

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)

March 31, 2014

(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 **March 31, 2014**
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 March 31, 2014

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	14,173,560,726

Amount of Debt Outstanding
P108.9 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. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	March 2014 Unaudited	December 2013 As restated
ASSETS		
Current Assets		
Cash and cash equivalents	P33,235,424	P27,966,138
Short-term investments	16,806	16,728
Financial assets at fair value through profit or loss	10,895,322	13,403,497
Accounts and notes receivable	46,456,716	42,709,104
Inventories	44,571,119	43,572,245
Other current assets	21,100,101	19,319,245
Total Current Assets	156,275,488	146,986,957
Noncurrent Assets		
Noncurrent accounts and notes receivable	18,182,577	17,648,365
Available-for-sale financial assets	306,261	336,261
Land and improvements	67,467,074	62,722,720
Investments in associates and joint ventures	9,958,362	9,318,774
Investment properties	60,076,701	59,183,364
Property and equipment	18,424,652	17,694,470
Deferred tax assets - net	5,441,765	5,161,046
Other noncurrent assets	10,768,379	6,421,728
Total Noncurrent Assets	190,625,771	178,486,728
	P346,901,259	P325,473,685
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	P94,624,419	P79,478,164
Short-term debt	16,356,834	12,407,056
Income tax payable	1,453,551	1,056,682
Current portion of long-term debt	3,489,004	3,542,152
Deposits and other current liabilities	6,205,898	5,139,153
Total Current Liabilities	122,129,706	101,623,207
Noncurrent Liabilities		
Long-term debt - net of current portion	89,089,004	85,952,677
Pension liabilities	221,807	1,147,484
Deferred tax liabilities - net	1,045,876	1,306,517
Deposits and other noncurrent liabilities	20,451,654	23,346,234
Total Noncurrent Liabilities	110,808,341	111,752,912
Total Liabilities	232,938,047	213,376,119

	March 2014 Unaudited	December 2013 As restated
Equity		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	₱44,482,999	₱44,455,043
Retained earnings	58,175,432	57,608,700
Stock options outstanding	202,215	198,274
Actuarial loss on pension liabilities	(557,546)	(524,678)
Net unrealized gain on available-for-sale financial assets	17,225	32,105
Equity reserves	(3,529,839)	(3,299,669)
Treasury shares	—	-
	98,790,486	98,469,775
Non-controlling interests	15,172,726	13,627,791
Total Equity	113,963,212	112,097,566
	₱346,901,259	₱325,473,685

AYALA LAND, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Earnings Per Share Figures)

	March 2014 Unaudited	March 2013 Unaudited
REVENUE		
Real estate	₱20,976,858	₱17,927,490
Interest income	1,132,265	417,915
Equity in net earnings of associates and joint ventures	478,839	69,064
Other income	160,620	100,816
	22,748,582	18,515,285
COSTS AND EXPENSES		
Real estate	14,285,067	11,714,598
General and administrative expenses	1,542,560	1,309,023
Interest and other financing charges	1,142,433	982,284
Other charges	265,624	50,562
	17,235,684	14,056,467
INCOME BEFORE INCOME TAX	5,512,898	4,458,818
PROVISION FOR INCOME TAX		
Current	1,419,845	1,217,320
Deferred	(101,330)	54,944
	1,318,515	1,272,264
NET INCOME	₱4,194,383	₱3,186,554
Net income attributable to:		
Equity holders of Ayala Land, Inc.	₱3,463,717	₱2,762,196
Non-controlling interests	730,666	424,358
	₱4,194,383	₱3,186,554
Earnings Per Share		
Net income attributable to equity holders of Ayala Land, Inc.		
Basic	₱0.25	₱0.20
Diluted	0.25	0.20

AYALA LAND, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

	March 2014 Unaudited	March 2013 Unaudited
Net income	P4,194,383	P3,186,554
Other comprehensive income (loss)		
Net unrealized gain (loss) on available-for-sale financial assets	(48,148)	169,034
Actuarial losses on pension liabilities	-	-
Total comprehensive income for the period	P4,146,235	P3,355,588
Total comprehensive income attributable to:		
Equity holders of Ayala Land, Inc.	P3,415,569	P2,931,230
Non-controlling interests	730,666	424,358
	P4,146,235	P3,355,588

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	March 2014 Unaudited	March 2013 Unaudited
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.		
CAPITAL STOCK		
Issued		
Balance at beginning of year	14,063,902	13,729,403
Issuance of shares	1,119	324,172
Stock options exercised	-	-
Balance at end of year	14,065,020	14,053,575
Subscribed		
Balance at beginning of year	109,385	102,159
Issuance of shares	(1,119)	(4,102)
Stock options exercised	274	111
Balance at end of year	108,541	98,168
Preferred Shares - P0.10 par value		
Issuance of shares	1,306,649	2,610,110
Balance at end of the year	1,306,649	2,610,110
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	29,712,335	18,216,406
Stock options exercised	31,975	28,901
Issuance of common stock	-	7,974,145
IFRS 2- Adjustment on Share-based payment	-	-
Balance at end of year	29,744,311	26,219,451
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(737,229)	(539,477)
Subscriptions	(10,224)	(11,849)
IFRS 2-Adjustment on Share-based payments	-	-
Collections	5,930	33,906
Balance at end of year	(741,522)	(517,420)
TOTAL PAID-UP CAPITAL	44,482,999	42,463,884
STOCK OPTIONS		
Balance at beginning of year	198,274	213,758
Stock options exercised	3,941	6,542
Balance at end of year	202,215	220,300
ACTUARIAL LOSS ON PENSION LIABILITIES	(552,546)	-
TREASURY STOCK	0	(823,967)
RETAINED EARNINGS		
Appropriated for future expansion	6,000,000	6,000,000
Unappropriated:		
Balance at beginning of year	51,647,156	44,061,755
Prior years adjustment (PAS 19 restatement entries)	-	(144,896)
Cash dividends	(2,935,441)	(2,033,651)
Net income	3,463,717	2,762,195
Balance at end of year	52,175,432	44,645,403
Other reserves	(3,529,839)	8,960
	54,645,593	50,654,363
UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		
FINANCIAL ASSETS	17,225	(102,042)
	99,348,032	92,412,538
NON-CONTROLLING INTERESTS		
Balance at beginning of year	13,627,789	9,230,018
Net income(loss)	730,666	424,358
Increase/(Decrease) in minority interest	814,271	4,181,590
Dividends paid to non-controlling interests	-	(30006)
	15,172,726	13,805,960
	114,520,758	106,218,498

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	March 2014 Unaudited	March 2013 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	5,512,899	4,458,817
Adjustments for:		
Depreciation and amortization	998,806	809,476
Interest and other charges - net of amount capitalized	1,276,328	1,030,366
Gain on sale of investments	-	-
Equity in net earnings of investees	(478,839)	(69,064)
Interest and other income	(1,162,008)	(417,928)
Unrealized gain on financial assets	(14,880)	(141,605)
Provision for doubtful accounts	22,763	2,481
Operating income before changes in working capital	6,155,069	5,672,543
Decrease (increase) in :		
Accounts and notes receivable - trade	(4,947,304)	(16,451,071)
Real estate inventories	(998,874)	(1,509,804)
Other current assets	(1,575,990)	(4,602,103)
Increase (decrease) in :		
Accounts and other payables	15,509,918	15,397,099
Pension liabilities	(925,677)	277,588
Other current liabilities	1,066,744	(252,569)
Cash generated from operations	14,283,886	(1,468,317)
Interest received	1,100,542	208,470
Income tax paid	(1,258,233)	(1,257,623)
Interest paid - net of amount capitalized	(1,303,405)	(985,226)
Net cash provided by (used in) operating activities	12,822,790	(3,502,696)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of investments	-	-
Disposals of (additions to):		
Land and improvements	(4,744,354)	925,191
Investments	(1,873,033)	(2,269,666)
Property and equipment	(1,105,081)	(790,544)
Short term investments	2,508,097	50,700
Decrease (increase) in:		
Non-current accounts and notes receivable - non trade	499,315	1,543,119
Other assets	(4,626,910)	(667,281)
Net cash provided by (used in) investing activities	(9,341,966)	(1,208,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term / long-term loans	12,089,453	4,247,690
Payments of short-term / long-term loans	(5,056,497)	(5,216,099)
Increase (decrease) in :		
Deposits and other noncurrent liabilities	(3,155,221)	5,238,997
Minority interest in consolidated subsidiaries	814,271	(564,758)
Proceeds from capital stock subscriptions	31,897	9,655,286
Purchase of treasury shares	-	-
Dividends paid to minority	-	(30,006)
Dividends paid to equity holders of Ayala Land, Inc.	(2,935,441)	(2,033,651)
Net cash provided by (used in) financing activities	1,788,462	11,297,459
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,269,286	6,586,282
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,966,138	33,612,746
CASH AND CASH EQUIVALENTS AT END OF PERIOD	33,235,424	40,199,028

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, 2013 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, 2013.

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 thousands except when otherwise indicated.

On May 6, 2014, 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, 2013, except for the adoption of new Standards and Interpretations enumerated below.

Effective 2014

PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

Philippine Interpretation 21, Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that the interpretation will have material financial impact in future financial statements.

PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group does not have outstanding derivatives as of December 31, 2013. However, these amendments would be considered for future novations of derivatives, as applicable.

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

PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, Share-based Payment – Definition of Vesting Condition

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 13, Fair Value Measurement – Short-term Receivables and Payables

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

PAS 24, Related Party Disclosures – Key Management Personnel

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.