used to partially finance its various projects such as, but not limited to, Park Terraces, Garden Towers, ParkPoint Residences, Ayala Westgrove Heights, Luscara, Elaro, Santierra and the redevelopment of Ayala Center (P540 million); and the balance of the purchase price to acquire Global Technologies International Limited's 32% stake in ALI Property Partners Corp. and additional capital infusion to a subsidiary (P650 million). Remaining net proceeds from the Bonds will be deployed to various projects in the succeeding months.

P15 BILLION (JULY 2013)
Schedule and Use of Proceeds

	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	15,000,000,000.00	15,000,000,000.00
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration	5,812,500.00	-
Legal Research Fee	58,125.00	-
Upfront Fees		
Underwriting Fee	56,250,000.00	56,250,000.00
Professional Expenses	7,336,000.00	56,000.00
Trustee	20,000.00	
Registry Account Opening fee	150,000.00	
Listing Fee	100,000.00	
Out of Pocket Expenses (publication, printing, etc.)	2,500,000.00	20,735.28
	147,226,625.00	131,326,735.28
Net Proceeds	14,852,773,375.00	14,868,673,264.72

Ayala Land raised from the Bonds gross proceeds of P15.0Bn. After issue-related expenses, actual net proceeds amounted to approximately P14.9B. Net proceeds were used to partially finance various projects including, but not limited to, (i) the pump-priming development activities for new townships like Vertis North in Quezon City, Arca South, formerly FTI, in Taguig, Alvierra in Pampanga, and Altaraza in Bulacan (P4.0B), (ii) development of various residential projects such as Park Terraces, Garden Towers and subdivision projects in Nuvali (e.g. Santierra, Elaro and Luscara) (P4.0B), (iii) the construction of various leasing assets including an additional BPO buildings in UP – Ayalaland Technohub, the construction of the UP Town Center, expansion of Ayala Center Cebu and Abreeza (P1.2B), (iii) new Seda Hotel in Nuvali (P0.3B) and (iv) the acquisition of several properties in strategic areas around the country (P5.4B).

**9. Commercial Paper Issuances and Outstanding Balance
(for the quarter ended September 30, 2013)**

None.

10. Accounts and Other Payables

The accounts and other payables as of September 30, 2013 is broken down as follows:

	(millions)
Accounts payable	P 45,052
Accrued expenses	3,785
Taxes payable	3,342
Accrued project cost	14,681
Dividends payable	130
Accrued salaries & employee benefits	937
Accrued rentals	1,592
Accrued repairs & maintenance	958
Accrued advertising & promo	957
Accrued professional & management fees	2,135
Accrued light & water	1,340
Accrued insurance	167
Accrued supplies	39
Accrued postal and communications	39
Accrued representation	26
Accrued donations and contribution	1
Accrued janitorial and security	30
Accrued transportation and travel	130
Interest payable	1,104
Retention payable	238
Total	P 76,682

11. Common Control Business Combination

On April 16, 2013, the company has sold its 60% interest in Asian i-Office Properties Inc. (AiO) to CPVDC. CPVDC is 76.3% owned by Cebu Holdings, Inc., a subsidiary of the Company.

This transaction will allow the Company to consolidate into CPVDC the development and operations of BPO offices in Cebu and businesses related thereto, which should lead to value enhancement, improved efficiencies, streamlined processes and synergy creation among the company and its subsidiaries. This is also consistent with the thrust of the CHI group to build up its recurring income base.

This transaction is considered to be a Common Control Business Combination because AiO and CPDVC are ultimately controlled by the Company both before and after the business combination, and that control is not transitory.

The relevant accounting policy used is pooling of interests method as the acquisition method is not applicable due to lack of commercial substance. (PIC Q&A No. 2011-02). The assets and liabilities of AiO and CPVDC are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No 'new' goodwill is recognized as a result of the combination. (PIC Q&A No. 2012-01)

12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties

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. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following provide the total amount of transactions that have been entered into with a significant related party for the relevant financial year (in thousands):

a. Transactions with BPI, an associate of AC

As of September 30, 2013 and December 31, 2012, the Group maintains current and savings account, money market placements and Long-term debt payable with BPI broken down as follows:

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
	(Restated)	
	(In Thousands)	
Cash in bank	P12,581,192	P11,467,210
Cash equivalents	2,157,972	13,302,950
Financial asset at FVPL	10,132,708	
Long-term debt	15,411,558	8,054,138

13. Changes in a Parent's Ownership Interest in a Subsidiary that Do Not Result in Loss of Control

On April 15, 2013, the Company has entered into a Sale and Purchase Agreement with Global Technologies International Limited (GTIL) to acquire the latter's 32% stake in APPCo for P3.52 billion.

APPCo owns BPO buildings in Makati, Quezon City and Laguna, with a total leasable area approximately 230 thousand square meters.

This acquisition is aligned with ALI's thrust of expanding its office leasing business and increasing its recurring income.

This is accounted for by the Company as an equity transaction since there is a change in its ownership but still retained its controlling financial interest. As such, there is no gain or loss recognized in consolidated net income or comprehensive income. The carrying amount of the non-controlling interest is now nil as the Company already owns 100% share in APPCo. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company to about P2.7 billion.

14. Segment information

The industry segments where the Group and its associates and joint ventures operate follow:

- 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
- 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
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- 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
- 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.

YTD-September 2013

(in million pesos)

	Residential Development	Shopping Centers	Corporate Businesses	Strategic Landbank Management and Hotels & Resorts Visayas-Mindanao	Construction	Corporate Management and Others	Total	Intersegment Adjustments	Consolidated
Revenues									
Sales to external customers	27,892	7,605	2,772	8,844	2,932	-	55,777	-	55,777
Intersegment sales	81	339	(90)	1	-	674	12,482	(12,482)	0
Equity in net earnings of investees	-	(7)	-	441	-	(22)	412	-	412
Total revenue	27,973	7,937	2,682	9,286	2,932	(22)	68,671	(12,482)	56,189
Operating expenses	20,348	4,616	1,343	6,326	2,785	1,107	53,109	(12,449)	40,660
Operating profit	7,625	3,321	1,339	2,960	147	(1,129)	15,562	(93)	15,469
Interest income	-	-	-	-	-	-	-	-	1,135
Interest expense	-	-	-	-	-	-	-	-	(2,623)
Other income/(expense)	-	-	-	-	-	-	-	-	(86)
Provision for income tax	-	-	-	-	-	-	-	-	(3,620)
Net Income									10,335
Net income attributable to:									
Equity holders of Ayala Land, Inc.									8,603
Minority interests									1,732
									10,335
Other Information									
Segment assets	168,956	85,891	31,922	60,428	17,231	11,491	402,922	(111,233)	291,689
Investment in equity method associates	-	-	-	-	-	-	0	-	0
Deferred tax assets	720	246	24	313	52	4	1,366	1,094	2,460
Total assets	169,676	86,137	31,946	60,741	17,283	11,495	404,308	(110,139)	294,169
Segment liabilities	84,760	31,640	10,626	23,806	9,868	36,683	220,813	(37,844)	182,969
Deferred tax liabilities	310	60	5	4	480	-	859	190	1,049
Total liabilities	85,070	31,700	10,631	23,810	10,348	36,683	221,672	(37,654)	184,018
Segment additions to property and equipment and investment properties	240	169	63	7	3,827	115	481	-	5,362
Depreciation and amortization	130	1,371	380	131	309	74	65	-	4,870
									2,727

YTD-September 2012

(in million pesos)

	Residential Development	Shopping Centers	Corporate Businesses	Strategic Landbank Management and Hotels & Resorts Visayas-Mindanao	Construction	Corporate Management and Others	Total	Intersegment Adjustments	Consolidated
Revenues									
Sales to external customers	21,447	6,637	2,011	3,283	1,806	-	40,043	-	40,043
Intersegment sales	92	440	-	192	-	103	10,518	(10,518)	0
Equity in net earnings of investees	-	2	-	311	-	14	327	-	327
Total revenue	21,539	7,079	2,011	3,786	1,806	14	50,888	(10,518)	40,370
Operating expenses	16,671	3,975	1,005	1,721	1,207	790	39,212	(16,252)	28,960
Operating profit	4,868	3,104	1,006	2,065	599	(776)	11,676	(266)	11,410
Interest income	-	-	-	-	-	-	-	-	1,107
Interest expense	-	-	-	-	-	-	-	-	(1,693)
Other income/(expense)	-	-	-	-	-	-	-	-	143
Provision for income tax	-	-	-	-	-	-	-	-	(2,866)
Net Income									8,081
Net income attributable to:									
Equity holders of Ayala Land, Inc.									6,617
Minority interests									1,463
									8,081
Other Information									
Segment assets	123,300	53,482	25,274	18,618	6,083	27,053	277,944	(70,936)	207,008
Investment in equity method associates	515	2,421	300	9,213	-	1,494	13,943	-	13,943
Deferred tax assets	207	191	35	194	11	976	1,639	761	2,400
Total assets	124,022	56,094	25,609	28,025	6,094	29,523	293,526	(70,175)	223,351
Segment liabilities	46,590	22,519	7,414	4,868	3,156	40,448	143,330	(15,341)	127,989
Deferred tax liabilities	377	-	24	30	-	1	432	373	805
Total liabilities	46,967	22,519	7,438	4,898	3,156	40,449	143,762	(14,968)	128,794
Segment additions to property and equipment and investment properties	118	113	2	73	1,455	5	3,221	-	5,438
Depreciation and amortization	182	1,085	428	5	130	90	37	-	2,119

Item 2. Management's Discussion on Results of Operations and Analysis of Financial Condition

Results of Operations for the Nine Months Ended September 30, 2013

Ayala Land, Inc. (ALI or "the Company") sustained its high growth trajectory in the first nine months of 2013 as net income grew by 30% to P8.60 billion from the P6.62 billion posted in the same period last year. Consolidated revenues for the first nine months reached P57.71 billion, 38% higher than the P41.86 billion posted in the same period last year. Revenues from Real Estate and Hotels increased by 39% to P55.78 billion, comprising the bulk of consolidated revenues, largely due to the strong performance across the property development, commercial leasing and services businesses.

The ratio of General and Administrative Expenses (GAE) to revenues declined further to 7.0% from 7.3% in 2012. Earnings before interest and taxes (EBIT) margin was maintained at 27% for the first nine months of 2013.

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 lots and units, office spaces, as well as Commercial and Industrial Lots, posted revenues of P37.02 billion in the first nine months of 2013, 51% higher than the P24.57 billion reported during the same period in 2012.

Revenues from the Residential Segment reached P28.22 billion in the first nine months, 23% higher than the same period last year, driven by strong bookings across all residential brands. Ayala Land Premier (ALP) posted a revenue growth of 30% year-on-year to P11.00 billion, driven by higher sales and percentage of completion from premium condominium units in The Suites Bonifacio Global City, Garden Towers in Makati City and Park Point Residences in Cebu and contribution from Luscara, a recently launched subdivision in Nuvali. Alveo meanwhile generated P6.49 billion in revenues, 15% higher compared with the first nine months of 2012, owing to sales contributions from Solstice Tower 1, Lerato, Escala and Kroma in Makati City, Mirala in Nuvali, Solinea Tower 2 in Cebu and Two Maridien in BGC. Avida and Amaia likewise recorded revenue growth of 37% and 43% to P8.30 billion and P1.46 billion, respectively. Avida's performance was anchored on strong bookings from the success of new projects such as Avida Towers 34th Street Tower 2 and Avida Cityflex Tower 2 in BGC, Madera Grove Estates in Bulacan, Avida Woodhill Settings Nuvali, Avida Towers Vita Quezon City and Avida Riala Towers 1 and 2 in Cebu, as well as increased sales in Avida Parkway Settings, Ridgeview Estates and Avida Village Cerisse in Nuvali. Amaia revenues was boosted by sales from recent launches namely Amaia Steps Sucat, Amaia Skies Avenida and Amaia Steps Bicutan and higher bookings in existing projects Amaia Skies Cubao Tower 1 and Amaia Scapes Lipa. BellaVita, coming from a low base on its first year of operations, saw revenues increase by 352% to P33 million, mainly due to bookings generated from its Tayabas, Quezon project.

Sales take-up value for the first nine months of the year reached P67.98 billion, equivalent to an average monthly sales take-up of P7.55 billion, an all-time high and 17.42% higher than the P6.43 billion average in the same period last year. Residential Gross Profit (GP) margins of horizontal projects fell to 43% from 49% owing to the development of newly-acquired parcels in Nuvali, while GP margins of vertical developments improved to 35% from 34%, due to price increases and cost containment efforts across the group. The Company's five residential brands launched a total of 12,196 units in the first nine months of 2013, with a total sales value of P51.07 billion.

In addition, Alveo Land posted P0.59 billion in revenues from the sale of office spaces, particularly in HSS Corporate Plaza Towers 1 and 2 in Bonifacio Global City.

Revenues from the sale of Commercial and Industrial Lots increased by 416% in the first nine months to P8.22 billion, mainly attributed to the sale of commercial lots in the Arca South property (Food Terminal Inc). GP margins however fell to 38% from 50% due to lower margins on commercial lots of the newly-acquired Arca South site.

Commercial Leasing. Commercial Leasing includes the Company's Shopping Centers and Office Leasing as well as Hotels and Resorts operations. Total revenues for Commercial Leasing amounted to P13.13 billion during the first nine months of 2013, 22% higher than the P10.74 billion recorded in the same period last year.

Revenues from Shopping Centers rose by 13% to P7.61 billion during the first nine months of 2013 from P6.74 billion in the first nine months of 2012. The first three quarters of 2013 saw a steady increase in monthly average lease rates to P1,104 per square meter, from P1,086 per square meter in 2012, despite the opening of new provincial malls that normally have lower rental rates than Metro Manila shopping centers. Occupied gross leasable area (GLA) was up by 6% year-on-year, while same-store rentals increased by 5%. Shopping Centers EBITDA margins slightly declined to 62% from 64% last year, due to the continuing impact of redevelopment projects in Ayala Center Makati and Ayala Center Cebu.

Revenues from Office Leasing operations increased by 18% to P2.60 billion for the first nine months of the year, from P2.19 billion in the same period last year. The revenue growth was generated by higher lease rates and occupied BPO GLA, which increased by 16% year-on-year. Total occupied BPO GLA expanded to 401,982 square meters as of the end of September 2013. Average BPO lease rates increased by 7% year-on-year due to rental escalations in existing buildings. EBITDA margins of the total office portfolio improved to 84% from 82%.

Hotels and Resorts currently operates 1,294 internationally branded hotel rooms in Hotel InterContinental Manila, Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 192 island resort rooms in Lagen, Miniloc, Apulit and Pangulasian Islands in the province of Palawan and 515 Seda Hotel rooms between Bonifacio Global City, Centrio Cagayan de Oro and Abreeza Davao. Revenues of the Hotels and Resorts business grew by 62% to P2.93 billion in the first nine months of 2013 from P1.81 billion in the same period last year, primarily driven by contributions from new hotels and resorts. Revenue per Available Room (REVPAR) for hotels was at P3,268 while REVPAR for resorts was at P5,439. EBITDA margins for the stable Hotels and Resorts was maintained at 29%.

Services. Services, which includes the Company's wholly-owned Construction and Property Management companies, generated combined revenues of P17.21 billion during the first nine months of the year, 18% higher than the P14.55 billion posted in the same period last year. Construction revenues grew by 16% to P15.85 billion with the steady completion of ALI Group projects. Property Management revenues expanded by 59% to P1.36 billion in the first nine months of 2013, due to new contracts from Ayala Land developments. Blended EBITDA margins for Services improved to 9% from 7% in the first nine months of 2012.

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

Equity in Net Earnings from Investees rose by 26% to P412 million for the first nine months of 2013, from P327 million in the same period last year. The increase is mainly attributed to the sale of five Fort Bonifacio Development Corporation (FBDC) Commercial Lots. Meanwhile, Interest, Investment and Other income went up by 2% to P1.52 billion, as higher average cash balance offset lower interest rates.

Expenses

Total expenses for January to September 2013 amounted to P43.76 billion, 42% more than the P30.90 billion incurred as of end-September 2012. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 41% year-on-year amounting to P36.57 billion. GAE grew by only 34% to P4.09 billion primarily due to payroll and compensation-related expenses, which allowed GAE-to-revenue ratio to decline to 7.0% from 7.3% last year. Interest Expense, Financing and Other Charges meanwhile increased by 60% year-on-year to P3.10 billion, mainly attributed to new bond issuances to finance the Company's expansion plans. The average cost of the Company's consolidated debt, however, decreased to 4.7% in the first nine months of this year from 5.6% in the same period last year.

Project and Capital Expenditure

The Company spent a total of P36.65 billion for project and capital expenditures in the first nine months of 2013, 5% more than the P34.90 billion spent during the same period in 2012. The bulk of capital expenditures in the first nine months of 2013 were spent on residential developments (34% of total), land acquisition (31%), offices (11%), shopping centers (13%), hotels and resorts (3%), with the balance spent on support business and land development activities in the Company's strategic landbank areas. The P36.65 billion spent in the first nine months represents 56% of the programmed spending for the year. The Company expects to disburse close to its target capex spend by year-end to finance the continued rollout of its aggressive growth plans.

Financial Condition

The Company's balance sheet continues to be solid, with adequate capacity to support its growth plans for 2013 and beyond. Cash and Cash Equivalents stood at P39.27 billion, resulting in a Current Ratio of 1.45: 1. Total Borrowings stood at P82.63 billion from P74.78 billion as of December last year, translating to a Debt-to-Equity Ratio of 0.86: 1 and a Net Debt-to-Equity Ratio of 0.45:1.

Financial Risk Management Objectives and Policies

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.

There were no changes in the Group's financial risk management objectives and policies in 2013.

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.

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. 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.

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.

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.

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.

Market risk

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.

Financial Instruments

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 fund. Fair value is based on quoted prices and net asset values 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.

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 fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy

The Company 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 account consists of:

	As of September 30, 2013	As of December 31, 2012
	(in thousands pesos)	
Investment in UITF	P10,132.7	-
Investment in Fund	686.4	P713.7
Total	P10,819.1	P713.7

The investment in UITF was classified under Level 1 due to availability of quoted market value as of the end of the reporting period while the investment in fund was classified under Level 3 as it used techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Causes for any material changes (+/- 5% or more) in the financial statements

Income Statement items – 9M 2013 versus 9M 2012

39% increase in real estate and hotel revenues

Mainly due to higher sales bookings, incremental completion of residential projects, opening of new hotels and sale of Arca South (FTI) commercial lots.

26% increase in equity in net earnings of investees

Largely due to the sale of five FBDC commercial lots.

41% increase in real estate and hotel costs

Largely due to developments costs related to Arca South parcels.

34% increase in general and administrative expenses

Primarily due to consolidation of AMHRI and AMHPI as well as payroll related expenses.

60% increase in interest expense, financing and other charges

Largely due to new bond issuances to finance capital expenditure.

25% increase in provision for income tax

Mainly due to higher taxable income.

18% increase in net income attributable to non-controlling interests

Primarily due to higher contributions from BG West Properties Inc., BG South Properties Inc. and BG North Properties Inc.

Balance Sheet items – September 30, 2013 versus End-2012

13% decrease in cash and cash equivalents

Mainly due to reclassification of investments in UITF as financial asset at FVPL.

100% decrease in short-term investments

Largely due to maturity of money market placements.

1,416% increase in financials assets at fair value through profit or loss

Largely due to investments in UITF.

12% increase in real estate inventories

Largely due to new product launches.

14% increase in other current assets

Mainly due to deposits in escrow related to BG South Properties, Inc.

10% increase in non-current accounts and notes receivable

Primarily due to additional bookings from new and existing residential projects.

20% increase in land and improvements

Primarily due to the acquisition of new parcels of land.

14% increase in investment properties (net)

Mainly due to Ayala Center redevelopment and Subic Bay Town Center building.

76% increase in deferred tax assets

Primarily due to revised PAS 19 impact on retirement benefit.

47% increase in other non-current assets

Largely due to higher Alveo capitalized expenditures for future projects.

15% increase in account and other payables

Mainly due to higher payable to suppliers and taxes payable.

69% decrease in short-term debt

Mainly due to repayment of matured short term loans of Avida and Alveo.

40% decrease in income tax payable

Mainly due to lower income tax payable of AHRC and higher creditable withholding tax for Alveo.

30% decrease in current portion of long-term debt

Primarily related to mainly due to the repayment of ALI-parent loans.

12% increase in other current liabilities

Largely due to higher deposits in residential projects.

28% increase in long-term debt (net of current portion)

Primarily related to new bond issuances.

179% increase in deferred tax liabilities

Mainly due to ALI-parent amortization of capital expenditure on existing loans.

17% increase in deposits and other non-current liabilities

Largely due to higher deposits from residential customers and MDC's increased retention payable.

30% increase in paid up capital

Primarily due to issuance of top up equity placement.

8% decrease in stock options outstanding

Primarily related to stock option adjustments for previous year.

67% decrease in unrealized gain/loss on available for sale financial assets

Primarily related to decrease in market value of Ayala Corporation preferred shares.

9% increase in retained earnings

Primarily related to increase in net income.

100% decrease in treasury stock

Largely due to the retirement of outstanding non-voting preferred shares amounting to P1.3 billion.

PART II - OTHER INFORMATION

Item 3. 3Q 2013 Developments

A. New project or investments in another line of business or corporation

- Ayala Land, Inc. entered into an agreement to acquire Whiteknight Holdings, Inc., a company which is currently wholly-owned by the Mercado Family and a 33% equity stockholder of Mercado General Hospital, Inc.
- Ayala Land, Inc., through subsidiary Varejo Corporation, entered into a joint venture agreement with Entenso Equities Incorporated, a wholly owned subsidiary Puregold Price Club, Inc.

B. Composition of Board of Directors (as of September 30, 2013)

Fernando Zobel de Ayala	Chairman
Jaime Augusto Zobel de Ayala II	Vice Chairman
Antonino T. Aquino	President & CEO
Francis G. Estrada	Director
Delfin L. Lazaro	Director
Jaime C. Laya	Director
Aurelio R. Montinola III	Director
Mercedita S. Nolleto	Director
Oscar S. Reyes	Director

C. Performance of the corporation or result/progress of operations

Please see unaudited consolidated financial statements and management's discussion on results of operations.

D. Declaration of dividends

P0.14348287 cash dividend
Declaration date: August 22, 2013
Record date: September 6, 2013
Payment date: September 20, 2013

E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements

None.

F. Offering of rights, granting of Stock Options and corresponding plans therefore

ALI has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Option Plan (ESOWN) covering 2.5% of the company's authorized capital stock.

In 2005, the company introduced a revised ESOWN granted to qualified officers.

As of September 30, 2013, stock options outstanding* are as follows:

ESOP	10,377,981 shares
ESOWN	<u>101,913,103</u> shares
	112,291,084 shares

** outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued*

G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate

None.

H. Other information, material events or happenings that may have affected or may affect market price of security

None.

I. Transferring of assets, except in normal course of business

None.

Item 4. Other Notes to 3Q 2013 Operations and Financials

J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents

Please see Notes to Financial Statements (Item #10).

K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period

None.

L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities

Please see Notes to Financial Statements (Item #8).

- | | |
|--|---|
| M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period | None. |
| N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operation | <ul style="list-style-type: none"> - Ayala Land, Inc. transfer to Cebu Holdings, Inc. all of its interest, rights, obligations and undertakings in Taft Punta Engaño Property, Inc. (“TPEPI”) pursuant to the Company’s joint venture agreement with Taft Property Venture Development Corporation and TPEPI. |
| O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date | None. |
| P. Other material events or transactions during the interim period | <ul style="list-style-type: none"> - Issuance of up to P4 billion and P2 billion in corporate bonds with 7 and 20 year tenors for general corporate purposes. - Board approval for additional capitalization of Avida Land Corp., amounting to P1.1 billion to complete its funding requirement of P5.4 billion based on its capital expenditure program. - Final redemption of bond issue with an aggregate amount of P4 billion, issued in 2008 and carry a fixed interest rate of 8.75% per annum. - Ayala Land, Inc. entered into an agreement to acquire Whiteknight Holdings, Inc., a company which is currently wholly-owned by the Mercado Family and a 33% equity stockholder of Mercado General Hospital, Inc. - Ayala Land, Inc., through subsidiary Varejo Corporation, entered into a joint venture agreement with Entenso Equities Incorporated, a wholly owned subsidiary Puregold Price Club, Inc. |
| Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation | None. |

- R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period**
- None.
- S. Material commitments for capital expenditures, general purpose and expected sources of funds**
- For year 2013, Ayala Land's consolidated budget for project and capital expenditures amount to P65.7 billion. This will be financed through a combination of internally-generated funds, borrowings and pre-selling.
- For the first nine months of 2013, consolidated project and capital expenditures amounted to P36.6 billion, about 56% of the projected P65.7 billion budget for the whole year. About 34% was spent for residential projects, 31% for land acquisition, 11% for offices, 13% for shopping centers, 3% for hotels and resorts, and the balance spent on support businesses and other land development activities in the Company's strategic landbank areas. For the reporting period, capital spending was approved for the development of Garden Towers Tower 2, Asten Towers Tower 1, Amaia Steps Nuvali, Circuit Makati mall and BPO office.
- T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations**
- Ayala Land's performance will remain parallel to the country's overall economic standing. Interest rate fluctuations may likewise affect the real estate industry, including the Company.
- U. Significant elements of income or loss that did not arise from continuing operations**
- None.
- V. Causes for any material change/s from period to period in one or more line items of the financial statements**
- Please see Notes to Financial Statements (Item #10).

W. Seasonal aspects that had material effect on the financial condition or results of operations

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.

The Company's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

X. Disclosures not made under SEC Form 17-C

None.

Item 5. Performance Indicators

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

	<i>End September 2013</i>	<i>End December 2012 (As restated per PFRS10 and PAS19)</i>
Current ratio ¹	<i>1.45:1</i>	<i>1.32:1</i>
Debt-to-equity ratio ²	<i>0.86:1</i>	<i>0.91:1</i>
Net debt(cash)-to-equity ratio ³	<i>0.45:1</i>	<i>0.49:1</i>
Profitability Ratios:		
Return on assets ⁴	<i>4.1%</i>	<i>4.9%</i>
Return on equity ⁵	<i>12.7%</i>	<i>12.6%</i>
Asset to Equity Ratio ⁶	<i>3.06:1</i>	<i>3.15:1</i>
Interest Rate Coverage Ratio ⁷	<i>5.9</i>	<i>5.9</i>

**Restated per PFRS 10*

¹ *Current assets / current liabilities*

² *Total debt / stockholders' equity attributable to parent (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*

³ *Net debt / stockholders' equity attributable to parent net of unrealized gain on AFS (Net debt is total debt less cash and cash equivalents, short-term investments and financial assets through FVPL)*

⁴ *Net income attributable to parent / average total assets*

⁵ *Net income attributable to parent / average total stockholders' equity*

⁶ *Total assets / total stockholders' equity attributable to parent*

⁷ *EBITDA / interest expense*

End December 2012

⁴ *Total net income / average total assets*


⁵ *Total net income / average total stockholders' equity*

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AYALA LAND, INC.**

By:



Jaime E. Ysmael
Senior Vice President and Chief Finance Officer

Date: November 13, 2013