Annex A

GT Capital Holdings, Inc. and Subsidiaries

Interim Condensed Consolidated Financial Statements

As of September 30, 2014 (Unaudited) and
December 31, 2013 (Audited)
and for the period ended September 30, 2014 and 2013 (Unaudited)

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

	Unaudited	Audited
	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	**₱29,115**	₱27,167
Short-term investments	**1,297**	1,467
Receivables	**15,198**	12,855
Reinsurance assets	**5,379**	4,966
Inventories	**25,895**	20,813
Due from related parties	**194**	445
Prepayments and other current assets	**5,470**	5,969
Total Current Assets	**82,548**	73,682
Noncurrent Assets		
Receivables	**8,220**	4,929
Available-for-sale investments	**4,074**	3,111
Investments in associates and joint ventures	**44,881**	40,559
Investment properties	**8,435**	8,329
Property and equipment	**43,138**	41,163
Goodwill and intangible assets	**18,073**	18,275
Deferred tax assets	**1,277**	1,109
Other noncurrent assets	**8,469**	1,203
Total Noncurrent Assets	**136,567**	118,678
	₱219,115	₱192,360
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	**₱23,324**	₱19,129
Insurance contract liabilities	**7,257**	6,684
Short-term debt	**2,197**	1,744
Current portion of long-term debt	**2,943**	3,364
Current portion of liabilities on purchased properties	**815**	783
Customers' deposits	**1,510**	1,844
Income tax payable	**637**	876
Due to related parties	**182**	188
Dividends payable	**-**	1,966
Other current liabilities	**2,968**	2,615
Total Current Liabilities	**41,833**	39,193
Noncurrent Liabilities		
Long- term debt – net of current portion	**42,409**	40,584
Bonds payable	**21,770**	9,883
Liabilities on purchased properties – net of current portion	**3,035**	3,537
Pension liability	**1,882**	1,704
Deferred tax liabilities	**3,290**	3,252
Other noncurrent liabilities	**1,507**	1,643
Total Noncurrent Liabilities	**73,893**	60,603
	115,726	99,796

(Forward)

	Unaudited	Audited
	September 30, 2014	December 31, 2013
Equity		
Equity attributable to equity holders of the Parent Company		
Capital Stock	**1,743**	1,743
Additional paid-in capital	**46,695**	46,695
Treasury shares	**(6)**	(6)
Retained earnings		
Unappropriated	**24,625**	21,802
Appropriated	**3,000**	-
Other equity adjustments	**583**	729
Other comprehensive income	**(87)**	(437)
	76,553	70,526
Non-controlling interests	**26,836**	22,038
Total equity	**103,389**	92,564
	₱219,115	₱192,360

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except Earnings Per Share)

	Unaudited			
	January to September		July to September	
	2014	2013	**2014**	2013
REVENUE				
Automotive operations	**₱79,193**	₱52,759	**₱29,472**	₱20,709
Net fees	**14,316**	12,508	**5,118**	3,852
Real estate sales	**4,457**	3,699	**1,647**	1,445
Interest income on real estate sales	**899**	515	**394**	219
Equity in net income of associates and joint ventures	**2,755**	4,044	**1,000**	780
Net premium earned	**1,306**	-	**420**	-
Sale of goods and services	**457**	541	**142**	202
Rent income	**439**	476	**129**	176
Interest income on deposits and investments	**295**	315	**116**	77
Commission income	**142**	153	**49**	62
Gain from previously held interest	**-**	1,260	-	-
Other income	**663**	518	**263**	215
	104,922	76,788	**38,750**	27,737
COSTS AND EXPENSES				
Cost of goods and services sold	**50,062**	32,514	**18,639**	12,058
Cost of goods manufactured	**18,283**	13,932	**6,402**	6,434
General and administrative expenses	**9,633**	6,412	**3,733**	2,276
Power plant operation and maintenance expenses	**7,791**	6,485	**2,655**	2,079
Cost of real estate sales	**3,324**	2,843	**1,317**	1,109
Interest expense	**2,441**	2,510	**841**	818
Net insurance benefits and claims	**577**	-	**227**	-
	92,111	64,696	**33,814**	24,774
INCOME BEFORE INCOME TAX	**12,811**	12,092	**4,936**	2,963
PROVISION FOR INCOME TAX	**2,216**	1,474	**844**	472
NET INCOME	**₱10,595**	₱10,618	**₱4,092**	₱2,491
Attributable to:				
Equity holders of the Parent Company	**₱6,346**	₱7,688	**₱2,381**	₱1,636
Non-controlling interest	**4,249**	2,930	**1,711**	855
	₱10,595	₱10,618	**₱4,092**	₱2,491
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱36.4**	₱44.3		

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Unaudited			
	January to September		July to September	
	2014	2013	**2014**	2013
NET INCOME	**₱10,595**	₱10,618	**₱4,092**	₱2,491
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods:				
Changes in fair value of available-for-sale investments	**824**	29	**854**	29
Equity in other comprehensive income of associates:				
Changes in fair value of available-for-sale investments of associates	**(122)**	(1,820)	**329**	(58)
Translation adjustment of associates	**25**	284	**162**	43
	727	(1,507)	**1,345**	14
Items that may not be reclassified to profit or loss in subsequent periods:				
Remeasurement of defined benefit plans	**2**	-	**-**	-
Equity in remeasurement of defined benefit plans of associates	**(1)**	-	**(1)**	-
Income tax effect	**-**	-	**-**	-
	1	-	**(1)**	-
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**₱728**	(₱1,507)	**₱1,344**	₱14
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱11,323**	₱9,111	**₱5,436**	₱2,505
Attributable to:				
Equity holders of the Parent Company	**₱6,696**	₱6,167	**₱3,325**	₱1,636
Non-controlling interest	**4,627**	2,944	**2,111**	869
	₱11,323	₱9,111	**₱5,436**	₱2,505

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS OF SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)

(In Millions)

	Equity Attributable to Equity Holders of the Parent Company												
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Unappropriated Retained Earnings	Appropriated Retained Earnings	Net Unrealized Gain on Available-for-Sale Investments	Net Unrealized Gain (Loss) on Remeasurement of Defined Benefit Plans	Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates	Equity in Translation Adjustment of Associates	Equity in Net Unrealized Loss on Remeasurement of Defined Benefit Plans of Associates	Other Equity Adjustment	Non-controlling Interests	Total
At January 1, 2014	**₱1,743**	**₱46,695**	**(₱6)**	**₱21,802**	**₱–**	**₱80**	**(₱216)**	**₱5**	**₱417**	**(₱723)**	**₱729**	**₱22,038**	**₱92,564**
Total comprehensive income	–	–	–	**6,346**	–	**447**	**1**	**(122)**	**25**	**(1)**	–	**4,627**	**11,323**
Dividends declared	–	–	–	**(523)**	–	–	–	–	–	–	–	**(2,262)**	**(2,785)**
Movement in non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	**2,677**	**2,677**
Acquisition of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	**(376)**	**(336)**	**(712)**
Sale of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	**194**	**105**	**299**
Effect of acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	**24**	**24**
Disposal of treasury shares	–	–	**(4)**	–	–	–	–	–	–	–	–	–	**(4)**
Acquisition of new treasury shares	–	–	**4**	–	–	–	–	–	–	–	–	–	**4**
Appropriation of retained earnings	–	–	–	**(3,000)**	**3,000**	–	–	–	–	–	–	–	–
Effect of change in direct ownership in existing subsidiaries	–	–	–	–	–	–	–	–	–	–	**36**	**(37)**	**(1)**
At September 30, 2014	**₱1,743**	**₱46,695**	**(₱6)**	**₱24,625**	**₱3,000**	**₱527**	**(₱215)**	**(₱117)**	**₱442**	**(₱724)**	**₱583**	**₱26,836**	**₱103,389**

(Forward)

	Equity Attributable to Equity Holders of the Parent Company												
	Capital Stock	**Additional Paid-in Capital**	**Treasury Shares**	**Unappropriated Retained Earnings**	**Appropriated Retained Earnings**	**Net Unrealized Gain on Available-for-Sale Investments**	**Net Unrealized Gain (Loss) on Remeasurement of Defined Benefit Plans**	**Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates**	**Equity in Translation Adjustment of Associates**	**Equity in Net Unrealized Loss on Remeasurement of Defined Benefit Plans of Associates**	**Other Equity Adjustment**	**Non-controlling Interests**	**Total**
At January 1, 2013	**₱1,580**	**₱36,753**	**₱–**	**₱13,856**	**₱–**	**(₱7)**	**₱–**	**₱2,954**	**₱36**	**₱–**	**(₱681)**	**₱11,373**	**₱65,864**
Issuance of capital stock	**163**	**9,942**	–	–	–	–	–	–	–	–	–	–	**10,105**
Total comprehensive income	–	–	–	**7,688**	–	**15**	–	**(1,820)**	**284**	–	–	**2,944**	**9,111**
Effect of acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	**6,062**	**6,062**
Dividends declared	–	–	–	**(523)**	–	–	–	–	–	–	–	–	(523)
Movement in non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	**704**	**560**	**1,264**
At September 30, 2013	**₱1,743**	**₱46,695**	**₱–**	**₱21,021**	**₱–**	**₱8**	**₱–**	**₱1,134**	**₱320**	**₱–**	**₱23**	**₱20,939**	**₱91,883**

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Unaudited	
	Period Ended September 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱12,811**	₱12,092
Adjustments for:		
Equity in net income of associates and a joint venture	**(2,755)**	(4,044)
Interest expense	**2,441**	2,510
Depreciation and amortization	**2,064**	1,989
Interest income	**(1,194)**	(830)
Pension expense	**141**	84
Gain on sale of property and equipment	**(90)**	–
Gain on sale of available-for-sale investments	**(8)**	–
Dividend income	**(53)**	–
Provision for impairment losses	**2**	
Gain from previously held interest	–	(1,260)
Operating income before changes in working capital	**13,359**	10,541
Decrease (increase) in:		
Short-term investments	**170**	–
Receivables	**(4,932)**	(2,174)
Reinsurance assets	**(413)**	–
Inventories	**(4,911)**	(320)
Due from related parties	**251**	356
Prepayments and other current assets	**(589)**	775
Increase (decrease) in:		
Accounts and other payables	**3,791**	666
Insurance contract liabilities	**573**	–
Customers' deposits	**(334)**	273
Other current liabilities	**353**	(502)
Cash provided by operations	**7,318**	9,615
Contribution to pension fund	**(56)**	(20)
Interest received	**1,190**	290
Interest paid	**(2,674)**	(2,877)
Dividends received	**533**	530
Dividends paid	**(4,751)**	(1,425)
Income taxes paid	**(1,228)**	(1,259)
Net cash provided by (used in) operating activities	**332**	4,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of:		
Available-for-sale investments	**370**	–
Property and equipment	**156**	66
Additions to:		
Available-for-sale investments	**(501)**	–
Investment in associates and joint ventures	**(2,822)**	–
Property and equipment	**(3,559)**	(2,744)
Intangible assets	**(8)**	(6)
Investment properties	**(25)**	(107)
Acquisition of subsidiary through business combination, net of cash acquired	**(282)**	665
Decrease (increase) in other noncurrent asset	**(7,407)**	701
Net cash used in investing activities	**(14,078)**	**(1,425)**

(Forward)

	Unaudited	
	Period Ended September 30	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availment	**9,079**	6,187
Proceeds from bond issuance	**11,877**	9,902
Payment of loans payable	**(7,327)**	(19,304)
Issuance of capital stock	**–**	10,105
Increase (decrease) in:		
Liabilities on purchased properties	**(470)**	1,436
Due to related parties	**(6)**	12
Other noncurrent liabilities	**(136)**	555
Noncontrolling interest	**2,677**	1,912
Net cash provided by financing activities	**15,694**	10,805
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,948**	14,234
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**27,167**	11,553
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱29,115**	₱25,787

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

GT Capital Holdings, Inc. (the Parent Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The primary purpose of the Parent Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc.

<u>Group Activities</u>

The Parent Company, Federal Land, Inc. (Fed Land) and Subsidiaries (Fed Land Group), Charter Ping An Insurance Corporation (Charter Ping An or Ping An), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Global Business Power Corporation (GBPC) and Subsidiaries (GBPC Group) and Toyota Cubao, Inc. (TCI) and Subsidiary (TCI Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group (real estate business), Charter Ping An (non-life insurance business), Toyota Group (automotive business), GBPC Group (power generation business) and TCI Group (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

The principal business interests of the Fed Land Group are real estate development and leasing and selling properties and acting as a marketing agent for and in behalf of any real estate development company or companies. The Fed Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

GBPC was registered with the Philippine SEC on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

Toyota Group is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of motor vehicles including vehicle parts, accessories and instruments.

Charter Ping An is engaged in the business of nonlife insurance which includes fire, motor car, marine hull, marine cargo, personal accident insurance and other products that are permitted to be sold by a nonlife insurance company in the Philippines.

TCI is engaged in purchasing, trading, exchanging, distributing, marketing, repairing and servicing automobiles, trucks and all kinds of motor vehicles and automobile products of every kind and description, motor vehicle parts, accessories, tools and supplies and equipment items.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBTC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA) Toyota Manila Bay Corporation (TMBC) and Toyota Financial Services Philippines Corporation (TFSPC).

The registered office address of the Parent Company is at 43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Makati City.

The accompanying interim condensed consolidated financial statements of the Company were approved for issue by the Company's Audit Committee on November 10, 2014.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2013.

The interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis except for available-for-sale (AFS) investments which have been measured at fair value. The Group's interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's functional currency. Values are rounded to the nearest million pesos (₱000,000) unless otherwise indicated.

Presentation of Financial Statements
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following wholly and majority-owned domestic subsidiaries:

		Direct Percentages of Ownership		Effective Percentages of Ownership	
	Country of Incorporation	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013
Fed Land and Subsidiaries	Philippines	**100.00**	100.00	**100.00**	100.00
Charter Ping An	-do-	**100.00**	66.67	**100.00**	74.97
GBPC and Subsidiaries	-do-	**51.27**	50.89	**52.45**	53.16
TCI and Subsidiary	-do-	**52.01**	–	**52.01**	–
Toyota and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00

As of September 30, 2014 and December 31, 2013, the Parent Company has effective ownership over GBPC of 52.45% (51.27% direct interest and 1.18% indirect interest). The Parent Company's indirect interest comes from its 25.11% direct interest in MBTC, which has 99.23% direct interest in First Metro Investments Corporation (FMIC). FMIC, in turn, has 4.73% and 9.11% direct interest in GBPC as of September 30, 2014 and December 31, 2013. The Parent Company acquired effective control of GBPC on April 30, 2012. The acquisition of control over GBPC was accounted for as a business combination achieved in stages and the details of the said transaction are discussed extensively in 2013 Audited Financial Statements.

On January 17, 2013, the Parent Company and MBTC executed a Deed of Absolute Sale for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC as provided in the memorandum of understanding (MOU) entered into by the Parent Company and MBTC, for a total consideration of ₱4.54 billion. This represented an additional 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%. The Parent Company assessed that it has control over Toyota because of its ability to direct the relevant activities of Toyota to generate returns for itself through its ability to appoint majority of the members of the Board of Directors (BOD) of Toyota and accounted for Toyota as a subsidiary (see Note 3).

As of September 30, 2014 and December 31, 2013, the Parent Company has effective ownership over Charter Ping An of 100.00% and 74.97% (66.67% direct interest and 8.30% indirect interest), respectively. The Parent Company's indirect interest comes from its direct investment in MBTC, which has direct interest in FMIC. FMIC, in turn, owns the remaining 33.33% ownership interest over Charter Ping An as of December 31, 2013. The Parent Company acquired the remaining 33.33% ownership interest of FMIC over Charter Ping An on January 27, 2014 (see Notes 3 and 8).

In March 2014, the Parent Company acquired a total of 69,620,000 common shares of TCI. This represents 89.05% of TCI. The Parent Company assessed that it has control over TCI through its 89.05% ownership and accounted for TCI as a subsidiary (see Note 3). On June 23, 2014, the Parent Company sold 45,000,000 shares of TCI to Mitsui for a total consideration of ₱298.7 million. This represents 40% of TCI's outstanding capital stock. As a result, the Parent Company's ownership over TCI is 52.01% of September 30, 2014.

Fed Land's Subsidiaries

	Percentage of Ownership
FLI - Management and Consultancy, Inc. (FMCI)	100.00
Baywatch Project Management Corporation (BPMC)	100.00
Horizon Land Property and Development Corp. (HLPDC)	100.00
Top Leader Property Management Corp. (TLPMC)	100.00
Central Realty and Development Corp. (CRDC)	75.80
Federal Brent Retail, Inc. (FBRI)	51.66

GBPC's Subsidiaries

	Percentage of Ownership
GBH Cebu Limited Duration Company (GCLDC)	100.00
ARB Power Venture, Inc. (APVI)	100.00
Toledo Holdings Corp. (THC)	100.00
Toledo Cebu Int'l Trading Resources Corp. (TCITRC)	100.00
Toledo Power Company (TPC)	100.00
GBH Power Resources, Inc. (GPRI)	100.00
Global Energy Supply Corp. (GESC)	100.00
Mindanao Energy Development Corporation (MEDC)	100.00
Global Formosa Power Holdings, Inc. (GFPHI)	93.20
Panay Power Holdings Corp (PPHC)	89.30
Panay Power Corp. (PPC)	89.30
Panay Energy Development Corp. (PEDC)	89.30
Cebu Energy Development Corp. (CEDC)	52.19
Global Hydro Power Corporation (GHPC)	100.00
Global Renewables Power Corporation (GRPC)	100.00

GHPC and GRPC were incorporated on March 17, 2014 and April 8, 2014, respectively.

Toyota's Subsidiaries

	Percentage of Ownership
Toyota Makati Inc.	100.00
Toyota San Fernando Inc.	55.00
Lexus Manila Inc.	75.00

TCI has investments in Oxfordshire Holdings, Inc., a wholly owned subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies except for Charter Ping An which uses the revaluation method in accounting for its condominium units included as part of 'Property and equipment' account in the interim condensed consolidated statement of financial position. The carrying values of the condominium units are adjusted to eliminate the effect of revaluation and to recognize the related accumulated depreciation based on the original acquisition cost to align the measurement with the Group's accounting policy. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. NCI are presented separately in the interim condensed consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

<u>Business Combinations Involving Entities Under Common Control</u>
A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Under the uniting of interest method, the acquirer accounts for the combination as follows:

- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PRFS;
- no amount is recognized as goodwill.
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as "Effect of uniting of interest" in the consolidated statement of changes in equity. Cash consideration transferred on acquisition of a subsidiary under common control is deducted in the "Retained earnings" at the time of business combination.

When evaluating whether an acquisition has commercial substance, the Group considers the following factors, among others:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as NCI or other third parties; and
- whether or not the transaction is conducted at fair value.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed and included in the interim condensed consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the interim condensed consolidated financial statements of the Group at the acquisition date.

In a business combination achieved in stages, the Group remeasures its previously-held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the interim condensed consolidated statements of income. Any recognized changes in the value of its equity interest in the acquiree previously recognized in other comprehensive income are recognized by the Group in profit or loss, as if the previously-held equity interests are disposed of.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in the interim condensed consolidated statements of income or as changes to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired.

If after reassessment, the fair value of the net assets acquired exceeds the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, the difference is recognized immediately in the interim condensed consolidated statements of income as 'Gain on bargain purchase'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in the interim condensed consolidated statement of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

<u>Change in Ownership without Loss of Control</u>
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling interest and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

<u>Changes in Accounting Policies</u>
The accounting policies adopted in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2013 except for the following new and amended Philippine Financial Reporting Standards (PFRS), PAS and Philippine Interpretations which were adopted as of January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- 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 CGUs for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- 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. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  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* (Philippine Interpretation 21)
  Philippine Interpretation 21 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 Group does not expect that Philippine Interpretation 21 will have material financial impact in future financial statements.

Except as otherwise indicated, the impact of the revised standards adopted effective January 1, 2014 has been reflected in the interim condensed consolidated financial statements, as applicable.

Significant Accounting Policies

Fair Value Measurement
The Group measures financial instruments, such as AFS investments, at fair value at each consolidated statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the interim condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments – Initial Recognition and Subsequent Measurement

Date of recognition

The Group recognizes a financial asset or a financial liability in the interim condensed consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell assets.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of September 30, 2014 and December 31, 2013, the Group's financial assets are of the nature of loans and receivables and AFS investments while financial liabilities are of the nature of other financial liabilities. The Group made no reclassifications in its financial assets in 2014 and 2013.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to the interim condensed consolidated statement of financial position captions “Cash and cash equivalents”, “Short-term investment”, “Receivables”, “Due from related parties” and “Long term cash investments”.

Loans and receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in “Interest Income” in the interim condensed consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the interim condensed consolidated statement of income.

AFS investments
AFS investments are non-derivative financial assets which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group’s AFS investments include debt and equity instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of comprehensive income. Dividends on an AFS equity instrument are recognized in the interim condensed consolidated statement of comprehensive income when the Group’s right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the statement of income as “Interest income” using the effective interest method.

The fair value of investments that are traded in active markets is determined by reference to quoted market bid prices at the close of business on the reporting date. The unquoted equity investments are carried at cost less any impairment losses because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Other financial liabilities
Other financial liabilities are financial liabilities not designated at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group’s “Accounts and other payables”, “Loans payable”, “Bonds payable”, “Liabilities on purchased properties”, “Due to related parties” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Standards Issued But Not Yet Effective

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- IFRS 14, *Regulatory Deferral Accounts*
  This is an interim standard aimed at enhancing the comparability of financial reporting by entities that are engaged in rate-regulated activities. It allows first-time adopters to continue to recognize amounts related to rate regulation in accordance with the previous GAAP requirements when they adopt PFRS. The standard becomes effective on January 1, 2016 and the Group does not expect the adoption of this standard to have a significant impact on the Group's financial statements.

- IFRS 15, *Revenue from Contracts with Customers*
  The new standard replaces PAS 18, *Revenue,* IAS 11, *Construction Contracts* and related interpretations. The core principle of the standard requires entities to recognize revenue when a performance obligation is satisfied (the transfer of promised goods or services to a customer in an amount that reflects consideration (payment) to which the entity expects to be entitled in exchange for those goods and services). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). The new revenue standard is effective for reporting periods beginning on or after January 1, 2017, with early application permitted. IFRS 15 is not yet adopted by FRSC. The Group will not early adopt but is currently assessing the impact of the adoption of this standard on the Group's financial statements. Adoption of this standard is expected to have an impact on Group's financial statements.

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation*
  The revised PAS 16 and PAS 38 both establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to PAS 16 explicitly prohibits revenue-based depreciation of property plant and equipment while the amendments to PAS 38 introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reason that there are multiple factors that influence revenue and that not all these factors are related to the way the asset is used or consumed. The revised standards are effective for periods beginning January 1, 2016, with earlier application permitted. The Group does not expect the adoption of this standard to have a significant impact on the Group's financial statements.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture – Change in Financial Reporting for Bearer Plants*
  The amendments require entities to account for bearer plants in the same way as property, plant and equipment in PAS 16 because their operation is similar to that of a manufacturing, bringing them within the scope of PAS 16, instead of PAS 41. The produce growing on bearer plants will remain within the scope of PAS 41. The amended standards are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The amendments are not applicable to the Group.

- 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. The Group will assess the impact of these amendments on the Group's financial statements when they become effective.

- PFRS 11, *Joint Arrangements – Accounting for Acquisition of Interests in Joint Operations*
  The amendments provide guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, and apply the relevant principles of IFRS 3 and other IFRS in accounting for business combination as well as the disclosures required by such IFRS. The amendments shall be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

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. This amendment does not apply to the Group as it has no share-based payments.

- 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.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact to the Group as it has not applied PFRS 3 to any of its joint arrangements, which are investments in joint ventures.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model was completed by IASB in July 2014, replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 is expected to have an impact on Group's financial statements, in particular on the classification and measurement of the Group's financial assets.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

The IASB has removed the January 1, 2015 mandatory effective date of IFRS 9 to provide entities sufficient time to make the transition to the new requirements. On July 24, 2014, IASB completed the final element of the comprehensive reform of financial instruments accounting. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. The new Standard is effective January 1, 2018 with early application permitted.

The Group conducted an evaluation of the financial impact of the adoption of PFRS 9 based on the audited financial statements as of December 31, 2013 and decided not to early adopt PFRS 9 in its 2014 financial reporting.

3. Investments in Subsidiaries, Associates and Joint Ventures

Investment in Toyota

On January 17, 2013, the Parent Company and MBTC executed a Sale and Purchase Agreement for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC for a total consideration of ₱4.54 billion. This represented 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%.

As of September 30, 2013, the purchase price allocation relating to the Parent Company's acquisition of control over Toyota has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of the date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company has limited information. The difference between the total consideration and the net assets amounting to ₱6.3 billion was initially allocated to goodwill as of September 30, 2013. In addition, based on the preliminary valuation of Toyota, the Parent Company recognized a gain on the revaluation of the previously held interest amounting to ₱1.26 billion.

As of December 31, 2013, the fair values of the identifiable assets and liabilities of Toyota were finalized. Details of the final purchase price allocation relating to the acquisition of control over Toyota are extensively discussed in the 2013 Audited Financial Statements.

Investment in Charter Ping An

On October 10, 2013, GT Capital acquired 2,334,434 common shares of Ping An from Ty family investment holding companies at a fixed price of Php614.3 per share for a total of ₱1.4 billion. The acquisition represented 66.7% of the non-life insurance firm's outstanding capital stock. The Parent Company has effective ownership over Ping An of 74.97% (66.67% direct holdings and 8.30% indirect ownership). The Parent Company's 8.30% indirect ownership came from its 25.11% direct interest in MBTC which has 99.23% direct interest in FMIC. FMIC, in turn, has 33.33% direct interest in Ping An.

On June 19, 2012 and April 23, 2013, the BOD and the stockholders of Ping An approved the amendment of the Articles of Incorporation for the purpose of increasing the authorized capital stock and the declaration of 1.62 million stock dividends equivalent to ₱162.50 million. On October 18, 2013, the Securities and Exchange Commission approved the application for the increase in Ping An's authorized capital stock from ₱350.00 million to ₱1.00 billion consisting of 10.00 million common shares with par value of ₱100.00 per share. The ₱162.50 million stock dividend equivalent to 1.62 million common shares represented the minimum 25.00% subscribed and paid-up capital for the above-mentioned increase in authorized capital stock.

As of September 30, 2014, and December 31, 2013, the purchase price allocation relating to the Parent Company's acquisition of control over Charter Pin An was prepared on a preliminary basis. Details of the preliminary purchase price allocation relating to the acquisition of control over Charter Ping An are extensively discussed in the 2013 Audited Financial Statements.

On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An. The Parent Company purchased an additional 1.7 million common shares of Charter Ping An from FMIC for a total consideration of ₱712.00 million. The acquisition represents the remaining 33.33% of the non-life insurance firm's outstanding capital stock.

As a result of the acquisition of the non-controlling interest in Charter Ping An, the Group recognized other equity adjustment amounting to ₱375.67 million, representing the excess of the consideration paid over the carrying amount of the non-controlling interests acquired (see Note 8).

Investment in TMBC

On December 18, 2013, the Parent Company acquired 101.87 million common shares of TMBC for a total consideration of ₱502.24 million, representing 40.75% of TMBC's outstanding capital stock.

On March 4, 2014 the Parent Company acquired 48.12 million common shares of TMBC owned by FMIC for a total purchase price of ₱237.26 million. The acquisition represents 19.25% of TMBC's outstanding capital stock and raised the Parent Company's ownership interest in TMBC to 60.00%. The Parent Company assessed that it has joint control over TMBC based on the existing contractual arrangement among TMBC's shareholders.

Investment in TCI

On March 24 and 31, 2014 the Parent Company acquired an aggregate of 69.62 million common shares of TCI for a total purchase price of ₱347.40 million. The acquisition represents 89.05% of the TCI's outstanding capital stock. The Parent Company assessed that it has control over TCI through its ability to direct the relevant activities of TCI and accounted for TCI as a subsidiary.

As of September 30, 2014, the purchase price allocation relating to the Parent Company's acquisition of control over TCI has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of the date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently has limited information. The difference between the total consideration and the net assets of TCI amounting to ₱154.06 million was initially allocated to goodwill. The preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date.

As of September 30, 2014, the provisional fair values of the identifiable assets and liabilities of TCI are as follows (amounts in million pesos):

Assets	
Cash and cash equivalents	₱66
Receivables	489
Inventories	117
Other current assets	101
Available-for-sale investments	1
Property and equipment	58
Investment properties	206
Deferred tax assets	24
Other noncurrent assets	1
	1,063
Liabilities	
Accounts and other payables	254
Loans payable	497
Pension liability	95
	846
Net assets	₱217

The aggregate consideration transferred consists of:

Cash consideration	₱347
Fair value of non-controlling interests	24
	₱371

The business combination resulted in provisional goodwill computed as follows:

Total consideration transferred	₱371
Less: Provisional fair value of identifiable net assets	217
Goodwill	₱154

If the business combination with TCI has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company for the period ended September 30, 2014 would have been ₱106.00 billion and ₱6.35 billion, respectively.

Equity call from GBPC
On February 15, 2013 and March 15, 2013, the Parent Company disbursed ₱763.35 million and ₱230.77 million, respectively, as its pro rata share in response to equity calls from GBPC upon its stockholders to support the TPC 1A Expansion Project.

On January 7, 2014, February 26, 2014 and April 25, 2014, the Parent Company disbursed funds amounting to ₱681.67 million on each date, representing its pro rata share in response to capital calls from GBPC upon its stockholders to support the Panay Energy Development Corporation Unit 3 Expansion Project.

In May 2014, FMIC waived its portion of the capital calls from GBPC equivalent to 84,178,310 shares or 4.38% of GBPC. In the same month, GT Capital partially waived its subscription by 39,914,672 shares and subscribed to 7,217,470 shares or 0.38% of GBPC for a total of ₱34.67 million. With this transaction, the shareholder structure of GBPC is as follows, FMIC, (4.73%); Orix, (22%); MGen, (22%); and GT Capital, (51.27%).

On June 26, 2014 the Parent Company remitted funds amounting to ₱214.09 million in response to aforementioned capital calls from GBPC.

Cash dividends from MBTC
On March 26, 2014, the BOD of MBTC approved the declaration of a 5.00% cash dividend or ₱1.00 per share based on a par value of ₱20.00 to all stockholders of record as of May 7, 2014 payable on May 16, 2014. The BSP approved such dividend declaration on April 15, 2014.

Cash dividends from Toyota
On April 29, 2014, the BOD of Toyota approved the declaration of cash dividends amounting to ₱4.61 billion or ₱297.44 per share to all stockholders of record as of December 31, 2013 payable on May 5, 2014.

Investment in Fed Land Preferred Shares
On July 25, 2014, the Company executed a Subscription Agreement with Fed Land to acquire 80,000,000 preferred shares of stock with par value of Php100.00 per share from Fed Land for a total Subscription Price of ₱8.00 billion subject to the approval of the Philippine Securities and Exchange Commission ("SEC") of Fed Land's increase in authorized capital stock from ₱15.00 billion to ₱23.00 billion. On the same day, the Company made the deposit amounting to ₱500.00 million representing at least the minimum 25% subscribed and paid-up capital for the increase in authorized capital stock of Fed Land from ₱15 billion to ₱23 billion. On September 24, 2014, the Company paid the remaining ₱7.5 billion to Fed Land to complete the ₱8.0 billion subscription price of the Fed Land Preferred Shares.

Investment in TFSPC
On August 29, 2014, GT Capital signed a Sale and Purchase Agreement with Metrobank and Philippine Savings Bank ("PS Bank") to purchase their respective shares in TFSPC amounting to 15% and 25% respectively for an aggregate consideration of ₱2.1 billion. On September 26, 2014, the Company remitted ₱70.0 million to TFSPC in response to the latter's equity call upon its stockholders.

4. Cash and cash equivalents

This account consists of:

	September 30, 2014	September 30, 2013	December 31, 2013
Cash on hand	**₱8**	₱7	₱6
Cash in banks	**6,220**	4,400	4,651
Cash equivalents	**22,887**	21,380	22,510
	₱29,115	₱25,787	₱27,167

5. Inventories and Receivables

Additional inventories in 2014 mainly pertain to acquisition of land for development amounting to ₱4.4 billion located in Macapagal, Pasay City and Bonifacio Global City, Taguig City and increase in vehicle inventories of the Toyota Group.

Receivables in 2014 increased primarily due to increase in installment contracts receivables arising from real estate sales of Fed Land.

6. Property and Equipment and Other Noncurrent Assets

The significant increase in the property and equipment account is primarily attributable to the ongoing construction of the Toledo Power Company (TPC) 1A Expansion Project of the GBPC Group.

Incremental other noncurrent assets in 2014 mainly represent Fed Land's deposit for purchase of properties amounting to ₱6.3 billion and the noncurrent portion of the advances to contractors and suppliers in relation to the Panay Energy Development Corporation Unit 3 Plant Expansion amounting to ₱1.0 billion.

7. Bonds Payable and Accounts Payable

₱10 billion GT Capital bonds due 2020 and 2023

On February 13, 2013, the Parent Company issued a ₱10.00 billion worth of 7-year and 10-year worth of bonds due on February 27, 2020 and February 27, 2023, respectively with an interest rate of 4.84% and 5.09% respectively. Gross proceeds amounted to ₱10.00 billion and net proceeds amounted to ₱9.90 billion, net of deferred financing cost incurred amounting to ₱0.10 billion.

The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to the following:

	(Amounts in millions)
Funding of various equity calls (in millions)	
Toledo plant, to be completed within 2013	₱1,900
Panay plant, to be completed within 2014	3,900
Refinancing of corporate notes due on November 25, 2013	4,200
	₱10,000

Said bonds were listed on February 27, 2013.

₱12 billion GT Capital bonds due 2019, 2021 and 2024

On July 24, 2014, the Philippine SEC approved the issuance of GT Capital bonds amounting to ₱12 billion with tenors of 5-year, 7-year and 10-year due August 7, 2019, August 7, 2021 and August 7, 2024, respectively with interest rates of 4.7106%, 5.1965% and 5.625% respectively.

The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to any or all of the following:

Partial Financing of Ongoing Projects	
Veritown Fort	₱6,222,000,000
Metropolitan Park	1,778,000,000
Refinancing of outstanding loans	3,610,000,000
Working Capital	390,000,000
	₱12,000,000,000

Said bonds were listed on August 7, 2014.

Accounts and other payables increased in 2014 primarily due to increase in Toyota's purchases of imported parts.

8. Equity

Treasury shares

As of September 30, 2014 and December 31, 2013, treasury shares of the Group pertain to 9,200 shares and 10,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱5.88 million and ₱6.13 million, respectively.

Retained earnings
Declaration of cash dividends of the Parent Company
On March 11, 2014, the BOD of the Parent Company approved the declaration of cash dividends of ₱3.00 per share to all stockholders of record as of April 8, 2014 which was subsequently paid on May 2, 2014.

Appropriation of retained earnings of the Parent Company
On March 11, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱3.00 billion. The appropriation is earmarked for the following:

Project Name	Timeline	Amount
Equity call from GBPC for plant expansions	2014	₱2.00 billion
Acquisition of investments	2014-2015	1.00 billion
		₱3.00 billion

Other equity adjustments
Charter Ping An
On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An The Parent Company purchased the remaining 33.33% (represented by 1.71 million shares) of Charter Ping An's outstanding capital stock from FMIC for a total consideration of ₱712.00 million. Prior to the said acquisition, the Parent Company's ownership interest in Charter Ping An was at 66.67%. This acquisition was accounted for as an equity transaction in the interim condensed consolidated financial statements and resulted in the recognition of negative other equity adjustments amounting to ₱375.67 million.

TCI
On April 23, 2014, the Parent Company acquired 200,000 shares of TCI for a total consideration of ₱1.00 million, resulting to 89.31% ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱0.42 million.

On June 17, 2014, the Parent Company subscribed to 33,003,040 shares of TCI for a total consideration of ₱33.00 million, resulting to 92.48% ownership over TCI. The acquisition was accounted for as an equity transaction resulting in the recognition of negative other equity adjustment amounting to ₱24.79 million.

On June 23, 2014, the Parent Company sold 45,000,000 shares of TCI to Mitsui for a total consideration of ₱298.7 million. This represents 40% of TCI's outstanding capital stock. As a result, the Parent Company's ownership over TCI is 52.01% as of September 30, 2014. This acquisition was accounted for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱193.95 million.

GBPC
On May 28, 2014, the Parent Company subscribed to 7,217,470 shares of GBPC, representing an additional 0.38% of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%. This acquisition was accounted for an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱60.52 million.

The above acquisitions and sale were accounted for as changes in ownership without loss of control and are accounted for as equity transactions, which are presented under equity attributable to the Parent Company in the interim condensed consolidated statement of financial position, representing the excess of the consideration paid over the carrying amount of the non-controlling interests acquired at the acquisition date. Total negative other equity adjustments recognized from these acquisitions and sale for the period amounted to ₱146.41 million.

There were no other transactions affecting other equity adjustments for the period.

9. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are made at normal market prices.

Decrease in the due from related parties is due to collections received from the various subsidiaries of Fed Land.

As of September 30, 2014 and December 31, 2013, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

10. **Basic/Diluted Earnings Per Share**

The basic/diluted earnings per share amounts for the periods indicated were computed as follows:

	September 30		December 31,
	2014	2013	2013
	Unaudited		Audited
Net income attributable to equity holders of the Parent Company	**₱6,346**	₱7,688	₱8,640
Weighted average number of shares	**174**	174	173.9
	₱36.4	₱44.3	₱49.7

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

11. **Operating Segments**

Segment Information
For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Power is engaged mainly in the generation and distribution of electricity;

- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments; and
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Seasonality of Operations

The operations of the Group are not materially affected by seasonality, except for the mall leasing operations of the real estate segment which experiences higher revenues during the holiday seasons. This information is provided to allow for a proper appreciation of the results of the Group's operations. However, management concluded that the aforementioned discussions of seasonality do not constitute "highly seasonal" as considered in PAS 34.

Segment Assets

Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

In 2014, the Group changed its presentation of operating segment assets, particularly for the Group's investments in subsidiaries, associates and joint ventures which are previously reported under others segment. Beginning January 1, 2014, the Group's investments in subsidiaries, associates and joint ventures are presented under the respective segment to which the investee entity belongs. The presentation of operating segment assets as of December 31, 2013 has been updated to reflect this change.

The following tables present the financial information of the operating segments of the Group as of and for the nine month period ended September 30, 2014 and as of and for the year ended December 31, 2013:

	Period Ended September 30, 2014 (Unaudited)					
	Real Estate	**Financial Institution**	**Automotive**	**Power**	**Others**	**Total**
Revenue	**₱4,913**	**₱1,306**	**₱79,193**	**₱14,316**	**₱–**	**₱99,728**
Other income	**895**	**129**	**161**	**59**	**–**	**1,244**
Equity in net income of associates and joint ventures	**298**	**2,401**	**56**	**–**	**–**	**2,755**
	6,106	**3,836**	**79,410**	**14,375**	**–**	**103,727**
Cost of goods and services sold	**425**	**–**	**49,637**	**–**	**–**	**50,062**
Cost of goods manufactured	**–**	**–**	**18,283**	**–**	**–**	**18,283**
Cost of real estate sales	**3,324**	**–**	**–**	**–**	**–**	**3,324**
Power plant operation and maintenance	**–**	**–**	**–**	**7,791**	**–**	**7,791**
Net insurance benefits	**–**	**577**	**–**	**–**	**–**	**577**
General and administrative expense	**1,469**	**783**	**4,755**	**2,461**	**164**	**9,632**
	5,218	**1,360**	**72,675**	**10,252**	**164**	**89,669**
Earnings before interest and taxes	**888**	**2,476**	**6,735**	**4,123**	**(164)**	**14,058**
Depreciation and amortization	**162**	**23**	**148**	**1,727**	**4**	**2,064**
EBITDA	**1,050**	**2,499**	**6,883**	**5,850**	**(160)**	**16,122**
Interest income	**906**	**57**	**143**	**71**	**17**	**1,194**
Interest expense	**(429)**	**–**	**(80)**	**(1,414)**	**(518)**	**(2,441)**
Depreciation and amortization	**(162)**	**(23)**	**(148)**	**(1,727)**	**(4)**	**(2,064)**
Pretax income	**1,365**	**2,533**	**6,798**	**2,780**	**(665)**	**12,811**
Provision for income tax	**281**	**35**	**1,823**	**74**	**3**	**2,216**
Net Income (Loss)	**₱1,084**	**₱2,498**	**₱4,975**	**₱2,706**	**(₱668)**	**₱10,595**
Segment Assets	**₱52,260**	**₱51,314**	**₱44,175**	**₱70,552**	**₱814**	**₱219,115**
Segment Liabilities	**₱24,594**	**₱8,946**	**₱21,813**	**₱38,436**	**₱21,937**	**₱115,726**

	December 31, 2013					
Results of Operations	Real Estate	Financial Institution	Automotive	Power	Others	Total
Revenue	₱5,359	₱504	₱74,359	₱16,944	₱–	₱97,166
Other income	1,043	43	109	100	2,069	3,364
Equity in net income of associates and joint ventures	410	3,059	119	–	–	3,588
	6,812	3,606	74,587	17,044	2,069	104,118
Cost of goods and services sold	619	–	44,850	–	–	45,469
Cost of goods manufactured	–	–	19,986	–	–	19,986
Cost of real estate sales	3,667	–	–	–	–	3,667
Power plant operation and maintenance	–	–	–	8,945	–	8,945
Net insurance benefits	–	290	–	–	–	290
General and administrative expense	1,733	236	4,282	2,842	301	9,394
	6,019	526	69,118	11,787	301	87,751
Earnings before interest and taxes	793	3,080	5,469	5,257	1,768	16,367
Depreciation and amortization	164	6	190	2,492	5	2,857
EBITDA	957	3,086	5,659	7,749	1,773	19,224
Interest income	1,043	16	177	134	59	1,429
Interest expense	(621)	–	(87)	(2,154)	(600)	(3,462)
Depreciation and amortization	(164)	(6)	(190)	(2,492)	(5)	(2,857)
Pretax income	1,215	3,096	5,559	3,237	1,227	14,334
Provision for income tax	204	4	1,506	77	12	1,803
Net Income (Loss)	₱1,011	₱3,092	₱4,053	₱3,160	₱1,215	₱12,531
Segment Assets	₱43,227	₱46,304	₱38,478	₱63,763	₱588	₱192,360
Segment Liabilities	₱24,655	₱7,897	₱17,958	₱38,519	₱10,767	₱99,796

Geographical Information

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	September 30, 2014	September 30, 2013	December 31, 2013
Domestic	**₱96,161**	₱69,643	₱95,441
Foreign	**8,761**	7,145	10,106
	₱104,922	₱76,788	₱105,547

12. Financial Risk Management and Objectives

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, long-term cash investments, due from related parties, AFS investments, accounts and other payables, loans payable and due to related parties. The main purpose of the Group's financial instruments is to provide funding for its business operations and capital expenditures. The Group does not enter into hedging transactions or engage in speculation with respect to financial instruments.

Exposure to credit, liquidity, foreign currency and interest rate risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise of cash and cash equivalents, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

Maximum exposure to credit risk after taking into account collateral held or other credit enhancements

As of September 30, 2014 and December 31, 2013, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium units collateral is greater than the carrying value of the installment contracts receivable.

Liquidity risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The table summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

	September 30, 2014 (Unaudited)			
(Amounts in millions)	**< 1 year**	**> 1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents*	**₱29,108**	**₱–**	**₱–**	**₱29,108**
Short-term investments	**1,297**	**–**	**–**	**1,297**
Receivables	**21,984**	**9,509**	**813**	**32,306**
Due from related parties	**194**	**–**	**–**	**194**
AFS investments				
Equity securities				
Quoted	**–**	**–**	**2,386**	**2,386**
Unquoted	**–**	**–**	**461**	**461**
Debt securities	**41**	**354**	**834**	**1,229**
Total undiscounted financial assets	**₱52,624**	**₱9,863**	**₱4,494**	**₱66,981**
Financial liabilities				
Accounts and other payables	**₱31,417**	**₱3**	**₱175**	**₱31,595**
Dividends payable	**–**	**–**	**–**	**–**
Loans payable	**6,844**	**33,493**	**17,529**	**57,866**
Bonds payable	**1,124**	**4,498**	**24,743**	**30,365**
Due to related parties	**182**	**–**	**–**	**182**
Liabilities on purchased properties	**454**	**1,982**	**1,918**	**4,354**
Total undiscounted financial liabilities	**₱40,021**	**₱39,976**	**₱44,365**	**₱124,362**
Liquidity Gap	**₱12,603**	**(₱30,113)**	**(₱39,871)**	**(₱57,381)**

(Amounts in millions)	December 31, 2013 < 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents	₱28,416	₱–	₱–	₱28,416
Short-term investments	2,016	–	–	2,016
Receivables	13,665	4,016	857	18,538
Due from related parties	849	–	–	849
AFS investments				
Equity securities				
Quoted	–	–	1,498	1,498
Unquoted	–	–	480	480
Debt securities	31	286	836	1,153
Total undiscounted financial assets	₱44,977	₱4,302	₱3,671	₱52,950
Other financial liabilities				
Accounts and other payables	₱20,837	₱–	₱–	₱20,837
Dividends payable	1,966	–	–	1,966
Loans payable	1,092	36,613	17,336	55,041
Bonds payable	498	1,993	11,488	13,979
Due to related parties	188	–	–	188
Liabilities on purchased properties	–	1,487	3,873	5,360
Total undiscounted financial liabilities	₱24,581	₱40,093	₱32,697	₱97,371
Liquidity Gap	₱20,396	(₱35,791)	(₱29,026)	(₱44,421)

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's foreign currency-denominated financial instruments primarily consist of cash and cash equivalents, accounts receivable and accounts payable. The Group's policy is to maintain foreign currency exposure within acceptable limits.

Interest rate risk

The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows degree of variability of cash flows.

13. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and Other current assets (short-term cash investments)

The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities these instruments.

Receivables
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 12.00% as of September 30, 2014 and December 31, 2013. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

Due from and to related parties
The carrying amounts approximate fair values due to its short term nature. Related party receivables and payables are due and demandable.

AFS investments - unquoted
These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

AFS investments - quoted
Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date.

Accounts and other payables
The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. The interest rates used ranged from 3.75% to 7.10% for the year ended September 30, 2014 and December 31, 2013.

Bonds payable
In 2014, the fair value of the bonds payable is based on its quoted market price in the Philippine Dealing and Exchange Corporation. In 2013, the fair value of the bonds payable has been determined based on the quoted market price of debt instruments with similar terms that are traded in an active market.

Liabilities on purchased properties
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred in 2013 and 2012 with 3.00% interest per annum. The Group used discounted cash flow analyses to measure the fair value of the long-term payable and determined that the carrying value of the long-term payable was not materially different from its calculated fair value.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

		September 30, 2014 (Unaudited)			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Loans and receivables					
Installment contracts receivable	**₱8,853**	**₱–**	**₱–**	**₱10,963**	**₱10,963**
AFS investments					
Government securities	**805**	**–**	**805**	**–**	**805**
Quoted debt securities	**404**	**404**	**–**	**–**	**404**
Quoted equity securities	**2,386**	**2,386**	**–**	**–**	**2,386**
Total Financial Assets	**₱12,448**	**₱2,790**	**₱805**	**₱10,963**	**₱14,558**
Non-Financial Assets					
Investment properties	**₱8,435**	**₱–**	**₱–**	**₱11,141**	**₱11,141**
Financial Liabilities					
Loans payable	**₱47,459**	**₱–**	**₱48,840**	**₱–**	**₱48,840**
Bonds payable	**21,770**	**21,688**	**–**	**–**	**21,688**
Total Financial Liabilities	**₱69,229**	**₱21,688**	**₱48,840**	**₱–**	**₱70,528**

		December 31, 2013 (Audited)			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables					
Installment contracts receivable	₱5,820	₱–	₱–	₱7,690	₱7,690
AFS investments					
Government securities	480	–	480	–	480
Quoted debt securities	1,153	1,153	–	–	1,153
Quoted equity securities	1,506	1,506	–	–	1,506
Total Financial Assets	₱8,959	₱2,659	₱480	₱7,690	₱10,829
Non-Financial Assets					
Investment properties	₱8,329	₱–	₱–	₱10,840	₱10,840
Financial Liabilities					
Loans payable	₱45,693	₱–	₱47,609	₱–	₱47,609
Bonds payable	9,883	–	9,994	–	9,994
Total Financial Liabilities	₱55,576	₱–	₱57,603	₱–	₱57,603

As of September 30, 2014 and December 31, 2013, other than the bonds payable, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in February 2012.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach and Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.

Significant Unobservable Inputs

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

14. **Contingent Liabilities**

In the ordinary course of the Group's operations, certain companies within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the Group's interim condensed consolidated financial position and results of operations.

In addition, in order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of Housing and Land Use Regulatory Board for a total guarantee amount of ₱1.36 billion and ₱902.82 million as of September 30, 2014 and December 31, 2013, respectively.

15. **Subsequent Events**

Amendment of Articles of Incorporation to Create Voting Preferred Shares of Stock

On October 23, 2014, the Board of Directors approved the proposed amendment to Article SEVENTH of the GT Capital's Amended Articles of Incorporation to create a new class of shares – Voting Preferred Shares, to be taken from existing authorized capital stock of Five Billion Pesos (P5,000,000,000.00). The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible with the following features, rights and privileges:

a) The Issue value shall be determined by the Board of Directors at the time of the issuance of the shares;
b) The Dividend Rate shall be determined by the Board of Directors at the time of the issuance of the shares, equivalent to 3-year PDST R2 to be repriced every 10 years and payable annually;
c) The Voting Preferred Shares shall be non-cumulative and the holders thereof are entitled to the payment of current but not past dividends;
d) The Voting Preferred Shares shall be non-participating in any other of further dividends beyond that specifically payable on the shares;
e) The Voting Preferred Shares shall be redeemable at par value, at the sole option of the Corporation, under terms and conditions approved by the Board of Directors;
f) Holders of Voting Preferred Shares shall be entitled to one vote for each share in his name on the books of the Corporation;
g) Holders of Voting Preferred Shares shall have no pre-emptive rights to any issue of shares, Common or Preferred;
h) The Voting Preferred Shares will not be listed at and will not be tradeable in the Philippine Stock Exchange; and
i) Other features, rights and privileges determined by the Board of Directors."

Acquisition of Properties by Fed Land from Metrobank

In October 2014, Fed Land acquired properties from Metrobank located in Bonifacio Global City for a total purchase price of ₱6.3 billion.

Annex B

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2014 AND 2013

(Amounts in millions except ratio and %)	**2014**	2013
Liquidity Ratio		
Current ratio	**1.97**	2.63
Current assets	**₽82,548**	₽58,892
Current liabilities	**41,833**	22,423
Solvency Ratio		
Total liabilities to total equity ratio	**1.12**	0.89
Total liabilities	**115,726**	81,346
Total equity	**103,389**	91,883
Debit to equity ratio	**0.71**	0.62
Total debt	**73,169**	57,244
Total equity	**103,389**	91,883
Asset to Equity Ratio		
Asset equity ratio	**2.86**	2.44
Total assets	**219,115**	173,229
Equity attributable to Parent Company	**76,553**	70,943
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	**5.76**	5.49
Earnings before interest and taxes (EBIT)	**14,058**	13,772
Interest expense	**2,441**	2,510
Profitability Ratio		
Return on average assets (Year-to-date)	**3.08%**	4.95%
Net income attributable to Parent Company	**6,346**	7,688
Total assets	**219,115**	173,229
Average assets	**205,738**	155,348
Return on Average Equity (Year-to-date)	**8.63%**	12.26%
Net income attributable to Parent Company	**6,346**	7,688
Equity attributable to Parent Company	**76,553**	70,943
Average equity attributable to Parent Company	**73,539**	62,717

*computed as EBIT/Interest Expense

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

DETAILS OF THE USE OF PROCEEDS OF THE COMPANY'S BOND OFFERING
FOR THE PERIOD AUGUST 7, 2014 TO SEPTEMBER 30, 2014
(Amounts in ₱ Millions)

Gross proceeds	₱12,000
Less Offer-related fees and expenses	123
Net Proceeds	₱11,877

Net Proceeds		₱11,877
Use of Proceeds		
Repayment of short-term loans payable including accrued interest	₱1,801	
Acquisition of 4,000,000 shares of Toyota Financial Services Philippines Corporation (TFSPC)	2,100	
Full payment of subscription to Federal Land Inc. preferred shares	7,500	
Funding of TFSPC equity call-1st tranche	70	11,471
Balance		₱406