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(Company's Full Name)

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(Business Address: No. Street City / Town / Province)

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Contact Person

<b>848-5643</b>
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Company Telephone Number

0	6	/	3	0
Month			Day	
Fiscal Year				

1	7	-	Q	
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Secondary License Type, if Applicable

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Month			Day	
Annual Meeting				

C	F	D
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Amended Articles Number/Section

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Total No. Of Stockholders

Total Amount of Borrowings

Domestic							

Foreign							

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To be accomplished by SEC Personnel concerned

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File Number

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SEC No. 34218

File No. \_\_\_\_\_

**AYALA CORPORATION**

(Company's Full Name)

**Tower One, Ayala Triangle  
Ayala Avenue, Makati City**

(Company's Address)

**848-56-43**

(Telephone Number)

**June 30, 2009**

(Quarter Ending)  
(Month & Day)

**SEC Form 17- Q Quarterly Report**

(Form Type)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended: **June 30, 2009**
2. SEC Identification No.: **34218**
3. BIR Tax Identification No. **000-153-610-000**
4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of principal office: **34<sup>th</sup> Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City**  
Postal Code: **1226**
8. Registrant's telephone number: **(632) 848-5643**
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:

<b>Title of each class</b>	<b>Number of shares outstanding</b>
Preferred A	12,000,000
Preferred B	58,000,000
Common*	498,797,788

\*Net of 1,378,044 treasury shares

Amount of debt outstanding as of June 30, 2009: **P62.7 billion**

11. Are any of these securities listed on the Philippine Stock Exchange? Yes [] No [ ]

A total of 495,150,872 Common shares, 12,000,000 Preferred "A" shares and 58,000,000 Preferred "B" shares are listed with the Philippine Stock Exchange as of December 31, 2008, excluding: i) the 3,048,335 Common shares allotted for the stock option/ownership plans of the Company, the listing of which was approved in principle by the PSE; ii) the re-issuance of Treasury Shares of 150,296 Common shares; iii) the 333 Common shares representing the underlying shares for the conversion of Preferred Shares; iv) the issuance of 958 Common shares to the minority holders of PF Prime Properties, Inc. pursuant to its merger into the Company and which was approved and licensed by the SEC; and v) the 1,367,000 Common shares bought under the Share Buyback Program of the Company which were previously listed with the PSE.

12. Check 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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### SIGNATURES

**PART I – FINANCIAL INFORMATION**  
**Item I - Financial Statements**



**XAYALA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of June 30, 2009 and December 31, 2008**  
**(Amounts in Thousands)**

	June 2009 (Unaudited)	December 2008 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	52,118,759	42,885,792
Short-term investments (Note 5)	173,959	1,008,924
Accounts and notes receivable - net (Note 6)	25,084,162	23,284,010
Inventories (Note 7)	8,417,409	10,011,355
Other current assets	6,693,399	7,090,394
<b>Total Current Assets</b>	<b>92,487,688</b>	<b>84,280,475</b>
<b>Noncurrent Assets</b>		
Noncurrent accounts and notes receivable	6,413,210	6,694,021
Land and improvements - net	16,390,160	15,756,894
Investments in associates and jointly controlled entities-net (Note 8)	70,540,134	68,140,394
Investment in bonds and other securities (Note 9)	4,012,217	3,064,502
Investment properties - net	28,649,827	21,058,577
Property, plant and equipment - net	8,369,056	13,886,560
Deferred tax assets - net	1,114,338	1,132,847
Pension assets	118,084	117,388
Intangible assets - net	3,974,224	4,014,136
Other noncurrent assets	1,825,933	1,906,172
<b>Total Noncurrent Assets</b>	<b>141,407,183</b>	<b>135,771,491</b>
<b>Total Assets</b>	<b>233,894,871</b>	<b>220,051,966</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 10)	26,954,217	27,483,536
Short-term debt (Note 11)	3,080,520	2,755,447
Income tax payable	308,986	214,697
Current portion of long-term debt	5,016,975	1,478,871
Other current liabilities (Note 12)	2,121,659	1,553,530
<b>Total Current Liabilities</b>	<b>37,482,357</b>	<b>33,486,081</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 11)	54,573,023	50,250,151
Deferred tax liabilities	144,710	185,536
Pension liabilities	533,822	490,744
Other noncurrent liabilities (Note 12)	8,793,684	7,588,080
<b>Total Noncurrent Liabilities</b>	<b>64,045,239</b>	<b>58,514,511</b>
<b>Total Liabilities</b>	<b>101,527,596</b>	<b>92,000,592</b>
<b>Equity</b>		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 13)	37,347,297	37,251,714
Share-based payments	763,774	705,457
Cumulative translation adjustment	(1,014,439)	(968,778)
Retained earnings	63,732,807	61,604,466
Net unrealized gain/(loss) on available -for-sale financial assets	305,139	(631,127)
Parent Company preferred shares held by a subsidiary	(100,000)	(100,000)
Treasury stock	(550,540)	(550,540)
	<b>100,484,038</b>	<b>97,311,192</b>
Minority Interest	31,883,237	30,740,182
<b>Total Equity</b>	<b>132,367,275</b>	<b>128,051,374</b>
<b>Total Liabilities and Equity</b>	<b>233,894,871</b>	<b>220,051,966</b>

See accompanying Notes to Condensed Consolidated Financial Statements.



**AYALA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three Months and Six Months Ended June 30, 2009 and June 30, 2008**  
**(In Thousand Pesos)**

	2009		2008	
	April to June	Jan. to June	April to June	Jan. to June
<b>INCOME</b>				
Sales and Services	14,284,006	28,844,798	14,898,106	29,940,610
Equity in net earnings of associates and jointly controlled entities	1,975,309	4,333,702	2,316,456	4,385,954
Interest income	576,399	1,307,055	373,260	824,058
Other income	561,488	940,878	2,901,265	4,094,715
	<b>17,397,202</b>	<b>35,426,433</b>	<b>20,489,087</b>	<b>39,245,337</b>
<b>COSTS AND EXPENSES</b>				
Cost of sales and services	11,121,749	22,811,603	11,503,082	23,077,181
General and administrative	2,241,485	4,463,226	2,293,808	4,237,472
Interest and other charges	1,317,114	2,288,157	2,260,855	3,225,059
	<b>14,680,348</b>	<b>29,562,986</b>	<b>16,057,745</b>	<b>30,539,712</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,716,854</b>	<b>5,863,447</b>	<b>4,431,342</b>	<b>8,705,625</b>
Provision for income tax	393,385	852,311	556,531	1,155,974
<b>NET INCOME</b>	<b>2,323,469</b>	<b>5,011,136</b>	<b>3,874,811</b>	<b>7,549,651</b>
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent	1,913,598	4,070,152	3,633,636	6,254,536
Minority interest	409,871	940,984	241,175	1,295,115
	<b>2,323,469</b>	<b>5,011,136</b>	<b>3,874,811</b>	<b>7,549,651</b>
<b>EARNINGS PER SHARE</b> (Note 14)				
Basic		6.29		12.04
Diluted		6.27		11.99

See accompanying Notes to Condensed Consolidated Financial Statements.

**XX AYALA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Periods Ended June 30, 2009 and 2008**  
**(Amounts in thousands)**

	2009		2008	
	April to June	Jan. to June	April to June	Jan. to June
<b>NET INCOME FOR THE PERIOD</b>	2,323,469	5,011,136	3,874,811	7,549,651
<b>Other comprehensive income:</b>				
Exchange differences arising from translations of foreign investments	(7,709)	270,377	1,073,872	1,454,745
Changes in fair value of available-for-sale investment in equity securities	90,217	750,875	(43,299)	(563,146)
<b>Share of other comprehensive income of associates:</b>				
Exchange differences arising from translations of foreign investments	(212,397)	(204,278)	(58,252)	(92,422)
Changes in fair value of available-for-sale investment in equity securities	138,467	64,712	(1,203,114)	(1,969,848)
<b>Other comprehensive income for the period</b>	<b>8,578</b>	<b>881,686</b>	<b>(230,793)</b>	<b>(1,170,671)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,332,047</b>	<b>5,892,822</b>	<b>3,644,018</b>	<b>6,378,980</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	1,971,176	4,960,757	3,124,493	4,851,923
Minority interest	360,871	932,065	519,525	1,527,057
	<b>2,332,047</b>	<b>5,892,822</b>	<b>3,644,018</b>	<b>6,378,980</b>

**X AYALA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**As of June 30, 2009 and 2008**  
**(Amounts in thousands)**

	Paid-up Capital	Share- based Payments	Cumulative Translation Adjustments	Retained Earnings	net Unrealized gain on Available for Sale- Financial Assets	Parent Company Preferred Shares Held by a Subsidiary	Treasury Stock	Minority Interest	Total Equity
At January 1, 2009 as previously reported	37,251,714	705,457	(968,778)	61,604,466	(631,127)	(100,000)	(550,540)	30,740,182	128,051,374
Additions to subscriptions receivable	(169,075)	-	-	-	-	-	-	-	(169,075)
Issuance/subscriptions of shares	264,658	-	-	-	-	-	-	-	264,658
Cost of share-based payments of investees	-	58,317	-	-	-	-	-	-	58,317
Increase during the period	-	-	-	-	-	-	-	210,990	210,990
Dividends on common shares	-	-	-	(997,596)	-	-	-	-	(997,596)
Dividends on preferred shares	-	-	-	(944,215)	-	-	-	-	(944,215)
Total comprehensive income for the year	-	-	(45,661)	4,070,152	936,266	-	-	932,065	5,892,822
<b>Balances of June 30, 2009</b>	<b>37,347,297</b>	<b>763,774</b>	<b>(1,014,439)</b>	<b>63,732,807</b>	<b>305,139</b>	<b>(100,000)</b>	<b>(550,540)</b>	<b>31,883,237</b>	<b>132,367,275</b>
At January 1, 2008 as previously reported	26,855,394	603,949	(2,297,077)	60,461,247	1,712,016	-	(159,693)	27,609,387	114,785,223
Effect of adoption of Philippine Interpretation IFRIC 12	-	-	-	(288,626)	-	-	-	-	(288,626)
At January 1, 2008, as restated	26,855,394	603,949	(2,297,077)	60,172,621	1,712,016	-	(159,693)	27,609,387	114,496,597
Additions to subscriptions receivable	(225,058)	-	-	-	-	-	-	-	(225,058)
Issuance/subscriptions of shares	330,539	-	-	(22)	-	-	-	-	330,517
Cost of share-based payments of parent company	-	354	-	-	-	-	-	-	354
Cost of share-based payments of investees	-	26,190	-	-	-	-	-	-	26,190
Acquisition of treasury shares	-	-	-	-	-	-	(373,336)	-	(373,336)
Decrease during the period	-	-	-	-	-	-	-	(512,706)	(512,706)
Dividends on common shares	-	-	-	(993,359)	-	-	-	-	(993,359)
Dividends on preferred shares	-	-	-	(274,277)	-	-	-	-	(274,277)
Stock dividends	4,138,694	-	-	(4,138,694)	-	-	-	-	-
Total comprehensive income for the year	-	-	1,055,570	6,254,536	(2,458,183)	-	-	1,527,057	6,378,980
<b>Balances of June 30, 2008</b>	<b>31,099,569</b>	<b>630,493</b>	<b>(1,241,507)</b>	<b>61,020,805</b>	<b>(746,167)</b>	<b>-</b>	<b>(533,029)</b>	<b>28,623,738</b>	<b>118,853,902</b>

**AYALA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended June 30, 2009 and 2008**  
(In Thousand Pesos)

	June 30, 2009	June 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	5,863,447	8,705,625
Adjustments for:		
Interest and other financing charges	2,288,157	3,225,059
Depreciation and amortization	1,514,345	1,151,062
Cost of share-based payments	58,317	107,017
Equity in net earnings of associates and joint ventures	(4,333,702)	(4,385,954)
Other investment income	(225,728)	(63,991)
Gain on sale of assets	(174,638)	(3,485,775)
Interest income	(1,307,055)	(824,058)
Operating income before changes in working capital	3,683,143	4,428,985
Decrease (increase) in:		
Accounts and notes receivable	(1,324,727)	(1,244,623)
Inventories	1,593,946	(1,394,483)
Other current assets	396,995	(938,936)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,198,215)	3,910,020
Net pension liabilities	42,382	(11,371)
Other current liabilities	568,129	560,872
Cash generated from operations	3,761,653	5,310,464
Interest received	1,112,441	883,228
Interest paid	(2,026,428)	(3,310,170)
Income tax paid	(780,339)	(1,324,592)
Total cash provided by (used in) operating activities	2,067,327	1,558,930
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from:		
Sale of investments	2,024,325	939,217
Disposal of property, plant and equipment	5,348,507	43,645
Maturities of (additions to) short-term investments	834,965	1,300,560
Additions to:		
Investments	(11,251,772)	(1,744,956)
Property, plant and equipment	(813,799)	(1,789,505)
Dividends received from associates and jointly controlled entities	2,748,599	3,580,123
Decrease (increase) in other noncurrent assets	120,151	(838,567)
Net cash provided by investing activities associated with noncurrent assets held for sale, including cash balance	0	0
Net cash provided by (used in) investing activities	(989,024)	1,490,517
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Short-term and long-term debt	8,740,968	4,765,446
Issuance of common shares	90,700	266,658
Collections of (additions to) subscription receivable	4,883	(225,058)
Payment of short-term and long-term debt	(554,919)	(9,342,569)
Dividends paid	(1,754,016)	(1,425,190)
Redemption of preferred shares	0	0
Acquisition of treasury shares	(0)	(373,336)
Increase (decrease) in:		
Other noncurrent liabilities	1,205,604	841,499
Minority interest in consolidated subsidiaries	421,444	(208,186)
Net cash provided by (used in) financing activities	8,154,663	(5,700,736)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,232,967	(2,651,290)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,885,792	36,835,549
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>52,118,759</b>	<b>34,184,259</b>

## AYALA CORPORATION AND SUBSIDIARIES NOTES TO UNAUDITED 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, 2008 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, 2008.

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 Corporation (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), and all values are rounded to the nearest thousands except when otherwise indicated.

On 12 August 2009, the Audit Committee approved and authorized the release of the accompanying unaudited condensed financial statements of Ayala Corporation and Subsidiaries.

### 2. 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, 2008, except for new Standards and Interpretations effective January 1, 2009.

#### *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amended PFRS 1 allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.

#### *Amendments to PFRS 2, Share-based Payment - Vesting Condition and Cancellations*

This Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.

#### *PFRS 8, Operating Segments*

PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences.

This standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group will apply PFRS 8 in 2009 and will assess the impact of this Standard on its current manner of reporting segment information.

#### *Amendments to PAS 1, Presentation of Financial Statements*

This Amendment introduces a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. This Amendment also requires additional requirements in the presentation of the balance sheet and owner's equity as well as additional disclosures to be included in the financial statements. Adoption of this Amendment will not have significant impact on the Group except for the presentation of a statement of comprehensive income and additional disclosures to be included in the consolidated financial statements.

#### *Amendments to PAS 23, Borrowing Costs*

The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

#### *Amendments to PAS 27, Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Amendments to PAS 27 will be effective on January 1, 2009 which has changes in respect of the holding companies' separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is any indicator of impairment.

#### *Amendment to PAS 32, Financial Instruments: Presentation and PAS 1, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) Instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets, (b) Instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation, (c) Instruments in the subordinate class have identical features; (d) The instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) Total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.

#### Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.

#### Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

#### *Improvements to PFRS*

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wording. These are the separate transitional provisions for each standard:

- **PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations***  
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a noncontrolling interest in the subsidiary after the sale.
- **PAS 1, *Presentation of Financial Statements***  
Assets and liabilities classified as held for trading are not automatically classified as current in the consolidated balance sheet.
- **PAS 16, *Property, Plant and Equipment***  
This amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and PAS 36, *Impairment of Assets*.

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

- **PAS 19, *Employee Benefits***  
Revises the definition of 'past service costs' to include reduction in benefits related to past services ('negative past service costs') and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

It revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.

Revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled and it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 23, *Borrowing Costs*  
Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method.
- PAS 28, *Investments in Associates*  
If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*  
Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.
- PAS 31, *Interests in Joint Ventures*  
If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 36, *Impairment of Assets*  
When discounted cash flows are used to estimate 'fair value less costs to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- PAS 38, *Intangible Assets*  
Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

It deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit-of-production method.

- PAS 39, *Financial Instruments: Recognition and Measurement*  
Changes in circumstances relating to derivatives, specifically derivatives designated or de-designated as hedging instruments after initial recognition are not reclassifications.

When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.

It removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.

It requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Properties*  
It revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property.

Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

- PAS 41, *Agriculture*  
It removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used.

It removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account.

### 3. Principles of Consolidation

The unaudited condensed consolidated financial statements included the financial statements of the Company and the following wholly and majority owned domestic and foreign subsidiaries:

	<b>Effective Percentages of Ownership</b>	
	30-Jun-09	31-Dec-08
<b>Real Estate and Hotels:</b>		
Ayala Land, Inc. (ALI) and subsidiaries	53.4	53.5
Ayala Hotels, Inc. (AHI) and subsidiaries	76.7	76.8
<b>Electronics, Information Technology and Business Process Outsourcing Services:</b>		
Azalea Technology Investments, Inc. and subsidiaries (Azalea Technology)	100.0	100.0
Azalea International Venture Partners, Limited (AIVPL) (British Virgin Islands Company)	100.0	100.0
LiveIT Investments, Ltd. (LIL) and subsidiaries	100.0	100.0
Technopark Land, Inc.	78.8	78.8
Integrated Microelectronics, Inc. (IMI) and subsidiaries**	67.8	67.8
<b>Automotive:</b>		
Ayala Automotive Holdings Corporation (AAHC) and subsidiaries	100.0	100.0
<b>International and Others:</b>		
Bestfull Holdings Limited (incorporated in HongKong) and subsidiaries (BHL Group)	100.0	100.0
AC International Finance Limited (ACIFL) and subsidiary (Cayman island Company)	100.0	100.0
AYC Finance Ltd. (AYC) (British Virgin Islands Company)	100.0	100.0
Michigan Holdings, Inc. and subsidiary	100.0	100.0
Ayala Aviation Corporation	100.0	100.0
Darong Agricultural and Development Corporation	100.0	100.0

\*The Company owns 75.36% of the total common and preferred shares of ALI.

\*\* a subsidiary of ACIFL through AYC Holdings, Ltd.

**4. Cash and Cash Equivalents** (in Thousand Pesos):

	June 2009	December 2008
Cash on hand and in banks	3,779,449	3,772,560
Cash equivalents	48,339,310	39,113,232
	52,118,759	42,885,792

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

**5. Short-term Investments** (in Thousand Pesos):

	June 2009	December 2008
Money market placements	173,959	1,008,924

Money market placements are short-term investments made for varying periods of more than three months and up to six months and earn interest at the respective short-term investment rates.

**6. Accounts and Notes Receivable** (in Thousand Pesos):

	June 2009	December 2008
Trade:		
Real estate	11,426,458	10,565,254
Electronics manufacturing	2,937,272	3,152,168
Automotive	976,399	665,670
Information technology & business process outsourcing	895,057	352,084
International and others	65,418	64,074
Related parties	8,498,863	8,441,996
Advances to contractors	2,307,877	2,496,665
Advances and others	4,925,392	4,701,009
	32,032,736	30,438,920
Less allowance for doubtful accounts	535,364	460,889
	31,497,372	29,978,031
Less noncurrent portion	6,413,210	6,694,021
	25,084,162	23,284,010

**7. Inventories** (in Thousand Pesos):

	June 2009	December 2008
Real estate inventories:		
Subdivision for sale	3,464,068	3,765,577
Condominium and commercial units for sale	3,069,092	3,962,295
Materials, supplies and others - at NRV (cost of P1,365,797 in 2009 and P1,650,194 in 2008)	1,043,438	1,296,231
Vehicles - at cost	344,389	265,478
Work in process - at cost	247,216	344,240
Finished Goods - at cost	151,919	268,958
Parts and accessories - at NRV (cost of P124,007 in 2009 and P135,296 in 2008)	97,287	108,576
	8,417,409	10,011,355

## 8. Investments in Associates and Jointly Controlled Entities

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of ownership as of June 30, 2009 are as follows:

	Percentage of Ownership		Carrying Amounts	
	30-Jun-09	31-Dec-08	30-Jun-09	31-Dec-08
	(In Millions)			
Domestic:				
Bank of the Philippine Islands and Subsidiaries (BPI)	33.5*	33.5**	P 29,083	P 28,533
Globe Telecom, Inc. and Subsidiaries (Globe) *	30.5	30.5	18,991	18,000
EGS Corporation*	50.0	50.0	3,112	3,346
Manila Water Company, Inc. (MWCI)*	31.6*	29.9**	4,050	3,188
Emerging City Holdings, Inc. *	50.0	50.0	2,868	2,823
Cebu Holdings, Inc. and Subsidiaries	47.2	47.2	1,842	1,940
North Triangle Depot Commercial Corporation	49.2	49.0	1,417	1,555
Berkshire Holdings, Inc. *	50.0	50.0	1,229	1,210
Philwater Holdings Company, Inc. *	60.0	60.0	1,272	1,193
Bonifacio Land Corporation	5.3	5.0	1,317	1,118
Asiacom Philippines, Inc. *	60.0	60.0	844	843
Alabang Commercial Corporation *	50.0	50.0	600	595
Foreign:				
Arch Asian Partners L.P.	19.2**	19.2**	959	959
Others	Various	Various	2,957	2,837
			70,540	68,140

\* Jointly controlled entities.

\*\* Effective ownership interest of the Company.

Below is BPI's balance sheet information (in Million Pesos):

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Total Resources	<u>719,048</u>	<u>666,612</u>
Total Liabilities	652,573	602,740
Capital Funds for Equity Holders	65,568	62,934
Minority Interest	907	938
Total Liabilities and Capital Funds	<u>719,048</u>	<u>666,612</u>

Below is BPI's income statement information (in Million Pesos Except EPS Figures):

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Interest Income	17,009	33,297
Other Income	<u>6,740</u>	<u>10,321</u>
Total Revenues	<u>23,749</u>	<u>43,618</u>
Operating expenses	9,104	18,312
Interest expense	6,252	13,834
Impairment losses	1,500	1,930
Provision for Income Tax	<u>1,508</u>	<u>2,985</u>
Total Expenses	<u>18,363</u>	<u>37,061</u>
Net Income for the period	<u>5,385</u>	<u>6,557</u>
Attributable to:		
Equity holders of BPI	5,307	6,423
Minority Interest	<u>78</u>	<u>134</u>
	<u>5,385</u>	<u>6,557</u>
EPS:	1.63	1.98

Based on 3,246 M common shares as of  
June 30, 2009 and 3,246 M common shares  
as of December 31, 2008

Below is Globe's balance sheet information (in Million Pesos):

	<b>June 30, 2009</b>	<b>December 31, 2008 (As restated)</b>
Total Current Assets	22,893	17,921
Non-current Assets	106,203	101,830
Total Assets	<u>129,095</u>	<u>119,751</u>
Current Liabilities	32,465	33,728
Non-current Liabilities	43,423	35,931
Stockholders' Equity	53,207	50,092
Total Liabilities & Stockholders' Equity	<u>129,095</u>	<u>119,751</u>

Below is Globe's income statement information (in Million Pesos Except EPS Figures):

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Net Operating Revenues	32,732	64,818
Other Income	599	1,146
Total Revenues	<u>33,331</u>	<u>65,964</u>
Costs and Expenses	22,984	48,118
Provision for Income Tax	3,106	6,570
Total Expenses	<u>26,090</u>	<u>54,688</u>
Net Income	<u>7,242</u>	<u>11,276</u>
EPS:		
Basic	54.51	84.75
Diluted	54.32	84.61

As of June 30, 2009

    Basic based on 132,340K common shares

    Diluted based on 133,293K common shares

As of December 31, 2008

    Basic based on 132,337K common shares

    Diluted based on 133,273K common shares

Below is Manila Water's balance sheet information (in Million Pesos):

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Total Current Assets	10,338	8,595
Total Non-current Assets	28,682	27,774
Total Assets	<u>39,020</u>	<u>36,368</u>
Current Liabilities	3,970	4,231
Non-current Liabilities	19,576	17,680
Equity Holders	15,473	14,450
Minority Interest	-	8
Total Liabilities & Stockholders' Equity	<u>39,020</u>	<u>36,368</u>

Below is Manila Water's income statement information (in Million Pesos Except EPS Figures):

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Operating Revenues	4,642	8,831
Other Income (Expense)	(282)	(179)
Total Revenues	<u>4,360</u>	<u>8,652</u>
Costs and expenses	2,393	4,396
Provision for income tax	502	1,469
	<u>2,895</u>	<u>5,864</u>
Net Income	<u>1,465</u>	<u>2,788</u>
Attributable to:		
Equity holders of MWCI	1,465	2,788
Minority Interest	-	-
	<u>1,465</u>	<u>2,788</u>
EPS:		
Basic	0.59	1.13
Diluted	0.59	1.13

As of June 30, 2009

    Basic based on 2,028,143K common shares

    Diluted based on 2,029,230K common shares

As of December 31, 2008

    Basic based on 2,019,834K common shares

    Diluted based on 2,022,719K common shares

**9. Investments in Bonds and Other Securities** (in Thousand Pesos):

	June 2009	December 2008
Shares of Stocks	4,012,217	3,064,502

**10. Accounts Payable and Accrued Expenses** (in Thousand Pesos):

	June 2009	December 2008
Accounts payable	14,284,811	15,671,340
Accrued expenses	6,471,582	6,998,095
Accrued project cost	2,956,202	2,022,903
Accrued personnel costs	468,673	505,772
Interest payable	700,639	398,207
Retention payable	250,979	317,945
Dividends payable	1,572,866	1,333,740
Related parties	207,494	192,372
Taxes payable	40,971	43,162
	26,954,217	27,483,536

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 15-to-60-day terms. Other payables are noninterest-bearing and are normally settled within one year.

**11. Short-term Debt and Long-term Debt** (in Thousand Pesos):

	June 2009	December 2008
Short-term debt:		
Philippine Peso with various interest rates	1,909,219	1,501,000
Foreign Currency with various interest rates	1,171,301	1,254,447
	3,080,520	2,755,447
Long-term debt:		
Company:		
Bank loans with various interest rates	6,990,000	6,990,000
Fixed Rate Corporate Notes (FXCNs)	15,662,500	10,662,500
Bonds, due 2012	6,000,000	6,000,000
Syndicated term loan	1,583,241	1,584,907
	30,235,741	25,237,407
Subsidiaries:		
Loans fr banks & other financial institutions:		
Foreign currency with various interest rates	11,233,098	10,985,557
Philippine Peso with various interest rates	10,158,559	7,819,128
Bonds:		
Due 2009	-	106,930
Due 2013	4,000,000	4,000,000
Fixed Rate Corporate Notes	3,000,000	3,580,000
Syndicated term loan	962,600	
	29,354,257	26,491,615
	59,589,998	51,729,022
Less current portion	5,016,975	1,478,871
	54,573,023	50,250,151

## 12. Other Current/Noncurrent Liabilities

Other Liabilities consists of deposits from commercial center tenants and sale of condominium/subdivision lots and long-term retention payables. A detailed breakdown is unavailable since the Company's consolidation process is based only on the various group companies' financial statements and not on their trial balances. Obtaining said details would involve an unreasonable effort and/or expense since the accounts' changes since the end of the most recent calendar year are not significant.

## 13. Equity

### Details of the Company's paid-up capital (in Thousand Pesos):

#### Details of the Company's paid-up capital follow:

	Preferred Stock-A	Preferred Stock-B	Common Stock	Subscribed	Additional Paid- in Capital	Subscriptions Receivable	Total Paid-up Capital
As of January 1, 2009	1,200,000	5,800,000	24,772,493	145,598	5,734,748	(401,125)	37,251,714
Exercise of ESOP/ESOWN	-	-	-	90,700	173,958	(169,075)	95,583
As of June 30, 2009	1,200,000	5,800,000	24,772,493	236,298	5,908,706	(570,200)	37,347,297
As of January 1, 2008	-	5,800,000	20,633,667	100,685	657,422	(336,380)	26,855,394
Exercise of ESOP/ESOWN	-	-	-	44,913	285,048	(225,058)	104,903
Stock dividends	-	-	4,138,694	-	-	-	4,138,694
Issuance of shares	-	-	133	-	445	-	578
As of June 30, 2008	-	5,800,000	24,772,494	145,598	942,915	(561,438)	31,099,569

### Dividends

	Six months ended June 30	
	2009	2008
	(In thousands, except dividends per share)	
Dividends to common shares		
Cash dividends declared during the period	997,596	993,359
Cash dividends per share	P2.00	P2.00
Stock dividends	-	4,138,716
Dividends to equity preferred declared during the period	944,214	274,276

## 14. The following table presents information necessary to calculate EPS:

	Six months ended June 30	
	2009	2008
	(In thousands except EPS figures)	
Net income applicable to common	4,070,152	6,254,536
Less Dividends on Preferred stocks	(944,214)	(274,276)
Net Income Applicable to Common	3,125,938	5,980,260
Weighted average number of common shares	496,984	496,658
Dilutive shares arising from stock options	1,452	1,977
Adjusted weighted average number of common shares for diluted EPS	498,436	498,635
Basic EPS	6.29	12.04
Diluted EPS	6.27	11.99

## 15. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

The industry segments where the Group operates are as follows:

- Real estate and hotels - planning and development of large-scale fully integrated residential and commercial communities; development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of upper middle-income and affordable housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.
- Financial services and bancassurance - universal banking operations, including savings and time deposits in local and foreign currencies; commercial, consumer, mortgage and agribusiness loans; leasing; payment services, including card products, fund transfers, international trade settlement and remittances from overseas workers; trust and investment services including portfolio management, unit funds, trust administration and estate planning; fully integrated bancassurance operations, including life, non-life, pre-need and reinsurance services; internet banking; on-line stock trading; corporate finance and consulting services; foreign exchange and securities dealing; and safety deposit facilities.
- Telecommunications - provider of digital wireless communications services, wireline voice communication services, consumer broadband services, other wireline communication services, domestic and international long distance communication or carrier services and mobile commerce services.
- Electronics, information technology and business process outsourcing services - electronics manufacturing services provider for original equipment manufacturers in the computing, communications, consumer, automotive, industrial and medical electronics markets; venture capital for technology businesses and emerging markets; provision of value-added content for wireless services, on-line business-to-business and business-to-consumer services; electronic commerce; and technology infrastructure hardware and software sales and technology services; and onshore- and offshore-business process outsourcing services.
- Water utilities - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services in the East Zone Service Area.
- Automotive - manufacture and sale of passenger cars and commercial vehicles.
- International - investments in overseas property companies and projects.
- Others - air-charter services, agri-business and others.

The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

The following tables present revenue and net income information regarding business segments for the six months ended June 30, 2009 and 2008 and total assets and total liabilities for the business segments as of June 30, 2009 and December 31, 2008 :

June 2009	Parent Company	Real Estate and Hotels	Electronics, Information Technology and Business Process Outsourcing Services	International	Automotive and Others	CONSOLIDATED
<b>Revenue</b>						
Sales and Services	-	13,561,777	9,848,275		5,434,746	28,844,798
Equity in NE *	3,854,124	218,237	(243,701)	15,652	489,390	4,333,702
Interest Income	877,577	376,136	20,287	32,633	422	1,307,055
Other Income	439,149	272,215	71,616	69,432	88,466	940,878
<b>Total revenue</b>	<b>5,170,850</b>	<b>14,428,365</b>	<b>9,696,477</b>	<b>117,717</b>	<b>6,013,024</b>	<b>35,426,433</b>
Operating expenses	750,103	10,776,301	10,212,218	134,610	5,401,597	27,274,829
<b>Operating profit</b>	<b>4,420,747</b>	<b>3,652,064</b>	<b>(515,741)</b>	<b>(16,893)</b>	<b>611,427</b>	<b>8,151,604</b>
Interest Expense & other charges	1,246,919	928,997	91,353	9,051	11,837	2,288,157
Provision for income tax	126,071	627,841	109,757	(25,382)	14,024	852,311
<b>Net Income</b>	<b>3,047,757</b>	<b>2,095,226</b>	<b>(716,851)</b>	<b>(562)</b>	<b>585,566</b>	<b>5,011,136</b>
Net Income attributable to:						
Equity holders of Ayala Corporation	3,543,909	1,056,197	(622,481)	5,083	87,444	4,070,152
Minority Interests	242	1,039,030	(94,370)	(5,645)	1,727	940,984
	<b>3,544,151</b>	<b>2,095,227</b>	<b>(716,851)</b>	<b>(562)</b>	<b>89,171</b>	<b>5,011,136</b>
<b>Other Information</b>						
<b>June 2009</b>						
Segment assets	40,777,247	95,978,739	19,048,433	3,884,543	2,551,437	162,240,399
Investment in associated and jointly controlled entities	53,576,153	9,820,260	3,689,527	3,042,620	411,574	70,540,134
Deferred tax assets	-	1,032,200	45,722	-	36,416	1,114,338
<b>Total Assets</b>	<b>94,353,400</b>	<b>106,831,199</b>	<b>22,783,682</b>	<b>6,927,163</b>	<b>2,999,427</b>	<b>233,894,871</b>
Segment liabilities	44,201,213	48,029,131	7,497,992	522,438	1,132,112	101,382,886
Deferred tax liabilities	-	134,361	13	5,076	5,260	144,710
<b>Total Liabilities</b>	<b>44,201,213</b>	<b>48,163,492</b>	<b>7,498,005</b>	<b>527,514</b>	<b>1,137,372</b>	<b>101,527,596</b>

\* Equity in net earnings of financial services, telecommunications and water utilities amounted to P1,633 million, P2,211 million and P496 million, respectively.

June 2008	Parent Company	Real Estate and Hotels	Electronics, Information Technology and Business Process Outsourcing Services	International	Automotive and Others	CONSOLIDATED
<b>Revenue</b>						
Sales and Services	-	13,744,703	10,632,239		5,563,668	29,940,610
Equity in NE *	3,335,603	556,446	41,185	(12,544)	465,264	4,385,954
Interest Income	492,691	281,586	26,033	22,480	1,268	824,058
Other Income	2,751,253	833,071	172,423	234,225	103,743	4,094,715
<b>Total revenue</b>	<b>6,579,547</b>	<b>15,415,806</b>	<b>10,871,880</b>	<b>244,161</b>	<b>6,133,943</b>	<b>39,245,337</b>
Operating expenses	697,290	10,758,626	10,248,562	112,134	5,498,041	27,314,653
<b>Operating profit</b>	<b>5,882,257</b>	<b>4,657,180</b>	<b>623,318</b>	<b>132,027</b>	<b>635,902</b>	<b>11,930,684</b>
Interest Expense & other charges	1,123,768	514,790	1,563,192	1,732	21,577	3,225,059
Provision for income tax	76,031	1,002,870	58,294	53	18,726	1,155,974
<b>Net income</b>	<b>4,682,458</b>	<b>3,139,520</b>	<b>(998,168)</b>	<b>130,242</b>	<b>18,726</b>	<b>7,549,651</b>
Net Income attributable to:						
Equity holders of Ayala Corporation	5,114,729	1,606,245	(758,649)	129,942	162,269	6,254,536
Minority Interests	(432,271)	1,533,275	(239,519)	300	433,330	1,295,115
	<b>4,682,458</b>	<b>3,139,520</b>	<b>(998,168)</b>	<b>130,242</b>	<b>595,599</b>	<b>7,549,651</b>
<b>Other Information</b>						
<b>December 2008</b>						
Segment assets	34,625,008	91,376,289	19,015,938	3,574,284	2,187,206	150,778,725
Investment in associated and jointly controlled entities	46,459,162	9,916,380	3,905,682	2,951,590	4,907,580	68,140,394
Deferred tax assets	-	1,042,066	54,546	-	36,235	1,132,847
<b>Total Assets</b>	<b>81,084,170</b>	<b>102,334,735</b>	<b>22,976,166</b>	<b>6,525,874</b>	<b>7,131,021</b>	<b>220,051,966</b>
Segment liabilities	37,606,170	45,022,006	7,747,380	536,718	902,782	91,815,056
Deferred tax liabilities	-	162,360	11,858	5,637	5,681	185,536
<b>Total Liabilities</b>	<b>37,606,170</b>	<b>45,184,366</b>	<b>7,759,238</b>	<b>542,355</b>	<b>908,463</b>	<b>92,000,592</b>

\* Equity in net earnings of financial services, telecommunications and water utilities amounted to P1,286 million, P2,072 million and P432 million, respectively.

## 16. Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents, short-term investments and current receivables - Carrying amounts approximate fair values due to the relative short-term maturities of these investments.

Financial assets at FVPL - These are investments in government securities and TRG fund  
Fair value is based on quoted prices.

Noncurrent trade and nontrade receivables - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

AFS quoted equity shares - Fair values are based on quoted prices published in markets.

AFS unquoted shares - The fair value of unquoted shares are not reasonably determinable due to the unpredictable nature or future cash flows and the lack of suitable methods of arriving at a reliable fair value.

HTM investments - The fair value of bonds is based on quoted market prices.

Liabilities - The fair values of accounts payable and accrued expenses and short-term debt approximate the carrying amounts due to the short-term nature of these transactions.

The fair value of noncurrent other financial liabilities (fixed rate and variable rate loans repriced on a semi-annual/annual basis and deposits) are estimated using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

## Risk Management and Financial Instruments

### General

In line with the corporate governance infrastructure of the Company, the Company has adopted a group-wide enterprise risk management framework in 2002. An Enterprise Risk Management Policy was approved by the Audit Committee (the Committee) in 2003 and subsequently revised and approved on February 14, 2008. The policy was designed primarily to enhance the risk management process and institutionalize a focused and disciplined approach to managing the Company's business risks. By understanding and managing risks, the Company provides greater certainty and confidence to its shareholders, employees, customers and for the communities where the Company operates.

The risk management framework encompasses the following:

- identification and assessment of business risks;
- development of risk management strategies;
- assessment, design and implementation of risk management capabilities;
- monitoring and evaluating the effectiveness of risk mitigation strategies and management performance; and,
- identification of areas and opportunities for improvement in the risk management process.

A Chief Risk Officer is the ultimate champion of enterprise wide risk management and oversees the entire risk management function and is responsible for overall continuity. Beginning 2008, under its expanded charter, the Committee will provide a more focused oversight role over the risk management function. A quarterly report on the risk portfolio of the Group and the related risk mitigation efforts and initiatives are provided to the Committee.

The Company's internal audit monitors the compliance with the Group's risk management policies in order to ensure that an effective control environment exists within the Group as a whole.

#### Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of financial assets at FVPL, AFS financial assets, HTM investments, 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 cash and cash equivalents, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The main purpose of the Group's financial instruments is to fund its operational and capital expenditures. The main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The Group also enters into derivative transactions, the purpose of which is to manage the currency and interest rate risk arising from its financial instruments.

The Group's risk management policies are summarized below:

#### *Interest Rate Risk*

The Group's exposure to market risk for changes in Interest rates relates primarily to the Company's and its subsidiaries' long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

#### *Foreign Exchange Risk*

The Group's foreign exchange risk results primarily from movements of the Philippine Peso (PHP) against the United States Dollar (USD). The Company may enter into foreign currency forwards and foreign currency swap contracts in order to hedge its USD obligations.

The table below summarizes the Group's exposure to foreign exchange risk as of June 30, 2009. Included in the table are the Group's monetary assets and liabilities at carrying amounts, categorized by currency.

	<b>Jun-09</b>	
	<b>USD</b>	<b>Php Equivalent</b>
	(In thousands)	
<b>Assets</b>		
Cash and cash equivalents	153,790	7,405,265
Accounts and notes receivables	151,450	7,290,790
Other current assets	7,522	362,014
Investment in bonds and other securities	13,787	664,842
Other noncurrent assets	13,394	644,975
<b>Total assets</b>	<b>339,943</b>	<b>16,367,886</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	43,196	2,079,166
Other current liabilities	92,641	4,459,590
Short-term debt	33,422	1,608,606
Long-term debt	170,038	8,183,939
Cumulative redeemable preferred shares	47	2,270
Other noncurrent liabilities	105	5,077
<b>Total liabilities</b>	<b>339,449</b>	<b>16,338,649</b>
<b>Net foreign currency denominated assets</b>	<b>494</b>	<b>29,237</b>

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (in thousands).

	US\$ depreciates (appreciates)	Effect on profit before tax
June 2009	P1.00	(494.00)
	(P1.00)	494.00

There is no other impact on the Group's equity other than those already affecting the net income.

*Liquidity Risk*

The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore.

*Credit Risk*

The Group's holding of cash and short-term investments exposes the Group to credit risk of the counterparty. Credit risk management involves dealing only with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. Given the Group's diverse base of counterparties, it is not exposed to large concentration of credit risk.

## **Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Ayala Corporation's net income in the first half of the year reached P4 billion, 35% lower than the same period last year. However, excluding gains from asset sales last year, net income rose by 14%. Equity earnings from key business units posted healthy growth with equity earnings from Globe Telecom and Bank of the Philippine Islands up by 7% and 27%, respectively, cushioning the 35% fall in equity earnings from Ayala Land, Inc. (ALI). Companies under its AC Capital division also contributed positively as it reversed last year's loss following a significant improvement in its electronics manufacturing services unit, Integrated Microelectronics, Inc. (IMI), as well as higher earnings from Manila Water.

Ayala Corporation President and COO, Mr. Fernando Zobel de Ayala said, "we are encouraged by the earnings trend across our key business units despite the marked slowdown in the economy. While conditions will remain challenging, we are much more optimistic given the resilience displayed by each of our businesses during this challenging period. We will continue to see earnings stabilize in the near term and expect growth to accelerate next year."

While ALI's core net income in the first half dropped by 16% to P1.87 billion, core earnings in the second quarter rose by 6% to P964 million, indicative of a more positive trend. This was underpinned by a resurgent property market with buyer confidence returning particularly in the high-end residential segment. Residential Development revenues grew by 19% to P3.71 billion in the second quarter. Ayala Land Premiere, the company's high-end brand, saw a strong recovery while the middle and affordable brands, Alveo and Avida, performed steadily. Demand from the overseas Filipino market recovered with sales up 36% versus the previous quarter. ALI's revenues from its Shopping Centers rose by 5% to P2.21 billion in the first semester this year driven by the strong performance of Market! Market! as well as the net expansion in gross leasable area from new malls Greenbelt 5 and Glorietta 5. Revenues from Corporate Business likewise increased by 84% to P788 million with increased contribution from the new BPO buildings that became operational in the second half of last year and early this year.

Bank of the Philippine Islands likewise delivered profitable growth with net income in the first semester reaching P5.3 billion, up 38% over the previous year. Revenues rose by 19% with positive contribution from both net interest and non-interest income. Net interest income increased by 18% boosted by the 7% growth in the bank's average asset base and a 31 basis point improvement in net interest margin. Non-interest income increased by 21% mainly from trading gains. The bank's loan portfolio grew by 5% on double-digit expansion of consumer loans but with softer demand from the corporate segment. The bank's asset quality continues to improve as its non-performing loan ratio continued to fall to 2.8%.

Globe Telecom posted a 17% growth in net earnings to P7.2 billion, with core net earnings up 3% over the same period last year. Service revenues increased by 2% on the back of stable wireless revenues and accelerating growth of the wireline and broadband segments which increased by 16% year-on-year. Globe ended the first semester with 25 million wireless subscribers. The Company's broadband business continued to attain new highs, setting a new record in net subscriber additions. The Company ended the first half with about 379,000 broadband subscribers, more than double year-ago levels with revenues up 59% year-on-year. The company recently declared its second semi-annual cash dividend of P32 per share in line with the company's policy of distributing 75% of prior year's net income. A total of P 4.2 billion in dividends will be paid on September 15, 2009, bringing total dividends paid out this year by the telecom company to P 8.4 billion.

Business units under AC Capital contributed P77 million in equity earnings in the first half of the year from a loss of P39 million in the same period last year. This reversal was driven by a significant improvement in the performance of Manila Water and IMI.

Manila Water posted a 16% growth in net income to P1.46 billion. Revenues grew by 6% despite pressure on billed volume growth as commercial and industrial customers offset the growth in volume from residential and semi-commercial customers. The impact of higher tariff rate and lower corporate income tax as well as higher interest income boosted earnings during the period.

Manila Water recently acquired Laguna AAA Water Corporation, a 25-year concession to provide water to Sta. Rosa, Binan, and Cabuyao. This is expected to expand Manila Water's coverage and contribute to Manila Water's growth and expansion moving forward.

IMI recorded a significant improvement in its bottomline in the first half of this year compared to the same period last year in the absence of foreign exchange losses which weighed on earnings in 2008. Revenues in the first half of this year however was lower by 26% in US dollar terms, impacted by the general slowdown in global demand for electronics. While positive sales performance was noted in March and April, lower sales in the first two months of the year continued to impede revenue growth. IMI's China and Singapore business showed greater resiliency with dollar revenues from this region up 11% year-on-year. IMI's cash generation remained strong at around US\$8 million, ending the period with a consolidated cash balance of US\$66 million.

Ayala's BPO investee companies grew their combined revenues by 8%, from \$82 million in Q109 to \$89 million in Q209, largely due to Integreon. Ayala's share of the BPO companies' combined reported loss decreased by 53% from P306 million in the first quarter of 2009 to P143 million in the second quarter, primarily due to improvements in the performance of Affinity Express and Integreon. Ayala's share of the BPO companies' combined net loss in the first half of the year was P449 million, which included P156 million in interest expense and P72 million in non-cash amortization of intangibles related to the acquisition of eTelecare, and P44 million in one off transaction costs related to Integreon's acquisition of Onsite.

Ayala's BPO investee companies are continuing to build scale, through both organic and inorganic initiatives. To date, Ayala has invested approximately \$200 million in the BPO sector, which it expects to experience stronger growth going forward, as the global economy recovers and outsourcing becomes increasingly important to companies' cost reduction initiatives.

Ayala's balance sheet remains strong. The company ended the semester with parent net debt of P9 billion and net debt to equity ratio of 0.09 to 1.

*Key Performance indicators:*

For the balance sheet items (current ratio and debt to equity ratios), the company aims to maintain for its current ratio not to be lower than 0.5:1 and for its debt to equity ratio not to exceed 3:1. The company and its subsidiaries' ratios are considered better than these levels as a result of prudent debt management policies.

The key performance indicators (consolidated figures) that the Company monitors are the following:

	<u>YTD June 30, 2009</u>	<u>YTD June 30, 2008</u>
Revenue	35,426 million	39,245 million
Net income	4,070 million	6,254 million
Basic earnings per share 1/	6.29	12.04
	<u>As of June 30, 2009</u>	<u>As of June 30, 2008</u>
Current Ratio 2/	2.47	1.95
Debt-to-Equity Ratio 3/	0.62	0.50

1/ *Net income applicable to common shareholders / weighted average number of common shares*

2/ *Current assets / current liabilities*

3/ *Short-term debt, current & non-current long-term debt / equity attributable to equity holders of the parent*

- 2.1 Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The company does not expect any liquidity problems and is not in default of any financial obligations.

- 2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:  
None
- 2.3 All 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
- 2.4 Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

For year 2009, Ayala Land's consolidated budget for project and capital expenditures amount to P17.4 billion. About 50% is earmarked for residential developments, 17% for strategic landbank management, 13% for shopping centers, and the balance for corporate business, Visayas-Mindanao, and support businesses. This will be financed through a combination of internally-generated funds, borrowings, pre-selling and with proceeds from sale of accounts receivable.

For the first six months of 2009, consolidated project and capital expenditures amounted to P7.1 billion, about 41% of the P17.4 billion budget for the whole year. About 68% was spent for residential projects, 11% for geographic businesses, 9% for corporate business and 8% each for shopping centers and strategic landbank management.

- 2.5 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

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

- 2.6 Any significant elements of income or loss that did not arise from the registrant's continuing operations  
None

- 2.7 **Causes for any material changes  
(Increase or decrease of 5% or more in the financial statements)**

**Balance Sheet items  
(June 30, 2009 Vs December 31, 2008)**

Cash and cash equivalents – 22% increase from P42,886mln to P52,119mln

Dividends received net of dividends paid, proceeds from new loans availed and disbursements to fund various investments by the parent company, issuance of fixed rate corporate notes in January 2009 and floating rate corporate notes in April 2009 and sale of receivables by the real estate group, and efficient collection and lower capex requirements by the electronics, information technology and business process outsourcing services group. As a percentage to total assets, cash and cash equivalents slightly increased from 19% to 22% as of December 31, 2008 and June 30, 2009, respectively.

Short-term investments – 83% decrease from P1,009mln to P174mln

Lower money market placements with maturity of more than 3 months up to 6 months by the real estate group. As a percentage to total assets, short-term investments are at 0.07% as of June 30, 2009 and 0.5% as of December 31, 2008.

Current accounts and notes receivable – 8% increase from P23,284mln to P25,084mln

Higher trade receivables by the real estate, automotive, international and electronics, information technology and business process outsourcing services groups. Current accounts and notes receivable remained at 11% of the total assets as of June 30, 2009 and December 31, 2008.

Inventories – 16% decrease from P10,011mln to P8,417mln

Sale of land and residential units by the real estate and lower raw materials inventory by the electronics, information technology and business process outsourcing services group. This account is at 4% and 5% of the total assets as of June 30, 2009 and December 31, 2008, respectively.

Other current assets – 6% decrease from P7,090mln to P6,693mln

Largely due to matured government securities partly offset by increase in prepaid expenses and input vat by the real estate group and matured fixed rate treasury notes held by the parent company. This account remained at 3% of the total assets as of June 30, 2009 and December 31, 2008.

Investments in associates and jointly controlled entities – 4% increase from P68,140mln to P70,540mln

Investments in associates and jointly controlled entities account includes the Company's and its subsidiaries' investments in various associates which are being accounted for under the equity method. These associates are Bank of the Philippine Islands, Globe Telecom and Manila Water Corporation, among others.

The increase is due to the equity share in net earnings of the associates and joint ventures and additional investments in 2009. This account is at 30% of the total assets as of June 30, 2009 and 31% as of December 31, 2008.

Investment in bonds and other securities – 31% increase from P3,065mln to P4,012mln

Primarily due to the improvement in market prices of securities held by the group. This account is at 2% of the total assets as of June 30, 2009 and 1% as of December 31, 2008.

Investment properties – 36% increase from P21,059mln to P28,650mln

Primarily due to the reclassification of operational and completed buildings from property, plant and equipment account and additional disbursements related to construction of buildings owned by the real estate group. As a percentage to total assets, investment in real properties is at 12% and 10% as of June 30, 2009 and December 31, 2008, respectively.

Property, plant and equipment – 40% decrease from P13,887mln to P8,369mln

Reclassification of the estate group's operational and completed buildings to investment properties account. As of June 30, 2009 and December 31, 2008, the group's property, plant and equipment account is at 4% and 6% of the total assets, respectively.

Short-term debt – 12% increase from P 2,755mln to P3,081mln

Loans availed by the real estate and automotive groups. As of June 30, 2009 and December 31, 2008, this account remained at 3% of the total liabilities.

Income tax payable – 44% increase from P215mln to P309mln

Due to the real estate group's corporate income. As a percentage to total liabilities, this account is at 0.3% and 0.2% as of June 30, 2009 and December 31, 2008, respectively.

Current portion of long-term debt – 239% increase from P1,479mln to P5,017mln

Largely due the reclassification of the parent company's current maturing loans from long-term debt. As of June 30, 2009 and December 31, 2008, current portion of long-term debt is at 5% and 2% of the total liabilities, respectively.

Other current liabilities – 37% increase from P1,554mln to P2,122mln

Increase in customer deposits of the real estate group. As a percentage to total liabilities, this account is at 3% and 2% as of June 30, 2009 and December 31, 2008, respectively.

Long-term debt – 9% increase from P50,250mln to P54,573mln

Issuance of fixed-rate corporate notes by the real estate group and net increase in loans by the parent company. As a percentage to total liabilities, this account is at 54% as of June 30, 2009 and 55% as of December 31, 2008.

Deferred tax liabilities – 22% decrease from P186mln to P145mln

Decrease in corporate tax rate from 35% to 30% beginning January 1, 2009. As a percentage to total liabilities, this account is at 0.1% as of June 30, 2009 and 0.2% as of December 31, 2008.

Pension liabilities – 9% increase from P491mln to P534mln

Largely due to the adjustment made to reflect the latest actuarial valuation of the real estate group. This account is at 1% of the total liabilities as of June 30, 2009 and December 31, 2008.

Other noncurrent liabilities – 16% increase from P7,588mln to P8,794mln

Mainly due to increase in customer and security deposits of the real estate group. As a percentage to total liabilities, this account slightly increased from 8% to 9% as of June 30, 2009 and December 31, 2008, respectively.

Cumulative translation adjustment – 5% decrease from (P969mln) to (P1,014mln)

Mainly due to forex rate changes.

Net unrealized gain on available-for-sale financial assets – 148% increase from (P613mln) to P305mln

Mainly due to improvement in the market prices of securities held by the group.

**Income Statement items**  
**(YTD June 30, 2009 Vs YTD June 30, 2008)**

Interest income – 59% increase from P824mln to P1,307mln

Due to higher investible funds in 2009 by the parent company and real estate group. This account is 4% of the total revenue in 2009 and 2% in 2008.

Other income – 77% decrease from P4,095mln to P941mln

2008 includes the real estate group's capital gain on sale of 3 subsidiaries namely, Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. and capital gains from sale of stocks by the parent company. This account is 3% and 14% of the total revenue in 2009 and in 2008, respectively.

General and administrative – 5% increase from P4,237mln to P4,463mln

Inclusion of a new subsidiary and additional provision for doubtful accounts by the real estate group, higher personnel-related costs of the parent company and higher expenses of the electronics, information technology, business process outsourcing services group. General and administrative expense is 15% and 14% of the costs and expenses in 2009 and 2008.

Provision for income tax – 26% decrease from P1,156mln to P852mln

Primarily due to lower taxable income of the real estate group and reduction of income tax rate from 35% to 30% beginning January 1, 2009.

2.8 Any seasonal aspects that had a material effect on the financial condition or results of operations.

Ayala Corporation being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

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.

ALI'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.

## PART II – OTHER INFORMATION

1. Mr. Renato O. Marzan, compliance officer of Ayala Corporation retired effective 31 December 2008. The Board of Directors approved the appointment of Mr. Solomon M. Hermosura replacing Mr. Marzan as Compliance Officer and General Counsel effective 01 January 2009. Mr. Hermosura executed a revised certification on compliance of the corporation to the Corporate Governance Manual.
2. Mr. John Eric T. Francia has been appointed managing Director and Head of the Strategic Planning Group effective 01 January 2009.
3. Ayala Corporation reported Net Income of P8.1B for the year 2008, 50% lower than 2007.
4. Ayala Corporation announced several movements in Ayala's senior executive group, effective after the annual stockholders' meetings of the respective companies. These movements have been approved by the respective companies' Board of Directors. Mr. Antonino T. Aquino moved back to Ayala Land as President, taking over from Mr. Jaime I. Ayala, who returned to Ayala Corporation. Mr. Rene Almendras took over as President of Manila Water from Mr. Antonino T. Aquino. Mr. Ernest L. Cu was appointed as President and Chief Executive officer of Globe Telecom succeeding Mr. Gerardo Ablaza, who returned to Ayala Corporation.
5. At the Regular Annual Stockholders' meeting held 03 April 2009 the stockholders considered and approved the following:
  - Election of the following Board of Directors for the ensuing year:  
Jaime Augusto Zobel de Ayala  
Fernando Zobel de Ayala  
Mercedita S. Nolleto  
Delfin Lazaro  
Xavier P. Loinaz (independent director)  
Toshifumi Inami  
Meneleo J. Carlos, Jr. (independent director)
  - Appoinment of Sycip, Gorres, Velayo & Co. as the external auditors of the Company for the ensuing year.

In its Organizational Meeting held thereafter, the newly elected Board of Directors approved the Management Committee Members / Key Executive Officers as follows:

* Jaime Augusto Zobel de Ayala	Chairman & Chief Executive Officer
* Fernando Zobel de Ayala	President & Chief Operating Officer
* Delfin L. Lazaro	Senior Managing Director
* Mercedita S. Nolleto	Senior Managing Director, Senior Counsel and Corporate Secretary
** Gerardo C. Ablaza, Jr.	Senior Managing Director
** Antonino T. Aquino	Senior Managing Director
** Jaime I. Ayala	Senior Managing Director
** Charles H. Cosgrove	Senior Managing Director
** Rufino Luis T. Manotok	Senior Managing Director, Chief Information Officer and Chief Finance Officer
** Arthur R. Tan	Senior Managing Director
** Alfredo I. Ayala	Managing Director
** Ernest Lawrence L. Cu	
*** John Eric T. Francia	Managing Director
** Victoria P. Garchitorena	Managing Director
*** Solomon M. Hermosura	Managing Director, General Counsel, Assistant Corporate Secretary and Compliance Officer

** Aurelio R. Montinola III	
Ramon G. Oplencia	Managing Director & Treasurer
** John Philip S. Orbeta	Managing Director
Ricardo Nicanor N. Jacinto	Managing Director
Rufino F. Melo III	Managing Director

\* *Members of the Board of Directors*

\*\* *Management Committee members*

\*\*\* *Management Committee member effective January 1, 2009*

6. The Board of Directors approved on 06 March 2009 the declaration of the quarterly cash dividends of 9.4578% per annum, to all stockholders of the Corporation's outstanding Preferred Class "B" shares.
7. Ayala Corporation's consolidated net income reached P2.2 billion in the first quarter, the highest in the past four quarters, excluding capital gains, but 18% lower than the same period last year.
8. Mr. Jose Rene D. Almendras, Managing Director of the Company, was appointed as member of the Company's Management Committee effective 03 April 2009.
9. Certifications of independent directors, Mr. Meneleo J. Carlos, Jr. and Mr. Xavier P. Loinaz were submitted on 20 April 2009 in compliance with the Notice of the Securities and Exchange Commission implementing Section 38 of the Securities Regulation Code.
10. The Securities and Exchange Commission approved on 18 May 2009 the amendment of the by-laws of Ayala Corporation, particularly Section 1, Article IV thereof, adopting the procedure for the nomination and election of independent directors as prescribed by law and regulations.
11. Ayala Corporation announced its group companies combined prepared to spend an estimated P49 billion in capital expenditure projects in 2009, from P55 billion in 2008, despite the more challenging economic environment. About 35% of this year's planned capex is allocated to its real estate development projects, with 33 % for its telecommunications expansion, and 23% for its water distribution services.

As a holding company, Ayala continues to look at investment opportunities, however the company has not made any commitment to invest in the power sector at this time. Acquisition of a major media outfit is not in the Company's current plans.

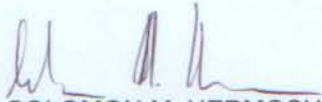
## SIGNATURES

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

Registrant

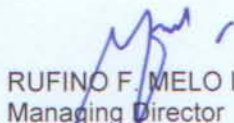
**AYALA CORPORATION**

By:



SOLOMON M. HERMOSURA  
Compliance Officer and General Counsel

Date: August 14, 2009



RUFINO F. MELO III  
Managing Director  
(Principal Accounting Officer)

Date: August 14, 2009

**X** AYALA CORPORATION AND SUBSIDIARIES  
**AGING OF RECEIVABLES (Based on Unaudited Figures)**  
**As of June 30, 2009**  
**(In Thousand Pesos)**

	<b>Up to 6 months</b>	<b>Over 6 Mos. to One year</b>	<b>Over One Year</b>	<b>Past Due</b>	<b>TOTAL</b>
Trade Receivables	10,965,076	3,962,715	881,127	137,477	15,946,395
Non-Trade Receivables	5,493,480	4,282,891	5,532,083	242,523	15,550,977
Total	16,458,556	8,245,606	6,413,210	380,000	31,497,372