

# COVER SHEET

C S 2 0 0 7 1 1 7 9 2

S.E.C. Registration Number

G T C A P I T A L H O L D I N G S , I N C .

(Company's Full Name)

4 3 r d F L O O R , G T T O W E R I N T E R N A -  
T I O N A L A Y A L A A V E N U E C O R N E R H . V  
D E L A C O S T A S T R E E T M A K A T I C I T Y

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

Atty. Joselito V. Banaag

Contact Person

8 3 6 - 4 5 - 0 0

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

**Preliminary Information Statement**

Form Type

Second Monday of May

Regular Meeting

NONE

Secondary License type, if applicable

C G F D

Dept. Requiring this Doc.

Amended Articles Number/Section

73 as of Jan. 31, 2014

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. use black ink for scanning purposes.



**OFFICIAL RECEIPT**  
 Republic of the Philippines  
 DEPARTMENT OF FINANCE  
**SECURITIES & EXCHANGE COMMISSION**  
 SEC Building, EDSA, Greenhills  
 City of Mandaluyong, 1554



Accountable Form No. 51 Revised 2006	<b>ORIGINAL</b>
DATE March 31, 2014	No. <b>1063581</b>

<b>PAYOR</b> GT CAPITAL HOLDINGS, INC. MAKATI CITY
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NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
TRF (A0823)	131	MRD	50.00
MISCELLANEOUS INCOME	675	MRD	5,000.00

**TOTAL** PHP 5,050.00

**AMOUNT IN WORDS**  
 FIVE THOUSAND FIFTY PESOS AND 0/100

Received	<input checked="" type="checkbox"/> Cash <input type="checkbox"/> Treasury Warrant <input type="checkbox"/> Check <input type="checkbox"/> Money Order	Received the Amount Stated Above   Wilma F. De Osis COLLECTING OFFICER
Treasury Warrant, Check, Money Order Number		
Date of Treasury Warrant, Check, Money Order		
		O.R. No. 1063581

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.



**GT CAPITAL**  
HOLDINGS, INCORPORATED

**Notice of Annual Stockholders' Meeting**  
**May 12, 2014 at 3:00 p.m.**  
**Metrobank Auditorium, Second Floor Metrobank Plaza**  
**Sen. Gil Puyat Avenue, Makati City**

To all Stockholders:

Please take notice that the 2014 annual stockholders' meeting of GT Capital Holdings, Inc. will be held on May 12, 2014 at 3:00 p.m. at the Metrobank Auditorium, Second Floor Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. Registration shall begin at 2:30 p.m. The agenda of the meeting is set forth below:

**A G E N D A**

1. Call to order
2. Certification of notice and quorum
3. Approval of minutes of regular meeting of stockholders held on May 14, 2013
4. Annual Report for the Year 2013
5. General ratification of the acts of the Board of Directors, Executive Committee and Management from the date of the last annual stockholders' meeting up to the date of this meeting
6. Election of directors for 2014 - 2015
7. Appointment of external auditor
8. Amendment to Articles of Incorporation of the Corporation
9. Amendment to By-laws of the Corporation
10. Adjournment

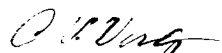
The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on March 27, 2014 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you are requested to accomplish the attached proxy form and return the same to the office of the Secretary at 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City 1227 on or before 5:00 p.m. on May 2, 2014.

For your convenience in registering your attendance, please bring some form of identification with a photograph, such as a passport, driver's license, or company I.D.

Makati City, March 31, 2014.

**BY THE ORDER OF THE BOARD OF DIRECTORS**

  
**ANTONIO V. VIRAY**  
Corporate Secretary  
GT CAPITAL HOLDINGS, INC.

**PROXY**

The undersigned stockholder of GT Capital Holdings, Inc. (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, with the power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on May 12, 2014 and at any of the adjournments thereof for the purpose of acting on the following matters:

- |  |  |
|--|--|
| 1. Approval of minutes of previous annual stockholders' meeting<br><br>___ Yes ___ No ___ Abstain                              | 7. Election of Directors<br><br>___ Vote for all nominees listed below<br><br>Dr. George S.K. Ty<br>Arthur V. Ty<br>Alfred V. Ty<br>Carmelo Maria Luza Bautista<br>Roderico V. Puno<br>Solomon S. Cua<br>Jaime Miguel G. Belmonte (Independent Director)<br>Christopher P. Beshouri<br>Wilfredo A. Paras |
| 2. Approval of Annual Report for the year 2013<br><br>___ Yes ___ No ___ Abstain   |  |
| 3. Ratification of all acts and resolutions of the Board of Directors and Executive Officers<br><br>___ Yes ___ No ___ Abstain |  |
| 4. Election of independent auditors<br><br>___ Yes ___ No ___ Abstain  | ___ Withhold authority for all nominees listed above<br><br>___ Withhold authority to vote for the nominees listed below   |
| 5. Amendment of Article SIXTH of Articles of Incorporation<br><br>___ Yes ___ No ___ Abstain                                   | _____<br>_____<br>_____<br>_____   |
| 6. Amendment of Article III, Section 3 of the By-laws<br><br>___ Yes ___ No ___ Abstain  | _____<br>_____<br>_____<br>_____   |

_____ PRINTED NAME OF STOCKHOLDER	_____ SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY	_____ DATE
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THIS PROXY SHOULD BE REQUIRED BY THE CORPORATE SECRETARY ON OR BEFORE May 2, 2014, THE DEADLINE FOR SUBMISSION OF PROXIES.

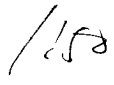
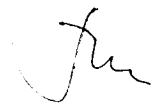
THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VETOED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS OR HER INTENTION TO VOTE IN PERSON.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **GT CAPITAL HOLDINGS, INC.**
3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
4. SEC Identification Number: **CS200711792**
5. BIR Tax Identification Code **006-806-867**
6. Address of principal office: **43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines Postal Code: 1227**
7. Registrant's telephone number, including area code: **(632) 836-4500**
8. Date, time and place of the meeting of security holders: **May 12, 2014 at 3:00 p.m., to be held at the Metrobank Auditorium, Second Floor Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 15, 2013**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC (information on number of shares and amount of debt is applicable only to corporate registrants):

a) Shares of Stock

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	174,300,000

b) Debt securities: Php10 Billion Bonds

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The Philippine Stock Exchange, Inc., common shares.

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders.**

- (a) The Annual Stockholders' Meeting of GT Capital Holdings, Inc. ("GT Capital" or the "Company") is scheduled to be held on May 12, 2014 at 3:00 p.m. at the Metrobank Auditorium, Second Floor Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. The complete mailing address of the principal office of the registrant is 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa Street, Makati City, Metro Manila, Philippines 1227.
- (b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 15, 2014.

**Statement that proxies are not solicited**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.**

**Voting Securities**

The record date for purposes of determining the stockholders entitled to vote is March 27, 2014. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 174,300,000 shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Corporation Code.

**Item 2. Dissenters' Right of Appraisal**

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- (c) In case of merger or consolidation.

A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

- (a) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver on his appraisal right;
- (b) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86), the fair value thereof; and
- (c) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

- (b) No director in the Company has given written notice that he intends to oppose any action to be taken by the Company at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) As of March 15, 2014, the total number of shares outstanding and entitled to vote in the stockholders' meeting is 174,300,000 common shares.
- (b) The record date for determining the stockholders entitled to notice and to vote is March 27, 2014.
- (c) Stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made under a statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

Provided however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 24 of the Corporation Code of the Philippines.

**(d) Security Ownership of Certain Record and Beneficial Owners as of March 15, 2014:**

As of March 15, 2014, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Grand Titan Capital Holdings, Inc.  4 <sup>th</sup> Floor Metrobank Plaza, Sen. Gil Puyat Ave., Makati City	Same as the Record Owner  Arthur Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	103,371,110	59.306%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients <sup>1</sup>	Foreign	57,908,960	33.224%
Common	PCD Nominee Corp. (Filipino)	Various Clients <sup>1</sup>	Filipino	12,384,079	07.105%

(1) The number of shares held by PCD Nominee Corp. (Filipino and Non-Filipino) is comprised of various clients who are the beneficial owners of GT Capital Shares which are lodged with the Philippine Depository & Trust Corp.

Security Ownership of Management as of March 15, 2014

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/(I) indirect	Citizenship	Percent of Class
Common	Dr. George S. K. Ty	200,000 (D)	Filipino	0.115%
Common	Arthur Vy Ty	100,000 (D) 1,500 (I)	Filipino	0.057% 0.001%
Common	Alfred Vy Ty	100,000 (D) 1,500 (I)	Filipino	0.057% 0.001%
Common	Mary Vy Ty	99,000 (D)	Filipino	0.057%
Common	Anjanette T. Dy Buncio	40,000 (D) 1,500 (I)	Filipino	0.023% 0.001%
Common	Solomon S. Cua	1,000 (D) 20,000 (I)	Filipino	0.001% 0.011%
Common	Carmelo Maria Luza Bautista	1,000 (D) 10,000 (I)	Filipino	0.001% 0.006%
Common	Francisco H. Suarez, Jr.	5,000 (I)	Filipino	0.003%
Common	Jocelyn Y. Kho	2,200 (I)	Filipino	0.001%
Common	Roderico V. Puno	1,000 (D)	Filipino	0.001%
Common	Jaime Miguel G. Belmonte	1,000 (D)	Filipino	0.001%
Common	Christopher P. Beshouri	1,000 (D) 3,000 (I)	American	0.001% 0.002%
Common	Wilfredo A. Paras	1,000 (D)	Filipino	0.001%
Common	Joselito V. Banaag	900 (I)	Filipino	0.001%
Common	Alesandra T. Ty	500 (I)	Filipino	0.000%
Common	Antonio V. Viray	0	Filipino	0.000%
Common	Jose B. Crisol, Jr.	0	Filipino	0.000%
Common	Susan E. Cornelio	0	Filipino	0.000%
Common	Richel D. Mendoza	0	Filipino	0.000%
Common	Reyna Rose P. Manon-Og	0	Filipino	0.000%
<b>Total</b>		<b>545,000 (D)</b> <b>46,100 (I)</b> <b>591,100 (D) and (I)</b>		<b>0.3391%</b>

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.



(e) **Change in Control**

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

Item 5. **Directors and Executive Officers of the Registrant**

(a) **The incumbent Directors and Executive Officers of the Company are as follows:**

**Board of Directors**

<b><u>Office</u></b>	<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Citizenship</u></b>
Group Chairman	Dr. George S.K. Ty	81	Filipino
Chairman	Arthur Vy Ty	47	Filipino
Vice Chairman	Alfred Vy Ty	46	Filipino
Director/President	Carmelo Maria Luza Bautista	56	Filipino
Director	Roderico V. Puno	50	Filipino
Director	Solomon S. Cua	58	Filipino
Independent Director	Jaime Miguel G. Belmonte	49	Filipino
Independent Director	Christopher P. Beshouri	51	American
Independent Director	Wilfredo A. Paras	67	Filipino
Adviser	Pascual M. Garcia III	60	Filipino

The business experience of the members of the Board for the last five (5) years is as follows:

**Dr. George S.K. Ty** served as GT Capital Holdings, Inc.'s Chairman of the Board since its inception in July 2007 until July 11, 2012. Dr. Ty is also the founder of Metropolitan Bank & Trust Company (Metrobank) and served as its Chairman from 1975 until 2006, when he became Group Chairman of the Metrobank group of companies. Dr. Ty graduated from the University of Santo Tomas. He is concurrently the Chairman of the Board of Trustees of the Metrobank Foundation, Inc. and of the Board of Directors of Toyota Motor Philippines Corporation.

**Arthur Vy Ty** served as the Company's Vice Chairman since its inception in 2007 before assuming his current position as Chairman in 2012. He was the President of Metrobank from 2006 to 2012 and was appointed as its Chairman in April 2012. He headed Metrobank's Consumer Lending Group from 2000 to 2004 and served as Vice Chairman of the Bank from 2004 to 2006. He also serves as the Chairman of Metropolitan Bank (China) Ltd., Inc., Vice Chairman of PSBank and First Metro Investment Corporation. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York in 1991.

**Alfred Vy Ty** has been Vice Chairman of the Company since February 14, 2012 and has served as a Director of the Company since 2007. He is also the current President of Federal Land Inc. and the Vice-Chairman of Toyota Motor Phils. Corp. He graduated from the University of Southern California with a degree major in Business Administration in 1989. Some of his other current roles and positions include: Corporate Secretary, Metrobank; Chairman, Lexus Manila, Inc.; Director, Philippine Long Distance Telephone Company; Chairman, Asia Pacific Top Management; Director, Global Business Power Corporation.; President, GT-Metro Foundation, Inc.; Board of Trustees, Metrobank Foundation, Inc.; Honorary Consul, Consulate of Uruguay; and Former Special Envoy of the President to China.

**Carmelo Maria Luza Bautista** assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 36 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank Manila; Vice President Real Estate Finance Group Citibank

N.A. Singapore branch; Vice President Structured Finance Citibank N.A. Singapore Regional Office; Country Manager ABN AMRO Bank Philippines; and President and CEO Philippine Bank of Communications. Mr. Bautista has a Masters in Business Management degree from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelors degree major in Economics from the Ateneo de Manila University.

**Solomon S. Cua** has been serving as Director of GT Capital Holdings, Inc. since July 11, 2012. With more than 20 years of experience in general management, banking and finance, Mr. Cua holds several other positions in other companies, among which are as Director of First Metro Investment Corporation (since 2001) and Chairman of Philippine AXA Life Insurance Corporation (since 2010). He graduated from the University of Melbourne and the University of Queensland where he earned degrees in Bachelor of Arts in Mathematical Sciences and Economics and Bachelor of Laws, respectively. He obtained his Masters of Law from the London School of Economics and Political Sciences. Mr. Cua also holds the following positions: Director and Vice Chairman of Philippine Racing Club, Inc.; Director of Grand Titan Capital Holdings, Inc.; Director of Global Treasure Holdings Inc.; Director of Greenhills West Association, Inc.; Director and Treasurer of Palm Integrated Commodities, Inc.; and Director of Philippine Newtown Global Solutions. Prior to his stint in First Metro Investment Corporation, Mr. Cua served as Undersecretary of Finance from 1998 to 2000.

**Roderico V. Puno** has been a director of the Company since August 5, 2011 and is a Senior Partner of Puno & Puno Law Offices. He earned his Bachelor of Laws degree from Ateneo de Manila University in 1989 and is a widely recognized expert in energy law and also specializes in general corporate law, banking, corporate and project finance, real estate, utilities regulation, securities and infrastructure. He is currently Corporate Secretary of Atlas Consolidated and Mining and Development Corporation, First Philippine Industrial Park and Rustan Supercenters, Inc.; Assistant Corporate Secretary of Metropolitan Bank & Trust Company. He served as Vice-President- Legal for First Philippine Holdings Corporation and First Generation Corporation.

**Jaime Miguel G. Belmonte\*** was elected as Independent Director of GT Capital on July 11, 2012. He is also the President and Chief Executive Officer of The Philippine Star (since 1998); President and Publisher of Pilipino Star Ngayon (since 1994) and PM-Pang Masa (since 2003); and President of Pilipino Star Printing Company (since 1994). Mr. Belmonte is also the President of Cebu-based The Freeman and Banat News (since 2004), Director of Stargate Media Corporation (since 2000), and member of the Board of Advisers of Manila Tytana College (since 2008). He earned his undergraduate degree from the University of the Philippines-Diliman.

**Christopher P. Beshouri\*** is Group President and COO of Vicsal Development (Gaisano), which has holdings in Property, Retail, and Financial Services. Prior to joining the Gaisanos, Mr. Beshouri was with McKinsey and Company for more than 15 years, where he held 3 distinct roles: Managing Partner of Philippines (2005-2013), Chief of Staff of Asia (2004-2005); and Senior Consultant (1997-2004). He also worked as a Senior Financial Economist and Director at the United States Treasury from 1989 to 1997, where he focused on financial markets and banking regulation. In addition, Mr. Beshouri was an Adjunct Professor of Georgetown University, College of Business from 1996-1997, a Consultant for the West Africa Country Operations of the World Bank in 1988, a Financial Auditor of the Catholic Relief Services from 1987 to 1988, and an Analyst and Research Assistant for the Federal Reserve Bank of Atlanta from 1984 to 1986. Mr. Beshouri holds a Bachelor of Arts Degree (Dual Major in Economics and Public Policy) from the Michigan State University, and a degree of Master of Public Affairs from Princeton University.

**Wilfredo A. Paras\*** currently holds various positions in Philippine Corporations, such as: Independent Director of Philex Mining Corporation (2011-present); Director of Oil Mills Goup of CIIF- Granexport Manufacturing Corporation, Cagayan de Oro Oil Mills Corporation, Iligan Coconut Industries, Inc. (2011-present); Member of the Board of Trustees of Dualtech Training Center (2012-present); Senior Adviser of Association of Petrochemical Manufacturers of the Philippines (2007-present); and President of WAP Holdings Inc (2007-present). He also served as the Executive Vice President/Chief Operating Officer and Director of JG Summit Petrochemical Corporation; and was also the President of Union Carbide Philippines, the President/Director of Union Carbide-Indonesia, Managing Director of Union Carbide Singapore and Business Director for Union Carbide Asia-Pacific. Mr. Paras holds a degree in Bachelor of Science (BS) Industrial Pharmacy from the University of the Philippines and a Master in Business Administration (MBA) from the De la Salle University Graduate School of Business. He finished a Management Program of the University of Michigan, Ann Arbor, Michigan, USA.

Pascual M. Garcia III was appointed as Board Advisor in May 2013. He is currently the Chairman of Federal Land, Inc. He also holds several other positions in other companies among which are Director for Toyota Financial Services Philippines; Director for Sumisho Finance Corporation; President of Federal Land Orix Corporation; and Director for Cathay International Resources Corporation. Prior to joining Federal Land, he served as the President and Director of Philippine Savings Bank from 2001 up to 2013. Mr. Garcia earned his Bachelor's degree in Commerce Major in Management from the Ateneo de Zamboanga University.

\* Independent director - the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule. The Company's By-laws were amended for this purpose and such amendment was approved by the SEC on January 13, 2012. A discussion on the guidelines and procedures for Nomination and Election of Independent Directors is set forth in Annex "A" of this Information Statement.

#### Period of Directorship

<u>Name</u>	<u>Date First Elected</u>
Dr. George S.K. Ty	June 3, 2011
Arthur Vy Ty	June 3, 2011
Alfred Vy Ty	February 14, 2012
Carmelo Maria Luza Bautista	August 5, 2011
Roderico V. Puno	August 5, 2011
Solomon S. Cua	June 3, 2011
Jaime Miguel G. Belmonte	December 2, 2011
Christopher P. Beshouri	May 14, 2013
Wilfredo A. Paras	May 14, 2013
Pascual M. Garcia III (Adviser)	May 14, 2013

#### Executive Officers

<u>Name</u>	<u>Office</u>	<u>Age</u>	<u>Citizenship</u>
Carmelo Maria Luza Bautista	President	56	Filipino
Francisco H. Suarez, Jr.	SVP/Chief Financial Officer	54	Filipino
Mary Vy Ty	Treasurer	73	Filipino
Anjanette T. Dy Buncio	Assistant Treasurer	45	Filipino
Alesandra T. Ty	Assistant Treasurer	34	Filipino
Antonio V. Viray	Corporate Secretary	74	Filipino
Margaret T. Cham	Assistant Corporate Secretary	46	Filipino
Jocelyn Y. Kho	Assistant Corporate Secretary	59	Filipino
Joselito V. Banaag	VP/Head, Legal and Compliance	43	Filipino
Jose B. Crisol, Jr.	VP/Head, Investor Relations and Corporate Communications	47	Filipino
Susan E. Cornelio	VP/Head, Human Resources and Administration	41	Filipino
Richel D. Mendoza	VP/Chief Audit Executive	42	Filipino
Reyna Rose P. Manon-Og	AVP/Head, Accounting and Financial Control	32	Filipino

Francisco H. Suarez, Jr. has served as GT Capital's Chief Financial Officer since February 16, 2012. He brings to the Company over 30 years of experience in the fields of investment banking and corporate finance. He served as Chief Financial Officer of ATR KimEng Capital Partners, Inc., PSi Technologies, Inc. and SPi Technologies; and assumed various positions in Asian Alliance Investment Corp., Metrobank, International Corporate Bank, Far East Bank and Trust Company and National Economic Development Authority. He earned his Bachelor of Arts in Applied Economics from De La Salle University in 1981; and is a candidate for a Masters in Business Administration degree at the Ateneo Graduate School of Business.

**Mary Vy Ty** has served as the Company's Treasurer since its incorporation in 2007. Mrs. Ty has more than 50 years of experience in banking and general business. She currently holds the following positions: Assistant to the Group Chairman, Metrobank; Adviser, Metrobank Foundation, Inc.; Vice Chairman, Manila Medical Services, Inc.; Adviser, Manila Tytana Colleges; Treasurer, Global Business Power Corporation; Director, Grand Titan Capital Holdings, Inc.; and Chairman, Philippine Securities Corporation. Previously, Mrs. Ty held the position of Director for First Metro Investment Corporation. She earned her collegiate degree from the University of Santo Tomas.

**Antonio V. Viray** joined the Company as Assistant Corporate Secretary and became Corporate Secretary in 2009. He was formerly the Senior Vice-President, General Counsel and Assistant Corporate Secretary of Metropolitan Bank & Trust Company (Metrobank). He was also a Senior Vice-President & General Counsel of Philippine Savings Bank and Director of Solidbank. At present he is a Director of Metrobank; Corporate Secretary of Golden Treasure Holdings, Inc. and Grand Titan Holding Holdings, Inc. He is also Chairman and President of AVIR Development Corporation and Of Counsel of FERIA TANTOCO ROBENIOL LAW OFFICE. He obtained his Bachelor of Laws from the University of Sto. Tomas and Master of Laws from Northwestern University in Chicago, U.S.A.

**Margaret Ty Cham** is GT Capital's Assistant Corporate Secretary. She is also a Director and Assistant Vice President of PSBank; Director of Orix Metro Leasing Corporation and Federal Land, Inc.; President of Glam Holdings Corporation and Glamore Holdings Corporation; Vice President of Great Mark Resources Corporation; Vice President and Corporate Secretary of Norberto and Tytana Ty Foundation; Vice President, Corporate Secretary, and member of the Board of Trustees of GT Metro Foundation; Corporate Secretary of the Metrobank Foundation; Vice President of Global Treasure Holdings, Inc.; and Vice President of Grand Titan Holdings, Inc. She obtained her Bachelor of Science in Humanities degree from the De La Salle University.

**Jocelyn Y. Kho** has served as the Company's Assistant Corporate Secretary since June 2011 and formerly Controller until 2010. She concurrently serves as Controller and Assistant Corporate Secretary of Grand Titan Capital Holdings, Inc. and Global Treasure Holdings, Inc.; Director and Treasurer of Global Business Holdings, Inc.; Senior Vice President/ Corporate Secretary of Federal Homes, Inc.; Director/ Corporate Secretary of Crown Central Realty Corporation; Director/Member of the Board and Formerly Corporate Secretary of Cathay International Resources, Inc.; Excom Member, Formerly Senior Vice President/Comptroller/ Assistant Corporate Secretary of Federal Land, Inc.; Chairman and President of MBT-Management Consultancy, Inc.;. She served as Vice President under the Office of the Assistant to the Group Chairman of MBT from 1978 to 2009. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975. Master of Science in Taxation (lack Thesis) from MLQ University

**Anjanette Ty Dy Buncio** has served as the Assistant Treasurer of GT Capital Holdings, Inc. since 2007. She holds several other posts in other companies, among which are: Vice Chairman of Metrobank Card Corporation; Director, Corporate Secretary, Senior Vice President, and Treasurer of Federal Land, Inc.; Vice President of Metrobank; Corporate Secretary and Treasurer of Global Business Power Corporation; and Corporate Secretary of Pro Oil Corporation. She graduated from the International Christian University in Tokyo, Japan with a Bachelor of Science degree in Economics.

**Alesandra T. Ty** was appointed Assistant Treasurer of GT Capital Holdings on February 14, 2012. She graduated from the Ateneo de Manila University with a Bachelor of Science degree in Legal Management. She then earned her Masters in Business Administration at the China Europe International Business School in Shanghai, China. She is currently a director and Treasurer of AXA Philippines, a director of Federal Homes, Inc. and Sumisho Motorcycle Finance Corp., the Corporate Treasurer of Metrobank Card Corporation and the Corporate Secretary/Treasurer of First Metro Investment Corporation.

**Joselito V. Banaag** joined the Company on January 2, 2012 as Head of its Legal and Compliance Division. Prior to this, he served as General Counsel of the Philippine Stock Exchange and concurrently, as Chief Legal Counsel of the Securities Clearing Corporation of the Philippines. He was also Officer in Charge of the Exchange's Issuer Regulation Division. Previous employments include assuming various positions in SGV & Co., Cayetano Sebastian Ata Dado and Cruz Law Offices, PNOC Exploration Corporation and Padilla Jimenez Kintanar & Asuncion Law Offices. He earned his Bachelor of Arts in Political Science minoring in Japanese Studies from Ateneo de Manila University and Bachelor of Laws from the University of the Philippines.

**Jose B. Crisol, Jr.** serves as Vice President and Head of the Investor Relations and Corporate Communications Division of GT Capital. He was appointed to the position on July 26, 2012. Before joining the company, he was the Assistant Vice President for Investor Relations of SM Investments Corporation (SM). Prior to working with SM, he was a Director at the Department of Trade and Industry (DTI), heading its Trade and Industry Information Center. He also served for a time, on a concurrent basis, as Head of DTI's Office of Operational Planning. His other past employment includes occupying various positions at The Philippine American Life Insurance Company and Merrill Lynch Philippines, Inc., among others. He holds a Bachelor of Science degree in Economics from the University of the Philippines in Diliman, and completed his primary and secondary education at the Ateneo De Manila University.

**Susan E. Cornelio** joined the Company on July 4, 2012 as the Head of the Human Resources Division. Prior to this, she served as Vice President and Head of the Compensation and Benefits Department of Sterling Bank of Asia. Before this she was Assistant Vice President and Head of the Compensation and Benefits Department of United Coconut Planters Bank. She holds a degree of Bachelor of Science major in Accounting from the Sta. Isabel College and a Master Certificate in Human Resources from Cornell University's School of Industrial and Labor Relations.

**Richel D. Mendoza** joined the company on October 1, 2013 as its Chief Audit Executive. She served as Board Director of the Institute of Internal Auditors (IIA) Philippines from 2004-2012 prior to her appointment as its Chief Operating Officer in 2012. She is a seasoned internal audit practitioner with 17 years of experience from listed company Roxas Holdings, Inc. serving as Senior Auditor in one of its subsidiaries until she became the Group Internal Audit Head. She gained her audit background from SGV and Co. She has a Masters in Business Administration degree from De La Salle University Graduate School of Business and a Bachelor of Science degree in Business Administration Major in Accounting from University of the East, Magna Cum Laude. Ms. Mendoza is a Certified Public Accountant, a Certified Internal Auditor (CIA), and an IIA accredited Quality Assurance Validator, Trainer and CIA Reviewer.

**Reyna Rose P. Manon-og** was appointed as the Company's Controller in October 2011. Prior to joining the Company, she spent seven years at SGV & Co. wherein she held various positions including Director; and another two years in United Coconut Planters Bank as Assistant Vice President and Head of its Financial Accounting Department. She is a Certified Public Accountant and an honors graduate of Bicol University.

#### Period of Officership

<u>Name</u>	<u>Office</u>	<u>Period Held</u>
Carmelo Maria Luza Bautista	President	2011-Present
Francisco H. Suarez, Jr.	SVP/Chief Financial Officer	2012-Present
Mary Vy Ty	Treasurer	2007-Present
Anjanette T. Dy Buncio	Assistant Treasurer	2007-Present
Alesandra T. Ty	Assistant Treasurer	2012-Present
Antonio V. Viray	Corporate Secretary	2009-Present
Margaret T. Cham	Assistant Corporate Secretary	2013-Present
Jocelyn Y. Kho	Assistant Corporate Secretary	2011-Present
Joselito V. Banaag	VP/Head, Legal and Compliance	2012-Present
Jose B. Crisol, Jr.	VP/Head, Investor Relations and Corporate Communications	2012-Present
Susan E. Cornelio	VP/Head, Human Resources	2012-Present
Richel D. Mendoza	VP/Chief Audit Executive	2013-Present
Reyna Rose P. Manon-Og	AVP/Controller and Head, Accounting and Financial Control	2011-Present

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The same set of directors will be nominated in the coming regular annual stockholders' meeting. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations as well as the Company's By-laws.

Nomination of Independent Directors shall be conducted by the Nomination Committee prior to the stockholders' meeting. The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of independent directors and which list shall contain all the information about these nominees. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting. In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nomination Committee; otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

**(b) Significant Employees**

The Company does not believe that its business is dependent on the services of any particular employee.

**Directorships in Other Reporting Companies and Subsidiaries**

The following are directorships held by Directors and Executive Officers in other reporting companies and subsidiaries of the Corporation during the last five years:

<u>Name of Corporation</u>	<u>Position</u>
<b>George S.K. Ty</b>	
Toyota Motor Philippines .....	Chairman
<b>Arthur Vy Ty</b>	
Metropolitan Bank & Trust Company.....	Chairman
Philippine Savings Bank .....	Vice Chairman
<b>Alfred Vy Ty</b>	
Toyota Motor Philippines .....	Vice-Chairman
Federal Land, Inc. ....	President/Director
Global Business Power Corporation .....	Director
Philippine Long Distance Telephone Company.....	Director
<b>Roderico V. Puno</b>	
Global Business Power Corporation .....	Director
<b>Solomon S. Cua</b>	
Philippine AXA Life Insurance Corporation .....	Chairman
Philippine Racing Club, Inc. ....	Vice-Chairman
<b>Wilfredo A. Paras</b>	
Philex Mining Corporation .....	Director
<b>Antonio V. Viray</b>	
Metropolitan Bank & Trust Corporation .....	Director

**Board Committees:**

The members of the Audit and Risk Management Committee are:

- Wilfredo A. Paras - Chairman
- Christopher P. Beshouri - Member
- Solomon S. Cua - Member

The members of the Compensation Committee are:

- Alfred Vy Ty - Chairman
- Solomon S. Cua - Member
- Jaime Miguel G. Belmonte - Member

The members of the Nominations Committee are:

Roderico V. Puno - Chairman  
Carmelo Maria Luza Bautista - Member  
Wilfredo A. Paras - Member

The members of the Corporate Governance Committee are:

Christopher P. Beshouri - Chairman  
Wilfredo A. Paras - Member  
Jaime Miguel G. Belmonte - Member

The Nomination Committee created by the Board under its Corporate Governance Manual nominated the following for re-election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

Dr. George S. K. Ty  
Arthur Vy Ty  
Alfred Vy Ty  
Carmelo Maria Luza Bautista  
Roderico V. Puno  
Solomon S. Cua  
Jaime Miguel G. Belmonte  
Christopher P. Beshouri  
Wilfredo A. Paras

The Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The same provision has been incorporated in the Amended By-Laws of the Company.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The same set of directors will be nominated in the coming regular annual stockholders' meeting.

The following will be nominated as officers at the Organizational meeting of the Board of Directors:

<u>Office</u>	<u>Name</u>
Group Chairman	Dr. George S. K. Ty
Chairman	Arthur Vy Ty
Vice Chairman	Alfred Vy Ty
Director and President	Carmelo Maria Luza Bautista
Pascual M. Garcia III	Adviser
Treasurer	Mary Vy Ty
Assistant Treasurer	Anjanette T. Dy Buncio
Assistant Treasurer	Alesandra T. Ty
Corporate Secretary	Antonio V. Viray
Assistant Corporate Secretary	Margaret T. Cham
Assistant Corporate Secretary	Jocelyn Y. Kho
Chief Financial Officer	Francisco H. Suarez, Jr.
Head, Legal and Compliance	Joselito V. Banaag
Head, Investor Relations and Corporate Communications	Jose B. Crisol, Jr.
Head, Human Resources	Susan E. Cornelio
Chief Audit Executive	Richel D. Mendoza
Controller and Head, Accounting and Financial Control	Reyna Rose P. Manon-Og

**(c) Family Relationships**

Mary Vy Ty is the wife of Dr. George S.K. Ty. Arthur Vy Ty, Alfred Vy Ty, Anjanette T. Dy Buncio and Alesandra T. Ty are the children of Dr. George SK Ty and Mary Vy Ty. Margaret T. Cham is the daughter of Dr. George S.K. Ty. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

**(d) Certain Relationships and Related Transactions**

There are no known related party transactions other than those described in Note 27 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

**(e) Involvement in Legal Proceedings**

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

- (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
- (4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and
- (5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

**Item 6. Compensation of Executive Officers**

***Summary compensation table***

The following table identifies the Company's President and four most highly-compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2012, 2013 and 2014. The amounts (in P millions) set forth in the table below have been prepared based on what the Company paid its executive officers in 2012 and 2013, and what the Company expects to pay in 2014.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
Named Executive Officers*.....	2012	15.85	5.70	-
	2013	18.65	4.66	-
	2014**	22.59	5.65	-
All other Officers as a Group .....	2012	1.02	0.26	-
	2013	7.16	1.791	-
	2014	8.62	2.24	-

\* Named executive officers include: Carmelo Maria Luza Bautista (President), Francisco H. Suarez, Jr. (Chief Financial Officer), Joselito V. Banaag (Head, Legal and Compliance), Jose B. Crisol, Jr. (Head, Investor Relations and Corporate Communications), and Susan E. Cornelio (Head, Human Resources).

\*\* Figures for the year 2014 are estimates.



***Employment contracts between the Company and named executive officers***

The Company has no special employment contracts with its executive officers.

***Warrants and options outstanding***

There are no outstanding warrants or options held by the CEO, executive officers, and all officers and directors as a group.

***Stock option plan***

The Company has no employee stock option plan.

**Item 7. Independent Public Accountants**

Sycip, Gorres, Velayo & Company is the external auditor for the calendar year 2013. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Company engaged Ms. Vicky Lee Salas of SGV & Co. for the examination of the Company's financial statements for 2013. Pursuant to SRC Rule 68, Paragraph 3 (b) (ix) (Rotation of External Auditors), the independent auditors or in the case of an audit firm, the signing partner, shall be rotated after every five (5) years of engagement, with a two-year cooling off period to be observed in the re-engagement of the same signing partner or individual auditor.

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor were P12,560,714 and P31,440,000.00 for 2013 and 2012, respectively. The audit fees for 2014 are estimated to be at P1,400,000. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and assistance in the preparation of annual income tax returns. SGV rendered other professional services in 2013 and 2012 relating to the Company's Bond Offering and Initial Public Offering, respectively. There were no other professional services rendered by SGV & Co. in 2013 and 2014. Tax consultancy services are secured from other entities other than the external auditor.

The Audit Committee has the primary responsibility of recommending to the Board of Directors the appointment, re-appointment or removal of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Audit Committee's recommendation.

**Item 8. Compensation Plans**

Not applicable.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

Not applicable.

**Item 10. Modification or Exchange of Securities**

Not applicable.

**Item 11. Financial and Other Information**

Not applicable.

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

Not applicable.

**Item 13. Acquisition or Disposition of Property**

Not applicable.

**Item 14. Restatement of Accounts**

Not applicable.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The following are to be submitted for approval during the stockholders' meeting:

- (a) Minutes of the annual meeting of stockholders held on May 14, 2013.

The following was the agenda of the said meeting:

- Call to order
- Certification of notice and quorum
- Approval of the minutes of the special meeting of stockholders held on October 26, 2012
- Annual Report for the Year 2012
- General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to May 14, 2013
- Election of directors for 2013-2014
- Appointment of external auditor
- Change in By-laws of the Corporation
- Adjournment

- (b) Annual Report for the Year 2013

- (c) General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting (May 14, 2013) up to the date of this meeting (May 12, 2014).

There are no other matters that would require approval of the stockholders other than as stated in Item 17 and 18.

**Item 16. Matters Not Required to be Submitted**

Not applicable.

**Item 17. Amendment of Charter, By-laws or Other Documents**

At a regular meeting of the Board of Directors on March 11, 2014, the Board approved the following proposed amendments to the Articles of Incorporation and By-laws of the Corporation:

- a) Amendment of Article SIXTH of the Articles of Incorporation to increase the number of directors of the Corporation from nine (9) to eleven (11).

The proposed amendment is in line with the increase in the number of component companies of the Corporation, which has made necessary the addition of more directors with experience in component companies recently acquired. In addition to this, the increase in the number of directors will allow them to focus on their duties and responsibilities pertaining to various committees of the Corporation, including the proposed Risk Oversight Committee.

- b) Amendment of Article III, Section 3 of the By-laws to decrease the number of shares required to qualify as a director of the Corporation from one (1,000) to one hundred (100) shares of stock.

The reduction in the number of nominal shares eases the burden on directors to maintain at least one thousand (1,000) shares of the Corporation to be eligible to sit on the Board.

#### **Item 18. Other Proposed Action**

The following are to be presented for approval during the stockholders' meeting:

- (a) Election of directors for 2014-2015; and
- (b) Appointment of external auditor.

#### **Item 19. Voting Procedures**

##### **a. Election of Directors**

As stated in Section 2 of Article III of the Company's By-Laws, "The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified."

Section 24 of The Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock... entitled to vote".

##### **b. Appointment of External Auditor**

As stated in Section 1 of Article VII of the Company's By-Laws, "At the regular stockholders' meeting the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation." The stockholders representing the majority of the subscribed capital stock approves the appointment of the external auditor.

##### **Methods by which votes will be counted**

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote of any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.

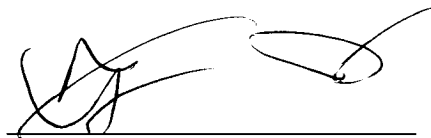
The external auditor of the Company, SGV & Co., will validate the ballots when voting is done by secret ballot. Likewise, SGV & Co. will count the number of hands raised when voting by show of hands is done.

**N.B. UPON WRITTEN REQUEST OF A STOCKHOLDER, GT CAPITAL HOLDINGS, INC. SHALL PROVIDE, FREE OF CHARGE, A COPY OF ITS 2013 ANNUAL REPORT (SEC FORM 17-A). THE REQUEST SHOULD BE ADDRESSED TO THE ATTENTION OF FRANCISCO H. SUAREZ, JR., CHIEF FINANCIAL OFFICER, 43RD FLOOR, GT TOWER INTERNATIONAL, AYALA AVENUE CORNER H. V. DELA COSTA ST., MAKATI CITY 1227.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 31, 2014.

By:

A handwritten signature in black ink, consisting of several loops and strokes, positioned above a horizontal line.

**FRANCISCO H. SUAREZ, JR.**  
**Chief Financial Officer**

**MANAGEMENT REPORT**

**A.i Consolidated Audited Financial Statements**

The Company's consolidated financial statements for the year ended December 31, 2013 are incorporated herein by reference.

**A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There were no changes in and disagreements with accountants on accounting and financial disclosures.

**A.iii Management's Discussion and Analysis or Plan of Operation**

**CALENDAR YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012**

**RESULTS OF OPERATIONS**

GT Capital Consolidated Income Statement  (In Million Php, except for percentages)	Audited Year-End December 31		Increase (Decrease)	
	2013	As Restated- 2012	Amount	Percentage
<b>REVENUE</b>				
Auto sales	74,359	-	74,359	100%
Net fees	16,944	12,845	4,099	32%
Real estate sales	5,451	2,414	3,037	126%
Equity in net income of associates and joint venture	3,588	3,902	(314)	(8%)
Net premiums earned	505	-	505	100%
Gain (loss) on previously held interest	2,046	(54)	2,100	3,889%
Gain from loss of control of subsidiary	-	1,448	(1,448)	(100%)
Gain on bargain purchase	-	428	(428)	(100%)
Interest income	680	583	97	17%
Sale of goods and services	657	731	(74)	(10%)
Rent income	592	233	359	154%
Commission income	188	184	4	2%
Other income	537	263	274	104%
	<b>105,547</b>	<b>22,977</b>	<b>82,570</b>	<b>359%</b>
<b>COSTS AND EXPENSES</b>				
Cost of goods and services	45,469	681	44,788	6,577%
Cost of goods manufactured	19,986	-	19,986	100%
Cost of real estate sales	3,667	1,342	2,325	173%
Power plant operation and maintenance	8,945	6,711	2,234	33%
General and administrative expenses	9,394	3,559	5,835	164%
Interest expense	3,462	1,749	1,713	98%
Net insurance benefits and claims	290	-	290	100%
	<b>91,213</b>	<b>14,042</b>	<b>77,170</b>	<b>550%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>14,334</b>	<b>8,935</b>	<b>5,399</b>	<b>60%</b>
<b>PROVISION FOR INCOME TAX</b>	<b>1,803</b>	<b>288</b>	<b>1,515</b>	<b>526%</b>
<b>NET INCOME</b>	<b>12,531</b>	<b>8,647</b>	<b>3,884</b>	<b>45%</b>
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	8,640	6,589	2,051	31%
Non-controlling interest	3,891	2,058	1,833	89%
	<b>12,531</b>	<b>8,647</b>	<b>3,884</b>	<b>45%</b>

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") reported a consolidated net income attributable to shareholders of Php8.6 billion for the year ended December 31, 2013, representing a 31% growth over the Php6.6 billion recorded in the previous year. The increase was principally due to the 359% improvement in consolidated revenues which grew to Php105.5 billion from Php23.0 billion a year ago.

The major contributors to revenue growth were: (1) consolidation of Toyota Motor Philippines Corporation ("TMP") effective February 1, 2013 as auto sales amounted to Php74.4 billion accounting for 70% of total revenue; (2) consolidation of Global Business Power Corporation ("GBPC") effective May 1, 2012 as net fees amounted to Php16.9 billion accounting for 16% of total revenue; (3) higher real estate sales and interest income on real estate sales from Federal Land, Inc. ("Fed Land") amounting to Php5.5 billion; (4) equity in net income from associates Metropolitan Bank and Trust Company ("Metrobank" or the "Bank"), Philippine AXA Life Insurance Corporation ("AXA Philippines") and the jointly controlled entities of Fed Land amounting to Php3.6 billion; (5) non-recurring income of Php2.0 billion realized from the consolidation of TMP; and (6) consolidation of Charter Ping An Insurance Corporation ("CPAIC") as net premiums earned amounted to Php0.5 billion.

Excluding TMP's non-recurring income of Php2.0 billion and adding back one-time taxes and other non-recurring expenses of Php669 million, GT Capital's core net income attributable to shareholders amounted to Php7.2 billion, representing a 34% increase from Php5.4 billion of the previous year. The Php2.0 billion TMP non-recurring income was a gain from previously-held interest when GT Capital achieved majority control of TMP effective February 1, 2013 following the acquisition of an additional 15% direct equity stake in TMP thereby increasing its direct equity interest from 36% to 51%.

In 2013, GT Capital invested in two (2) new component companies namely: (1) CPAIC - acquisition of a 66.7% direct equity stake effective October 10; and (2) Toyota Manila Bay Corporation ("TMBC") - acquisition of a 40.7% direct equity stake effective December 18.

Fed Land, GBPC, TMP and CPAIC are consolidated in the financial statements of the Company. The other component companies namely Metrobank, AXA Philippines and TMBC are reflected through equity accounting.

Of the seven (7) component companies, Metrobank, Fed Land, TMP, AXA Philippines, and TMBC posted double digit growth in net income. GBPC and CPAIC, on the other hand, reported lower net income performances.

GBPC posted a lower net income owing to soft coal and diesel prices which dropped by 15% and 8%, year-on-year, respectively and lower Wholesale Electricity Spot Market (WESM) prices, resulting in a 36% decline in WESM margins. Other contributory factors include the impact of Typhoon Yolanda, which affected GBPC's bilateral customers thereby resulting in a temporary reduction in power demand as well as contract revisions for some off takers from power purchase agreements to energy conversion agreements. CPAIC, likewise, registered a drop in its net income due to higher than normal claims and losses arising from the series of natural calamities that occurred in the second half of 2013.

Equity in net income of associates amounted to Php3.6 billion in 2013 or 8% lower than the Php3.9 billion recorded in 2012, as the net income growth of AXA Philippines and the jointly-controlled entities of Fed Land was offset by the Php529 million decrease in TMP's net income contribution. This decline was due to GT Capital's additional 15% increase in equity stake in TMP resulting in a line-by-line consolidation in GT Capital effective February 1. In addition, Metrobank's net income contribution excluded the one-time gain on asset sales, as the sale of the Bank's stake in TMP to GT Capital involved a sale of an associate to the Parent Company, while the disposals of First Metro Investment Corporation ("FMIC"), which is majority-owned by Metrobank, of its 40% equity stake in GBP to Orix Corporation of Japan and Meralco PowerGen Corporation did not result in a loss of control by the Parent Company in GBPC.

Auto sales comprising the sale of locally assembled and imported vehicles contributed Php74.4 billion in revenues.

Net fees from GBPC comprising energy fees for the power supplied by the generation companies contributed Php16.9 billion in revenues, representing a 32% increase from Php12.8 billion in 2012.

Real estate sales and interest income on real estate sales more than doubled year-on-year to Php5.5 billion from Php2.4 billion, driven by sales contributions from ongoing high-end and middle-market development projects situated in Pasay City, Quezon City, Escolta, Manila, Cebu, Bonifacio Global City, and Marikina City.

Net premiums earned from CPAIC comprising gross earned premiums on non-life insurance contracts, net of reinsurer's share, contributed Php0.5 billion in revenues.

Gain from previously-held interest amounted to Php2.0 billion as the Parent Company achieved effective control of TMP effective February 1, 2013 following the purchase of an additional 15% direct equity interest thereby increasing GT Capital's direct equity stake from 36% to 51%.

Rent income, mainly from the GT Tower International office building, the Blue Wave malls, and other Fed Land projects, more than doubled to Php592 million from Php233 million. The GT Tower International office building was close to 100% occupied as of year-end 2013, as it contributed Php360 million to rent income.

Interest income increased by 17% or Php97 million to Php680 million from Php583 million mainly due to the interest income contribution from TMP.

Sale of goods and services, consisting of the sale of petroleum products, on a wholesale and retail basis, at the Blue Wave malls in the Bay Area, Pasay City and Marikina City, declined by 10% or Php74 million to Php657 million from Php731 million due to lower fuel sales arising from the successive price increases and rollbacks implemented throughout the year.

Other income grew by 104% to Php537 million from Php263 million composed of: (1) Php109 million in dividend income, gain on sale of fixed assets and other income from TMP; (2) Php285 million real estate forfeitures, interest income from in-house financing and loans receivable, management fees and other income from Fed Land; (3) Php100 million in dividend income, recovery from insurance, sale of scrap and sludge oil, management fees and other income from GBPC; (4) Php18 million consisting of gain on sale of shares of stock and other income from CPAIC and (5) remaining balance of P25 million principally came from realization to profit and loss of the equity in other comprehensive income from investment in TMP.

Consolidated costs and expenses grew more than six times to Php91.2 billion in 2013 from Php14.0 billion in the previous year. TMP contributed Php69.1 billion comprising cost of goods sold for manufacturing and trading activities, general and administrative expenses and interest expenses. GBPC contributed Php14.2 billion comprising power plant operations and maintenance, general and administrative expenses and interest expenses. Fed Land contributed Php6.7 billion consisting of cost of real estate sales, cost of goods sold, general and administrative expenses and interest expenses. CPAIC contributed Php525 million consisting of net insurance benefits and claims and general and administrative expenses. GT Capital Parent Company accounted for the balance of Php907 million, a major portion of which were interest expenses and general and administrative expenses.

Cost of real estate sales increased by 173% to Php3.7 billion from Php1.3 billion due to an increase in real estate sales.

Cost of goods and services increased by 66.8 times to Php45.5 billion from Php681 million with TMP's completely built-up units and spare parts accounting for Php44.8 billion and the balance from Fed Land's petroleum service station business.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP amounted to Php20.0 billion.

Power plant operations and maintenance expenses from the power generation companies of GBPC grew by 33% to Php8.9 billion from Php6.7 billion in 2012.

General and administrative expenses rose 2.6 times to Php9.4 billion from Php3.6 billion composed of: (1) TMP, Php4.2 billion, comprising largely of advertising and sales promotion expenses, salaries, taxes and licenses and delivery and handling expenses; (2) GBPC, Php2.4 billion, representing salaries, taxes and licenses, amortization of intangible assets, administration and management fees and insurance expenses; (3) Fed Land, Php1.8 billion, composed of salaries and wages, employee benefits, commissions, taxes and licenses and advertising and promotions; (4) GT Capital, Php0.3 billion, principally fees and expenses incurred in the equity private placement and its maiden retail bond issue; and CPAIC, Php0.2 billion, composed of commission expenses and salaries and wages.

Interest expenses increased by 98% or Php1.7 billion to Php3.5 billion from Php1.7 billion with GBPC contributing Php2.2 billion, Fed Land with Php621 million, GT Capital with Php600 million and TMP with Php83 million.

Net insurance benefits and claims amounted to Php290 million representing benefits and claims paid to policyholders, including changes in the valuation of insurance contract liabilities and internal and external claims handling costs directly related to the processing and settlement of claims.

Provision for income tax increased 6.3 times to Php1.8 billion from Php288 million with TMP and Fed Land contributing Php1.5 billion and Php0.2 billion, respectively and the remaining balance from GT Capital, GBPC and CPAIC.

Consolidated net income attributable to shareholders grew by 31% to Php8.6 billion in 2013 from Php6.6 billion in the previous year.

FINANCIAL POSITION GT Capital Consolidated Balance Sheet (In Million Php, except for percentages)	Audited December 31		Increase (Decrease)	
	2013	2012	Amount	Percentage
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	27,167	11,553	15,614	135%
Short-term investments	1,467	-	1,467	100%
Receivables	12,451	6,505	5,946	91%
Reinsurance assets	4,966	-	4,966	100%
Inventories	20,813	12,275	8,538	70%
Due from related parties	849	489	360	74%
Prepayments and other current assets	5,969	6,000	(31)	(1%)
<b>Total Current Assets</b>	<b>73,682</b>	<b>36,822</b>	<b>36,860</b>	<b>100%</b>
<b>Noncurrent Assets</b>				
Noncurrent receivables	4,929	3,159	1,770	56%
Available-for-sale investments	3,111	1,060	2,051	193%
Investment in associates and joint ventures	40,559	42,789	(2,230)	(5%)
Investment properties	8,329	7,816	513	7%
Property and equipment	41,163	33,661	7,502	22%
Deposits	-	2,085	(2,085)	(100%)
Goodwill and intangible assets	18,275	8,715	9,560	110%
Deferred tax asset	1,109	331	778	235%
Other noncurrent assets	1,203	547	656	120%
<b>Total Noncurrent Assets</b>	<b>118,678</b>	<b>100,163</b>	<b>18,515</b>	<b>18%</b>
	<b>192,360</b>	<b>136,985</b>	<b>55,375</b>	<b>40%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables	20,837	7,377	13,460	182%
Insurance contract liabilities	6,684	-	6,684	100%
Current portion of liabilities on purchased properties	783	-	783	100%
Loans payable - current	1,744	9,138	(7,394)	(81%)
Current portion of long-term debt	3,364	7,427	(4,063)	(55%)
Customers' deposits	1,844	974	870	89%
Dividends payable	1,966	1,949	17	1%
Due to related parties	188	191	(3)	(2%)
Income tax payable	876	26	850	3,269%
Other current liabilities	907	1,370	(463)	(34%)
<b>Total Current Liabilities</b>	<b>39,193</b>	<b>28,452</b>	<b>10,741</b>	<b>38%</b>
<b>Noncurrent Liabilities</b>				
Loans payable - noncurrent	40,584	39,188	1,396	4%
Bonds payable	9,883	-	9,883	100%
Liabilities on purchased properties-noncurrent	3,537	2,581	956	37%
Pension liability	1,704	532	1,172	220%
Deferred tax liability	3,252	935	2,317	248%
Other noncurrent liabilities	1,643	243	1,400	576%
<b>Total Noncurrent Liabilities</b>	<b>60,603</b>	<b>43,479</b>	<b>17,124</b>	<b>39%</b>
	<b>99,796</b>	<b>71,931</b>	<b>27,865</b>	<b>39%</b>



	Audited December 31		Increase (Decrease)	
	2013	2012	Amount	Percentage
<b>Equity</b>				
Equity attributable to equity holders of				
GT Capital Holdings, Inc.				
Capital stock	1,743	1,580	163	10%
Additional paid-in capital	46,695	36,753	9,942	27%
Treasury shares	(6)	-	(6)	(100%)
Retained earnings	21,802	13,685	8,117	59%
Other comprehensive income	(437)	2,423	(2,860)	(118%)
Other equity adjustment	729	(681)	1,410	207%
	<b>70,526</b>	<b>53,760</b>	<b>16,766</b>	<b>31%</b>
Non-controlling interests	22,038	11,294	10,744	95%
Total Equity	<b>92,564</b>	<b>65,054</b>	<b>27,510</b>	<b>42%</b>
	<b>192,360</b>	<b>136,985</b>	<b>55,374</b>	<b>40%</b>

The major changes in the balance sheet items of the Company from December 31, 2012 to December 31, 2013 are as follows:

Total assets of the Group increased by 40% or Php55.4 billion from Php137.0 billion as of December 31, 2012 to Php192.4 billion as of December 31, 2013 as TMP was consolidated to the Parent Company's financials effective February 1, 2013. Total liabilities increased by 39% or Php27.9 billion from Php71.9 billion to Php99.8 billion while total equity rose by 42% or Php27.5 billion from Php65.1 billion to Php92.6 billion.

Cash and cash equivalents increased by Php15.6 billion reaching Php27.2 billion with TMP, GBPC, Fed Land, CPAIC and GT Capital accounting for Php10.3 billion, Php10.2 billion, Php5.7 billion, Php0.9 billion and Php0.2 billion, respectively.

Short-term investments amounted to Php1.5 billion representing short-term placements of TMP (Php1.3 billion) and GBP (Php0.2 billion) with terms of more than 90 days.

Receivables, current portion increased by 91% to Php12.5 billion from Php6.5 billion with TMP and GBPC contributing Php3.9 billion and Php3.8 billion, respectively, representing trade receivables with maximum 30 days credit terms, and outstanding billings for energy fees and passed-through fuel costs arising from the delivery of power and Fed Land contributing Php3.1 billion, majority of which are installment contract receivables. CPAIC contributed Php1.6 billion, mostly unpaid premiums receivable from policy holders and intermediaries due within one year.

Reinsurance assets amounted to Php5.0 billion representing balances due from reinsurance companies as a result of ceding CPAIC's insurance risk in the normal course of business.

Inventories increased by 70% or Php8.5 billion to Php20.8 billion from Php12.3 billion in the past year with Fed Land, comprising condominium units for sale and land for development, TMP, mostly finished completely-built-up and completely-knocked down units and GBPC, representing coal and spare parts and supplies accounted for Php16.1 billion, Php3.6 billion, and Php1.2 billion, respectively.

Prepayments and other current assets declined by 1% or Php31 million to Php6.0 billion primarily due to the decrease in GBPC's input tax arising from higher output tax collection versus input tax claimed during the period and liquidation of advances related to the Toledo, Cebu plant expansion partially offset by deferred acquisition cost from CPAIC amounting to Php216 million composed of deferred commissions and other acquisition costs incurred to the extent that they are recoverable out of future margins.

Noncurrent receivables from Fed Land unit buyers who opted for long term payment arrangements, Php4.2 billion, and from various GBPC electric cooperatives ,Php778 million, rose by 56% or Php1.8 billion to Php4.9 billion from Php3.2 billion.

Available-for-sale investments from CPAIC, Php1.3 billion, GBPC, Php1.3 billion, and TMP Php0.5 billion, more than doubled to Php3.1 billion from Php1.1 billion.

Investments in associates and joint ventures declined by 5% or Php2.2 billion to Php40.6 billion due to the consolidation of TMP.

Investment properties rose by 7% or Php513 million to Php8.3 billion from Php7.8 billion with Fed Land and TMP accounting for Php6.1 billion and Php2.2 billion, respectively.

Property and equipment grew by 22% or Php7.5 billion to Php41.2 billion mainly due to the consolidation of the fixed assets of TMP.

Deposits declined by Php2.1 billion due to the termination of the option agreement and returned deposits from Fed Land.

Goodwill and intangible assets increased by Php9.6 billion to Php18.3 billion mainly due to the recognition of Php5.6 billion goodwill from the acquisition of effective control of TMP, Php0.5 billion goodwill from provisional accounting arising from the acquisition of effective control of CPAIC and the recognition of intangible assets from TMP representing customer relationships with its dealers amounting Php3.9 billion partially offset by Php0.4 billion amortization expenses from power purchase agreements of GBPC's operating subsidiaries.

Deferred tax assets mostly accrued retirement benefits, provision for claims and assessments and warranty payable from TMP of Php775 million and provision for retirement benefits and unrealized foreign exchange losses from GBPC of Php311 million reached Php1.1 billion.

Other noncurrent assets more than doubled to Php1.2 billion primarily owing to the deposit of TMP to purchase land and recognition of non-current input tax.

Accounts and other payables more than doubled to Php20.8 billion from Php7.4 billion with TMP, GBPC, Fed Land and CPAIC accounting for Php11.3 billion, Php4.3 billion, Php4.1 billion and Php1.0 billion, respectively. Accounts payable also include insurance payable amounting to Php296 million representing premium due to reinsurers and ceding companies as a result of CPAIC ceding a portion of its insurance risk to reinsurers.

Insurance contract liabilities amounted to Php6.7 billion representing provisions for claims reported and loss adjustments incurred but not yet reported losses and unearned premiums.

Liabilities on purchased properties current- portion, from Fed Land amounted to Php0.8 billion representing the portion due in 2014 from the acquisition of GT Tower and three (3) parcels of land located in Macapagal Avenue, Pasay City.

Short-term loans payable decreased by Php7.4 billion to Php1.7 billion from Php9.1 billion due to loan payments, net of new loan availments.

Current portion of long-term debt decreased by 55% to Php3.4 billion from Php7.4 billion in 2012 due to debt refinancing implemented by GT Capital and Fed Land and scheduled loan payments of GBPC and the Parent Company.

Customers' deposits increased by 89% or Php870 million to Php1.8 billion due to the increase in reservation sales for new Fed Land projects launched in 2013.

Income tax payable grew by 34 times to Php876 million from Php26 million, of which Php825 million and Php41 million came from TMP and CPAIC and the remaining Php10 million came from GBPC and Fed Land.

Other current liabilities declined to Php907 million from Php1.4 billion in 2012, of which Php0.7 billion represented advances from holders of non-controlling interest and uncollected output VAT from energy sales generated from the bilateral customers of GBPC while the balance of Php0.2 billion were withholding taxes payable of Fed Land, GBPC and TMP. This also includes deferred reinsurance commission amounting to Php36

million, representing commissions related to the unexpired periods of the policies at end of the reporting period.

Long-term debt, net of current portion, increased by Php1.4 billion to Php40.6 billion due to Fed Land's issuance of Php5 billion corporate notes offset by the scheduled loan payments of GBPC.

Bonds payable from GT Capital Parent amounted to Php9.9 billion, net of deferred financing cost. The bonds were secured in February 2013 to partially finance the various equity calls of GBPC and to refinance the Company's existing long-term and short-term loans.

Liabilities on purchased properties - net of current portion from Fed Land increased by 37% or Php0.9 billion to Php3.5 billion from Php2.6 billion mainly from the acquisition of three (3) parcels of land located in Macapagal Avenue, Pasay City.

Pension liability amounted to Php1.7 billion of which TMP, GBPC, CPAIC, Fed Land and GT Capital accounted for Php1.1 billion, Php429 million, Php103 million, Php88 million and Php12 million, respectively.

Deferred tax liability more than tripled to Php3.3 billion from Php0.9 billion due to the recognition of deferred tax liability arising from fair value increase in identifiable assets of TMP from the purchase price allocation.

Other noncurrent liability increased by 6.8x to Php1.6 billion from Php243 million in 2012 representing TMP's provision for claims and assessments, product warranties and corporate social responsibility activities.

Capital stock increased by Php163 million representing new shares issued by the Company from the equity private placement last January 2013.

Additional paid-in capital increased by 27% or Php9.9 billion, representing the equity private placement proceeds received.

Retained earnings increased by 59% or Php8.1 billion principally due to the Php8.6 billion consolidated net income attributable to equity holders of GT Capital realized for the year, net of the Php0.5 billion cash dividends declared in September.

Other equity adjustments increased by 207% or Php1.4 billion to Php729 million from a Php681 million deficit as a result of the sale by FMIC of its 40% equity stake to ORIX Corporation of Japan and Meralco PowerGen. Other equity adjustment is the difference between the consideration and the value of the non-controlling interests sold.

Treasury shares of Php6 million represent shares of stock investment in the Parent Company by CPAIC.

Other comprehensive income decreased by 118% or Php2.9 billion to Php0.4 million other comprehensive loss from a gain of Php2.4 billion due to marked-to-market losses recognized on AFS investments amounting to Php2.9 billion and the balance due to loss on re-measurement of retirement liabilities.

Equity before non-controlling interest grew by 31% or Php16.8 billion to Php70.5 billion coming from the increase in capital stock, Php0.2 billion, additional paid-in-capital, Php9.9 billion, net income realized for the period, net of cash dividends declared, Php8.0 billion, and increase in other equity adjustments, Php1.4 billion, partially offset by a decrease in other comprehensive income, Php2.9 billion.

Non-controlling interest increased by Php10.7 billion to Php22.0 billion mainly due to the recognition of the Php6.9 billion non-controlling interest upon consolidation of TMP and Php3.9 billion net income attributable to non-controlling interest for the period.

## Key Performance Indicators

The following are the key performance indicators of the Company for the years end December 31, 2013 and 2012.

Income Statement	In Million Pesos, except for percentages	
	December 31, 2012 (As Restated)	December 31, 2013
Total Revenues	22,977	105,547
Net Income attributable to GT Capital Holdings	6,589	8,640
<b>Balance Sheet</b>		
Total Assets	136,985	192,360
Total Liabilities	71,931	99,796
Equity attributable to GT Capital Holdings, Inc.	53,760	70,526
Return on Equity *	15.0%	13.9%

- \* Net income attributable to GT Capital divided by the average equity where average equity is the sum of equity attributable to GT Capital at the beginning and end of the period/ year divided by 2.

## Financial Soundness Indicators

The following are the financial soundness indicators of the Company for the years ended December 31, 2013 and 2012.

	2012 - Restated	2013
<b>Liquidity Ratio</b>		
Current Ratio	1.3x	1.9x
<b>Solvency Ratio</b>		
Total Liabilities to Equity	1.1x	1.1x
<b>Asset-to-Equity Ratio</b>		
Asset to Equity Ratio	2.6x	2.7x
<b>Interest Rate Coverage Ratio*</b>		
Interest Rate Coverage Ratio	6.1x	5.1x
<b>Profitability Ratio</b>		
Return on Average Assets	6.4%	5.3%
Return on Average Equity	15.0%	13.9%

- \* Computed as EBIT / Interest Expenses

## Component Companies Financial Performance

### Metrobank

Metrobank registered a consolidated net income attributable to equity holders of Php22.5 billion in 2013, or 46% higher than the Php15.4 billion realized in the same period of the previous year. This resulted in an improvement in the Bank's Return on Average Equity to 17.8% in 2013 from 13.6% in 2012.

Net interest income grew by 24% to Php38.3 billion due to the growth in consumer and corporate loans. Likewise, non-interest income grew by 55% to Php40.6 billion arising from healthy trading gains, sale of non-core assets, and steady increases in service charges, fees and commissions, leasing and trust operations.

Notably, Metrobank posted one-time gains of Php10.8 billion realized from the sale of its non-core assets in preparation for Basel III implementation. The asset sales involved the sale of the Bank's remaining 15% direct equity stake in TMP and a 40% direct equity stake in GBPC, through its subsidiary, First Metro Investment Corporation.

Total resources reached a record high of Php1.4 trillion representing a 32% increase from Php1.0 trillion in the previous year. The improvement in resources came from the 38% expansion in total deposits to Php1 trillion thereby resulting in a 16% growth in net loans and receivables.

### Federal Land

Fed Land recorded total revenue of Php7.9 billion in 2013, 38% higher from Php5.7 billion in 2012. The revenue improvement came from: (1) Real estate sales and interest income on real estate sales which more than doubled from Php2.4 billion to Php5.5 billion driven by increased sales from ongoing high-end and middle market development projects situated in Pasay City, Quezon City, Escolta, Manila, Cebu, Bonifacio Global City and Marikina City; (2) Rental income which more than doubled from Php233 million to Php632 million with the

GT Tower International office building contributing Php360 million; and (3) Equity in net earnings of an associate and a joint venture growing by 82% from Php226 million to Php410 million representing equity in net earnings from the Metrobank Center / Grand Hyatt project situated in Bonifacio Global City and the Grand Midori project located in Legaspi Village, Makati City. As a result of the strong revenue growth, core net income attributable to shareholders almost doubled from Php631 million to Php1.0 billion. Consolidated net income, however, dropped by 50% from Php2 billion, as 2012 included a Php1.4 billion one-time revaluation gain, to Php1.0 billion.

#### Global Business Power

GBPC's net fees, comprising energy fees realized by the operating companies as provided for in their respective Power Purchase Agreements with their respective customers, net of adjustments, declined by 12% from Php19.2 billion in 2012 to Php16.9 billion in 2013 owing to the following factors: (1) lower coal and diesel prices which dropped by 15% from Php3,570 per metric ton to Php3,030 per metric ton and by 8% from Php57 per liter to Php52 per liter, respectively; (2) lower Wholesale Electricity Spot Market (WESM) prices resulting in a 36% decline in WESM margins from Php6.46 per kilowatt hour to Php4.15 per kilowatt hour; (3) Impact of Typhoon Yolanda which affected GBPC's bilateral customers thereby resulting in a temporary reduction in power demand; and (4) revision in the contract of Carmen Copper from electric power purchase agreement to electric conversion agreement thereby reducing the billing for passed-on fuel. Net income attributable to shareholders dropped by 13% from Php2.2 billion in 2012 to Php1.9 billion in 2013.

#### Toyota Motor Philippines

TMP which also owns four (4) dealer outlets namely: Lexus Manila in Bonifacio Global City, Toyota Makati, Toyota San Fernando, Pampanga and Toyota Plaridel, Bulacan, registered a 10% growth in consolidated sales from Php73.0 billion in 2012 to Php80.2 billion in 2013 as sales from completely-knocked down parts and completely built-up units grew by 18% and 11%, respectively. The double digit sales growth was attributed to the launching of the all new Vios in July, sales volume increments across all models, aggressive sales and promotions and the addition of ten (10) new dealer outlets thereby increasing TMP's total dealer network to 41 outlets. The sales growth and the favorable foreign exchange rates resulted in marked improvements in gross profit and operating profit margins from 12% to 13% and from 6% to 7%, respectively. Consolidated net income grew by 50% from Php2.8 billion in 2012 to Php4.2 billion in 2013.

#### AXA Philippines

In 2013, AXA Philippines generated a 31% increase in new business in terms of Annualized Premium Equivalent of Php3.6 billion. This translated into a 49% increase in premium revenues to Php18.3 billion from Php12.3 billion in the previous year. Single premium products accounted for 73% or Php13.4 billion of total premium income. The balance of premium income came from traditional insurance products. By distribution channel, bancassurance accounted for a 73% share of premium income. In addition, asset management fees and non-recurring investment earnings resulted in an increase in other income. As a result, net income grew by 30% to Php1.2 billion in 2013 from Php908 million in 2012.

#### Charter Ping An

CPAIC registered a 39% growth in gross premium written from Php2.3 billion in 2012 to Php3.2 billion in 2013 arising from strong synergies within the Metrobank and GT Capital groups including the over 700 sales agency force and the nineteen (19) branches. Revenue growth was driven by property and motor car insurance, which accounted for a combined 67% of gross premium written. However, CPAIC incurred higher than normal claims and losses following a series of natural calamities that occurred in the second half of 2013 thereby resulting in declines in gross underwriting contribution and operating income, respectively. Net income dropped from Php215.1 million in 2012 to Php190 million in 2013.

#### Toyota Manila Bay

TMBC's consolidated sales, which also includes Toyota Jose Abad Santos, Manila and Toyota Dasmariñas, Cavite dealer outlets, grew by 19% from Php7.9 billion in 2012 to Php9.4 billion in 2013. TMBC's 2013 consolidated vehicle sales is the largest among Toyota auto dealers accounting for a 12% market share of total TMP wholesales for the year. Vehicle sales accounted for 93% of total sales while parts and services contributed 4% and 3%, respectively. Net income grew by 9% from Php101.7 million in 2012 to Php110.3 million in 2013.

Except for (ii), (iv) and (vii), the Company does not know of:

- (i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely in the Company's liquidity increasing or decreasing in any material way;
- (ii) Any events that would trigger direct or contingent financial obligation (including contingent obligation) that is material to the Company, including any default or acceleration of an obligation except those disclosed in the notes to the financial statements;
- (iii) Any material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
- (iv) Any material commitments for capital expenditures, their purpose and sources of funds for such expenditures;

The GT Capital Group's 2014 capital expenditures ("capex") budget is presented as follows:

Component Company	2014 Capex (In Billion Pesos)	Nature	Source of Funding
Metrobank	2.000	IT systems, ATM installation, renovation, investment in new branches/ renovation and relocation of existing branches	Internally generated funds
Fed Land	12.810	Residential projects: High end, Middle end, and Low Middle; retail and commercial project developments; and land acquisitions	Internally generated funds / project sales (Php11.8 billion) and land bank (Php1 billion)
GBPC	16.079	Panay Unit 3 expansion; and repairs and maintenance of existing power plants	Panay expansion: Php5.0 billion equity and Php10.6 billion project loan from banks. Existing power plants - internally generated funds
TMP	1.459	Model change, (Php488 million); capacity expansion, (Php352 million); plant rehabilitation, (Php113 million); logistics, (Php115 million); and others, (Php391 million)	Internally generated funds
AXA Philippines	0.120	IT and computer improvements, office improvements	Internally generated funds
Charter Ping An	0.035	Financial consolidation system, (Php8 million); branch expansion, (Php4 million); IT system improvement, (Php3 million); and others, (Php20 million)	Internally generated funds
Toyota Manila Bay	0.120	Property acquisition, (Php50 million); parking structure expansion, (Php45 million); and body paint expansion, (Php25 million)	Internally generated funds
GT Capital (Parent)	7.140	Charter Ping An acquisition, (Php740 million); TMBC acquisition, (Php740 million); GBPC equity call, (Php2.66 billion); and working capital requirements, (Php3 billion)	Internally generated funds and term loans
<b>Total</b>	<b>39.763</b>		

- (v) Any known trends, events or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- (vi) Any significant elements of income or loss that did not arise from the Company's continuing operations;
- (vii) The causes of any material change from period to period including vertical and horizontal analysis of any material item, the causes of material changes are discussed in the MD & A; and
- (viii) Any seasonal aspects that had a material effect on financial condition or results of operation of the Company.

CALENDAR YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

RESULTS OF OPERATIONS

GT Capital Consolidated Income Statement  (In Million Php, except for percentages)	Audited Year-End December 31		Increase (Decrease)	
	As Restated- 2012	2011	Amount	Percentage
<b>REVENUE</b>				
Net fees	12,845	-	12,845	100%
Equity in net income of associates and joint venture	3,902	3,568	334	9%
Real estate sales	2,414	2,708	(294)	(11%)
Gain from loss of control of subsidiary	1,448	-	1,448	100%
Gain on previously held interest	(54)	-	(54)	(100.0%)
Interest income	583	402	181	45%
Sale of goods and services	731	764	(33)	(4%)
Gain on bargain purchase	428	-	428	100%
Rent income	233	238	(5)	(2%)
Commission income	184	96	88	92%
Other income	263	189	74	39%
	<b>22,977</b>	<b>7,965</b>	<b>15,012</b>	<b>188%</b>
<b>COSTS AND EXPENSES</b>				
Power plant operation and maintenance	6,711	-	6,711	100%
General and administrative expenses	3,559	1,110	2,449	221%
Interest expense	1,749	990	759	77%
Cost of real estate sales	1,342	1,554	(212)	(14%)
Cost of goods and services	681	709	(28)	(4%)
	<b>14,042</b>	<b>4,363</b>	<b>9,679</b>	<b>222%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>8,935</b>	<b>3,602</b>	<b>5,333</b>	<b>148%</b>
<b>PROVISION FOR INCOME TAX</b>	<b>288</b>	<b>148</b>	<b>140</b>	<b>95%</b>
<b>NET INCOME</b>	<b>8,647</b>	<b>3,454</b>	<b>5,193</b>	<b>150%</b>
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	6,589	3,325	3,264	98%
Non-controlling interest	2,058	129	1,929	1,495%
	<b>8,647</b>	<b>3,454</b>	<b>5,193</b>	<b>150%</b>

As an investment holding company, GT Capital generates its revenues from equity in net income from the following component companies namely: Metropolitan Bank and Trust Company ("Metrobank"), Toyota Motor Philippines Corporation ("TMP") and Philippine AXA Life Insurance Corporation ("AXA Philippines"). Net fees are generated from Global Business Power Corporation ("GBP"). Real estate sales, interest income on real estate sales, sales of goods and services, commission income, rent income and finance and other income are generated from Federal Land, Inc. ("Fed Land"). As of December 31, 2012, Fed Land and GBP are consolidated in the financial statements of the Company. Metrobank, TMP and AXA Philippines are reflected in the financial statements through equity accounting.

GT Capital reported a net income attributable to shareholders of Php6.6 billion in 2012 representing a 98.2% growth over the Php3.3 billion registered in the same period last year. The increase in net income was principally due to the improvement in consolidated revenues by 188.5% to Php23 billion from Php8 billion.

The revenue growth came from the following sources: (1) consolidation of GBP as of May 1; (2) higher equity in net income of associates; and (3) non-recurring income(s) realized from Fed Land and GBP.

The non-recurring income(s) came from the following: (1) Php1.4 billion from Fed Land due to revaluation gain from the conversion of a wholly-owned subsidiary into a jointly-controlled entity; and (2) Php427.5 million gain from GBP arising from acquiring effective control of the company as of May 1, 2012 as the fair value of the net assets acquired was greater than total consideration or purchase price.

The Company also incurred extraordinary expenses aggregating to Php695 million broken down as follows: (1) pro-rata share of one-time expenses incurred by Metrobank related to the TMP share sale to GT Capital and other manpower expenses, (Php452 million); (2) GT Capital IPO-related expenses, (Php165 million); and (3) pro-rata share of TMP seed money for the TMP Technical School, (Php78 million).

Excluding the non-recurring income and extraordinary expenses, core net income amounted to Php5.4 billion, representing a 63% increase from Php3.3 billion in 2011.

Of the five (5) component companies, only AXA Philippines exhibited a 5.4% decrease (Php52.1 million reduction) in its net income in 2012 chiefly due to the 26% surge in new business in Annualized Premium Equivalent to Php2.8 billion which resulted in the corresponding front loading of legal policy reserves, commissions and bonuses. The other component companies registered double digit growth in net income.

Net fees from GBP comprising energy fees from the energy supplied by the power plants contributed Php12.8 billion equivalent to 55.9% of total revenues.

Equity in net income of associates rose by 9% to Php3.9 billion from Php3.6 billion. The increase was primarily attributable to the growth in equity in net earnings of TMP to Php3 billion from Php2.2 billion in 2011 and Metrobank amounting to Php12 billion from Php11 billion in 2011.

Real estate sales and interest income on real estate sales declined by 11% to Php2.4 billion from Php2.7 billion in 2011 as Fed Land launched thirteen (13) new projects in 2012 thereby increasing its ongoing vertical residential projects to 32 as of year-end. Reservation sales grew by 90.4% to Php14.9 billion from Php7.8 billion. Fed Land also completed three (3) projects in 2012 as compared to five (5) projects completed in 2011. As a result, the average percentage-of-completion of ongoing projects dropped to 38% from 58% in 2011.

Gain from loss of control of subsidiary amounted to Php1.4 billion arising from the conversion of a wholly-owned subsidiary of Fed Land into a jointly-controlled entity.

Interest income grew by 45% to Php583.3 million from Php402.3 million in 2011 largely due to interest income earned from money market placements.

Sales of goods and services, consisting of the sale of petroleum products, on a wholesale and retail basis, at the Blue Wave malls situated in Macapagal Avenue, Pasay City and Marikina City, dropped by 4% to Php730.7 million from Php764.7 million primarily due to lower fuel sales arising from successive price increases and rollbacks implemented throughout the year.

Gain on bargain purchase of GBP amounted to Php427.5 million as GT Capital acquired effective control of GBP as of May 1, 2012 as the fair value of the net assets acquired was greater than the total consideration or purchase price.

Rent income declined by 2% to Php233.4 million from Php238 million as the increase in occupancy levels and the rental rates at the Blue Wave malls was offset by the conversion of rent-generating properties into property development projects.

Commission income almost doubled to Php184.5 million from Php96 million in 2011. The increase was due to sales commissions earned from units owned by Federal Land Orix Corporation in the Grand Midori project.

Other income grew by 39.2% to Php262.5 million from Php188.5 million consisting of real estate forfeitures, (Php88.1 million); management fees, (Php41.1 million); and dividend income, (Php23 million); among others.

Consolidated costs and expenses grew by 3.2 times to Php14.0 billion from Php4.4 billion in 2011. GBP contributed Php9.6 billion of costs and expenses comprising power plant operations and maintenance, general



and administrative expenses and interest expenses. Fed Land contributed Php3.6 billion consisting of cost of real estate sales, cost of goods and services, general administrative expenses and interest expenses. GT Capital Parent Company accounted for the balance of Php873.8 million, a major portion of which were interest expenses.

Power plant operation and maintenance expenses from GBP amounted to Php6.7 billion for the period in review.

General and administrative expenses rose by 3.3 times to Php3.6 billion from Php1.1 billion largely from GBP and Fed Land amounting to Php2 billion and Php1.2 billion, respectively. The balance of Php276.4 million came from GT Capital Parent Company of which Php165 million were IPO-related expenses.

Interest expenses grew by 76.8% to Php1.7 billion from Php989.7 million with GBP and GT Capital accounting for Php825.5 million and Php597.4 million. The balance of Php326.9 million originated from Fed Land.

Cost of real estate sales declined by 13.6% to Php1.3 billion from Php1.6 billion principally due to the decrease in booked real estate sales.

Provision for income tax rose by 95% to Php287.7 million from Php148.8 million in 2011 with GBP, Fed Land and GT Capital contributing Php212 million, Php60.9 million and Php15.4 million, respectively.

Consolidated net income attributable to shareholders rose by 98% to Php6.6 billion from Php3.3 billion in 2011.

Equity in net unrealized losses on available-for-sale financial assets of associates amounted to Php478 million. This gain arose from marked-to market gains realized from available-for-sale financial assets. Equity in translation adjustments of associates, on the other hand, recorded a loss of Php224.7 million. In spite of the loss, other comprehensive income from associates registered an aggregate gain of Php243.2 million.

## FINANCIAL POSITION

GT Capital Consolidated Balance Sheet (In Million Php, except for percentages)	December 31		Increase (Decrease)	
	2012	2011	Amount	Percentage
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	11,553	454	11,099	2,445%
Receivables	6,505	3,934	2,571	65%
Inventories	12,275	11,338	937	8%
Due from related parties	489	939	(450)	(48%)
Prepayments and other current assets	6,000	1,906	4,094	215%
<b>Total Current Assets</b>	<b>36,822</b>	<b>18,571</b>	<b>18,251</b>	<b>98%</b>
<b>Noncurrent Assets</b>				
Noncurrent receivables	3,159	1,115	2,044	183%
Investment in associates and joint ventures	42,789	37,680	5,109	14%
Investment properties	7,816	5,227	2,589	50%
Available-for-sale investments	1,060	10	1,050	10,500%
Property and equipment	33,661	396	33,265	8,400%
Deposits	2,085	4,085	(2,000)	(49%)
Goodwill and intangible assets	8,715	8	8,707	108,838%
Long-term cash investments	-	2,440	(2,440)	(100%)
Deferred tax asset	331	103	228	221%
Other noncurrent assets	547	94	453	482%
<b>Total Noncurrent Assets</b>	<b>100,163</b>	<b>51,158</b>	<b>49,005</b>	<b>96%</b>
	<b>136,985</b>	<b>69,729</b>	<b>67,256</b>	<b>96%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables	7,377	4,573	2,804	61%
Short-term loans payable	9,138	7,649	1,489	19%
Current portion of long-term debt	7,427	-	7,427	100%
Customers' deposits	974	458	516	113%
Dividends payable	1,949	-	1,949	100%
Due to related parties	191	403	(212)	(53%)
Income tax payable	26	-	26	100%
Other current liabilities	1,370	58	1,312	2,262%
<b>Total Current Liabilities</b>	<b>28,452</b>	<b>13,141</b>	<b>15,311</b>	<b>117%</b>
<b>Noncurrent Liabilities</b>				
Loans payable - noncurrent	39,188	19,600	19,588	100%
Liabilities on purchased properties	2,581	-	2,581	100%
Pension liability	532	358	174	49%
Deferred tax liability	935	81	854	1,054%
Other noncurrent liabilities	243	63	180	286%
<b>Total Noncurrent Liabilities</b>	<b>43,479</b>	<b>20,102</b>	<b>23,377</b>	<b>116%</b>
	<b>71,931</b>	<b>33,243</b>	<b>38,688</b>	<b>116%</b>
<b>Equity</b>				
Equity attributable to equity holders of GT Capital Holdings, Inc.				
Capital stock	1,580	1,250	330	26%
Additional paid-in capital	36,753	23,072	13,681	59%
Retained earnings	13,685	7,596	6,089	80%
Other comprehensive income	2,423	2,363	60	3%
Other equity adjustment	(681)	-	(681)	(100.0%)
	<b>53,760</b>	<b>34,281</b>	<b>19,479</b>	<b>57%</b>
Non-controlling interests	11,294	2,205	9,089	412%
<b>Total Equity</b>	<b>65,054</b>	<b>36,486</b>	<b>28,568</b>	<b>78%</b>
	<b>136,985</b>	<b>69,729</b>	<b>67,256</b>	<b>96%</b>

The major changes in the balance sheet items of the Company from December 31, 2011 to December 31, 2012 are as follows:

Total assets of the Group almost doubled from Php69.7 billion as of December 31, 2011 to Php137.0 billion as of December 31, 2012 as GBP was consolidated as of May 1, 2012. Total liabilities increased by 116% or Php38.7 billion from Php33.2 billion to Php71.9 billion while total equity almost doubled from Php36.5 billion to Php65.1 billion.

Cash and cash equivalents increased by Php11.1 billion reaching Php11.6 billion with GBP, Fed Land and GT Capital Parent accounting for Php10.6 billion, Php857.6 million and Php58.1 million, respectively. The reduction in GT Capital's cash level was chiefly due to the full utilization of the IPO proceeds for its intended application.

Receivables - current increased by 65% to Php6.5 billion from Php3.9 billion with GBP accounting for Php3.9 billion representing outstanding billings for energy fees and passed through fuel costs arising from the delivery of electricity while Fed Land accounted for the balance of Php2.6 billion, a majority of which were installment contract receivables and trade receivables.

Inventories increased by 8.3% or Php936.7 million to Php12.3 billion with Php11.2 billion coming Fed Land comprising real estate inventory and the balance from GBP consisting of spare parts and supplies, coal, fuel and lubricants.

Due from related parties decreased by 47.9% or Php449.8 million to Php489.0 million due to collections received from various Fed Land and GBP subsidiaries.

Prepayments and other current assets increased by 3.2x to Php6.0 billion mainly from GBP with Php3.5 billion and Fed Land with Php2.5 billion. This represented input VAT which can be applied against output VAT in the succeeding periods. Fed Land's share included Php894.5 million in advances from contractors/suppliers pertaining to the purchase of construction materials and contractor services.

Noncurrent receivables reached Php3.2 billion with Php1.7 billion originating from the unit buyers of Fed Land who opted for long-term payment packages for equity build up and Php738.5 million from various electric cooperatives of GBP.

Investment in associates and joint ventures increased by 14% or Php5.1 billion to Php42.8 billion. About Php4.5 billion was used to purchase 15% of Metrobank's direct equity stake in TMP and Php3.3 billion went to the joint venture investment by Fed Land in Bonifacio Landmark Realty Development Corporation, developer of the The Grand Hyatt-Metrobank Financial Center, situated in Veritown, Bonifacio Global City. These investments partially offset the full settlement of the Php3.4 billion advances of GT Capital to GBP.

Investment properties grew by 50% or Php2.6 billion to Php7.8 billion. Fed Land accounted for the increase as it acquired the GT Tower office building from Philippine Securities Corporation effectively increasing its investment properties to Php7.8 billion.

Available-for-sale investments amounted to Php1.1 billion mainly from available-for-sale investments of GBP.

Property and equipment rose 84 times to Php33.7 billion from Php396.4 million with the inclusion of the power generation assets of GBP.

Deposits for the purchase of land representing option money declined by 49% or Php2 billion as Fed Land opted to purchase land earmarked for its land bank.

Goodwill and intangible assets from GT Capital amounted to Php8.7 billion representing the fair value at acquisition date of existing power purchase agreements from GBP's operating subsidiaries acquired under business combination, net of amortization for the year.

The Php2.4 billion long-term cash investment of Fed Land was terminated and the funds were used to partially settle a portion of Fed Land's outstanding short term loans.

Deferred tax assets mostly from GBP reached Php330.7 million representing provision for retirement benefits and unrealized foreign exchange losses.

Other noncurrent assets increased by 5.8 times to Php547 million from Php94 million. This represented rental and other deposits.

Accounts and other payables increased by 61.3% or Php2.8 billion to Php7.4 billion with GBP and Fed Land each accounting for Php3.5 billion and Php3.7 billion, respectively, and GT Capital accounting for the balance of Php59.7 million.

Short-term loans reached Php9.1 billion with GT Capital accounting for Php4.7 billion, a majority of which was used to bridge finance the purchase of 15% direct equity stake in TMP.

Current portion of long-term debt reached Php7.4 billion with GT Capital and GBPC accounting for Php4.2 billion and Php3.2 billion, respectively.

Customer deposits, representing reservation payments from Fed Land's unit buyers, increased by 113% to Php974.3 million from Php457.6 million in 2011.

Dividends payable to holders of non-controlling interests of GBP reached Php1.9 billion in 2012.

Due to related parties declined by 52.6% to Php191.3 million from Php403.6 million in 2011 due to payments made by various Fed Land subsidiaries.

Income tax payable reached Php25.8 million of which Php22.2 million came from GBP and Php3.6 million came from Fed Land.

Other current liabilities increased 23.6 times to Php1.4 billion representing uncollected output VAT, (Php635.6 million); due to holders of non-controlling interest, (Php378.5 million); and withholding tax payable, (Php326.9 million).

Long-term debt - net of current portion increased by 99.9% to Php39.2 billion as the Php28 billion project loans of GBP were included which offset the Php4 billion loan prepayment of GT Capital.

Liabilities on purchased properties reached Php2.6 billion arising from Fed Land's purchase of the GT Tower International building from a Ty family related corporation.

Pension liability grew by 49% to Php532 million from Php358 million in 2011 chiefly due to the consolidation of GBP.

Deferred tax liability grew by 11.5 times to Php935 million from Php81 million in 2011 with GBP accounting for Php854 million representing deferred tax liability on fair value adjustments of long-term borrowings, property plant and equipment, intangible asset contracts and non-current receivables.

Other noncurrent liabilities grew by 3.9 times to Php242.6 million from Php62.9 million with Php183.5 million accounted for by GBP representing decommissioning liability accounts.

Capital stock increased by 26% or Php330 million to Php1.6 billion representing the new primary shares issued from the IPO of the Company.

Additional paid-in-capital increased by 59% or Php13.7 billion representing the IPO proceeds received by the Company, net of direct offer expenses.

Retained earnings increased by 80% or Php6.1 billion to Php13.7 billion, principally due to the consolidated net income realized by the Company for the year, net of Php501 million cash dividends declared by the Parent Company.

Other comprehensive income increased by 3% or Php60 million to Php2.4 billion due to marked-to-market gains realized on available-for-sale financial assets and equity in translation adjustments.

Other equity adjustments reached Php681.1 million representing the difference between the acquisition cost and carrying value of the non-controlling interest to: (1) acquire the 20% non-controlling interest of Fed Land, (Php513.4 million); (2) acquire the 4.59% of GBP, (Php54.8 million); and (3) acquire the 11.89% of GBP, (Php112.9 million).

Equity before non-controlling interests grew by 57% or Php19.5 billion to Php53.8 billion with GT Capital accounting for the increase arising from the primary shares issued during the IPO, the IPO proceeds received, net of direct offer expenses and the net income realized for the year.

Non-controlling interests reached Php11.3 billion representing the setup of the non-controlling interest of GBP offset by the reversal of the non-controlling interest in Fed Land.

#### LIQUIDITY AND CAPITAL RESOURCES

In 2011, 2012 and 2013, GT Capital's principal source of liquidity was cash dividends received from the investee companies and loans. As of December 31, 2013, GT Capital's cash and cash equivalents reached Php27.2 billion.

The following table sets forth selected information from GT Capital's statement of cash flows for the periods indicated.

	In Million Pesos		
	2011	2012	2013
Net cash provided by (used in) operating activities	(4,186.3)	895.4	6,014.6
Net cash provided by (used in) investing activities	(9,067.0)	(625.1)	(2,204.4)
Net cash provided by (used in) financing activities	10,643.0	10,835.7	11,845.7
Effects of exchange rate changes on cash and cash equivalents	-	(7.1)	(42.3)
Net increase (decrease) in cash and cash equivalents	(2,610.5)	11,098.9	15,613.6
Cash and cash equivalents at the beginning of the period	3,064.9	454.4	11,553.3
Cash and cash equivalents at end of the period	454.4	11,553.3	27,166.9

#### Cash flows from operating activities

Cash flow from (used in) operating activities amounted to (Php4.2 billion) in 2011, Php895.4 million in 2012 and Php6.0 billion in 2013. In 2011, operating cash amounted to Php514 million which was used to increase receivables by Php4.2 billion and real estate inventory by Php3.2 billion. In 2012, operating cash amounted to Php5.9 billion which was used to increase prepayments and other current assets by Php4.1 billion, partially settle accounts and other payables by Php581 million and partially pay due to related parties by Php212.3 million. In 2013, operating cash amounted to Php13.9 billion which was used to increase receivables by Php3.6 billion, inventories by Php1.2 billion, short-term investments by Php1.5 billion and reinsurance assets by Php1.3 billion and partially settle other current liabilities by Php558.3 million.

#### Cash flows used in investing activities

Cash flows from (used in) investing activities amounted to (Php9.1 billion) in 2011, (Php625.1 million) in 2012, and (Php2.2 billion) in 2013. In 2011, cash flows used in investing activities went to increase deposits by Php4.1 billion and long-term cash investments by Php2.4 billion and investment in associates and joint ventures by Php2.6 billion. In 2012, cash flows used in investing activities went to increase investment in associates and joint ventures by Php4.5 billion, investment properties by Php3 billion, and property and equipment by Php1.2 billion. In 2013, cash flows used in investing activities went to increase property and equipment by Php7.0 billion, available-for-sale investments by Php690 million and investment in associates and joint ventures by Php502.2 million.

#### Cash flows from financing activities

Cash flows from financing activities amounted to Php10.6 billion in 2011, Php10.8 billion in 2012 and Php11.8 billion in 2013. In 2011, cash flows from financing activities came from loans of Php11.1 billion, net of loan payments of Php8.2 billion, and decrease in liabilities on purchased properties of Php516.8 million. In 2012, cash flows from financing activities came from the initial public offering proceeds of Php14 billion which was used to partially settle Php5.8 billion in outstanding loans. In 2013, cash flows from financing activities came from a top up equity private placement of Php10.1 billion, Php9.9 billion in retail bonds and Php7.3 billion in new loans which was used to partially settle Php18.0 billion in outstanding loans.

## KEY PERFORMANCE INDICATORS OF COMPONENT COMPANIES

### Metrobank

	2011	2012	2013
Dividend Payout Ratio	19.1%	13.7%	9.4%
Cost to average assets	5.2%	5.0%	4.8%
Tier 1 Capital Adequacy ratio	13.7%	13.7%	15.0%
Total Capital Adequacy ratio	17.4%	16.3%	16.7%
Net non-performing assets ratio	2.2%	1.8%	1.3%
NPL coverage ratio	99.5%	116.8%	164.1%

Notes:

- (1) Dividend payout ratio is the ratio of cash dividends to net income after tax (excluding non-controlling interest).
- (2) Cost to average assets is the ratio of operating expenses (including interest expenses but excluding depreciation and amortization) to average total assets.
- (3) Net non-performing assets ratio is the ratio of net non-performing assets divided by total assets.
- (4) Allowance as a percentage of gross non-performing assets is the ratio of non-performing asset provisions made to the gross non-performing assets.

The following table presents selected financial ratios for the periods indicated:

	In Million Pesos, except for percentages		
	2011	2012	2013
Net income attributable to equity holders	11,031	15,399	22,488
Average total assets	922,854	999,482	1,212,606
Average shareholders' equity (attributable to equity holders)	98,716	114,908	126,310
Return on Average Assets	1.2%	1.5%	1.8%
Return on Average Equity	11.2%	13.6%	17.8%
Average shareholders' equity as a percentage of average total assets	10.7%	11.5%	10.4%

### Federal Land

The following are the major performance measures used by Fed Land for 2011, 2012 and 2013.

	In Million Pesos, except for ratios		
	2011	2012	2013
Revenues	4,478.6	5,723.0	7,895.7
Net income after tax	601.1	1,988.3	1,017.3
Net income attributable to equity holders	589.7	1,976.1	1,004.3
Total assets	29,543.5	34,633.0	43,231.1
Total liabilities	18,746.6	18,053.2	24,664.3
Total equity	10,796.9	16,579.8	18,566.8
Current ratio	1.6x	2.6x	3.9x
Total Liabilities to equity ratio	1.7x	1.1x	1.3x

### Global Business Power

The following are the major performance measures used by GBPC for 2011, 2012 and 2013.

	In Million Pesos, except for ratios		
	2011	2012	2013
Net income	2,229.5	3,370.8	2,961.8
Net income attributable to equity holders	1,580.0	2,213.8	1,937.2
Total assets	56,930.6	58,303.4	59,874.5
Total liabilities	35,282.6	36,803.4	36,140.0
Total equity	21,648.1	21,500.0	23,734.5
Current ratio	2.5x	1.7x	1.6x
Total Liabilities to equity ratio	1.6x	1.7x	1.5x

## Toyota Motor Philippines

The following are the major performance measures used by TMP for 2011, 2012 and 2013.

	In Million Pesos, except for ratios		
	2011*	2012	2013
Net income attributable to Parent	2,178.2	2,819.3	4,230.0
Total assets	16,072.6	20,982.9	25,041.2
Total liabilities	9,294.7	12,937.4	15,574.1
Total equity	6,777.9	8,045.6	9,287.1
Total Liabilities to Equity ratio	1.4x	1.6x	1.7x

• Parent Company Financials

## AXA Philippines

The following are the major performance measures used by AXA Philippines for 2011, 2012 and 2013.

	In Million Pesos		
	2011	2012	2013
Gross Premiums	10,006.6	12,312.0	18,320.0
Net insurance benefits and claims	1,337.8	1,316.5	1,413.5
Total expenses	3,198.2	3,537.4	4,196.4
Net income after tax	967.5	908.5	1,184.0
Total Assets	38,942.9	44,852.5	38,953.5

## Charter Ping An

The following are the major performance measures used by CPAIC for 2011, 2012 and 2013.

	In Million Pesos		
	2011	2012	2013
Gross Premium Written	2,096.7	2,339.4	3,249.3
Net Premium Written	1,176.8	1,447.3	1,653.8
Gross Underwriting Contribution	333.3	474.9	433.2
Net Income	150.3	215.1	190.0
Total Assets	4,967.7	6,355.6	9,207.9

## Toyota Manila Bay

The following are the major performance measures used by TMBC for 2011, 2012 and 2013.

	In Million Pesos		
	2011	2012	2013
Net Sales	5,703.2	7,945.0	9,440.7
Gross Profit	365.6	587.7	653.1
Net Income	35.9	101.7	110.3
Total Assets	1,428.5	1,708.1	1,908.4
Total Liabilities	1,274.0	1,290.5	1,377.1
Total Equity	429.1	417.6	531.3

### A.iv Brief Description of the General Nature and Scope of the Company's Business and Its Subsidiaries

The Company is a major Philippine conglomerate with interests in market-leading businesses across banking, real estate development, power generation, automotive assembly, importation and distribution, and life and non-life insurance. GT Capital is the primary vehicle for the holding and management of the diversified business interests of the Ty family in the Philippines. GT Capital's business management, investment decisions, and future business development are and will be firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation.

GT Capital's current portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy in general, and from domestic consumption in particular. The current portfolio comprises directly-held interests in the following GT Capital companies:

- **Banking** - GT Capital conducts banking services through its 25.1% interest in Metropolitan Bank & Trust Company ("MBT" or "Metrobank"), a universal bank that offers corporate and commercial banking products and services throughout the Philippines. MBT has been listed on the Philippine Stock Exchange since 1981. The MBT Group offers corporate and commercial banking products and services throughout the Philippines. The MBT Group's corporate banking services consists of banking services provided to corporate customers (generally recognized by MBT as the top 1,000 Philippine companies, multinational companies and government-owned and controlled companies). The MBT Group's commercial banking services consists of banking services provided to small and medium-sized businesses.
- **Real estate development** - GT Capital conducts its real estate development business through its 100% interest in its fully-consolidated subsidiary Federal Land, Inc. ("Fed Land" or "Federal Land"), which develops residential and commercial projects. Fed Land is today the sole Philippine real estate development company of the Ty family established over the years in the residential segment with principal focus on the residential space, particularly in condominium developments in key urban and suburban communities, as well as retail and commercial project developer.
- **Power generation** - GT Capital conducts its power generation business through its 50.89% direct ownership in Global Business Power Corporation ("GBP"), a holding company that through its subsidiaries, is a leading independent power producer in the Visayas region, with a combined gross dependable capacity of 627 MW (480 MW attributable to GBP, net of minority interests in its subsidiaries).
- **Automotive** - GT Capital conducts its automotive business through its 51% interest in Toyota Motor Philippines ("TMP"). TMP is engaged in the manufacture, importation, and wholesale distribution of Toyota brand motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and through exports. TMP is also engaged in the distribution of Lexus brand motor vehicles in the Philippines.
- **Life Insurance** - GT Capital conducts its life insurance business through its 25.3% interest in Philippine AXA Life Insurance Corporation ("AXA" or "AXA Philippines"), which offers personal and group insurance products in the Philippines, including life insurance and investment-linked insurance products. AXA distributes its products through a multi-channel distribution network comprised of agents, bancassurance, corporate solutions and direct marketing/telemarketing.
- **Non-life Insurance** - GT Capital conducts its non-life insurance business through its 100% interest in Charter Ping An Insurance Corporation ("Charter Ping An" or "CPA"), which offers insurance products such as fire/property, marine, motor car, personal accident, bonds, other casualty, and engineering insurance in the Philippines.
- **Automotive Distribution** - GT Capital conducts its automotive distribution business through its 60% interest in Toyota Manila Bay Corporation ("TMBC"). TMBC is engaged in the retail distribution of Toyota motor vehicles in Luzon, especially in Metro Manila, and is also engaged in the retail sale of motor vehicle parts and accessories, and provides after-sales vehicles services to Toyota brand motor vehicles.

The Company is a major Philippine conglomerate with interests in market-leading businesses across banking, real estate development, power generation, automotive, and life insurance. GT Capital is the primary vehicle for the holding and management of the diversified business interests of the Ty family in the Philippines. GT Capital's business management, investment decisions, and future business development are and will be firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation.

#### **A.v Company's Directors and Executive Officers**

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company's directors and executive officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.



## A.vi Market Price, Shareholder and Dividend Information

### Market Information

The Company's shares of stock are traded in the Philippine Stock Exchange.

As of March 14, 2014, the closing price of the Company's shares of stock was PhP812.00/share.

The high and low sales prices for each period since the listing of the common shares are as follows:

(In Php)	2012	
	High	Low
2 <sup>nd</sup> Quarter (April 20 to June 30)	520.00	455.40
3 <sup>rd</sup> Quarter (July 1 to Sept 30)	565.00	499.00
4 <sup>th</sup> Quarter (Oct 1 to Dec 31)	690.00	521.00
2013		
1 <sup>st</sup> Quarter (Jan 1 to March 31)	805.00	631.00
2 <sup>nd</sup> Quarter (April 1 to June 30)	880.00	718.00
3 <sup>rd</sup> Quarter (July 1 to Sept 30)	870.50	690.00
4 <sup>th</sup> Quarter (Oct 1 to Dec 31)	884.50	734.00
2014		
1 <sup>st</sup> Quarter (Jan 1 to Mar 15)	812.00	720.00

### Shareholder and Dividend Information:

The top 20 stockholders as of March 15, 2014 are as follows:

NAME OF STOCKHOLDER	NO. OF SHARES *	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1. GRAND TITAN CAPITAL HOLDINGS, INC.	103,371,110	59.306
2. PCD NOMINEE (NON-FILIPINO)	57,908,960	33.224
3. PCD NOMINEE (FILIPINO)	12,384,079	07.105
4. TY, GEORGE SIAO KIAN	200,000	00.115
5. TY, ARTHUR VY	100,000	00.057
TY, ALFRED VY	100,000	00.057
6. TY, MARY VY	99,000	00.057
7. DE CASTRO, SALUD D.	30,000	00.017
8. ASIAN HOLDINGS CORPORATION	10,000	00.006
CENTURY SAVINGS BANK, CORP.	10,000	00.006
GOTIANSE, VINCENT C. LEE	10,000	00.006
9. LIM, DOMINGO U.	7,000	00.004
CHUA CO KIONG, WILLIAM N.	6,500	00.004
11. CHAN, ASUNCION C.	6,000	00.003
12. GOTIANSE, PAUL LEE	5,000	00.003
TING, ELIZABETH H.	5,000	00.003
13. CHOI, ANITA C.	4,000	00.002
14. MAR, PETER OR ANNABELLE MAR	3,000	00.002
15. BAGUYO, DENNIS G.	2,250	00.001
16. CHOI, DAVIS C.	2,000	00.001
CHOI, DENNIS C.	2,000	00.001
CHOI, DIANA C.	2,000	00.001
CROSLO HOLDINGS, CORP.	2,000	00.001
17. SYCIP, WASHINGTON Z.	1,800	00.001
18. TY, MICHAEL D. OR LILY Y. TY	1,750	00.001
19. PATERNO, ROBERTO L.	1,100	00.001
20. ANG, GERRY	1,000	00.001
BAUTISTA, MARIA CARMELO LUZA	1,000	00.001
BELMONTE, MIGUEL	1,000	00.001
BENGSON, MANUEL QUINTOS	1,000	00.001
BESHOURI, CHRISTOPHER P.	1,000	00.001
CHUA CO KIONG, CELY Y.	1,000	00.001
CHUA CO KIONG, WILLIAM N. &/OR	1,000	00.001
CUA, SOLOMON	1,000	00.001

PARAS, WILFREDO A.	1,000	00.001
PUNO, RODERICO	1,000	00.001
VALENCIA, RENATO C.	1,000	00.001
* Fully subscribed and paid up		

The Corporation's dividend policy under its bylaws is to declare and pay out of the unrestricted retained earnings cash, property, or stock dividends to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine in accordance with law. Pursuant to the said policy, the Corporation paid cash dividends to its shareholders in 2011, 2012 and 2013 in the amounts of Php500 million, Php500.9 million and Php522.9 million, respectively.

**A.vii Corporate Governance**

The Company adopted its Manual on Corporate Governance (the "Governance Manual") on December 2, 2011. The policy of corporate governance is based on the Governance Manual. The Governance Manual lays down the principles of good corporate governance in the entire organization. The Governance Manual provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance, to foster long-term success and to secure the Company's sustained competitiveness in a manner consistent with its fiduciary responsibility.

The Company's By-laws and Manual on Corporate Governance (the "Governance Manual") provide that the Board shall have at least two independent directors. The Company espouses the definition of independence pursuant to the Securities Regulation Code. The Company considers as an independent director one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of GT Capital Holdings.

The Governance Manual embodies the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Governance Manual further provides for the rights of all shareholders and the protection of the interests of minority stockholders. Commission of any violation of the Governance Manual is punishable by a penalty ranging from reprimand to dismissal, depending on the frequency of commission as well as the gravity thereof.

The Board has constituted six committees to effectively oversee the Company's operations: (i) the Executive Committee (ii) the Audit Committee; (iii) the Nominations Committee; (iv) the Compensation Committee; (v) the Corporate Governance Committee; and (vi) the Risk Oversight Committee.

**A.viii Undertaking to provide without charge a copy of the Company's Annual Report**

The Company will provide without charge a copy of the Company's Annual Report on SEC Form 17-A to its stockholders upon receipt of a written request addressed to Mr. Francisco H. Suarez, Jr., Senior Vice President and Chief Financial Officer at 43rd Floor, GT Tower International, Ayala Avenue corner H. V. Dela Costa St., 1227 Makati City, Metro Manila, Philippines.




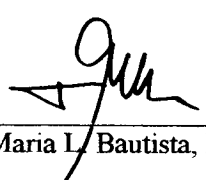
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

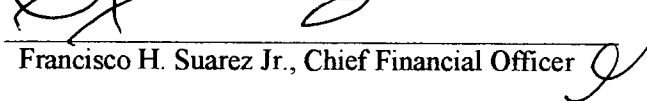
The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent company and consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature:   
Arthur V. Ty, Chairman of the Board

Signature:   
Carmelo Maria L. Bautista, President

Signature:   
Francisco H. Suarez Jr., Chief Financial Officer

March 11, 2014

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

**MAR 25 2014**

**SUBSCRIBED AND SWORN** to before me on \_\_\_\_\_, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Arthur V. Ty	TIN No. 121-526-580
Carmelo Maria L. Bautista	TIN No. 106-903-668
Francisco H. Suarez, Jr.	TIN No. 126-817-465

DOC. NO. 5  
Page NO. 1  
BOOK NO. 5  
Series of 2014



**ATTY. MELISSA B. REYES**  
**NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2014**  
ROLL NO. 41369 / APPOINTMENT NO. M-270  
IBP NO. 913785 / PTR. NO. 3674214  
45/F GT TOWER INTERNATIONAL, AYALA AVENUE  
CORNER H.V. DE LA COSTA, MAKATI CITY

# COVER SHEET

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SEC Registration Number

G T C A P I T A L H O L D I N G S , I N C . A N D S U B  
S I D I A R I E S

(Company's Full Name)

4 3 r d F l o o r , G T T o w e r I n t e r n a t i o n a  
l , A y a l a A v e n u e c o r n e r H . V . d e l a  
C o s t a S t . , M a k a t i C i t y

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

**Francisco H. Suarez Jr.**  
(Contact Person)

**836-4500**  
(Company Telephone Number)

1 2      3 1  
*Month      Day*  
(Fiscal Year)

A A C F S  
(Form Type)

        
*Month      Day*  
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

**74**  
Total No. of Stockholders

Total Amount of Borrowings  
        
Domestic      Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_ LCU

Document ID

\_\_\_\_\_ Cashier

STAMPS

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SyCip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
Philippines

Tel: (632) 891 0307  
Fax: (632) 819 0872  
ey.com/ph

BOA/PRC Reg. No. 0001,  
December 28, 2012, valid until December 31, 2015  
SEC Accreditation No. 0012-FR-3 (Group A),  
November 15, 2012, valid until November 16, 2015

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
GT Capital Holdings, Inc.  
43rd Floor, GT Tower International  
Ayala Avenue corner H.V. de la Costa Street  
Makati City

We have audited the accompanying consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GT Capital Holdings, Inc. and subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

  
Vicky Lee Salas  
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-3 (Group A),

February 14, 2013, valid until February 13, 2016

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225181, January 2, 2014, Makati City

March 11, 2014



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 4)	₱27,166,888,452	₱11,553,288,498	₱454,421,565
Short-term investments (Note 4)	1,466,463,867	-	-
Receivables (Note 5)	12,450,904,615	6,504,694,886	3,933,792,763
Reinsurance assets (Note 16)	4,965,577,810	-	-
Inventories (Note 6)	20,813,304,994	12,275,078,957	11,338,367,323
Due from related parties (Note 27)	849,398,310	489,042,589	938,859,224
Prepayments and other current assets (Note 7)	5,969,225,750	5,999,839,002	1,905,301,342
<b>Total Current Assets</b>	<b>73,681,763,798</b>	<b>36,821,943,932</b>	<b>18,570,742,217</b>
<b>Noncurrent Assets</b>			
Receivables (Note 5)	4,928,548,716	3,159,140,836	1,114,943,862
Investments in associates and joint ventures (Note 8)	40,559,463,758	42,788,987,730	37,680,110,739
Investment properties (Note 9)	8,328,668,533	7,815,576,971	5,227,423,530
Available-for-sale investments (Note 10)	3,110,796,243	1,060,087,293	9,921,760
Property and equipment (Note 11)	41,163,427,981	33,661,228,629	396,367,203
Deposits (Note 12)	-	2,085,000,000	4,085,000,000
Goodwill and intangible assets (Note 13)	18,275,016,054	8,715,210,721	8,498,083
Long-term cash investments (Note 27)	-	-	2,440,084,378
Deferred tax assets (Note 29)	1,109,171,386	330,684,499	102,917,367
Other noncurrent assets (Note 14)	1,202,989,799	547,194,483	93,473,604
<b>Total Noncurrent Assets</b>	<b>118,678,082,470</b>	<b>100,163,111,162</b>	<b>51,158,740,526</b>
	<b>₱192,359,846,268</b>	<b>₱136,985,055,094</b>	<b>₱69,729,482,743</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts and other payables (Note 15)	₱20,836,977,405	₱7,376,718,844	₱4,573,419,840
Insurance contract liabilities (Note 16)	6,683,585,120	-	-
Short-term debt (Note 17)	1,744,000,000	9,138,300,000	7,648,700,000
Current portion of long-term debt (Note 17)	3,364,221,245	7,426,958,699	-
Current portion of liabilities on purchased properties (Notes 20 and 27)	783,028,773	-	-
Customers' deposits (Note 18)	1,844,221,010	974,327,489	457,625,624
Dividends payable (Note 27)	1,966,038,000	1,948,727,265	244,000
Due to related parties (Note 27)	188,385,414	191,264,721	403,598,150
Income tax payable	876,006,220	25,793,451	-
Other current liabilities (Note 19)	906,669,981	1,370,244,207	57,884,393
<b>Total Current Liabilities</b>	<b>39,193,133,168</b>	<b>28,452,334,676</b>	<b>13,141,472,007</b>

(Forward)





	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion (Note 17)	<b>₱40,584,387,751</b>	₱39,187,769,092	₱19,600,000,000
Bonds payable (Note 17)	<b>9,883,088,308</b>	-	-
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	<b>3,537,347,350</b>	2,580,574,771	-
Pension liability (Note 28)	<b>1,703,632,361</b>	532,611,273	358,610,428
Deferred tax liabilities (Note 29)	<b>3,251,740,846</b>	935,506,710	80,613,144
Other noncurrent liabilities (Note 21)	<b>1,642,761,605</b>	242,566,372	62,932,335
<b>Total Noncurrent Liabilities</b>	<b>60,602,958,221</b>	43,479,028,218	20,102,155,907
	<b>99,796,091,389</b>	71,931,362,894	33,243,627,914
<b>Equity</b>			
Equity attributable to equity holders of the Parent Company			
Capital stock (Note 22)	<b>1,743,000,000</b>	1,580,000,000	1,250,000,000
Additional paid-in capital (Note 22)	<b>46,694,658,660</b>	36,752,473,660	23,071,664,419
Treasury shares (Note 22)	<b>(6,125,000)</b>	-	-
Retained earnings (Note 22)	<b>21,801,822,521</b>	13,684,536,407	7,595,668,454
Net unrealized gain (loss) on available-for-sale investments (Note 10)	<b>80,294,836</b>	(6,606,601)	-
Net unrealized loss on remeasurements of defined benefit plans	<b>(216,180,970)</b>	(57,332,052)	(79,839,700)
Equity in net unrealized gain on available-for-sale investments of associates	<b>4,687,958</b>	2,954,074,141	2,544,293,006
Equity in translation adjustments of associates	<b>417,142,069</b>	36,424,322	261,158,822
Equity in net unrealized loss on remeasurements of defined benefit plans of associates	<b>(722,918,846)</b>	(502,969,032)	(362,408,777)
Other equity adjustments (Note 22)	<b>729,053,992</b>	(681,066,182)	-
	<b>70,525,435,220</b>	53,759,534,663	34,280,536,224
Non-controlling interests (Note 22)	<b>22,038,319,659</b>	11,294,157,537	2,205,318,605
<b>Total Equity</b>	<b>92,563,754,879</b>	65,053,692,200	36,485,854,829
	<b>₱192,359,846,268</b>	₱136,985,055,094	₱69,729,482,743

See accompanying Notes to Consolidated Financial Statements.



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011
<b>REVENUE</b>			
Automotive operations	₱74,358,719,420	₱-	₱-
Net fees (Note 35)	16,944,068,872	12,845,109,991	-
Real estate sales	4,702,395,088	2,131,002,354	2,512,196,616
Equity in net income of associates and joint ventures (Note 8)	3,587,810,207	3,902,096,175	3,567,873,099
Gain (loss) on revaluation of previously held interest (Note 31)	2,046,209,717	(53,949,714)	-
Interest income (Note 23)	1,429,029,216	866,431,011	598,227,699
Sale of goods and services	656,716,866	730,736,289	764,665,350
Rent income (Notes 9 and 30)	592,043,715	233,443,132	238,001,688
Net premium earned	504,585,414	-	-
Commission income	188,187,509	184,493,366	95,970,876
Gain from loss of control in a subsidiary (Note 8)	-	1,448,398,924	-
Gain on bargain purchase (Note 31)	-	427,530,654	-
Other income (Note 23)	537,642,016	262,450,798	188,545,192
	<b>105,547,408,040</b>	<b>22,977,742,980</b>	<b>7,965,480,520</b>
<b>COSTS AND EXPENSES</b>			
Cost of goods and services sold (Note 25)	45,469,459,666	680,910,846	709,726,583
Cost of goods manufactured (Note 25)	19,986,100,133	-	-
General and administrative expenses (Note 26)	9,393,711,094	3,559,020,927	1,109,747,048
Power plant operation and maintenance expenses (Note 24)	8,945,435,941	6,711,049,473	-
Cost of real estate sales (Note 6)	3,666,932,487	1,342,018,241	1,553,768,313
Interest expense (Note 17)	3,462,323,310	1,749,782,179	989,749,556
Net insurance benefits and claims	289,524,812	-	-
	<b>91,213,487,443</b>	<b>14,042,781,666</b>	<b>4,362,991,500</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>14,333,920,597</b>	<b>8,934,961,314</b>	<b>3,602,489,020</b>
<b>PROVISION FOR INCOME TAX (Note 29)</b>	<b>1,803,270,121</b>	<b>287,650,596</b>	<b>148,779,135</b>
<b>NET INCOME</b>	<b>₱12,530,650,476</b>	<b>₱8,647,310,718</b>	<b>₱3,453,709,885</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱8,640,186,114	₱6,589,727,953	₱3,324,399,379
Non-controlling interests	3,890,464,362	2,057,582,765	129,310,506
	<b>₱12,530,650,476</b>	<b>₱8,647,310,718</b>	<b>₱3,453,709,885</b>
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)</b>	<b>₱49.70</b>	<b>₱44.50</b>	<b>₱26.60</b>

*See accompanying Notes to Consolidated Financial Statements.*



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<b>2013</b>	<b>2012</b> <i>(As restated - Note 2)</i>	<b>2011</b>
<b>NET INCOME</b>	<b>₱12,530,650,476</b>	<b>₱8,647,310,718</b>	<b>₱3,453,709,885</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of available-for-sale investments (Note 10)	180,349,522	(10,489,999)	-
Equity in other comprehensive income of associates (Note 8):			
Changes in fair value of available-for-sale investments	(2,949,386,183)	478,401,175	2,762,533,470
Translation adjustments	380,717,747	(224,734,500)	133,071,497
	<b>(2,388,318,914)</b>	<b>243,176,676</b>	<b>2,895,604,967</b>
<i>Items that may not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurements of defined benefit plans	(401,830,157)	(56,945,823)	-
Equity in remeasurement of defined benefit plans of associates	(314,214,019)	(200,800,364)	-
Income tax effect	214,813,253	77,323,856	-
	<b>(501,230,923)</b>	<b>(180,422,331)</b>	<b>-</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>(2,889,549,837)</b>	<b>62,754,345</b>	<b>2,895,604,967</b>
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b>₱9,641,100,639</b>	<b>₱8,710,065,063</b>	<b>₱6,349,314,852</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱5,779,620,383	₱6,718,735,420	₱6,220,004,346
Non-controlling interests	3,861,480,256	1,991,329,643	129,310,506
	<b>₱9,641,100,639</b>	<b>₱8,710,065,063</b>	<b>₱6,349,314,852</b>

*See accompanying Notes to Consolidated Financial Statements.*



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Equity Holders of the Parent Company											Total Equity	
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Treasury Shares (Note 22)	Retained Earnings (Note 22)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 10)	Net Unrealized Gain (Loss) on Remeasurements of Defined Benefit Plans (Note 2)	Equity in Net Unrealized Gain (Loss) on Investments of Associates (Note 8)	Equity in Net Unrealized Loss on Remeasure- ments of Defined Benefit Plans of Associates (Note 2)	Equity in Translation Adjustments of Associates (Note 8)	Other Equity Adjustments (Note 22)	Attributable to Non-controlling Interests (Note 22)		
											Total		
Balance at January 1, 2013	₱1,580,000,000	₱36,752,473,660	₱-	₱13,855,815,763	(₱6,606,601)	₱-	₱2,954,074,141	₱-	₱36,424,322	(₱681,066,182)	₱54,491,115,103	₱11,373,072,694	₱65,864,187,797
Effect of changes in accounting policy (Note 2)	-	-	-	(171,279,356)	-	(57,332,052)	-	(502,969,032)	-	-	(731,588,440)	(78,915,157)	(810,495,597)
Balance at January 1, 2013, as restated	1,580,000,000	36,752,473,660	-	13,684,536,407	(6,606,601)	(57,332,052)	2,954,074,141	(502,969,032)	36,424,322	(681,066,182)	53,759,534,663	11,294,157,537	65,053,692,200
Issuance of capital stock (Note 22)	163,000,000	9,942,185,000	-	-	-	-	-	-	-	-	10,105,185,000	959,350,239	11,064,535,239
Effect of business combination (Note 31)	-	-	(6,125,000)	-	-	-	-	-	-	-	2,591,176	(3,533,824)	7,222,853,016
Dividends declared (Note 22)	-	-	-	(522,900,000)	-	-	-	-	-	-	(522,900,000)	-	(522,900,000)
Sale of indirect interest in a subsidiary (Note 22)	-	-	-	-	-	-	-	-	-	-	1,407,528,998	2,156,827,165	3,564,356,163
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(3,456,348,554)	(3,456,348,554)
Total comprehensive income	-	-	-	8,640,186,114	86,901,437	(158,848,918)	(2,949,386,183)	(219,949,814)	380,717,747	-	5,779,621,383	3,861,480,256	9,641,100,639
Balance at December 31, 2013	₱1,743,000,000	₱46,694,658,660	(₱6,125,000)	₱21,801,822,521	₱80,294,836	(₱216,180,970)	₱4,687,958	(₱722,918,846)	₱417,142,069	₱729,053,992	₱70,525,435,220	₱22,038,319,659	₱92,563,754,879
Balance at January 1, 2012	₱1,250,000,000	₱23,071,664,419	₱-	₱7,801,755,408	₱-	₱-	₱2,544,293,006	₱-	₱261,158,822	₱-	₱34,928,871,655	₱2,220,763,173	₱37,149,634,828
Effect of changes in accounting policy (Note 2)	-	-	-	(206,086,954)	-	(79,839,700)	-	(362,408,777)	-	-	(648,335,431)	(15,444,568)	(663,779,999)
Balance at January 1, 2012, as restated	1,250,000,000	23,071,664,419	-	7,595,668,454	-	(79,839,700)	2,544,293,006	(362,408,777)	261,158,822	-	34,280,536,224	2,205,318,605	36,485,854,829
Issuance of capital stock (Note 22)	330,000,000	13,680,809,241	-	-	-	-	-	-	-	-	14,010,809,241	639,809,982	14,650,619,223
Effect of business combination (Note 31)	-	-	-	-	-	-	(68,620,040)	-	-	-	(68,620,040)	15,238,649,131	15,170,029,091
Acquisition of non-controlling interest (Note 31)	-	-	-	-	-	-	-	-	-	(681,066,182)	(681,066,182)	(5,235,856,759)	(5,916,922,941)
Dividends declared (Note 22)	-	-	-	(500,860,000)	-	-	-	-	-	-	(500,860,000)	-	(500,860,000)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(3,545,093,065)	(3,545,093,065)
Total comprehensive income	-	-	-	6,589,727,953	(6,606,601)	22,507,648	478,401,175	(140,560,255)	(224,734,500)	-	6,718,733,420	1,991,329,643	8,710,065,063
Balance at December 31, 2012	₱1,580,000,000	₱36,752,473,660	₱-	₱13,684,536,407	(₱6,606,601)	(₱57,332,052)	₱2,954,074,141	(₱502,969,032)	₱36,424,322	(₱681,066,182)	₱53,759,534,663	₱11,294,157,537	₱65,053,692,200
Balance at January 1, 2011	₱1,250,000,000	₱23,071,664,419	₱-	₱5,377,356,029	₱-	₱-	(₱218,240,464)	₱-	₱128,087,325	₱-	₱29,608,867,309	₱2,211,452,667	₱31,820,319,976
Effect of changes in accounting policy (Note 2)	-	-	-	(206,086,954)	-	(79,839,700)	-	(362,408,777)	-	-	(648,335,431)	(15,444,568)	(663,779,999)
Balance at January 1, 2011, as restated	1,250,000,000	23,071,664,419	-	5,171,269,075	-	(79,839,700)	(218,240,464)	(362,408,777)	128,087,325	-	28,960,531,878	2,196,008,099	31,156,539,977
Consideration transferred on acquisition of a subsidiary under common control (Note 22)	-	-	-	(336,000,000)	-	-	-	-	-	-	(336,000,000)	(84,000,000)	(420,000,000)
Dividends declared (Note 22)	-	-	-	(564,000,000)	-	-	-	-	-	-	(564,000,000)	-	(564,000,000)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(36,000,000)	(36,000,000)
Total comprehensive income	-	-	-	3,324,399,379	-	-	2,762,533,470	-	133,071,497	-	6,220,004,346	129,310,506	6,349,314,852
Balance at December 31, 2011	₱1,250,000,000	₱23,071,664,419	₱-	₱7,595,668,454	₱-	(₱79,839,700)	₱2,544,293,006	(₱362,408,777)	₱261,158,822	₱-	₱34,280,536,224	₱2,205,318,605	₱36,485,854,829

See accompanying Notes to Consolidated Financial Statements.



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱14,333,920,597	₱8,934,961,314	₱3,602,489,020
Adjustments for:			
Equity in net income of associates and joint ventures (Note 8)	(3,587,810,207)	(3,902,096,175)	(3,567,873,099)
Interest expense (Note 17)	3,462,323,309	1,749,782,179	989,749,556
Depreciation and amortization (Note 11)	2,857,274,685	1,629,115,327	71,352,576
Gain from loss of control in a subsidiary (Note 8)	-	(1,448,398,924)	-
Interest income (Note 23)	(1,429,029,216)	(866,431,011)	(598,227,699)
Gain on bargain purchase (Note 31)	-	(427,530,654)	-
Pension expense (Note 28)	329,461,750	105,727,646	16,621,998
Loss from initial recognition of financial asset (Note 27)	275,000	94,224,170	-
Loss (gain) on revaluation of previously held interest (Note 31)	(2,046,209,717)	53,949,714	-
Dividend income (Note 23)	(77,277,481)	-	-
Gain on disposal of property and equipment (Note 11)	(15,998,480)	(8,316,148)	(302,584)
Gain on sale of available-for-sale investments (Note 10)	(8,522,850)	-	-
Provision for impairment losses (Note 26)	44,467,476	-	-
Unrealized foreign exchange losses (Note 26)	42,309,137	7,113,039	193,784
Operating income before changes in working capital	13,905,184,003	5,922,100,477	514,003,552
Decrease (increase) in:			
Short-term investments	(1,466,463,867)	-	-
Receivables	(3,567,427,696)	1,230,216,844	(4,203,893,169)
Reinsurance assets	(1,264,065,439)	-	-
Inventories	(1,241,257,020)	3,002,358	(3,228,592,505)
Due from related parties	(360,355,721)	877,422,046	(380,714,964)
Prepayments and other current assets	912,622,867	(4,058,602,627)	(282,455,718)
Increase (decrease) in:			
Accounts and other payables	3,247,434,285	(581,033,757)	2,632,476,447
Insurance contract liabilities	1,356,875,814	-	-
Customers' deposits	868,420,502	516,701,865	40,164,351
Due to related parties	(2,879,307)	(212,333,429)	-
Other current liabilities	(558,335,421)	693,497,586	34,076,298
Cash provided by (used in) operations	11,829,753,000	4,390,971,363	(4,874,935,708)
Dividends paid (Note 22)	(2,972,214,411)	(2,550,817,000)	(600,000,000)
Interest paid	(4,035,343,587)	(1,468,593,272)	(1,087,246,900)
Income tax paid	(1,031,375,223)	(383,256,129)	(14,553,856)
Interest received	1,498,796,846	749,895,600	907,573,247
Dividends received	833,163,900	157,156,316	1,495,803,180
Contributions to pension plan assets (Note 28)	(108,214,980)	-	(12,959,089)
Net cash provided by (used in) operating activities	6,014,565,545	895,356,878	(4,186,319,126)

(Forward)



<b>Years Ended December 31</b>			
	<b>2013</b>	<b>2012</b> (As restated - Note 2)	<b>2011</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Settlement of deposits (Note 12)	<b>₱2,085,000,000</b>	₱2,000,000,000	₱-
Disposal of property and equipment	<b>160,733,099</b>	50,915,037	475,003
Sale of available-for-sale investments	<b>62,977,803</b>	-	-
Settlement of long-term cash investments (Note 27)	-	2,440,084,378	-
Additions to:			
Investments in associates and joint ventures (Note 8)	<b>(502,243,750)</b>	(4,500,000,965)	(2,624,660,409)
Investment properties (Note 9)	<b>(143,738,791)</b>	(2,968,258,325)	(57,705,511)
Property and equipment (Note 11)	<b>(7,025,386,058)</b>	(1,152,938,297)	(18,540,327)
Available-for-sale investments	<b>690,297,705</b>	-	-
Intangible assets (Note 13)	<b>(9,201,020)</b>	(10,727,484)	-
Deposits (Note 12)	-	-	(4,085,000,000)
Long-term cash investments (Note 27)	-	-	(2,440,084,378)
Acquisition of subsidiary, net of cash acquired (Note 31)	<b>2,677,274,289</b>	7,903,548,151	(420,000,000)
Redemption of non-controlling interests in consolidated subsidiaries (Notes 22 and 31)	-	(5,916,922,941)	-
Decrease (increase) in other noncurrent assets	<b>(200,078,395)</b>	1,529,235,323	(24,329,670)
Refund of advances	-	-	602,879,241
<b>Net cash used in investing activities</b>	<b>(2,204,365,118)</b>	<b>(625,065,123)</b>	<b>(9,066,966,051)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Issuance of capital stock (Note 22)	<b>10,105,185,000</b>	-	-
Issuance of bonds payable	<b>9,894,756,979</b>	-	-
Loan availments	<b>7,340,500,000</b>	-	19,305,000,000
Proceeds from initial public offering (Note 22)	-	14,010,809,241	-
Payment of loans payable	<b>(18,047,447,689)</b>	(5,755,695,795)	(8,238,491,076)
Increase (decrease) in:			
Liabilities on purchased properties	<b>1,739,801,352</b>	2,580,574,771	(516,846,000)
Due to related parties	-	-	83,026,536
Other noncurrent liabilities	<b>858,005,716</b>	-	10,269,220
Non-controlling interests	<b>(45,092,694)</b>	-	-
<b>Net cash provided by financing activities</b>	<b>11,845,708,664</b>	<b>10,835,688,217</b>	<b>10,642,958,680</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>(42,309,137)</b>	<b>(7,113,039)</b>	<b>(193,784)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>15,613,599,954</b>	<b>11,098,866,933</b>	<b>(2,610,520,281)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>11,553,288,498</b>	<b>454,421,565</b>	<b>3,064,941,846</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱27,166,888,452</b>	<b>₱11,553,288,498</b>	<b>₱454,421,565</b>

See accompanying Notes to Consolidated Financial Statements.



# **GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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.

The ultimate parent of GT Capital Holdings, Inc. is Grand Titan Capital Holdings, Inc. (Grand Titan).

#### Group Activities

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) and Global Business Power Corporation (GBPC) and Subsidiaries (GBPC 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) and GBPC Group (power generation 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. As discussed in Note 31, the Group 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 in Note 31.

In April 2013, the Parent Company finalized its purchase price allocation for the acquisition of GBPC and there were no changes to the fair market values of the assets acquired and liabilities assumed for GBPC.



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.

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

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa Street, 1227 Makati City.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying 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 consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional consolidated statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Parent Company and the following wholly and majority-owned domestic subsidiaries:

	Country of Incorporation	Direct Percentages of Ownership			Effective Percentages of Ownership		
		December 31			December 31		
		2013	2012	2011	2013	2012	2011
Fed Land and Subsidiaries	Philippines	<b>100.00</b>	100.00	80.00	<b>100.00</b>	100.00	80.00
GBPC and Subsidiaries	-do-	<b>50.89</b>	50.89	-	<b>53.16</b>	62.98	-
Toyota and Subsidiaries	-do-	<b>51.00</b>	36.00	21.00	<b>51.00</b>	36.00	21.00
Charter Ping An	-do-	<b>66.67</b>	-	-	<b>74.97</b>	-	-





As of December 31, 2013 and 2012, the Parent Company has effective ownership over GBPC of 53.16% (50.89% direct interest and 2.27% indirect interest) and 62.98% (50.89% direct interest and 12.09% indirect interest), respectively. The Parent Company's indirect interest comes from its 25.11% direct interest in MBTC, which has direct interest in First Metro Investments Corporation (FMIC). FMIC, in turn, has 9.11% and 49.11% direct interest in GBPC as of December 31, 2013 and 2012, respectively (Note 31).

As of December 31, 2013, the Parent Company has effective ownership over Charter Ping An of 74.97% (66.67% direct interest and 8.30% indirect interest). 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 (Note 31).

#### Fed Land's Subsidiaries

	Percentage of Ownership		
	2013	2012	2011
FLI - Management and Consultancy, Inc. (FMCI)	100.00	100.00	100.00
Baywatch Project Management Corporation (BPMC)	100.00	100.00	100.00
Horizon Land Property and Development Corp. (HLPDC)	100.00	100.00	100.00
Top Leader Property Management Corp. (TLPMC)	100.00	100.00	100.00
Bonifacio Landmark Realty and Dev't Corp (BLRDC)	-	-	100.00
Central Realty and Development Corp. (CRDC)	75.80	75.80	75.80
Federal Brent Retail, Inc. (FBRI)	51.66	51.66	51.66
Fedsales Marketing, Inc. (FMI)*	-	100.00	100.00
Harbour Land Realty & Development Corporation (HLRDC)**	-	100.00	100.00
Southern Horizon Development Corporation (SHDC)**	-	100.00	100.00
Omni-Orient Marketing Network, Inc. (OOMNI)*	-	87.80	87.80

\* On February 18, 2013, the Board of Directors (BOD) of Fed Land approved the merger of Fed Land and its two subsidiaries namely FMI and OOMNI, where Fed Land will be the surviving entity and the two subsidiaries will be the absorbed entities. The merger was approved by the Philippine SEC on November 29, 2013.

\*\* On May 8, 2013, the BOD of HLPDC, HLRDC and SHDC approved the merger of the three entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The merger was approved by the SEC on October 21, 2013.

#### GBPC's Subsidiaries

	Percentage of Ownership	
	2013	2012
GBH Cebu Limited Duration Company (GCLDC)	100.00	100.00
ARB Power Venture, Inc. (APVI)	100.00	100.00
Toledo Holdings Corp. (THC)	100.00	100.00
Toledo Cebu Int'l Trading Resources Corp. (TCITRC)	100.00	100.00
Toledo Power Company (TPC)	100.00	100.00
GBH Power Resources, Inc. (GPRI)	100.00	100.00
Global Energy Supply Corp. (GESC)	100.00	100.00
Mindanao Energy Development Corporation (MEDC)	100.00	100.00
Global Formosa Power Holdings, Inc. (GFPHI)	93.00	93.00
Panay Power Holdings Corp (PPHC)	89.30	89.30
Panay Power Corp. (PPC)	89.30	89.30
Panay Energy Development Corp. (PEDC)	89.30	89.30
Cebu Energy Development Corp. (CEDC)	52.18	52.18



### Toyota's Subsidiaries

	<u>Percentage of Ownership</u>
Toyota Makati, Inc. (TMI)	100.00
Lexus Manila, Inc. (LMI)	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	55.00

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 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 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.



#### Business Combinations Involving Entities Under Common Control

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 PFRS;
- 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 considerations transferred on acquisition of a subsidiary under common control are 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 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 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 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 interest 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 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 is 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 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 consolidated statements 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.

#### Change in Ownership without Loss of Control

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 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.



#### Changes in Accounting Policies and Disclosures

The accounting policies are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which were adopted as of January 1, 2013.

The nature and impact of each new standard and amendment are described below.

#### *PFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose the information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32.

The amendment did not have an impact on the consolidated financial statements as the Group has not set off any financial instruments in its financial statements and does not have offsetting arrangements that qualify for disclosures required.

#### *PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation – Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements in PAS 27. Refer to Note 3 for the significant judgments made by management in identifying entities for consolidation.

#### *PFRS 11, Joint Arrangements*

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard has no impact to the Group as the joint ventures of the Group are currently accounted for under the equity method of accounting.

#### *PFRS 12, Disclosure of Interests with Other Entities*

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The disclosure requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, associates and joint ventures. While the Group has subsidiaries with material non-controlling interests (NCI) and material associates, there are no unconsolidated structured entities. Refer to *Basis of Consolidation* and Note 8 for disclosures related to subsidiaries and associates.



**PFRS 13, Fair Value Measurement**

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard has no significant impact in the fair value measurement of financial assets at fair value through profit or loss, AFS investments and investment properties. Refer to Note 32 for the disclosures required by the standard.

**PAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendments)**

The Group applied amendments to PAS 1 and changed the grouping of items presented in the consolidated statement of comprehensive income either:

- items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement). These include ‘Change in fair value of available-for-sale investments’, ‘Equity in change in fair values of available for-sale investments of associates’ and ‘Equity in change in translation adjustment’; or
- items that will never be recycled to profit or loss. These include ‘Remeasurement of defined benefit plan’ and ‘Equity in remeasurement of defined benefit plans of associates’.

The amendments affect presentation only and have no impact on the Group’s financial position or performance.

**PAS 19, Employee Benefits (Revised)**

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The adoption of PAS 19 (Revised) which required retrospective application, resulted in the restatement of previously reported retirement obligation of the Group. The adjustment amounts were determined by the Group with the assistance of an external actuary.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

	December 31, 2012		
	As previously reported	Effect of retrospective application of PAS 19R	As restated
<b>Statement of Financial Position</b>			
<b>Assets</b>			
Investments in associates and joint ventures	P43,363,689,238	(P574,701,508)	P42,788,987,730
Deferred tax assets	238,369,925	92,314,574	330,684,499
<b>Liabilities and Equity</b>			
Pension liability	204,502,610	328,108,663	532,611,273
Retained earnings	13,855,815,763	(171,279,356)	13,684,536,407

(Forward)



	December 31, 2012		
	As previously reported	Effect of retrospective application of PAS 19R	As restated
Net unrealized loss on remeasurement of defined benefit plan	P-	(P57,332,052)	(P57,332,052)
Equity in net unrealized loss on remeasurement of defined benefit plans of associates	-	(502,969,032)	(502,969,032)
Non-controlling interests	11,373,072,694	(78,915,157)	11,294,157,537
<b>Statement of Income</b>			
Equity in net income of associates and joint ventures	3,903,830,555	(1,734,380)	3,902,096,175
General and administrative expenses	3,583,829,706	(24,808,779)	3,559,020,927
Provision for income tax	298,282,930	(10,632,334)	287,650,596
Net income attributable to NCI	2,058,683,630	(1,100,865)	2,057,582,765
<b>Other Comprehensive Income</b>			
Net unrealized loss on remeasurement of defined benefit plan	-	(39,862,076)	(39,862,076)
Equity in net unrealized gain on remeasurement of defined benefit plan of associates	-	140,560,255	140,560,255
Equity in net unrealized loss on remeasurement of defined benefit plan attributable to NCI	-	(62,369,724)	(62,369,724)
	January 1, 2012		
	As previously reported	Effect of retrospective application of PAS 19R	As restated
<b>Statement of Financial Position</b>			
<b>Assets</b>			
Investments in associates and joint ventures	P38,112,517,612	(P432,406,873)	P37,680,110,739
Deferred tax assets	3,791,675	99,125,692	102,917,367
<b>Liabilities and Equity</b>			
Pension liability	28,111,610	330,498,818	358,610,428
Retained earnings	7,801,755,408	(206,086,954)	7,595,668,454
Net unrealized loss on remeasurement of defined benefit plan	-	(79,839,700)	(79,839,700)
Equity in net unrealized loss on remeasurement of defined benefit plans of associates	-	(362,408,777)	(362,408,777)
Non-controlling interests	2,220,763,173	(15,444,568)	2,205,318,605

**Annual Improvements to PFRSs (2009-2011 cycle)**

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The Group adopted the following amendment for the current year.

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

These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a



retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. However, management assessed that presentation of supporting notes for the third balance sheet is relevant for the users of the financial statements. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Several other new and amendments standards apply for the first time in 2013. However, they do not impact the consolidated financial statements of the Group:

- PFRS 1, *First-time Adoption of PFRS – Government Loans* (Amendments)
- PAS 27, *Separate Financial Statements* (as revised in 2011)
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
- Philippine Interpretation IFRIC 20, *Stripping Cost in the Production Phase of a Surface Mine*

*Improvements to PFRSs (2009-2011 cycle)*

- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*
- PAS 16, *Property, Plant and Equipment – Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

### **Significant Accounting Policies**

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

#### Long-term Cash Investments

Long term cash investments are highly liquid investments that are subject to explicit time restriction under the provisions of the contracts.

#### 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 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the 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 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 assets 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 either 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 December 31, 2013 and 2012, the Group has no financial assets and financial liabilities at FVPL and HTM investments. The Group's financial instruments include loans and receivables, AFS investments and other financial liabilities.

##### *Determination of fair value*

The fair value for financial instruments traded in active markets as at the reporting date is based on their quoted market prices 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, option 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.

*'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under "Interest income" and "Interest expense" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

*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 accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', 'Deposits', 'Cash and cash equivalents' and 'Long-term cash investment'.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method (EIR), 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 EIR. The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

*AFS investments*

AFS investments are those 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 pertain to quoted and unquoted equity securities and other debt 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 income. Dividends on AFS equity



instruments are recognized in the consolidated statement of income when the entity'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 rate 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 instruments 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*

These 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 EIR 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 EIR.

This accounting policy applies primarily to the Group's "Accounts and other payables", "Long-term debt", "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). The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

#### Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and receivables*

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The carrying amount of the asset is



reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income continues to be recognized based on the original EIR of the asset.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost as at the reversal date.

#### *AFS investments*

For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity instruments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the statement of changes in equity and recognized in the consolidated statement of income. Impairment losses on equity instruments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as 'Interest income' in the statement of income. If, in the subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.



### Derecognition of Financial Assets and Liabilities

#### *Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- a. the rights to receive cash flows from the asset have expired;
- b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- c. the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

### Inventories

#### *Real estate inventories*

Property acquired that are being developed or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory. Real estate inventories consist of land and improvements, and condominium units held for sale.

Land and improvements consists of properties that is held for future real estate projects and are carried at the lower of cost or net realizable value (NRV). Cost includes the acquisition cost of the land and those costs incurred for development and improvement of the properties. Upon commencement of real estate project, the subject land is transferred to ‘Condominium units held for sale’.

Costs of condominium units held for sale includes the carrying amount of the land transferred from ‘Land and improvements’ at the commencement of its real estate projects and those costs incurred for construction, development and improvement of the properties, including capitalized borrowing costs.



*Gasoline retail, petroleum products and chemicals*

Cost is determined using first-in, first-out method. The costs of oil, petroleum products and chemicals include cost incurred for acquisition and freight charges.

*Power inventories*

Inventories, at GBPC Group, which consist of coal, industrial fuel, lubricating oil, spare parts and supplies are stated at the lower of cost and NRV. Cost is determined using the weighted average method while the NRV is the current replacement cost. In determining the NRV, the Group considers any adjustment necessary for obsolescence.

*Automotive inventories*

These are inventories of the Toyota Group which are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- |  |   |
|--|---|
| Raw materials and spare parts            | - Purchase cost on a weighted average cost  |
| Finished goods and work-in-process       | - Cost of direct material and labor and proportion of fixed and overhead manufacturing costs allocated based on normal operating capacity |
| Raw materials and spare parts in-transit | - Cost is determined using the specific identification method   |

Investments in Associates and Joint Ventures

This account includes advances for future stock acquisition on investee companies. Investments in associates and jointly-controlled entities are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a jointly-controlled entity of the Group. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

An investment is accounted for using the equity method from the day it becomes an associate or a jointly-controlled entity. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is included as income in the determination of the share in the earnings of the investee.

Under the equity method, the investments in and advances to associates and jointly-controlled entities are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value.

The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the investee companies and the Group's share on movements in the investee's OCI are recognized directly in OCI in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the consolidated statement of income and consolidated statement of comprehensive income. The aggregate of the Group's equity in net



income of associates and joint ventures is shown on the face of the consolidated statement of income as part of operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate and joint venture.

Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies, and for unrealized losses, to the extent that there is no evidence of impairment of the assets transferred. Dividends received from investee companies are treated as a reduction of the accumulated earnings included under "Investments in associates and joint ventures" account in the consolidated statement of financial position.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or jointly-controlled entity. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and jointly-controlled entities not recognized during the period the equity method was suspended.

#### Investment Properties

Investment properties consist of properties that are held to earn rentals and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of the properties which is 25 years.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including capitalized borrowing costs.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and put into operational use.



Power plant construction in progress represents power plant complex under construction and is stated at cost. Cost of power plant construction in progress includes purchase price of the components, capitalized borrowing cost, cost of testing and other directly attributable cost of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. CIP is not depreciated until such time that the relevant assets are ready for use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are calculated on the straight-line basis over the following EUL of the property and equipment as follows

	Years
Transportation equipment	5
Furniture, fixtures and equipment	5
Leasehold improvements	2 to 10 or lease term (whichever is shorter)
Machineries, tools and equipment	3 to 5
Building	20 to 40
Boilers and powerhouse	9 to 25
Turbine generators and desox system	9 to 25
Buildings and land improvements	9 to 25
Electrical distribution system	7 to 25
Other property and equipment	3 to 5

The assets' residual values, EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Transfers are made from property and equipment, when there is a change in use, evidenced by ending of owner-occupation, and with a view of sale.

Impairment or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by





changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group's intangible assets consist of power purchase agreements, customer relationship, software costs and franchise. A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the consolidated statement of income when the intangible asset is derecognized.

#### *Power Purchase Agreements (PPA)*

PPA pertain to the EPPAs which give GBPC the right to charge certain electric cooperatives for the electricity to be generated and delivered by GBPC. This is recognized initially at fair value which consists of the cost of the power generation and the fair value of future fee payments. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The PPA is amortized using the straight-line method over the estimated economic useful life which is the life of the EPPAs, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated economic useful life is ranging from 4 to 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

#### *Customer Relationship*

Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers, which adds value to the operations of Toyota and enhances the latter's earnings potential. This is recognized initially at fair value and is assessed to have an indefinite useful life. Following initial recognition, the intangible asset is not amortized but assessed annually for impairment.

#### *Franchise*

Franchise fee is amortized over the franchise period which ranges from three (3) to five (5) years. Accumulated depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

#### *Software Costs*

Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.



Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

#### Goodwill

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Nonfinancial Assets).

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

Goodwill is presented together with the intangible assets in the consolidated statement of financial position.

#### Deposits

Deposits are stated at cost. Cost is the fair value of the asset given up at the date of transfer to the affiliates. This account is treated as a real option money to purchase and develop a property that is held by a related party or an equity instrument to be issued upon exercise of option. The deposit granted to affiliates charges an interest and other related expenses in lieu of the time value in use of option money granted to the affiliates (Note 23).

#### Impairment of Non-financial Assets

The Group assesses at each financial reporting date whether there is an indication that their nonfinancial assets (e.g. investments in associates and joint ventures, investment properties, property and equipment, and intangible assets), may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount



rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

This accounting policy applies primarily to the Group's property and equipment and investment properties. Additional considerations for other non-financial assets are discussed below.

#### *Investments in associates and joint ventures*

After application of the equity method, the Group determines whether it is necessary to recognize goodwill or any additional impairment loss with respect to the Group's net investment in its associates and jointly controlled entities. The Group determines at each financial reporting date whether there is any objective evidence that the investments in associates and joint ventures are impaired.

If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and jointly controlled entities and the carrying cost and recognizes the amount in the consolidated statement of income.

#### *Intangible assets*

Except for customer relationship, where an indication of impairment exists, the carrying amount of intangible assets with finite useful lives is assessed and written down immediately to its recoverable amount. Customer relationship is reviewed for impairment annually, similar with goodwill, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

#### *Goodwill*

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the consolidated statement of financial position date.



#### Insurance Receivables

Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Insurance receivables are derecognized under the derecognition criteria of financial assets.

#### Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists and that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged against profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in the consolidated statement of income as part of commission income in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated insurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired, or when the contract is transferred to another party.

#### Deferred Acquisition Costs (DAC)

Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense as incurred.

Subsequent to initial recognition, these costs are amortized on a straight line basis using twenty-fourth (24<sup>th</sup>) method over the life of the contract except for the marine cargo where commissions from the last two months of the year are recognized as expense in the following year.

Amortization is charged against consolidated statement of income. The unamortized acquisition costs are shown as "Deferred acquisition costs" are presented under Prepayments and Other Current Assets in the assets section of the statement of financial position.



An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to consolidated statement of income. DAC is also considered in the liability adequacy test for each end of the reporting period.

#### Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the tax authority is included under “Prepayments and other current assets” in the consolidated statement of financial position.

#### Assets Held for Sale

The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are included under prepayments and other current assets in the consolidated statements of financial position.

#### Insurance Contract Liabilities

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

#### *Provision for Unearned Premium*

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums as part of “Insurance contract liabilities” and presented in the liabilities section of the statement of financial position. Premiums for short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method except for the marine cargo where premiums for the last two months are considered earned in the following year. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

#### *Claims Provision Incurred But Not Reported (IBNR) Losses*

These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with the related claims handling cost and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The liability is derecognized when the contract is discharged, cancelled or has expired.



#### *Liability Adequacy Test*

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of the related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of comprehensive income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

#### Customers' Deposits

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price. The minimum percentage is on the basis of the level of buyer's commitment to pay and is part of the revenue recognition criteria. When the revenue recognition criteria are met, sales are, then, recognized and these deposits and downpayments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the cash surrender value of the deposit will be refunded to the buyer.

Customer's deposits consist of payment from buyers which have not reached the minimum required percentage and amounts that have not been applied against the related installment contract receivables.

#### Equity

The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

#### *Capital stock*

The Parent Company has issued common stock that is classified as equity. Incremental costs directly attributable to the issue of new common stock are shown in equity as a deduction, net of tax, from the proceeds. All other equity issuance costs are recognized as expense as incurred.

Where the Parent Company purchases its' own common stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, and is included in equity attributable to the Parent Company's equity holders.

#### *Additional paid-in capital*

Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

#### *Deposits for future stock subscriptions*

Deposits for future stock subscriptions are recorded based on the amounts received from stockholders and amounts of advances to be converted to equity.



### *Retained earnings*

The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividend on common stock. Dividends on common stock are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

### Acquisition of Non-controlling Interest in a Subsidiary

Acquisition of non-controlling interest is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized in equity. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. In an acquisition without consideration involved, the difference between the share of the non-controlling interests in the net assets at book value before and after the acquisition is treated as transaction between equity owners.

### Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

### *Net fees*

Net fees consist of energy fees for the energy and services supplied by the operating companies as provided for in their respective PPA or EPPA with respective customers. Energy fee is recognized based on actual delivery of energy generated and made available to customers multiplied by the applicable tariff rate, net of adjustments, as agreed upon between the parties. In case the actual energy delivered by PPC and GPRI to customers is less than the minimum energy off-take, PPC and GPRI shall reimburse their customers for the difference between the actual cost for sourcing the shortfall from another source and tariff rate, multiplied by the actual shortfall. On the other hand, if the customers fail to accept the minimum supply, the customers shall be subject to penalty equivalent to the cost of power unused or not accepted on an annual basis. For TPC, energy fee is recognized based on actual delivery of energy generated and made available to its customers, multiplied by the applicable tariff rate, net of adjustments, as agreed upon between TPC and its customers.

### *Real estate sales*

Real estate revenue and cost from completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. When the sale of real estate does not meet the requirements for revenue recognition, the sale is accounted under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventories continue to be reported in the consolidated statement of financial position as "Inventories" and the related liability as deposit under "Customers' deposits".



Real estate revenue and cost from completed projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

When the sale of real estate does not meet the requirements for revenue recognition, the sale is accounted under the deposit method until all the conditions are met. Under this method, revenue is not recognized, the receivable from the buyer is not recorded and the cash received from buyers are presented under the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position. The related real estate inventories continue to be reported in the consolidated statement of financial position as "Inventories".

Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

#### *Automotive operations*

Revenue from automotive operations arises from sale of manufactured vehicles and trading of completely built-up vehicles and local and imported parts. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer (including certain "bill and hold" sales, wherein in the buyer takes title and accepts billing), usually on dispatch of goods.

#### *Sale of goods*

Sale of goods is recognized from retail customers at the point of sale in the stores. This is measured at the fair value of the consideration received, excluding (or 'net of,' or 'reduced for') discounts, returns, rebates and sales taxes.

#### *Rendering of services*

Service fees from installation of parts and repairs and maintenance of vehicles are recognized as revenue when the related services have been rendered.

#### *Premiums revenue*

Gross insurance written premiums comprise the total premiums receivable for the whole period cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy intercepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums for short-duration insurance contracts are recognized as revenue over the period of contracts using the 24<sup>th</sup> method except for marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period is accounted for as Provision for unearned premiums and is shown as part of "Insurance contract liabilities" presented in the liabilities section of the consolidated statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as deferred reinsurance premiums and are shown as part of "Reinsurance assets" in the





consolidated statement of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

*Reinsurance commissions*

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24<sup>th</sup> method except for marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relate to the unexpired portions of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the consolidated statement of financial position.

Net premiums earned consist of gross earned premiums on insurance contracts (net of reinsurer's share of gross earned premiums on insurance contracts).

*Benefits and claims*

Benefits and claims consists of benefits and claims paid to policyholders, which includes changes in the valuation of Insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

*Management fees*

Management fees from administrative, property management and other fees are recognized when services are rendered.

*Commission income*

Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement.

*Rental income*

Rental income under noncancellable leases is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

*Interest income*

Interest is recognized as it accrues using the effective interest method.

*Dividend income*

Dividend income is recognized when the Group's right to receive the payment is established.

*Other income*

Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract. Other income also includes sale of scrap and sludge oil which is recognized when there is delivery of goods to the buyer and recovery from insurance which is recognized when the right to receive payment is established.



### Expense Recognition

#### *Cost of real estate sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's project and construction department.

#### *Cost of goods and services sold*

Cost of goods sold for vehicles and spare parts includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the costs of storing and transporting the products. Vendor returns and allowances are generally deducted from cost of goods sold and services.

Other cost of goods sold includes Fed Land's gasoline and food products, and are recognized when goods are delivered which is usually at the point of sale in stores. Cost of services are recognized when services are rendered.

#### *Cost of goods manufactured*

Cost of goods manufactured includes the purchase price of the products manufactured, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

#### *Commissions*

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. These are recorded as "Prepaid expenses" under "Prepayments and other current assets" account.

#### *Power plant operation and maintenance expenses*

Power plant operations mainly represent depreciation of power plants, costs of coal and start-up fuel. Repairs and maintenance mainly represent cost of materials and supplies consumed and the cost of restoration and maintenance of the power plants. Purchased power represents power purchased from NPC.

#### *General and administrative expenses*

General and administrative expenses constitute costs of administering the business and are expensed as incurred.

### Pension Costs

The Parent Company and its subsidiaries have funded, noncontributory defined benefit retirement plans, administered by trustees, covering their permanent employees.

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.



The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- a. service cost
- b. net interest on the net defined benefit liability or asset
- c. remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when only when reimbursement is virtually certain.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### Income Tax

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used



to compute the amount are those that are enacted or substantively enacted at the financial reporting dates.

*Deferred tax*

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefit of unused tax credits from MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity within the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

*Transactions and balances*

Transactions denominated in foreign currency are recorded using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses resulting from rate fluctuations upon actual settlement and from restatement at year-end are credited to or charged against current operations.

*Foreign operations*

As at the reporting date, the assets and liabilities of foreign operations are translated into the Parent Company's presentation currency (the Philippine peso) using the closing rates prevailing at reporting date, and their income and expenses are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken to the statement of comprehensive income. Upon disposal of a foreign operation, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 35.



### Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

### Provisions

Provisions are recognized when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

### *Decommissioning liability*

The decommissioning liability arose from the Group's obligation, under the Environmental Compliance Certificates of certain subsidiaries of GBPC, to decommission or dismantle their power plant complex at the end of its useful lives. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of comprehensive income as an "Accretion of decommissioning liability" under the "Interest expense" account. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the power plant complex. The amount deducted from the cost of the power plant complex, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the power plant complex, the excess shall be recognized immediately in the consolidated statement of comprehensive income.

### *Provision for product warranties*

Provision for product warranties are recognized when sale of the related products are consummated. The best estimate of the provision is recorded based on three (3) year warranty coverage provided by the Group as part of the sold product. Reversals are made against provision for the expired portion.



### Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease term. Variable rent is recognized as an income based on the terms of the lease contract.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset;  
or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and the date of renewal or extension period for scenario (b).

### *Operating leases*

Operating leases represent those leases which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Lease payments under an operating lease are recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

### Events after Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

### New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013

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

### *Effective 2014*

- 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.

- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)**  
The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- **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. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.
- **PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)**  
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group 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)**  
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.
- **Philippine Interpretation 21, *Levies* (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. Philippine Interpretation 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that Philippine Interpretation 21 will have material financial impact in future financial statements.



*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 is still ongoing, with a view to replace 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.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. It introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. PFRS 9 also requires more extensive disclosures for hedge accounting.



The mandatory effective date of PFRS 9 is not specified but will be determined when the outstanding phases are completed. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology.

The Group has started the process of evaluating the potential effect of this standard but is awaiting finalization of the limited amendments before the evaluation can be completed. This standard is expected to have an impact on the Group's financial statements, in particular on the classification and measurement of the Group's financial assets.

- *Philippine Interpretation 15, Agreements for the Construction of Real Estate*  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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### 3. Management's Judgments and Use of Estimates

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including future events that are believed to be reasonable under circumstances.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Assessment of control over investees*

The determination on whether the Group has control over an investee requires significant judgment. For this, the Group considers the following factors: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Group has power over the investee, the Group assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.



*Consolidation of TMPC*

The Group holds 51.00% ownership interest and voting rights in TMPC. The remaining 49.00% are held by 3 shareholders. TMPC's Board of Directors (BOD) maintains the power to direct the major activities of TMPC while the Group has the ability to appoint the majority of the BOD. When determining control, management considered whether it has the ability to direct the relevant activities of TMPC to generate return for itself. Management concluded that it has the ability based on its ability to appoint the majority of the BOD. The Group therefore accounts for TMPC as a subsidiary, consolidating its financial results for the reporting period.

*Joint arrangements*

The Group has investments in joint arrangements. The Group has joint control over these arrangements as under the contractual arrangements, unanimous consent is required from all the parties to the agreements for all relevant activities.

*Revenue and cost recognition*

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

*Collectibility of the sales price*

In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10.00% would demonstrate the buyer's commitment to pay.

*Operating lease commitments - the Group as lessee*

The Group has entered into a lease contract with its related parties with respect to the parcels of land where its retail malls are located. The Group has determined that all significant risks and rewards of ownership of the leased property remains to the lessor since the leased property, together with the buildings thereon, and all permanent fixtures, will be returned to the lessor upon termination of the lease.

*Operating lease commitments - the Group as lessor*

The Group entered into commercial property leases on its retail mall, investment properties and certain units of its real estate projects to different parties for a specific amount depending on the lease contracts. The Group has determined that it retains all significant risks and rewards of ownership on the properties as the Group considered among others the length of the lease as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considered among others, the significance of the penalty, including the economic consequences to the lessee (Note 30).

*Finance lease commitments - Group as lessee*

The Group has entered into finance leases on certain parcel of land. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor transfers substantially all the risks and benefits incidental to ownership of the leased equipment to the Group thus, the Group recognized these leases as finance leases.



*Impairment of AFS investments*

The Group treats AFS investments as impaired when there has been a significant or prolonged decline or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more and 'prolonged' as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

*Financial assets not quoted in an active market*

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

*Distinction between real estate inventories and investment properties*

The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property is held for sale in the ordinary course of business (real estate inventories) or which are held primarily to earn rental and capital appreciation and are not occupied substantially for use by, or in the operations of the Group (investment properties).

*Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*Contingencies*

The Group is currently involved in few legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 36).



*Determining whether an arrangement contains a lease*

The PPAs and EPPAs qualify as a lease on the basis that the Group sells all its output to the specified counterparties as per their respective agreements. The agreements call for a take or pay arrangement where payment is made on the basis of the availability of the power plant complex and not on actual deliveries. The lease arrangement is determined to be an operating lease where a significant portion of the risks and rewards of ownership are retained by the Group. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to the specified counterparties are recorded as revenue.

*Allocation of costs and expenses*

Costs and expenses are classified as exclusive and common. Exclusive costs such as raw materials and direct labor are charged directly to the product line. Common costs and expenses are allocated using sales value.

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation and uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Revenue recognition*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The carrying amount of installment contract receivable amounted to ₱5.82 billion and ₱3.93 billion as of December 31, 2013 and 2012, respectively (Note 5). The Group recognized real estate sales in 2013, 2012 and 2011 amounting to ₱4.70 billion, ₱2.13 billion and ₱2.51 billion, respectively.

*Estimating allowance for impairment losses*

The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.



As of December 31, 2013 and 2012, the carrying values of these assets are as follow:

	2013	2012
Receivables (Note 5)	₱17,379,453,331	₱9,663,835,722
Due from related parties (Note 27)	849,398,310	489,042,589

*Evaluating net realizable value of inventories*

Inventories are valued at the lower of cost and net realizable value. The Group reviews its inventory to assess NRV at least annually. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

*Real estate inventories*

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expense for any period would differ if different judgments were made or different estimates were utilized.

*Gasoline retail, petroleum products and chemicals*

The Group provides allowance for inventory losses whenever utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pre-termination of contracts). The allowance account is reviewed regularly to reflect the appropriate valuation in the financial records.

The carrying value of the Group's inventories amounted to ₱20.81 billion and ₱12.28 billion as of December 31, 2013 and 2012, respectively (Note 6).

*Estimating useful lives of property and equipment, investment properties and intangibles assets*

The Group determines the EUL of its property and equipment, investment properties, and intangibles assets based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of property and equipment, investment properties and intangible assets based on factors that include asset utilization, internal technical evaluation, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property and equipment, investment properties and intangible assets would increase the recorded depreciation and amortization expense.

Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The said assessment is based on the track record of stability for the auto industry and the Toyota brand. Added to this is the commitment of management to continue to invest for the long term, to extend the period over which the intangible asset is expected to continue to provide economic benefits.



As of December 31, 2013 and 2012, the carrying values of investment property, property and equipment, intangible assets from power purchase agreements, customer relationship, software costs and franchise are as follow:

	2013	2012
Investment properties (Note 9)	<b>₱8,328,668,533</b>	₱7,815,576,971
Property and equipment (Note 11)	<b>41,163,427,981</b>	33,661,228,629
Power purchase agreements - net (Note 13)	<b>8,199,068,543</b>	8,676,723,532
Customer relationship (Note 13)	<b>3,883,238,361</b>	-
Software costs - net (Note 13)	<b>15,814,615</b>	14,286,161
Franchise - net (Note 13)	<b>1,583,333</b>	-

*Evaluating asset impairment*

The Group reviews investment properties, investments in and advances to associates and jointly controlled entities, input VAT, creditable withholding tax, property and equipment, power purchase agreements, software costs, franchise and other noncurrent assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in and advances to associates and jointly controlled entities, property and equipment, software cost and franchise. The following table sets forth the carrying values of investment properties, investments in associates and joint ventures, input VAT, creditable withholding tax, property and equipment, power purchase agreements, software costs, franchise and other noncurrent assets as of December 31, 2013 and 2012:

	2013	2012
Investment properties (Note 9)	<b>₱8,328,668,533</b>	₱7,815,576,971
Investments in associates and joint ventures (Note 8)	<b>40,559,463,758</b>	42,788,987,730
Input VAT (Note 7)	<b>3,092,442,775</b>	3,387,924,051
Creditable withholding taxes (Note 7)	<b>1,213,867,634</b>	324,510,952
Property and equipment (Note 11)	<b>41,163,427,981</b>	33,661,228,629
Power purchase agreements - net (Note 13)	<b>8,199,068,543</b>	8,676,723,532
Customer relationship (Note 13)	<b>3,883,238,361</b>	-
Software - net (Note 13)	<b>15,814,615</b>	14,286,161
Franchise - net (Note 13)	<b>1,583,333</b>	-
Other noncurrent assets (Note 14)	<b>1,202,989,799</b>	547,194,483

*Estimating impairment of AFS investments*

The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual





volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee company to provide dividends.

The carrying amounts of AFS investments amounted to ₱3.11 billion and ₱1.06 billion as of December 31, 2013 and 2012, respectively (Note 10). The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. Net unrealized gain (loss) on available-for-sale investments amounted to a gain of ₱80.29 million as of December 31, 2013 and loss of ₱6.61 million as of December 31, 2012. There was no impairment loss recognized in 2013 and 2012.

*Impairment of goodwill and intangible assets with indefinite useful life*

The Group conducts an annual review for any impairment in value of goodwill and intangible assets with indefinite useful life (i.e., customer relationship). Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group uses the weighted average cost of capital in discounting the expected cash flows from specific CGUs.

Refer to Note 13 for the details regarding the carrying values of the Group's goodwill and intangible assets as well as details regarding the impairment review and assessment.

*Recognition of deferred tax assets*

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred income tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The recognized deferred tax asset and unrecognized deferred tax asset on temporary differences of the Group are disclosed in Note 29.

*Estimating the decommissioning liability*

The Group has a legal obligation to decommission or dismantle its power plant asset at the end of its useful life. The Group recognizes the present value of the obligation to dismantle the power plant asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

Cost estimates expressed at current price levels at the date of the estimate are discounted using a rate of interest ranging from 3.90% to 5.97% per annum to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense which is included under "Interest expense" in the consolidated statement of comprehensive income.

Changes in the decommissioning liability that result from a change in the current best estimate of cash flow required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of comprehensive income as it occurs.



While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Decommissioning liability amounted to ₱192.66 million and ₱183.49 million as of December 31, 2013 and 2012, respectively (Note 21).

*Estimating pension and other retirement benefits*

The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 28 to the consolidated statement of financial position and include among others, discount rates, expected returns on plan assets and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

As of December 31, 2013 and 2012, the present value of defined benefit obligations amounted to ₱2.82 billion and ₱0.63 billion, respectively. The carrying values of pension liability and expense are disclosed in Note 28.

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

*Fair value of retained interest in BLRDC*

In June 2012, Fed Land lost control on BLRDC, the latter becoming a jointly controlled entity. Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The Group used the fair values of the contributed land properties and on-going construction less fair values of liabilities for the purpose of valuing the Group's retained interest. The valuation technique applied in estimating the value of Group's retained interest is based on the Cost Approach.

*Claims liability arising from insurance contracts*

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claims settlement trends to predict future claims settlement trends. At each end of the reporting period, prior year claims estimates are assessed for adequacy and changes made are charged to provision.

Nonlife insurance claims provisions are not discounted for the time value of money.



The main assumption underlying the estimation of the claims provision is that the Group's past development experience can be used to project future claims development and hence, ultimate claims cost. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projects are based.

The carrying values of provision for outstanding claims and IBNR amounted to ₱4.92 billion as of December 31, 2013 (Note 16).

*Provision for product warranties*

Estimated warranty costs are provided at the time of sale. The provision is based on the estimated costs of future servicing the products sold, the costs of which are not recoverable from customers. A provision is recognized for expected warranty claims on products sold during the last two (2) years, based on past experience of the level of returns and repairs. It is expected that most of these costs will be incurred in the next financial year and all will be incurred within three (3) years as of the reporting date.

As of December 31, 2013, provision for product warranty amounted to ₱288.75 million (Note 21).

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#### 4. Cash, Cash Equivalents and Short-term Investments

##### Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand	₱5,742,556	₱6,451,650
Cash in banks (Note 27)	4,651,051,201	3,931,013,953
Cash equivalents (Note 27)	22,510,094,695	7,615,822,895
	<b>₱27,166,888,452</b>	<b>₱11,553,288,498</b>

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates ranging from 0.25% to 4.50% in 2013, and from 2.30% to 4.00% in 2012 and 2011, respectively.

##### Short-term Investments

These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than three (3) months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.20% to 3.00% in 2013.



## 5. Receivables

This account consists of:

	2013	2012
Trade receivables	P8,032,978,324	P4,548,367,765
Installment contracts receivables	5,819,661,101	3,925,822,347
Insurance receivables	1,622,829,840	-
Loans receivable	719,934,106	742,819,163
Accrued rent and commission income	335,682,637	148,605,645
Dividends receivable	240,000,000	-
Nontrade receivables	198,940,565	-
Others	432,967,030	302,838,226
	17,402,993,603	9,668,453,146
Less allowance for credit losses	23,540,272	4,617,424
	<b>P17,379,453,331</b>	<b>P9,663,835,722</b>

Total receivables shown in the consolidated statements of financial position follow:

	2013	2012
Current portion	P12,450,904,615	P6,504,694,886
Noncurrent portion	4,928,548,716	3,159,140,836
	<b>P17,379,453,331</b>	<b>P9,663,835,722</b>

Noncurrent receivables consist of:

	2013	2012
Trade receivables	P674,164,980	P738,478,778
Installment contracts receivables	3,534,449,630	1,677,842,895
Loans receivable	719,934,106	742,819,163
	<b>P4,928,548,716</b>	<b>P3,159,140,836</b>

### Trade Receivables

The details of trade receivables follow:

	2013	2012
Current:		
Power	P3,723,957,882	P3,809,888,987
Automotive	3,634,855,462	-
	7,358,813,344	3,809,888,987
Noncurrent:		
Power	674,164,980	738,478,778
Balance at end of year	<b>P8,032,978,324</b>	<b>P4,548,367,765</b>

Trade receivables for power pertain to outstanding billings for energy fees and passed through fuel costs arising from the delivery of electricity, while trade receivables for automotive pertain to receivables from sale of vehicles and/or parts and services.

Trade receivables are non-interest bearing and have generally one (1) year to thirty (30) day term.



Installment Contracts Receivables

Installment contracts receivables pertain to receivables from the sale of condominium units. Titles to the sold condominium units are transferred to the buyers only upon full payment of the contract price.

The details of installment contracts receivables follow:

	2013	2012
Installment contracts receivables	P6,683,498,838	P4,417,915,379
Less unearned interest income	863,837,737	492,093,032
	5,819,661,101	3,925,822,347
Less noncurrent portion	3,534,449,630	1,677,842,895
Current portion	P2,285,211,471	P2,247,979,452

Installment contracts receivables are collected over a period of one (1) to ten (10) years and are noninterest-bearing. The fair value upon initial recognition is derived using the discounted cash flow methodology using discount rates ranging from 8.00 to 12.00% in 2013 and 2012.

Movements in the unearned interest income in 2013 and 2012 follow:

	2013	2012
Balance at beginning of year	P492,093,032	P424,136,862
Additions	1,120,891,300	347,402,107
Accretion (Note 23)	(749,146,595)	(279,445,937)
Balance at end of year	P863,837,737	P492,093,032

Insurance Receivables

The details of insurance receivable follow:

	2013
Premiums receivable and agents' balances	P921,004,162
Reinsurance recoverable on paid losses	617,226,869
Bonds recoverable on paid losses	30,702,317
Due from ceding companies	51,004,663
Funds held by ceding companies	2,891,829
	P1,622,829,840

Premiums receivable and agents balances arise from unpaid premiums from policy holders and intermediaries, due from ceding companies are premiums receivable for reinsuring the policies, while recoverable on paid losses are the share of ceding companies for the claims paid to the insured during the year. The amount of funds held by ceding companies is a percentage of the premiums, as required by the Insurance Commission. The Group's insurance receivables are all due within one year.

Loans Receivable

Loans receivable from various counterparties pertain to long-term receivables as follow:

	2013	2012
Real estate	P618,547,138	P610,775,830
Power	101,386,968	132,043,333
Balance at end of year	P719,934,106	P742,819,163



Loans receivable for real estate relate to a loan agreement (Loan) with Cathay International Resources Corp. (Borrower), an affiliate. On December 21, 2012, Fed Land agreed to lend to the Borrower a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement (Note 27). Fed Land used discounted cash flow analyses to measure the fair value of the Loan. The 'Day 1' difference from this receivable amounting to ₱94.22 million in 2012 was recorded under 'General and administrative expense' in the consolidated statement of comprehensive income (Note 26). Accretion of interest in 2013 amounted to ₱7.35 million.

Loan receivables for power pertain to GBPC's loan to PECO as assistance to build a transmission line payable in equal monthly installment within five (5) years commencing on the sixth month after the date of the last release of the loan balance subject to an interest rate of 9.00% per annum.

Accrued Rent and Commission Income

Accrued rent and commission income from real estate business pertain to rent and commission from third party real estate developers already earned but not yet collected, with a 15 to 30 day term.

Dividends Receivable

Dividends receivable pertains to receivable from Federal Land Orix Corporation (FLOC) for dividends but not yet paid as of December 31, 2013 (Note 27).

Nontrade Receivables

Nontrade receivables mainly consist of vehicle acquisition plan loans extended to employees which are collectible within one (1) year.

Others

Other receivables include receivable from employees, accrued interest receivable, receivable from BIR and management fee receivables.

Allowance for Credit Losses

Changes in the allowance for credit losses on receivables are as follows:

	December 31, 2013			
	Trade Receivables	Insurance Receivables	Other Receivables	Total
Balance at beginning of year	₱-	₱-	₱4,617,424	₱4,617,424
Provision for credit losses (Note 26)	300,000	13,968,802	8,288,966	22,557,768
Write-off	(84,500)	-	(3,550,420)	(3,634,920)
Balance at end of year	₱215,500	₱13,968,802	₱9,355,970	₱23,540,272
Individual impairment	₱215,500	₱-	₱9,355,970	₱9,571,470
Collective impairment	-	13,968,802	-	13,968,802
	₱215,500	₱13,968,802	₱9,355,970	₱23,540,272
Gross amount of receivables individually impaired before deducting any impairment allowance	₱215,500	₱-	₱9,355,970	₱9,571,470



	December 31, 2012			
	Trade Receivables	Insurance Receivables	Other Receivables	Total
Balance at beginning of year	P-	P-	₱3,768,388	₱3,768,388
Provision for credit losses (Note 26)	-	-	849,036	849,036
Balance at end of year	P-	P-	₱4,617,424	₱4,617,424
Individual impairment	P-	P-	₱4,617,424	₱4,617,424
Collective impairment	-	-	-	-
	P-	P-	₱4,617,424	₱4,617,424
Gross amount of receivables individually impaired before deducting any impairment allowance	P-	P-	₱4,617,424	₱4,617,424

## 6. Inventories

This account consists of:

	2013	2012
At cost		
Real estate		
Land and improvements	<b>₱9,684,589,236</b>	₱4,670,153,960
Condominium units held for sale	<b>5,324,507,924</b>	5,848,513,798
Materials, supplies and others	<b>1,116,298,814</b>	629,766,101
Gasoline retail and petroleum products (Note 25)	<b>7,940,644</b>	9,786,694
Food (Note 25)	<b>1,310,005</b>	2,351,541
Power		
Coal	<b>561,574,604</b>	468,099,034
Spare parts and supplies	<b>509,302,236</b>	556,432,939
Industrial fuel and lubricating oil	<b>84,575,238</b>	89,974,890
Automotive		
Finished goods	<b>909,282,096</b>	-
Work-in-process	<b>63,490,932</b>	-
	<b>18,262,871,729</b>	12,275,078,957
At NRV		
Automotive		
Spare parts	<b>301,556,231</b>	-
	<b>301,556,231</b>	-
Raw materials in transit	<b>2,248,877,034</b>	-
	<b>₱20,813,304,994</b>	₱12,275,078,957



A summary of movements in real estate inventories (excluding gasoline retail, petroleum products and food) follows:

2013				
	Condominium unit held for sale	Land and improvements	Construction in progress	Total
Balance at beginning of the year	₱5,848,513,798	₱4,670,153,960	₱629,766,101	₱11,148,433,859
Construction and development costs incurred	405,958,415	-	2,643,199,811	3,049,158,226
Land acquired during the year	-	3,530,124,671	-	3,530,124,671
Borrowing costs capitalized	256,062,423	-	43,203,175	299,265,598
Cost of sales during the year	(3,666,932,487)	-	-	(3,666,932,487)
Transfer from construction in progress to condominium units for sale	2,273,251,417	-	(2,273,251,417)	-
Land developed during the period	72,352,773	(547,826,286)	475,473,513	-
Transfers to and from investment property (Note 9)	135,301,585	2,032,136,891	(402,092,369)	1,765,346,107
<b>Balance at end of the year</b>	<b>₱5,324,507,924</b>	<b>₱9,684,589,236</b>	<b>₱1,116,298,814</b>	<b>₱16,125,395,974</b>

2012				
	Condominium units held for sale	Land and improvements	Construction in progress	Total
Balance at beginning of the year	₱5,538,798,214	₱3,420,850,758	₱1,147,663,801	₱10,107,312,773
Construction and development costs incurred	467,224,505	-	119,731,987	586,956,492
Land acquired during the year	-	1,623,438,096	-	1,623,438,096
Land costs transferred from land for future development	374,134,894	(374,134,894)	-	-
Land transferred from investment property (Note 9)	368,314,414	-	-	368,314,414
Borrowing costs capitalized	278,510,015	-	54,416,783	332,926,798
Cost of sales during the year	(1,342,018,241)	-	-	(1,342,018,241)
Transfer from construction in progress to condominium units for sale	163,549,997	-	(163,549,997)	-
Contribution to a joint venture	-	-	(175,964,066)	(175,964,066)
Transferred to and reimbursed from joint venture	-	-	(352,532,407)	(352,532,407)
<b>Balance at end of the year</b>	<b>₱5,848,513,798</b>	<b>₱4,670,153,960</b>	<b>₱629,766,101</b>	<b>₱11,148,433,859</b>

In 2013 and 2012, Fed Land acquired parcels of land amounting to ₱3.53 billion and ₱1.62 billion, respectively, to be held either for sale or for future land development.

Fed Land's capitalized borrowing costs in its real estate inventories amounted to ₱144.69 million and ₱160.35 million in 2013 and 2012, respectively, for loans specifically used to finance Fed Land's project construction with interest rates ranging from 3.25% to 7.09% in 2013 and 2012. Also, Fed Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱154.58 million and ₱172.58 million in 2013 and 2012, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.34% and 7.29% in 2013 and 2012, respectively. Said capitalized interest is added to "Condominium units held for sale" account and recognized as expense upon the sale of condominium units.

Among the land owned by Fed Land is a parcel of land with a total cost of ₱175.96 million with an area of 5,484 square meters located at Bonifacio Global City, Fort Bonifacio, Taguig City. Said parcel was subject to deed of assignment in favor of BLRDC (formerly MHC) dated December 21, 2011. In 2012, this parcel of land became the contribution of the Parent Company to BLRDC upon execution of the Stockholders' Agreement with Orix (Note 8).





Automotive and power inventories charged to current operations amounted to ₱52.98 billion, ₱10.15 billion and ₱4.29 billion in 2013, 2012 and 2011, respectively.

Allowance for inventory write-down on automotive spare parts inventories follows:

	2013
Beginning balance	₱140,990,193
Provision for inventory write-down	26,912,531
Reversal	(3,166,859)
Write-off of scrap inventories	(18,916,265)
	<u>₱145,819,600</u>

## 7. Prepayments and Other Current Assets

This account consists of:

	2013	2012
Input value-added tax (VAT)	<b>₱3,092,442,775</b>	₱3,387,924,051
Creditable withholding taxes	<b>1,213,867,634</b>	324,510,952
Advances to contractors and suppliers	<b>741,106,996</b>	1,859,983,399
Prepaid expenses	<b>468,805,828</b>	291,344,697
Deferred acquisition cost	<b>216,376,278</b>	-
Ad valorem tax	<b>113,935,646</b>	-
Advances to officers, employees and agents (Note 27)	<b>67,970,674</b>	68,681,552
Deposits	<b>30,135,436</b>	49,857,650
Assets held for sale	<b>15,020,002</b>	-
Others	<b>9,564,481</b>	17,536,701
	<u><b>₱5,969,225,750</b></u>	<u>₱5,999,839,002</u>

Input VAT arises from the Group's purchases of goods and services and will be applied against output VAT on sales in the succeeding periods.

Creditable withholding taxes (CWT) are attributable to taxes withheld by third parties arising from net fees, service fees, real estate revenue, auto sales and rental income.

Advances to contractors and suppliers pertain to the Group's advances and initial payments for the purchase of construction materials and supplies and contractor services. These are liquidated every progress billing payments and will be due and demandable upon breach of contract.

Prepaid expenses mainly include unamortized commission expense for incomplete real estate unit and prepayments for supplies, taxes and licenses, rentals and insurance.

Deferred acquisition cost pertains to costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, and are deferred to the extent that they are recoverable out of future revenue margins.



The ad-valorem tax represents advance payments to the Bureau of Internal Revenue (BIR). This is applied against taxes on the manufacture and importation of vehicles which generally occurs within one (1) year from the date the ad-valorem taxes are paid.

Advances to officers and employees amounting to ₱56.56 million and ₱32.22 million as of December 31, 2013 and 2012, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱11.41 million and ₱36.46 million as of December 31, 2013 and 2012, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subjected to liquidation within 30 days after the release of cash advance.

Deposits principally represent security deposits for operating leases entered into by GBPC as lessee, renewable annually, including returnable containers and other deposits.

Assets held for sale pertains to amount recoverable on account of losses on direct business of Charter Ping An. These recoveries are available for immediate sale in its present condition and its sale are highly probable. In 2013, the Company is committed to a plan to sell the asset and is actively locating a buyer.

No amount of gain or loss arising from the initial measurement of these assets was recognized in 2013.

Others include deferred import charges, marginal deposits set aside for payment to the contractors and suppliers, security deposit for power delivery and ancillary services, and deposit for purchase of external services and materials.

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#### 8. Investments in Associates and Joint Ventures

This account consists of:

	2013	2012 (As restated - Note 2)
Investments in associates	₱35,917,641,690	₱38,813,505,117
Investments in joint ventures	4,641,822,068	3,975,482,613
	<u>₱40,559,463,758</u>	<u>₱42,788,987,730</u>



The movements in the Group's investments in associates follow:

	2013	2012 (As restated - Note 2)
<b>Cost</b>		
Balance at beginning of year	P26,691,517,245	P24,548,058,026
Acquisitions/additional investments during the year	4,537,085,322	4,562,500,965
Unrealized upstream gain on sale of Toyota	-	(854,486,289)
Attributable to indirect interest - business combination		
Previously held interest	(14,944,346)	(188,645,412)
Additional indirect interest	-	(1,375,910,045)
Sale of indirect interest	3,564,356,163	-
Effect of business combination achieved in stages	(9,654,189,037)	-
Balance at end of year	25,123,825,347	26,691,517,245
<b>Accumulated equity in net income</b>		
Balance at beginning of year	14,132,466,033	10,153,975,071
Attributable to indirect interest - business combination	(79,082,449)	(555,948,211)
Equity in net income for the year	4,043,232,848	4,534,439,174
Unrealized upstream gain on sale of Toyota	(863,773,221)	-
Effect of business combination achieved in stages	(2,916,331,936)	-
Balance at end of year	14,316,511,275	14,132,466,034
<b>Dividends received</b>		
Balance at beginning of year	(4,498,007,592)	(3,309,024,409)
Dividends received during the year	(755,886,419)	(1,188,983,184)
Effect of business combination achieved in stages	2,028,033,022	-
Balance at end of year	(3,225,860,989)	(4,498,007,593)
<b>Accumulated equity in other comprehensive income</b>		
Balance at beginning of year	2,487,529,431	2,443,043,051
Equity in other comprehensive income (loss) for the year	(738,740,864)	113,106,420
Reversal of accumulated equity in other comprehensive income of previously held interest to profit or loss	(8,634,834)	(68,620,040)

(Forward)



	2013	2012 (As restated - Note 2)
Realized gain from sale of AFS investments of associates	(P2,026,061,414)	P-
Elimination of equity take up of indirect interest	2,962,073	-
Effect of business combination achieved in stages	(13,888,335)	-
Balance at end of year	(296,833,943)	2,487,529,431
	<b>P35,917,641,690</b>	<b>P38,813,505,117</b>

In 2012, the Group's equity in net income of associates is adjusted for the Group's share in the unrealized upstream gain on acquisition of Toyota shares from MBTC that was charged against the cost of Investment in Toyota account.

The movements in the Group's investment in joint ventures follow:

	2013	2012
<b>Cost</b>		
Balance at beginning of year	P3,636,401,083	P330,000,000
Acquisitions/additional investments	502,243,750	3,306,401,083
Balance at end of year	4,138,644,833	3,636,401,083
<b>Accumulated equity in net income</b>		
Balance at beginning of year	339,081,530	116,938,240
Equity in net income for the year	408,350,580	222,143,290
Balance at end of year	747,432,110	339,081,530
<b>Dividends declared during the year</b>	(240,000,000)	-
<b>Accumulated equity in other comprehensive income</b>	(4,254,875)	-
	<b>P4,641,822,068</b>	<b>P3,975,482,613</b>

Details regarding the Group's associates and joint ventures follow:

	Nature of Business	Country of Incorporation	Effective Ownership	
			2013	2012
<b>Associates:</b>				
MBTC	Banking	Philippines	25.11	25.11
Phil AXA	Insurance	-do-	25.31	25.31
Crown Central Properties Corporation (CCPC)	Real estate	-do-	48.00	48.00
Global Luzon Energy Development Corporation (GLEDC)	Power	-do-	49.00	-
Toyota	Automotive Operations	-do-	-	36.00
<b>Joint Ventures:</b>				
BLRDC	Real estate	-do-	70.00	70.00
FLOC	-do-	-do-	60.00	60.00
TMBC	Automotive Operations	-do-	40.75	-



The carrying values of the Group's investments in associates and joint ventures follow:

	2013	2012 (As restated - Note 2)
<b>Associates:</b>		
MBTC	<b>₱34,852,200,333</b>	₱31,875,202,956
Phil AXA	<b>995,808,466</b>	970,830,306
CCPC	<b>69,532,891</b>	66,007,469
GLEDC	<b>100,000</b>	-
Toyota	-	5,901,464,386
	<b>35,917,641,690</b>	38,813,505,117
<b>Joint Ventures:</b>		
BLRDC	<b>3,628,015,056</b>	3,352,483,012
FLOC	<b>514,191,276</b>	622,999,601
TMBC	<b>499,615,736</b>	-
	<b>4,641,822,068</b>	3,975,482,613
	<b>₱40,559,463,758</b>	₱42,788,987,730

The following table summarizes cash dividends declared and paid by the Group's associates and joint venture:

	Declaration date	Per share	Total (in millions)	Record Date	Payment Date
<b>2013</b>					
MBTC	January 23, 2013	₱1.00	₱2,111	March 8, 2013	April 3, 2013
Phil AXA	October 16, 2013	134.96	891	October 16, 2013	November 14, 2013
FLOC	October 25, 2013	0.73	400	December 31, 2013	January 10, 2014
<b>2012</b>					
MBTC	February 29, 2012	1.00	2,111	March 5, 2012	March 26, 2012
Phil AXA	October 24, 2012	120.57	796	October 24, 2012	November 9, 2012
TMPC	May 10, 2012	140.58	2,178	May 10, 2012	May 11, 2012

Investment in BLRDC

*Fed Land and Morano Holdings Corporation Omnibus Agreement*

On January 25, 2012, the SEC approved the change in name from Morano Holdings Corporation to BLRDC.

On December 8, 2011, Fed Land and Orix executed a memorandum of agreement (MOA) whereby each party will contribute a combination of cash and properties to BLRDC in exchange for shares of stock of BLRDC. Both Fed Land and Orix intended to develop "Project Land" which will be composed of developments in three main projects, namely (1) Residential condominium project (2) Hotel/office building, and (3) Operation of the Hotel.

On December 21, 2011, Fed Land, BLRDC and Orix (Parties) entered into the Omnibus Subscription Agreement (OSA) which sets out the Parties' mutual understanding as to the subscription to, and the issuance of, shares of stock of BLRDC to Fed Land and Orix, and various other agreements regarding the respective contributions of Fed Land and Orix to BLRDC, and their understanding in respect of such other matters as are hereinafter set forth. The OSA sets forth the tranches of contributions from the investors and the equivalent shares that will be transferred to the respective parties.



Simultaneously on December 21, 2011, Fed Land and Orix, also entered into a Shareholder Agreement (SA). The SA will govern their relationship as the shareholders of BLRDC as well as their respective rights and obligations in relation to BLRDC. The SA specifies that the Parties agree that their shareholding ratio in BLRDC shall be 70.00% for Fed Land and 30.00% for Orix (Shareholding Ratio). The Parties shall infuse additional capital into BLRDC in accordance with the Shareholding Ratio. The SA shall take effect upon the execution of the SA by the Parties, provided that the SA shall cease to become binding on the Parties if the closing does not take place under specific conditions of the SA or the SEC does not approve BLRDC's application for the amendment of its Articles of Incorporation.

All conditions were met on June 8, 2012, which is the date of the loss of control of Fed Land on BLRDC, the latter ceasing to be its subsidiary and becoming a jointly controlled entity. Effective such date, the ownership of the Parent company on BLRDC became 70.00%, while that of Orix is 30.00%.

The retained interest was measured at fair value and the difference of such fair value and the cost of the asset given up by Fed Land is recognized as "Gain from loss of control on a subsidiary" amounting to ₱1.45 billion in the consolidated statement of income. From the date of joint control, Fed Land recognized its share in equity in net earnings of BLRDC in the consolidated statements of income. For periods prior to loss of control, the financial statements of BLRDC were still consolidated and prior year financial statements before loss of control was not restated.

#### Investment in MBTC

In 2011, FMIC, a majority owned subsidiary of MBTC participated in a bond exchange transaction under the liability management exercise of the Philippine government. The SEC granted an exemptive relief from the existing tainting rule on HTM investments under PAS 39, *Financial Instruments: Recognition and Measurement*, while the Bangko Sentral ng Pilipinas (BSP) also provided the same exemption for prudential reporting to the participants. Following the exemption granted, the 2013 and 2012 consolidated financial statements of MBTC have been prepared in compliance with Philippine GAAP. For the purpose of computing the Group's share in 2013 and 2012 net income and other comprehensive income of MBTC, certain adjustments were made in the Group's 2013 and 2012 consolidated financial statements to comply with PFRS.

#### Investment in TMPC

The BOD of the Parent Company and MBTC, upon the endorsement of their Related Party Transaction Committees, approved in principle the acquisition of MBTC's 30.00% ownership in TMPC at a consideration of ₱9.00 billion on October 19, 2012 and October 23, 2012, respectively. The acquisition raised the Parent Company's interest in TMPC from 21.00% to 51.00%. The Parent Company assessed that it has control over TMPC through its majority ownership and accounted for TMPC as a subsidiary on January 17, 2013 (Note 31).



The following tables present the financial information of the Group's associates and joint ventures as of and for the years ended December 31, 2013 and 2012 (amounts in millions):

	Associates				Joint Ventures		
	MBTC**	Phil AXA**	Toyota	Others*	BLRDC	FLOC	TMBC
<b>2013</b>							
Current assets			₱-	₱224	₱1,849	₱4,805	₱1,380
Noncurrent assets			-	30	449	1,563	528
Total assets	₱1,378,569	₱54,951	-	254	2,298	6,368	1,908
Current liabilities			-	98	1,347	1,521	1,333
Noncurrent liabilities			-	-	94	76	44
Total liabilities	1,235,864	50,895	-	98	1,441	1,597	1,377
Net assets	₱142,705	₱4,056	₱-	₱156	₱857	₱4,771	₱531
Revenues	₱78,924	₱3,864	₱-	₱32	₱866	₱1,525	₱9,441
Expenses	49,497	2,476	-	23	543	935	9,321
<b>2012</b>							
Current assets			₱16,060	₱-	₱2,200	₱1,705	₱-
Noncurrent assets			2,876	-	3,021	9	-
Total assets	₱1,040,580	₱44,703	18,936	-	5,221	1,714	-
Current liabilities			9,197	-	1,804	1,037	-
Noncurrent liabilities			2,116	-	-	53	-
Total liabilities	913,560	40,789	11,313	-	1,804	1,090	-
Net assets	₱127,020	₱3,914	₱7,623	₱-	₱3,417	₱624	₱-
Revenues	₱58,701	₱12,280	₱71,434	₱-	₱403	₱741	₱-
Expenses	37,828	3,620	67,203	-	357	565	-

\* Others comprised of financial information for CCPC and GLEDC.

\*\* MBTC and Phil AXA do not present classified statements of financial position.

#### Fair Value of Investment in Associates and Joint Ventures

Phil AXA, CCPC, and GLEDC, as well as TMBC, BLRDC and FLOC are private companies and there are no quoted market prices available for their shares. As of December 31, 2013 and 2012, the fair value of the Group's investment in Metrobank, which is listed on the Philippine Stock Exchange, amounted to ₱52.07 billion and ₱54.03 billion, respectively.



The net assets and liabilities of MBTC and Phil AXA mainly consist of financial assets and financial liabilities.

As of December 31, 2013 and 2012, the Group has no share on commitments and contingencies of its associates and joint ventures.

The financial information of subsidiaries that have material non-controlling interests is provided below:

**Proportion of equity interests held by non-controlling interests**

	Nature of Business	Direct Ownership		Effective Ownership	
		2013	2012	2013	2012
GBPC	Power	49.11	49.11	46.84	37.02
TMPC	Motor	49.00	-	49.00	-

**Carrying value of material non-controlling interests**

	2013	2012
GBPC	₱3,990,181,658	₱3,951,742,922
TMPC	228,496,828	-

**Net income for the period allocated to material non-controlling interests**

	2013	2012
GBPC	₱1,024,612,916	₱1,156,965,028
TMPC	38,178,048	-

The following table presents the financial information of subsidiaries with material non-controlling interests as of and for the years ended December 31, 2013 and 2012 (amounts in millions):

	2013		2012	
	GBPC	TMPC	GBPC	TMPC
<b>Statement of Financial Position</b>				
Current assets	₱17,126	₱20,801	₱16,460	₱-
Non-current assets	42,749	4,240	40,471	-
Current liabilities	10,830	13,110	6,702	-
Non-current liabilities	25,310	2,644	28,581	-
Dividends paid to non-controlling interests	982	1,467	1,289	-
<b>Statement of Comprehensive Income</b>				
Revenues	17,055	80,250	19,264	-
Expenses	(14,093)	(75,980)	(15,893)	-
Net income	2,962	4,270	3,371	-
Total comprehensive income (loss)	3,273	(32)	3,964	-
<b>Statement of Cash Flows</b>				
Net cash provided by operating activities	5,884	4,253	6,921	-
Net cash used in investing activities	(4,604)	(2,564)	(1,451)	-
Net cash provided by (used in) financing activities	(1,925)	607	(3,414)	-





**Limitation on dividend declaration of subsidiaries and associates**

*Ping An, Phil AXA*

Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

*MBTC*

The Bangko Sentral ng Pilipinas requires banks to keep certain levels of regulatory capital and liquid assets, limit their exposures to other parts of the Group and comply with other regulatory ratios.

In the ordinary course of the Group's business, the Parent Company issues guaranty for the completion of Fed Land's ongoing real estate projects (Note 36).

As of December 31, 2013 and 2012, there were no agreements entered into by the subsidiaries, associates and joint ventures of the Parent Company that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group.

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**9. Investment Properties**

The composition and rollforward analysis of this account follow:

	December 31, 2013		
	Land and Improvements	Building and Improvements	Total
<b>Cost</b>			
At January 1	₱4,884,012,384	₱3,052,135,164	₱7,936,147,548
Effect of business combination	2,298,668,751	109,523,022	2,408,191,773
Additions	-	143,738,791	143,738,791
Transfers (Note 6)	(2,386,079,033)	620,732,926	(1,765,346,107)
At December 31	4,796,602,102	3,926,129,903	8,722,732,005
<b>Accumulated Depreciation</b>			
At January 1	-	120,570,577	120,570,577
Effect of business combination	61,713,968	101,732,698	163,446,666
Depreciation (Note 11)	-	110,046,229	110,046,229
At December 31	61,713,968	332,349,504	394,063,472
<b>Net Book Value at December 31</b>	<b>₱4,734,888,134</b>	<b>₱3,593,780,399</b>	<b>₱8,328,668,533</b>



	December 31, 2012		Total
	Land and Improvements	Buildings and Improvements	
<b>Cost</b>			
At January 1	₱5,030,540,238	₱305,663,399	₱5,336,203,637
Additions	221,786,560	2,746,471,765	2,968,258,325
Transfers (Note 6)	(368,314,414)	–	(368,314,414)
At December 31	4,884,012,384	3,052,135,164	7,936,147,548
<b>Accumulated Depreciation</b>			
At January 1	–	108,780,107	108,780,107
Depreciation (Note 11)	–	11,790,470	11,790,470
At December 31	–	120,570,577	120,570,577
<b>Net Book Value at December 31</b>	<b>₱4,884,012,384</b>	<b>₱2,931,564,587</b>	<b>₱7,815,576,971</b>

Certain parcels of land were transferred to the 'Inventories' account with a carrying amount of ₱2.39 billion and ₱368.31 million as of December 31, 2013 and 2012, respectively. The transferred properties are intended for the construction of condominium units held for sale.

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱592.04 million, ₱233.44 million and ₱238.00 million in 2013, 2012 and 2011, respectively (Note 30).

The depreciation of the investment properties amounting to ₱110.05 million, ₱11.79 million and ₱11.52 million in 2013, 2012 and 2011, respectively, is included in the "General and administrative expenses" account in the consolidated statements of income (Note 26).

The aggregate fair value of the Group's investment properties amounted to ₱13.1 billion and ₱10.87 billion as of December 31, 2013 and 2012, respectively. 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.

#### 10. Available-for-sale Investments

This account consists of:

	2013	2012
Equity securities		
Quoted	₱1,497,970,179	₱1,050,165,533
Unquoted	480,269,424	9,921,760
Quoted debt securities	1,132,556,640	–
	<b>₱3,110,796,243</b>	<b>₱1,060,087,293</b>



Unquoted AFS investments are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value.

Unquoted AFS investments in Toyota Autoparts Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounted to ₱470.27 million as of December 31, 2013. Also included in the balance are AFS investments of Fed Land and Charter Ping An amounting to ₱9.94 million and ₱0.06 million, respectively.

Unquoted AFS of Fed Land pertain to preferred shares of a utility company issued to the Fed Land Group in connection with its subscription to the electricity services of the said utility company needed for the Fed Land Group's real estate projects. The said preferred shares have no active market and the Fed Land Group does not intend to dispose these investments since these are directly related to the continuity of its business.

Quoted debt securities pertain to both government and private debt securities amounting to ₱671.25 million and ₱461.31 million, respectively.

Movements in the net unrealized gain (loss) on AFS investments follow:

	2013		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	(₱6,606,601)	(₱3,883,398)	(₱10,489,999)
Net changes shown in other comprehensive income			
Fair value changes on AFS investments	95,424,287	93,448,085	188,872,372
Realized gain on sale on AFS investments	(8,522,850)	-	(8,522,850)
	86,901,437	93,448,085	180,349,522
Balance at end of year	₱80,294,836	₱89,564,687	₱169,859,523
	2012		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	₱-	₱-	₱-
Net changes shown in other comprehensive income			
Fair value changes during the period on AFS investments	(6,606,601)	(3,883,398)	(10,489,999)
Balance at end of year	(₱6,606,601)	(₱3,883,398)	(₱10,489,999)



## 11. Property and Equipment

The composition and rollforward analysis of this account follow:

	2013											Total
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	
<b>Cost</b>												
At January 1	₱48,867,374	₱112,810,917	₱494,438,287	₱2,634,682,810	₱175,145,134	₱11,661,088,901	₱9,877,136,313	₱4,179,564,803	₱3,168,273,800	₱2,221,304,306	₱564,892,115	₱35,138,204,760
Effect of business combination	205,459,032	59,449,421	13,805,644	279,214,470	1,398,469,052	-	-	764,517,969	-	113,827,529	199,755,087	3,034,498,204
Additions	63,925,576	54,105,938	14,839,327	16,987,177	56,446,739	126,433,092	69,891,143	189,550,071	19,412,585	63,916,515	6,349,877,895	7,025,386,058
Disposals and reclassifications	16,039,195	46,931,540	(13,624,398)	121,335,814	3,000,000	(116,403,628)	(16,634,125)	20,098,576	-	632,802,659	(1,151,175,349)	(457,629,716)
<b>At December 31</b>	<b>334,291,177</b>	<b>273,297,816</b>	<b>509,458,860</b>	<b>3,052,220,271</b>	<b>1,633,060,925</b>	<b>11,671,118,365</b>	<b>9,930,393,331</b>	<b>5,153,731,419</b>	<b>3,187,686,385</b>	<b>3,031,851,009</b>	<b>5,963,349,748</b>	<b>44,740,459,306</b>
<b>Accumulated Depreciation and Amortization</b>												
At January 1	26,783,347	92,930,356	252,454,364	28,230,621	10,171,328	737,258,193	127,227,870	80,742,221	73,912,104	47,265,727	-	1,476,976,131
Depreciation and amortization (Note 26)	125,360,140	39,589,966	34,852,024	127,554,317	4,229,606	1,089,745,609	256,487,354	186,725,842	113,549,628	283,752,460	-	2,261,846,946
Disposals and reclassifications	(56,040,134)	14,942,767	(9,771,722)	(13,241,858)	-	(61,574,782)	(15,487,517)	(15,245,008)	-	(5,373,498)	-	(161,791,752)
<b>At December 31</b>	<b>96,103,353</b>	<b>147,463,089</b>	<b>277,534,666</b>	<b>142,543,080</b>	<b>14,400,934</b>	<b>1,765,429,020</b>	<b>368,227,707</b>	<b>252,223,055</b>	<b>187,461,732</b>	<b>325,644,689</b>	<b>-</b>	<b>3,577,031,325</b>
<b>Net Book Value at December 31</b>	<b>₱238,187,824</b>	<b>₱125,834,727</b>	<b>₱231,924,194</b>	<b>₱2,909,677,191</b>	<b>₱1,618,659,991</b>	<b>₱9,905,689,345</b>	<b>₱9,562,165,624</b>	<b>₱4,901,508,364</b>	<b>₱3,000,224,653</b>	<b>₱2,706,206,320</b>	<b>₱5,963,349,748</b>	<b>₱41,163,427,981</b>
	2012											
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
<b>Cost</b>												
At January 1	₱23,180,879	₱96,082,953	₱481,884,677	₱14,144,983	₱117,545,133	₱-	₱-	₱-	₱-	₱-	₱1,479,330	₱734,317,955
Effect of business combination	548,859	1,426,629	3,274,258	2,605,924,754	57,120,517	11,503,097,858	9,877,136,313	3,665,756,045	3,168,273,800	2,189,527,989	420,215,013	33,492,302,035
Additions	27,036,851	15,376,665	14,337,193	30,093,946	479,484	157,991,043	-	513,808,758	-	114,293,633	279,520,724	1,152,938,297
Disposals and reclassifications	(1,899,215)	(75,330)	(5,057,841)	(15,480,873)	-	-	-	-	-	(82,517,316)	(136,322,952)	(241,353,527)
<b>At December 31</b>	<b>48,867,374</b>	<b>112,810,917</b>	<b>494,438,287</b>	<b>2,634,682,810</b>	<b>175,145,134</b>	<b>11,661,088,901</b>	<b>9,877,136,313</b>	<b>4,179,564,803</b>	<b>3,168,273,800</b>	<b>2,221,304,306</b>	<b>564,892,115</b>	<b>35,138,204,760</b>
<b>Accumulated Depreciation and Amortization</b>												
At January 1	15,611,816	84,497,016	222,602,846	10,296,232	4,942,842	-	-	-	-	-	-	337,950,752
Depreciation and amortization (Note 26)	15,306,360	8,788,956	35,825,754	18,144,922	5,228,486	815,569,530	138,967,385	98,746,879	73,912,104	83,458,416	-	1,293,948,792
Disposals and reclassifications	(4,134,829)	(355,616)	(5,974,236)	(210,533)	-	(78,311,337)	(11,739,515)	(18,004,658)	-	(36,192,689)	-	(154,923,413)
<b>At December 31</b>	<b>26,783,347</b>	<b>92,930,356</b>	<b>252,454,364</b>	<b>28,230,621</b>	<b>10,171,328</b>	<b>737,258,193</b>	<b>127,227,870</b>	<b>80,742,221</b>	<b>73,912,104</b>	<b>47,265,727</b>	<b>-</b>	<b>1,476,976,131</b>
<b>Net Book Value at December 31</b>	<b>₱22,084,027</b>	<b>₱19,880,561</b>	<b>₱241,983,923</b>	<b>₱2,606,452,189</b>	<b>₱164,973,806</b>	<b>₱10,923,830,708</b>	<b>₱9,749,908,443</b>	<b>₱4,098,822,582</b>	<b>₱3,094,361,696</b>	<b>₱2,174,038,579</b>	<b>₱564,892,115</b>	<b>₱33,661,228,629</b>



The power plant complex of PPC and TPC, and the whole property and equipment of CEDC and PEDC, with aggregate carrying value of ₱37.17 billion and ₱33.99 billion as of December 31, 2013 and 2012, respectively, have been mortgaged/pledged as security for their long-term debt (Note 17).

Construction-in-progress pertains to the accumulated cost incurred for the Toledo Project Expansion which was started in 2012 and is expected to be completed in 2015.

Gain on disposal of property and equipment amounted to ₱16.00 million, ₱8.32 million and nil in 2013, 2012 and 2011, respectively (Note 23).

Details of depreciation and amortization follow:

	2013	2012	2011
Property and equipment	<b>₱2,261,846,946</b>	₱1,293,948,792	₱52,888,668
Intangible assets (Note 13)	<b>485,381,510</b>	323,376,065	6,945,468
Investment properties (Note 9)	<b>110,046,229</b>	11,790,470	11,518,440
	<b>₱2,857,274,685</b>	₱1,629,115,327	₱71,352,576

Breakdown of depreciation and amortization in the consolidated statement of income follows:

	2013	2012	2011
Power plant operation and maintenance expenses (Note 24)	<b>₱1,678,551,135</b>	₱1,255,133,738	₱-
Cost of goods manufactured	<b>234,483,648</b>	-	-
General and administrative expenses (Note 26)	<b>944,239,902</b>	373,981,589	71,352,576
	<b>₱2,857,274,685</b>	₱1,629,115,327	₱71,352,576

## 12. Deposits

In 2011, the Group entered into an option agreement with its various affiliates for the exclusive rights for three years either (a) to purchase the property, (b) to purchase shares of stock of the third party which own the property, (c) to develop the property as developer in a joint venture with a third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties.

In 2012, option agreements with Kabayan Realty Corporation, Titan Resources Corporation and Hill Realty and Development amounting to ₱500.00 million, ₱1.00 billion and ₱500.00 million, respectively were terminated and settled in cash. Outstanding option deposits amounting to nil and ₱2.09 billion as of December 31, 2013 and 2012, respectively. These deposits carried a 7.34% interest in 2013, 2012 and 2011. Interest income recognized amounted to ₱263.85 million, ₱257.74 million and ₱337.71 million in 2013, 2012 and 2011, respectively (Note 23).



### 13. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	2013	2012
Power purchase agreements - net (Note 31)	P8,199,068,543	P8,676,723,532
Goodwill (Note 31)	6,175,311,202	24,201,028
Customer relationship (Note 31)	3,883,238,361	-
Software costs - net	15,814,615	14,286,161
Franchise - net	1,583,333	-
	<b>P18,275,016,054</b>	<b>P8,715,210,721</b>

#### Goodwill

Goodwill mainly comprises the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Goodwill in relation to acquisitions has been attributed to the following CGUs:

	2013				2012	
	Toyota	Ping An	THC	Total	THC	Total
Cost						
Balances at beginning of year	P-	P-	P24,201,028	P24,201,028	P-	P-
Additions through business combinations	5,596,956,193	554,153,981	-	6,151,110,174	24,201,028	24,201,028
Balances at end of year	P5,596,956,193	P554,153,981	P24,201,028	P6,175,311,202	P24,201,028	P24,201,028

#### Toyota

The recoverable amount of Toyota CGU was based on value in use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections in 2013 is 17.39%. Cash flows beyond the four-year period are extrapolated using a steady growth rate of 1.00%. The carrying value of goodwill amounted to P5.60 billion as of December 31, 2013. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

The calculations of value in use for the Toyota CGU are most sensitive to the following assumptions:

- Budgeted gross margins - Gross margins are based on vehicle models mix per dealer and the foreign exchange movements between the Philippine Peso versus the United States (US) Dollar and the Japanese Yen versus the US Dollar.
- Growth rate - The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate for the global automotive industry.
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value in use of Toyota, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.



*Ping An*

As of December 31, 2013, goodwill arising from the acquisition of Ping An was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the said acquisition (Note 31).

*THC*

On September 25, 2012, GBPC acquired 60.00% interest in THC from Yorktown Properties, Inc.

The fair values of the net assets of THC including its wholly owned subsidiary, TCITRC, as of acquisition date, are as follows:

Current assets	₱90,212,519
Current liabilities	(409,039,220)
Noncurrent assets	316,386,650
Noncurrent liabilities	(38,094,996)
Total	(40,535,047)
At 60%	(24,321,028)
Consideration paid	120,000
Goodwill	(₱24,201,028)

Consideration:

Cash acquired	₱24,569,910
Paid	(120,000)
Net cash acquired	₱24,449,910

Power Purchase Agreements

Power purchase agreements pertain to the EPPA with certain electric cooperatives. The EPPAs were accounted for as intangible assets as GBPC has the right to charge the electric cooperatives for the electricity to be generated and delivered by GBPC.

The rollforward analysis of the Group's power purchase agreements is as follows:

	2013	2012
January 1	₱8,676,723,532	₱-
Fair value on business combination date (Note 31)	-	8,995,160,191
Amortization (Note 11)	(477,654,989)	(318,436,659)
Net Book Value	₱8,199,068,543	₱8,676,723,532

Customer Relationship

Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Toyota's relationship with its top dealers adds value to the operations of Toyota and enhances the latter's earnings potential. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The recoverable amount of the customer relationship of the Group was based on value in use calculations using earnings projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to earnings projections in 2013 is 17.39%.



Cash flows beyond the four-year period are extrapolated using a steady growth rate of 1.00%. The carrying value of the customer relationship amounted to 3.90 billion as of December 31, 2013. No impairment loss was recognized for the customer relationship arising from acquisition of Toyota.

The calculations of value in use for the customer relationship are most sensitive to the following assumptions:

- Attrition Rate- Sales to key customers for the four-year period are computed by taking into account a 5% attrition rate or 95% retention rate.
- % EBIT margin on key customers – A 7% EBIT margin was used in projecting the net operating profit on sales to key customers for the four-year period.
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value in use of Toyota's customer relationship, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

#### Software Cost

The Group's software costs pertain to software cost and licenses.

The rollforward analysis of the Group's software cost is as follows:

	2013	2012
<b>Cost</b>		
Balance at beginning of year	₱48,048,186	₱37,320,702
Additions	7,501,020	10,727,484
Effect of business combination	142,609	-
Reclassification	2,599,326	-
	<b>58,291,141</b>	<b>48,048,186</b>
<b>Accumulated Amortization</b>		
Balance at beginning of year	33,762,025	28,895,316
Amortization (Note 11)	7,609,854	4,866,709
Reclassification	1,104,647	-
	<b>42,476,526</b>	<b>33,762,025</b>
<b>Net Book Value</b>	<b>₱15,814,615</b>	<b>₱14,286,161</b>

#### Franchise

Franchise fee pertains to the Fed Land Group's operating rights for its fast food stores with estimated useful lives of three (3) to five (5) years.

The amortization of the franchise fee amounting to ₱0.12 million, ₱0.07 million and ₱0.07 million in 2013, 2012 and 2011, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).





The rollforward analysis of the Group's franchise fee is as follows:

	2013	2012
<b>Cost</b>		
Balance at beginning and end of year	<b>₱800,000</b>	₱800,000
Additions	<b>1,700,000</b>	-
	<b>2,500,000</b>	800,000
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>800,000</b>	727,303
Amortization (Note 11)	<b>116,667</b>	72,697
	<b>916,667</b>	800,000
<b>Net Book Value</b>	<b>₱1,583,333</b>	₱-

Details of amortization of intangible assets follow (Note 11):

	2013	2012	2011
Power purchase agreements	<b>₱477,654,989</b>	₱318,436,659	₱-
Software cost	<b>7,609,854</b>	4,866,709	6,872,741
Franchise	<b>116,667</b>	72,697	72,727
	<b>₱485,381,510</b>	₱323,376,065	₱6,945,468

#### 14. Other Noncurrent Assets

This account consists of:

	2013	2012
Rental and other deposits	<b>₱511,712,824</b>	₱210,830,845
Advances to contractors	<b>300,318,756</b>	-
Deferred input VAT	<b>297,304,581</b>	34,364,891
Deposit for future acquisition of land	-	279,400,720
Others	<b>93,653,638</b>	22,598,027
	<b>₱1,202,989,799</b>	₱547,194,483

Rental and other deposits include deposits for the leased offices of the Group and deposits for the initial set-up of the services rendered by public utility companies. Rental deposits are to be applied on the last month's rent of the lease contract.

Deposit for future land acquisition pertains to Fed Land's deposit to acquire a parcel of land in Pasay City.



## 15. Accounts and Other Payables

This account consists of:

	2013	2012
Trade payables	<b>₱7,590,142,735</b>	₱3,993,882,998
Telegraphic transfers and drafts and acceptances payable	4,493,193,586	–
Accrued expenses	3,698,807,355	1,203,694,170
Deferred output tax	2,454,049,984	1,373,645,486
Retentions payable	500,417,643	294,632,748
Accrued interest payable	389,752,174	346,055,359
Accrued commissions	367,772,684	42,917,890
Insurance payable	296,242,243	–
Others	1,046,599,001	121,890,193
	<b>₱20,836,977,405</b>	<b>₱7,376,718,844</b>

The details of trade payables are as follows:

	2013	2012
Automotive	<b>₱3,493,615,820</b>	₱–
Real estate	2,566,768,429	3,061,700,963
Power	1,268,902,322	932,182,035
Insurance	254,494,500	–
Others	6,361,664	–
	<b>₱7,590,142,735</b>	<b>₱3,993,882,998</b>

Trade payables of automotive pertain to the purchase of raw materials, spare parts and vehicles which are non-interest bearing and are normally settled on one (1) to thirty (30) day term.

Trade payables for real estate pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

Trade payables for power pertain to billing received from suppliers of fuels.

Telegraphic transfers and drafts and acceptance payable pertain to the liabilities of Toyota Group arising from importations of materials, spare parts and/or vehicles. These payables are normally settled after a thirty (30) day term.

Accrued expenses are non-interest bearing and are normally settled within a fifteen (15) to sixty (60) day term; this consist of accruals for payroll, professional services, fuel, oil and lubricants.

Deferred output tax pertains mostly to VAT on the uncollected portion of the contract price of sold units.

Accrued interest payables are normally settled within a fifteen (15) to sixty (60) day term.

Retentions payable represent a portion of construction cost withheld by the Fed Land Group and paid to the contractors upon completion of the project.

Accrued commissions are settled within one year.



Others include refunds from cancelled sales from Fed Land and other government-related payables which are non-interest bearing and are normally settled within one (1) year. These also include insurance premiums payable and other non-interest bearing payables which are all due within one (1) year.

## 16. Insurance Contract Liabilities

Insurance contract liabilities as of December 31, 2013 may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Provision for claims reported and loss adjustment expenses	₱4,880,806,880	₱4,202,944,603	₱677,862,277
Provision for IBNR	43,005,989	19,437,256	23,568,733
<b>Total claims reported and IBNR</b>	<b>4,923,812,869</b>	<b>4,222,381,859</b>	<b>701,431,010</b>
Provision for unearned premiums	1,759,772,251	743,195,951	1,016,576,300
<b>Total insurance contract liabilities</b>	<b>₱6,683,585,120</b>	<b>₱4,965,577,810</b>	<b>₱1,718,007,310</b>

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	₱2,756,746,169	₱2,193,590,449	₱563,155,720
Claims incurred during the year	3,434,886,806	2,670,480,016	764,406,790
Increase (decrease) in IBNR	408,135	18,797,206	(18,389,071)
Claims paid during the year	(1,268,228,241)	(660,485,812)	(607,742,429)
<b>At December 31</b>	<b>₱4,923,812,869</b>	<b>₱4,222,381,859</b>	<b>₱701,431,010</b>

Provision for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	₱1,495,239,517	₱648,447,981	₱846,791,536
New policies written during the year	3,513,871,960	1,690,294,716	1,823,577,244
Premiums earned during the year	(3,249,339,226)	(1,595,546,746)	(1,653,792,480)
<b>At December 31</b>	<b>₱1,759,772,251</b>	<b>₱743,195,951</b>	<b>₱1,016,576,300</b>

In addition, reinsurance assets consist of the following:

Reinsurance recoverable on unpaid losses	₱4,222,381,859
Deferred reinsurance premiums	743,195,951
	<b>₱4,965,577,810</b>



### 17. Short-term, Long-term Debt and Bonds Payable

This account consists of:

	2013	2012
<i>Loans payable</i>		
Affiliated loans:		
Loans from local banks	₱3,040,500,000	₱17,975,921,094
Corporate notes	233,900,704	-
Non-affiliated loans:		
Loans from local banks	30,818,208,292	26,177,106,697
Corporate notes	11,600,000,000	11,600,000,000
	<b>45,692,608,996</b>	<b>55,753,027,791</b>
<i>Less: Short term loans from banks</i>		
Affiliated	-	2,841,300,000
Non-affiliated	1,744,000,000	6,297,000,000
<i>Loans payable - current portion</i>		
Affiliated	-	1,395,187,517
Non-affiliated	3,364,221,245	6,031,771,182
	<b>5,108,221,245</b>	<b>16,565,258,699</b>
	<b>₱40,584,387,751</b>	<b>₱39,187,769,092</b>

#### *Bonds Payable - Parent Company*

On February 13, 2013, the Parent Company issued ₱10.00 billion worth of seven (7)-year and ten (10)-year 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 ₱100.00 million.

The net proceeds was utilized for general corporate requirements which include, but shall not be limited to the following (amounts in millions):

<i>Funding of various equity calls</i>	
Toledo plant, to be completed within 2014	₱1,900
Panay plant, to be completed within 2016	3,900
Refinancing of corporate notes due on November 25, 2013	4,200
	<b>₱10,000</b>

The bonds were listed on February 27, 2013. Total interest expense incurred in 2013 on bonds payable amounted to ₱430.01 million, including amortization of deferred financing cost amounting to ₱8.33 million.

The bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio below 2.3 to 1.0. As of December 31, 2013, the Parent Company has complied with its bond covenants.

Loans from local banks have interest rates ranging from 3.09% to 9.50% lump sum with maturity within one year and interest payable quarterly in arrears.



*Short-term Loans and Corporate Notes - Parent Company*

As of December 31, 2013, the Parent Company had outstanding peso-denominated loans to affiliated and non-affiliated banks amounting to ₱0.30 billion and ₱0.50 billion, respectively. These loans were obtained in 2013 and carry an annual interest rate of 2.60% and 2.25% for both affiliated and non-affiliated bank loans, respectively. Both loans will mature in 2014.

As of December 31, 2012, the Parent Company had an outstanding notes facility (the "Notes") of ₱5.00 billion from various lenders acquired in 2010. ₱4.20 billion of these Notes matured in 2013 and the remaining ₱0.80 billion will mature in 2015. As of December 31, 2012 the Parent Company also had outstanding short-term and long term bank loans amounting to ₱7.55 billion and ₱2.80 billion, respectively. All these loans were subsequently prepaid by the Parent Company in 2013.

As of December 31, 2013 and 2012, the Parent Company had complied with its loan covenants.

*Corporate notes - Fed Land*

On March 18, 2011, Fed Land entered into a Notes Facility Agreement (Notes) with FMIC, MBTC - Trust Banking Group. as the 'Notes Facility Agent' and various non-affiliated institutions as 'Note Holders' whereby Fed Land issued ₱6.60 billion worth of fixed rate notes outstanding to finance projects, working capital and for general corporate purposes. The Notes are payable in five years with interest rate based on the latest PDST-F plus a spread of 85 basis points and gross receipts tax.

The agreements covering the above mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization.

On June 24, 2013, the BOD of Fed Land authorized the issuance of ₱3.00 billion up to ₱5.00 billion fixed rate notes (the "Notes"), subject to oversubscription option. On July 5, 2013, Fed Land issued ₱4.00 billion Notes carrying a 5.57% interest rate maturing on July 5, 2020 and ₱1.00 billion Notes carrying a 6.27% interest rate maturing on July 5, 2023. The Notes were used to partially finance various ongoing projects.

As of December 31, 2013 and 2012, Fed Land had complied with its loan covenants. Interest expenses incurred in 2013 and 2012 amounted to ₱565.49 million and ₱216.31 million, respectively.

*Loans from local banks - non-affiliated Fed Land*

In 2011, Fed Land's loans payable pertains to unsecured peso-denominated short term borrowings from a local bank with floating interest rate at 1.5% spread over the benchmark 90-day PDST-R2 and gross receipts tax. The interest rates ranges from 2.89% to 7.00% in 2011.

In 2012, Fed Land obtained the following outstanding loans from local banks:

- a) Unsecured loan amounting to ₱200.00 million with an effective interest of 4.38% and will mature on March 31, 2013.
- b) Peso-denominated loans amounting to ₱1.24 million which carries interest at three (3) months PDSTF rate plus 2.00% per annum. These loans have a maturity of twelve months and are renewable for a period of twelve months or less. Fed Land secured these loans by entering into a Mortgage Trust Indenture with MBTC.



- c) Unsecured loan amounting to ₱150.00 million which bears interest of 6.75% per annum subject to quarterly re-pricing. The loan will mature on January 28, 2013.

In 2013, Fed Land obtained an additional unsecured loan from a non-affiliated bank amounting to ₱100.00 million with an interest rate of 3.55%. Subsequently, said loan was fully paid on July 2013.

*Loans from an affiliated local bank*

In 2011, Fed Land obtained partially and fully secured peso-denominated loans with an aggregate amount of ₱2.00 billion from MBTC with interest at prevailing market rate of 7.10% with spread of 85-100 basis points, payable in lump sum after five (5) years. These loans are secured by Phil Exim Guarantee under a Mortgage Participation Certificate. In 2013, an additional loan amounting to ₱300.00 million was availed from the same affiliated bank at a prevailing interest rate of 3.5%. Subsequently, said loan was fully paid on July 8, 2013.

As of December 31, 2013 and 2012, Fed Land had complied with its loan covenants.

*Loans payable - GBPC*

As of December 31, 2013 and 2012, GBPC's loans payable are from the following entities:

	2013	2012
CEDC	₱13,963,309,687	₱15,547,801,856
PEDC	12,975,217,639	14,258,268,556
PPC	696,180,966	1,208,657,368
TPC	2,350,000,000	-
	<b>29,984,708,292</b>	<b>31,014,727,780</b>
Less current portion	<b>3,319,157,705</b>	<b>3,226,958,699</b>
	<b>₱26,665,550,587</b>	<b>₱27,787,769,081</b>

*CEDC, PEDC and TPC*

On June 18, 2009, CEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱16.00 billion to partially finance the construction of its power plant. The agreement includes Project Loan Facility Agreement, Project Accounts Agreement, Mortgage Agreement, Pledge Agreement and Assignment Agreement.

On February 26, 2010, PEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱14.00 billion to partially finance the on-going construction of the Panay Expansion Project. The agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

On March 7, 2013, TPC entered into an Omnibus Agreement (the Agreement) with various lenders in the aggregate principal amount of up to ₱7.00 billion (the Facility) to partially finance the on-going construction of the expansion project. The Agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

According to the agreements entered by CEDC and PEDC, CEDC and PEDC are required to meet certain financial ratios, such as debt-to-equity ratio and core equity ratio. As of December 31, 2013 and 2012, CEDC, PEDC and TPC have complied with all the required financial ratios.



Interest expense incurred in connection with the loans amounted to ₱1.40 billion and ₱1.50 billion in 2013 and 2012, respectively, for CEDC and ₱1.23 billion and ₱1.33 billion in 2013 and 2012, respectively, for PEDC. Interest expense capitalized as part of construction cost amounted to ₱47.97 million for TPC.

CEDC, PEDC and TPC's loans are secured by (i) a real estate mortgage on all present and future assets, including the parcels of land where their power plants are located owned by THC, a related party, (ii) chattel mortgage on all present and future movable properties, (iii) pledge agreement on the shares of Global Formosa and Abovant in CEDC and shares of PPHC in PEDC, and shareholder advances and subordinated loans, if any, (iv) assignment agreement on CEDC's and PEDC's future revenues and (v) grantee rights of TPC for special use agreement in protected areas no. 2008-003 issued by the DENR - regional office no. VII on March 18, 2009. The chattel mortgage shall cover to the extent of principal amount of ₱100.00 million, for CEDC and PEDC, respectively.

The total carrying value of the property, plant and equipment pledged as collateral for the above-mentioned loans amounted to ₱37.17 billion and ₱33.99 billion as of December 31, 2013 and 2012, respectively (Note 11).

As of December 31, 2013 and 2012, the movement of the deferred financing cost is as follows:

	2013	2012
Balances at beginning of year	₱353,382,475	₱351,148,361
Amortization	(42,509,541)	(36,620,329)
Balances at end of year	₱310,872,934	₱314,528,032

Among others, the agreements prohibit CEDC, PEDC and TPC to amend or modify its charter documents if any such amendment or modification would have a material adverse effect; assign or otherwise transfer, terminate, amend, or grant any waiver or forbearance or exercise any election under any material provision of the agreements or project document; make any prepayment, whether voluntary or involuntary, or repurchase of any long-term debt or make any repayment of any such long-term debt other than those allowed in the agreements unless, in any such case, it shall at the option of any lender contemporaneously make a proportionate prepayment or repayment of the principal amount then outstanding of the Lender's outstanding participation in the loan. The agreements also prohibit CEDC, PEDC and TPC to acquire by lease any property or equipment, or to acquire rights-of-way to any property, which may have a material adverse effect; enter into contract of indebtedness except those permitted under the agreement such as indebtedness incurred in the ordinary course of business; and form or have any subsidiaries, advances or investments and issue preferred shares, unless certain conditions are complied with. Moreover, CEDC, PEDC and TPC are prohibited from entering into contract of merger or consolidation unless CEDC, PEDC and TPC are the surviving entities and after giving effect to such event, no event of default will result), selling, leasing or disposing all or any of its property (unless in the ordinary course of the business) where such conveyance, sale or lease would have a material adverse effect to CEDC, PEDC and TPC.

Events of default include, among others, failure to pay when due the principal or interest due and any other amount payable under the Agreement; revocation, withdrawal, or modification of any government approval required to be obtained by CEDC, PEDC and TPC in a manner which would have a material adverse effect; Global Formosa and Abovant, and PPHC cease to maintain 51.00% of CEDC and PEDC, respectively, or cease to maintain management control over CEDC, PEDC and TPC, respectively; and failure to comply with the required financial ratios.



If any of the events of default occurs and is continuing, the trustee or the facility agent, as the case maybe, shall immediately give CEDC, PEDC and TPC written notice of such fact and inform the lenders. Without prejudice to the cure periods allowed under the Agreement, and upon written request by the majority lenders, the Facility Agent shall take one or more of the following actions:

- i. declare the principal of, and all accrued interest on, payable with respect to the loan under the Facility to be, and the same shall thereupon become, immediately due and payable without any further notice and without any presentment, demand or protest; and/or
- ii. declare any undrawn portion of the Facility to be terminated, whereupon such portion of the Facility shall be forthwith terminated.

The Group is in compliance with the loan covenants as of December 31, 2013 and 2012.

*PPC*

MBTC Loans

On November 6, 2009, PPC entered into a ₱300.00 million, Seven (7)-Year Term Loan Agreement with MBTC. Proceeds from the loan were used to settle the BDO loan in 2009. This loan bears interest at the 3-month T-bill rate published in PDST-F plus 2.00% spread and is covered by a Mortgage Trust Indenture. PPC's power plant is mortgaged for the aforementioned obligations.

As of December 31, 2013 and 2012, a portion of the long-term loan amounting to ₱42.86 million which will mature within one (1) year from the reporting date, is presented as current liability.

Interest charged to operations related to this loan amounted to ₱3.83 million and ₱7.90 million in 2013 and 2012, respectively.

On August 24, 2006, PPC entered into a ₱1.20 billion, Ten (10)-Year Term Loan Agreement with MBTC, for its general corporate requirements. This loan is covered by a Mortgage Trust Indenture. In March 2007, Section 1.01 of the ₱1.20 billion, 10-Year Term Loan Agreement was amended increasing loan facility from ₱1.20 billion to ₱1.36 billion and changing the reference rate from MART1 rate to PDST-F rate.

As of December 31, 2013 and 2012, a portion of the long-term loan amounting to ₱153.85 million which will mature within one (1) year from the reporting date, are presented as current liability.

Interest charged to operations related to this loan amounted to ₱14.77 million and ₱28.67 million in 2013 and 2012, respectively.

In accordance with the loan agreements with MBTC, PPC is restricted from performing certain corporate acts without the prior consent or approval of MBTC, the more significant of which relate to entering into merger or consolidation (where PPC is not the surviving entity), declaring dividends to stockholders, acting as guarantor or surety of obligation and acquiring treasury stock. PPC is also required to maintain certain financial ratios.

As of December 31, 2013 and 2012, PPC has complied with the required financial ratios.





*TPC*

FMIC Loans

The FMIC loan agreements consist of ten (10)-year promissory notes. The proceeds of these peso-denominated loans were used to fund the construction of the power plant. PPC's power plant is mortgaged for the aforementioned obligations.

The loan agreements provide events that constitute an event of default. The terms indicated that if any other obligations of PPC are not paid when due or a default in the performance or observance of any instrument or agreement, FMIC may consequently declare the commitment to be terminated and declare all unpaid amounts to be due and payable without presentment, demand, protest or further notice of any kind. PPC is also required to maintain certain financial ratios.

Of the ₱865.00 million principal loans from FMIC, ₱350.00 million was secured by way of pledge or mortgage of any asset or property of the Corporation. The ₱515.00 million balance was secured by a chattel mortgage.

As of December 31, 2013 and 2012, PPC met the required debt-to-equity and current ratio requirements of the loan agreements.

Current portion of the loans as of December 31, 2013 and 2012, presented as current liability, amounted ₱200.85 million and ₱173.00 million, respectively. Total interest charged to operations related to these loans amounted to ₱21.34 million and ₱33.81 million in 2013 and 2012, respectively.

*Loans Payable- TMPC*

As of December 31, 2013 and 2012, this account consists of unsecured long-term debt to the following:

TAPI	₱74,812,217
Others	159,088,487
	<hr/>
	₱233,900,704

The loan from TAPI bears fixed interest rate at 4.2% per annum. This loan is for a period of five (5) years up to February 26, 2016 which is automatically renewed upon maturity for another period of five (5) to ten (10) years (Note 27).

The other long-term unsecured interest-bearing loans consist of a 2.7% interest-bearing ten (10)-year term loan which will mature on September 28, 2015 and a 2.7% interest-bearing ten (10)-year term loan which will mature on October 23, 2016. These loans are automatically renewed upon maturity for another period of ten (10) years.

The loan covenants restrict the Group from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. Interest expense on these loans amounted to ₱7.8 million in 2013 and 2012, respectively.

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**18. Customers' Deposits**

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before it enters into a sale transaction. In relation to this, the customers' deposits represent payment from buyers which have not reached the minimum required percentage. When the revenue recognition criteria are met, sales are recognized and these deposits and down payments



will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the repossessed value of deposit less charges and penalties incurred will be refunded to the buyer.

This account also includes excess of collections over the recognized receivables based on percentage of completion. As of December 31, 2013 and 2012, the balance of this account amounted to ₱1.84 billion and ₱974.33 million, respectively.

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#### 19. Other Current Liabilities

This account consists of:

	2013	2012
Due to holders of non-controlling interest (Note 27)	₱378,463,322	₱378,463,322
VAT payable	250,358,476	635,607,708
Withholding taxes payable	225,449,595	326,915,450
Deferred reinsurance commission	36,163,708	-
Unearned income	3,380,613	3,380,613
Others	12,854,267	25,877,114
	<b>₱906,669,981</b>	<b>₱1,370,244,207</b>

The amount due to holders of non-controlling interest pertains to advances of CEDC from Abovant Holdings, Inc. which owns 44.00% of CEDC. Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one (1) year.

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#### 20. Liabilities on Purchased Properties

Liabilities on purchased properties are payables to various real estate property sellers. Under the terms of the agreements executed by Fed Land covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to Fed Land only upon full payment of the real estate loans.

In 2013, various parcels of land were acquired by Fed Land for a total consideration aggregating ₱2.57 billion. The outstanding obligation pertaining to these transactions amounted to ₱1.70 billion as of December 31, 2013.

In 2012, Fed Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in thirteen (13) years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2013 and 2012 amounted to ₱2.62 billion and ₱2.58 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱4.32 billion and ₱2.58 billion as of December 31, 2013 and 2012, respectively.



## 21. Other Noncurrent Liabilities

This account consists of:

	2013	2012
Provisions	<b>₱1,325,728,442</b>	₱-
Decommissioning liability	<b>192,660,472</b>	183,491,180
Refundable and other deposits	<b>114,017,770</b>	47,968,977
Finance lease obligation - net of discount amounting to ₱127.70 million in 2013 and 2012	<b>10,354,921</b>	11,106,215
	<b>₱1,642,761,605</b>	<b>₱242,566,372</b>

Provisions consist of:

	2013
Claims and assessments	₱666,701,662
Product warranties	288,752,780
Corporate social responsibility (CSR) activities	370,274,000
	<b>₱1,325,728,442</b>

PPC, PEDC, CEDC, TPC and GPRI have legal obligations to decommission or dismantle their power plant assets at the end of their useful lives. In this regard, PPC, PEDC, CEDC, TPC and GPRI established their respective provisions to recognize estimated decommissioning liability.

Changes in the decommissioning liability are as follows:

	2013	2012
Balances at beginning of year	<b>₱183,491,180</b>	₱-
Effect of business combination	-	61,656,006
Provisions during the year	<b>1,600,132</b>	113,753,507
Accretion expense for the year	<b>7,569,160</b>	8,081,667
Balances at end of year	<b>₱192,660,472</b>	<b>₱183,491,180</b>

In 2012, GBPC reassessed the amount of decommissioning liability using a risk adjusted rate. Accordingly, additional provision of ₱113.75 million was recognized as part of "Property and equipment".

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five (5) to ten (10) years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied for the unpaid rentals upon termination of the lease contract.



## 22. Equity

### *Capital stock and additional paid-in capital*

As of December 31, 2013 and 2012, the paid-up capital consists of the following:

	2013	2012
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding	₱1,743,000,000	₱1,580,000,000
Additional paid-in capital	46,694,658,660	36,752,473,660
	<b>₱48,437,658,660</b>	<b>₱38,332,473,660</b>

The movements in the issued and outstanding common stock follow:

	2013		2012	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	158,000,000	₱1,580,000,000	125,000,000	₱1,250,000,000
Issuance of shares of stocks	16,300,000	163,000,000	33,000,000	330,000,000
Balance at end of year	<b>174,300,000</b>	<b>₱1,743,000,000</b>	<b>158,000,000</b>	<b>₱1,580,000,000</b>

On January 10, 2013, the Parent Company conducted an overnight equity placement wherein Grand Titan sold 23,027,000 shares of the Parent Company to institutional investors at a price of ₱620.00 per share. Subsequently, Grand Titan subscribed to 16,300,000 million new shares of the Parent Company at the same price.

The placement raised ₱10.11 billion of primary proceeds for the Parent Company and reduced Grand Titan's ownership interest in the Parent Company from 69.68% in 2012 to 59.30% in 2013.

Movements in additional paid-in capital in 2013 follows:

Balance at beginning of year		₱36,752,473,660
Amount in excess of par value of shares issued in the private placement		
Number of shares issued	16,300,000	
Offer Price	₱620	
Total proceeds from share issuance	₱10,106,000,000	
Less par value of shares issued	163,000,000	9,943,000,000
Amount of expenses charged to equity		(815,000)
Balance at end of year		<b>₱46,694,658,660</b>

On April 20, 2012, the Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange raising gross proceeds amounting to ₱15.02 billion based on the primary offering of 33,000,000 new common shares at an offer price of ₱455.00 per share. Total proceeds raised by the Parent Company amounted to ₱13.86 billion, net of direct transaction costs of ₱1.17 billion.



Movements in additional paid-in capital in 2012 follows:

Balances at beginning of year		₱23,071,664,419
Amount in excess of par value of shares issued in the Initial Public Offering (IPO)		
Number of shares issued	33,000,000	
Offer Price	₱455	
Total proceeds from share issuance	₱15,015,000,000	
Less par value of shares issued	330,000,000	14,685,000,000
Amount of IPO expenses allocated to equity		(1,004,190,759)
<b>Balance at end of year</b>		<b>₱36,752,473,660</b>

In 2012, IPO related expenses amounting to ₱165.18 million were charged directly to 'General and administrative expenses' account in the consolidated statement of income (Note 26).

As of December 31, 2013 and 2012, the total number of stockholders of the Parent Company is 74 and 37, respectively.

In a special stockholders' meeting held on October 26, 2012, the stockholders of the Parent Company approved the amendment to Article VII of the Articles of Incorporation whereby the stockholders of the Parent Company shall be denied pre-emptive right to the issue or disposition of any class of share of the Parent Company. The amendment was previously approved by the BOD of the Parent Company on September 7, 2012.

*Retained earnings*

Details of the Parent Company's dividend distributions out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
August 12, 2013	₱3.00	₱522.90	September 10, 2013	October 2, 2013
September 12, 2012	3.17	500.86	September 28, 2012	October 22, 2012
August 5, 2011	4.00	500.00	August 31, 2011	September 9, 2011
April 8, 2010	2.00	250.00	March 25, 2010	April 15, 2010
October 12, 2010	2.00	250.00	October 31, 2010	November 22, 2010

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2013 and 2012.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Total amount (in millions)	Record date	Payment date
Fed Land	February 18, 2013	₱100.00	December 31, 2012	March 20, 2013
	December 23, 2011	180.00	November 30, 2011	December 23, 2011
GBPC	December 2, 2013	2,000.00	October 31, 2013	June 30, 2014
	December 17, 2012	2,870.00	December 3, 2012	March 31, 2013
	August 11, 2012	1,050.00	July 31, 2012	August 31, 2012
Toyota	April 11, 2013	2,994.11	December 31, 2012	April 12, 2013



*Treasury shares*

Treasury shares of the Group pertain to 10,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱6.13 million.

*Other equity adjustments*

GBPC

On June 27, 2013, First Metro Investment Corporation (FMIC), the investment banking arm of MBTC, concluded a Share Sale and Purchase Agreement with Orix Corporation (ORIX) covering the sale of 200.00 million shares of GBPC owned by FMIC to ORIX at a price of ₱7.15 billion. Subsequently on October 22, 2013, FMIC and Meralco PowerGen Corporation (MGen) signed a Shareholders' Agreement to complete the sale of an additional 200.00 million shares of GBPC from FMIC to MGen for a total consideration of ₱7.15 billion. The transactions reduced the Parent Company's indirect ownership over GBPC from 12.23% to 2.27%.

The disposals were accounted as equity transactions in the consolidated financial statements since the Parent Company did not lose control over GBPC even after the sale of the indirect interests. The Group recognized other equity adjustments totaling ₱1.41 billion, presented under equity attributable to equity holders of the Parent Company in the consolidated statement of financial position, representing the excess of the considerations received over the carrying amount of the indirect interests sold.

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC from 34.41% to 39.00% (Note 31). This also resulted in the recognition of negative equity adjustment amounting to ₱54.78 million representing the excess of cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC from 39.00% to 50.89%. This acquisition resulted to a negative equity adjustment amounting to ₱112.93 million representing the excess of the cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

Fed Land

On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80.00% to 100.00%. As of May 3, 2012, the carrying amount of the 20.00% non-controlling interest in Fed Land amounted to ₱2.20 billion. The acquisition of 20.00% of Fed Land also resulted in the recognition of a negative equity adjustment amounting to ₱513.36 million representing the excess of cost consideration over the carrying amount of non-controlling interest (Notes 2 and 31).

*Effect of uniting of interest on HLRC and CRDC*

The net effect of uniting of interest on the acquisition of HLRC and CRDC amounted to ₱104.26 million as of December 31, 2011. This represents the difference between the Fed Land's aggregate consideration transferred on the acquisition and the respective HLRC and CRDC's equity as of December 31, 2010 attributable to parent and to non-controlling interest as of the time of the combination (Note 31).



The aggregate cost of investment of ₱420.00 million is presented as a reduction to the net assets pooled to the Group's financial statements at the time of combination for the year ended December 31, 2011.

*Non-controlling interests*

The following table presents the rollforward of non-controlling interests:

	2013	2012
Beginning balance	₱11,294,157,537	₱2,205,318,605
Total comprehensive income:		
Net income	3,890,464,362	2,057,582,765
Other comprehensive income	(28,984,106)	(66,253,122)
Issuance of capital stock	959,350,239	639,809,982
Cash dividends paid to non-controlling interests	(3,456,348,554)	(3,545,093,065)
Effect of business combination (Note 31)	7,222,853,016	15,238,649,131
Acquisition of non-controlling interests in consolidated subsidiaries	-	(5,235,856,759)
Sale of indirect interest in a subsidiary	2,156,827,165	-
	<b>₱22,038,319,659</b>	<b>₱11,294,157,537</b>

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2013 and 2012.

The Parent Company considers total equity as its capital amounting to ₱52.83 billion and ₱40.71 billion as of December 31, 2013 and 2012, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

**23. Interest and Other Income**

Interest Income

This account consists of:

	2013	2012	2011
Interest income on:			
Installment contract receivable (Note 5)	₱749,146,595	₱279,445,937	₱195,924,132
Short-term investments (Note 4)	310,626,708	-	-
Deposit (Note 12)	263,850,062	257,736,632	337,707,830
Cash and cash equivalents (Note 4)	92,743,951	325,248,088	64,595,737
AFS debt instruments	12,613,367	-	-
Others	48,533	4,000,354	-
	<b>₱1,429,029,216</b>	<b>₱866,431,011</b>	<b>₱598,227,699</b>



Interest on deposit represents reimbursement of interest expense incurred by Fed Land from option money granted to affiliates (Notes 12 and 27).

Other Income

This account consists of:

	2013	2012	2011
Real estate forfeitures, charges and penalties	P123,201,267	P88,118,947	P92,926,119
Management fee (Note 27)	85,211,246	41,142,177	36,834,278
Dividend income	77,277,481	23,304,907	25,200
Recovery from insurance	38,008,663	-	-
Refund of rental payments	21,228,274	-	-
Gain on sale of fixed asset	15,998,480	8,316,148	-
Gain on sale of shares	8,522,850	-	2,304,422
Other underwriting income	7,658,264	-	-
Disposal of defective units	7,074,435	-	-
Membership fees	2,172,316	-	-
Reimbursement from a contractor	-	16,903,454	-
Processing fee	-	10,052,364	-
Others	151,288,740	74,612,801	56,455,173
	<b>P537,642,016</b>	<b>P262,450,798</b>	<b>P188,545,192</b>

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee pertains to services rendered by Fed Land in the administration of different projects related to the joint venture (Note 27).

Other underwriting income pertains to the fronting fees earned by the Charter Ping An for fronting arrangements made during the year with several agencies and intermediaries.

Others include charges from tenants of Fed Land pertaining to electricity and other utilities; these were recorded by Fed Land as other income upon receipt of the payments from the tenants.

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**24. Power Plant Operation and Maintenance Expenses**

This account consists of:

	2013	2012
Power plant operations expenses	P7,836,783,183	P4,855,731,852
Repairs and maintenance	540,907,411	1,304,733,409
Purchased power	567,745,347	550,584,212
	<b>P8,945,435,941</b>	<b>P6,711,049,473</b>





**25. Cost of Goods Manufactured and Cost of Goods and Services Sold**

Cost of goods manufactured consists of:

	2013
Raw materials, beginning	P567,478,665
Purchases	17,531,617,445
Total materials available for production	18,099,096,110
Less: Raw materials, end	528,430,068
Raw materials placed in process	17,570,666,042
Direct labor	229,166,773
Manufacturing overhead	1,980,663,593
Total cost of goods placed in process	19,780,496,408
Work-in-process, beginning	79,583,854
Total Cost of goods in process	19,860,080,262
Less: Work-in-process, ending	53,027,159
Total cost of goods manufactured	19,807,053,103
Finished goods, beginning	252,177,779
Total goods available for sale/transfer	20,059,230,882
Less: Finished goods, ending	42,685,755
Other transfers	30,444,994
	<b>P19,986,100,133</b>

Cost of goods and services sold consists of:

	2013	2012	2011
Beginning inventory			
Automotive	P4,340,087,864	P-	P-
Gasoline, retail and petroleum products	9,786,694	8,367,927	10,014,263
Food	2,351,541	2,160,335	1,990,935
	4,352,226,099	10,528,262	12,005,198
Add: Net purchases	43,419,704,745	642,162,033	665,201,705
Total inventories available for sale	47,771,930,844	652,690,295	677,206,903
Less: ending inventory (Note 6)			
Automotive	2,899,063,311	-	-
Gasoline, retail and petroleum products	7,940,644	9,786,694	8,367,927
Food	1,310,005	2,351,541	2,160,335
	44,863,616,884	640,552,060	666,678,641
Cost adjustments	(20,203,084)	-	-
Internal and other transfers	(142,500,998)	-	-
Direct labor	18,856,187	16,173,326	15,196,150
Overhead (Note 30)	749,690,677	24,185,460	27,851,792
	<b>P45,469,459,666</b>	<b>P680,910,846</b>	<b>P709,726,583</b>

Overhead includes rent expense and common usage and service area charges.



## 26. General and Administrative Expenses

This account consists of:

	2013	2012 (As restated - Note 2)	2011
Advertising and promotions	₱2,167,375,730	₱165,656,540	₱102,547,029
Salaries, wages and employee benefits (Notes 27 and 28)	1,838,461,064	956,203,320	231,469,966
Taxes and licenses	1,086,336,724	502,873,719	137,666,355
Depreciation and amortization (Note 11)	944,239,902	373,981,589	71,352,576
Commissions	480,685,180	189,703,924	168,976,570
Outside services	344,401,523	91,369,952	54,291,761
Administrative and management fees	336,429,533	248,497,988	54,236,786
Light, water and other utilities	256,713,734	101,664,069	77,958,384
Delivery and Handling	212,067,754	-	-
Repairs and maintenance	198,128,553	69,575,384	13,080,654
Professional fees	194,519,779	173,760,643	102,053,104
Insurance	182,788,839	111,422,840	1,827,228
Provisions for claims and assessments	168,366,015	-	-
Transportation and travel	121,320,096	45,834,907	7,678,012
Office supplies	69,824,602	26,589,448	12,197,808
Entertainment, amusement and recreation	66,470,881	51,924,135	18,014,503
Participation fee	59,659,478	-	-
Rent	52,084,746	52,366,000	18,338,131
Unrealized foreign exchange loss	42,309,137	7,113,039	193,784
Communications	41,284,806	10,850,899	232,332
Provisions for inventory obsolescence (Note 7)	26,912,531	-	-
Provision for credit losses (Note 5)	22,557,768	849,036	879,708
Dealer's incentive, support and promotions	17,396,388	-	-
Royalty and service fees	13,582,752	5,865,917	5,600,385
IPO - related expenses (Note 22)	-	165,183,396	-
Loss from initial recognition of financial asset	275,000	94,224,170	-
Others	449,518,579	113,510,012	31,151,972
	<b>₱9,393,711,094</b>	<b>₱3,559,020,927</b>	<b>₱1,109,747,048</b>

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.



## 27. 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. These related parties include subsidiaries, associates, jointly controlled entities, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

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.

As of December 31, 2013 and 2012, 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.

The following table shows the related party transactions included in the consolidated financial statements.

Category	December 31, 2013		Terms and Conditions/Nature
	Amount/ Volume	Outstanding Balances	
<b>Subsidiaries</b>			
Due from related parties	₱300,000,000		Non-interest bearing; due and demandable
Other current assets	861,123	₱861,123	Receivable from subsidy of expenses; non-interest bearing; due and demandable
<b>Associates</b>			
Cash and cash equivalents	8,545,042,319	15,952,344,446	Savings, current and time deposit account with annual interest ranging 0.5% to 5%; Unsecured; no impairment
Interest income	124,126,178		Interest income from cash and cash equivalents
Rental deposits	12,226,933		Guarantee Deposit on Properties
Due from related parties	4,523,347		Receivable on sale of property; unremitted collections
Investments in associates and joint ventures	502,243,750	23,578,612,738	Purchase of additional investment in associate
AFS equity securities		29,843,988	Unsecured; no impairment
Accrued expense	51,866	51,866	Retainer's fee of an associate as stock and transfer agent and group life insurance premium of an associate
Accrued interest payable	1,776,667	1,776,667	Accrued interest on loans with an annual interest ranging from 2.60% to 10.35% per annum
Loans payable	8,293,073,727	300,000,000	Short term loans from an associate at 2.6-3.5% per annum; secured
Interest income	287,445,669		Interest bearing at prevailing market rate; due and demandable; unsecured, no impairment

(Forward)



December 31, 2013			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Dividend income	₱263,107		Dividend income from investments in Metrobank
Management fee income	58,807,050		Management fee earned from MBTC and FMIC
Interest expense	83,058,611		Interest bearing at prevailing market rate; due and demandable
Miscellaneous expense	1,344,866		Retainers fees and trust fees incurred
<b>Jointly controlled entities</b>			
Dividend receivable	240,000,000	₱240,000,000	Dividend receivable from FLOC
Accounts payable	6,961,000	6,961,000	Payable to TMBC 30 to 60 days, non-interest-bearing
<b>Other related parties</b>			
Cash and cash equivalents	326,595,093		Interest bearing at prevailing market rate; due and demandable; Unsecured with no impairment.
Interest income	5,066,377		Interest income from cash and cash equivalents
Due from related parties	24,661,448	845,695,500	Non-interest bearing; due and demandable
Deposits	805,354	-	With interest of 7.34%; option agreement will expire on December 31, 2013; Unsecured with no impairment.
AFS debt securities		29,704,509	7 years, 5.68% to 5.75%; 10 years, 7.1875%; Unsecured; no impairment
Interest income	1,729,316		Interest income from AFS securities
Accrued expense	17,790,333	45,000	Telemarketing Charges with Metrobank Card Corporation
Loans payable	1,037,320,579	2,000,000,000	With interest ranging from 3.75% to 4%; Payable in 2015
Interest expense	76,799,829		Interest expense from loans payable
Due to related parties		188,385,414	Non-interest bearing; due and demandable
Liabilities on purchased properties	2,570,937,500	4,320,376,123	Unsecured with interest rate of 3.15% payable on 2022; no impairment.
Interest expense	117,206,668		Interest expense on purchased properties
Dividend income	982,200,000		Dividend income earned from FMIC and ORIX
Miscellaneous expense	59,693,036		Participation fee paid to the ultimate parent company in the private placement exercise
<b>Key management personnel</b>			
Rent income	310,982		Income from employees for car plans
Salaries and employee benefits	68,948,180		Salaries and benefits to employees
Director's fee	11,795,000		Per diems and bonuses to directors
December 31, 2012			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
<b>Subsidiaries</b>			
Prepaid expenses	₱44,196	₱44,196	Prepaid portion of the leased parking space from FedLand for January to March
Accounts payable	24,984	24,984	Reimbursement to FedLand
<b>Associates</b>			
Cash and cash equivalents	7,857,677,097	7,929,533,745	Savings, current and time deposit account with annual interest ranging 1.75% to 4.13%
Receivables	700,498	700,498	Interest bearing – MBTC
Deposits	20,000,000	20,000,000	Option price for the acquisition of additional investment in associates
Investments	4,500,000,965	29,048,058,992	Purchase of additional investment in associate
Land for development	785,520,000	785,520,000	Land acquired from MBTC
Accrued interest payable	79,058,738	79,058,738	Accrued interest on loans with an annual interest ranging from 3.80% to 10.35% per annum

(Forward)



December 31, 2012			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Loans payable	(₱5,014,270,680)	₱14,897,848,551	Unsecured - ₱0.85 billion, Secured - ₱1.99 billion; short term loans with prevailing interest rate ranging from 3.80% to 4.53% per annum. Secured - ₱12.06 billion, interest-bearing Payment of ₱4.76 billion was made for secured loans and ₱0.25 billion for unsecured loans.
Due to related parties	50,000	50,000	Non-interest bearing; due and demandable; Unsecured and with no impairment.
Dividend income	1,188,983,183		See discussion in Note 8
Interest income from banks	264,753,826		Income on savings and time deposit
Interest expense	1,359,177,608		Interest expense incurred on loans payable with MBTC and TCITRC
<b>Jointly controlled entities</b>			
Cash and cash equivalents	78,680,699	78,680,699	Interest bearing cash equivalents
Interest income	2,644,434		Income from loans from short-term investments
Interest expense	3,352,247		Interest on loans from SBC Properties and PBC Capital
<b>Other related parties</b>			
Cash and cash equivalents	820,656,572	820,656,572	Interest bearing at prevailing market rate; due and demandable; Unsecured with no impairment.
Long term loans receivable	610,775,830	610,775,830	Unsecured loans receivable with interest rate of 3.15% payable on 2022; no impairment.
Advances to officers and employees	32,218,151	32,218,151	Unsecured, non-interest bearing advances to officers and employees
Due from related parties	489,042,589	489,042,589	Non-interest bearing; due and demandable
Deposits	(2,000,000,000)	2,085,000,000	With interest of 7.34%; option agreement will expire on December 31, 2013; Unsecured with no impairment.
Land for development	776,006,920	776,006,920	Land acquired from World Trade Center and Titan Resources Corporation (see additional information below).
Other current assets	9,089,308	9,089,308	Interest bearing at prevailing market rate and will mature on 2013; Unsecured with no impairment.
Accrued interest payable	30,880,013	30,880,013	Interest accrued on loans
Loans payable	(141,289,916)	1,691,072,542	Secured, interest bearing loans, which bears annual interest ranging 10.27% to 10.35%, based on a three month MART 1 rate plus 4.00% spread
Due to related parties	191,264,721	191,264,721	Non interest bearing; due and demandable
Liabilities on purchased properties	2,580,574,771	2,580,574,771	Unsecured with interest rate of 3.15% payable on 2022; no impairment.
Management fee income	15,982,007		Non-interest bearing; due and demandable
Interest income from banks	41,272,862		Interest income from savings deposit and cash equivalents
Interest on deposits	257,736,632		Income from option deposit (Note 12)
Interest expense	136,037,184		Interest expense incurred on loans from FMIC and receivable from CFI.
Due to holders of non-controlling interest	378,463,322	378,463,322	Non-interest bearing operational advances; due and demandable
<b>Key management personnel</b>			
Accounts payable	174,250	174,250	Payable to director representing per diem and bonus
Rent income	183,750		Income from employees for car plans
Salaries and employee benefits	202,679,471		Salaries and benefits to employees
Director's fee	4,450,000		Per diems and bonuses to directors



Details of the transactions with affiliates are as follows:

*Land for development*

In 2012, Fed Land purchased (a) parcel of land located at Reclamation Area, Central Business Park 1-A, Pasay City at a total consideration of ₱234.66 million from WTCC, (b) parcel of land located at Taguig City for a total consideration of ₱785.52 million from MBTC (c) parcel of land located at Pasay City for a total consideration of ₱541.35 million from TRC. These parcels of land were acquired at their fair market value at the time of acquisition.

*Operating advances*

Due from and to related parties consist mostly of operating advances which are noninterest-bearing and due and demandable.

*Long-term cash investment*

On April 13, 2011, Fed Land invested long-term cash investments with a local bank to secure a loan obtained by an affiliate amounting to ₱2.44 billion. Fed Land recognized interest income from the assigned long-term cash investment amounting to ₱40.08 million in 2011.

In 2012, the said long-term cash investment was terminated and used to fully settle Fed Land's short-term loans.

*Long-term loans receivable*

In 2012, Fed Land entered into a loan agreement with Cathay International Resources Corp. (Borrower). Fed Land agrees to lend to the Borrower a total amount of ₱705.00 million with nominal interest rate of 3.15% annually. This loan will mature on the tenth year anniversary from the date of the execution of the agreement. The outstanding balance of long-term loans receivable as of December 31, 2012 amounted to ₱610.78 million.

The interest expense from day 1 difference recorded under "General and administrative expenses" in the consolidated statement of income amounted to ₱94.22 million.

*Deposits*

*Parent Company*

In October 22, 2012, the Parent Company and MBTC entered into MOU related to the acquisition of MBTC's 30.00% ownership interest in TMPC. Pursuant to the MOU, an option payment amounting to ₱20.00 million was given by the Parent Company to MBTC for the exclusive option to acquire the shares under the second tranche.

*Fed Land*

In 2011, Fed Land entered into an option agreement with its various affiliates (Grantor), whereby the Grantor grants and gives Fed Land the exclusive rights, for a period of three years to either (a) purchase the Property, (b) purchase the shares of stock of the Grantor which owns the Property, (c) to develop the property as Developer in joint venture with the Grantor's affiliates or (d) to undertake combination of any of the foregoing, as may be agreed upon the parties. The Group has outstanding deposits amounting to nil and ₱2.09 billion with 7.34% interest in 2013 and 2012, respectively.

In addition, the Grantor will reimburse Fed Land for its interest expense, borrowing cost and related expenses incurred in obtaining the option money. The Group recognized interest income amounting to ₱263.85 million and ₱257.74 million in 2013 and 2012, respectively.



*Affiliated bank loans*

The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 3.75% to 4.50% per annum in 2011 and 6.52% to 6.78% per annum in 2010 and 2009, respectively.

*Management fee*

Management fee amounting to ₱70.18 million, ₱41.14 million and ₱36.83 million in 2013, 2012 and 2011, respectively, pertains to the income received from a joint venture of Fed Land with Fed Land Orix Corporation (FLOC) and MBTC (Note 23).

*Lease agreements*

In 2011, Fed Land also leased its mall to some of its associates and affiliates. The lease term ranged from 5 to 10 years. The rental income on these leases amounted to ₱10.03 million and ₱8.57 million for 2011 and 2010, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2013, 2012 and 2011 follow:

	2013	2012	2011
Short-term employee benefits	₱111,560,155	₱195,072,227	₱58,406,499
Post employment benefits	49,782,006	7,607,244	3,469,682
	<b>₱161,342,161</b>	<b>₱202,679,471</b>	<b>₱61,876,181</b>

*Transactions with the Group Retirement Funds*

The retirement funds of the subsidiaries' employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2013 and 2012 amounted to ₱1.10 billion and ₱98.70 million, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2013 and 2012:

Category	December 31, 2013		
	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
<b>Associate</b>			
Savings deposit		₱276,533	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		14,100,000	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		7,101,096	Unsecured with no impairment
Interest income	₱219,568		Income earned from savings deposit
Gain on sale of shares	1,370,769		Income from sale of shares
Mark-to-market gain	287,396		Gain from mark-to-market of shares
<b>Parent</b>			
Investment in equity securities	-	5,087,480	Unsecured with no impairment
Gain on sale	2,877,808		Income from sale of shares
Mark-to-market gain	310,175		Gain from mark-to-market of shares



Category	December 31, 2012		
	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
<b>Associate</b>			
Savings deposit		₱69,884	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		6,030,000	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		734,400	Unsecured with no impairment
Interest income	₱112,032		Income earned from savings deposit
Gain on sale of shares	9,672		Income from sale of shares
Mark-to-market gain	67,396		Gain from mark-to-market of shares

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

## 28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made at least every one to three years.

Principal actuarial assumptions used to determine pension obligations follow:

January 1, 2013 Actuarial Assumptions				
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2013	3.50%	6.25%	5.65%
Power	-do-	5.00%	8.00%	4.66% - 6.14%
Non-life insurance	-do-	7.00%	10.00%	4.99%
Automotive	-do-	9.00%	5.00%-7.00%	4.90%-6.11%
Financial	-do-	-	8%	5.43%

January 1, 2012 Actuarial Assumptions				
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2012	6.00%	5.00%-8.00%	5.26%-6.24%
Power	-do-	6.00%	10.00%	5.35% - 6.12%
Financial	-do-	-	8%	5.89%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.





The net pension liability and asset recognized in the Group's statements of financial position are as follows:

		2013												
		Effect of business combination		Balance after business combination		Net benefit cost			Remeasurements in other comprehensive income				Contributions paid	December 31, 2013
January 1, 2013		Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included from net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal				
Present value of defined benefit obligation	₱631,313,168	₱2,157,293,976	₱2,788,607,144	₱227,983,529	₱146,203,647	₱374,187,176	(₱72,836,781)	₱-	₱4,751,767	(₱94,712,871)	(₱183,216,067)	(₱273,178,171)	₱-	₱2,816,779,368
Fair value of plan assets	(98,701,895)	(873,565,502)	(972,267,397)	-	(44,725,426)	(44,725,426)	20,163,736	(8,102,940)	-	-	-	(8,102,940)	(108,214,980)	(1,113,147,007)
Net defined benefit liability	₱532,611,273	₱1,283,728,474	₱1,816,339,747	₱227,983,529	₱101,478,221	₱329,461,750	(₱52,673,045)	(₱8,102,940)	₱4,751,767	(₱94,712,871)	(₱183,216,067)	(₱281,281,111)	(₱108,214,980)	₱1,703,632,361

		2012												
		Effect of business combination		Balance after business combination		Net benefit cost			Remeasurements in other comprehensive income				Contributions paid	December 31, 2012
January 1, 2012		Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal				
Present value of defined benefit obligation	₱566,356,367	₱71,118,800	₱35,853,035	₱106,971,835	(₱16,489,496)	₱-	(₱8,827,101)	(₱13,415,900)	(₱3,282,537)	(₱25,525,538)	₱-	₱631,313,168		
Fair value of plan assets	(90,728,412)	-	(1,244,189)	(1,244,189)	7,607,244	(14,336,538)	-	-	-	(14,336,538)	-	(98,701,895)		
Net defined benefit liability	₱475,627,955	₱71,118,800	₱34,608,846	₱105,727,646	(₱8,882,252)	(₱14,336,538)	(₱8,827,101)	(₱13,415,900)	(₱3,282,537)	(₱39,862,076)	₱-	₱532,611,273		

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.



The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	2013	2012
Cash and cash equivalents	₱74,857,144	₱4,749,087
Investment in government securities	693,457,738	75,060,979
Investment in equity securities	162,728,547	8,840,166
Investment in debt and other securities	63,800,661	3,878,895
Investment in mutual funds	15,241,230	-
Receivables	7,851,213	301,462
Others	95,210,474	5,871,306
	<b>₱1,113,147,007</b>	<b>₱98,701,895</b>

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	December 31, 2013	
	Possible Fluctuations	Increase (Decrease)
Discount rates	+1%	(₱489,919,722)
	-1%	607,053,371
Turnover rate	+1%	(34,624,950)
	-1%	38,705,250
Future salary increase rate	+1%	599,310,655
	-1%	(490,661,296)

The Group expects to contribute ₱105.85 million to its defined benefit pension plan in 2014.

The average duration of the defined benefit retirement liability at the end of the reporting period is 17.87 years for the Group.

## 29. Income Taxes

Provision for income tax account consists of:

	2013	2012 (As restated - Note 2)	2011
Current	₱1,736,415,071	₱120,152,710	₱59,934,300
Deferred	17,579,768	144,923,530	76,273,791
Final	49,275,282	22,574,356	12,571,044
	<b>₱1,803,270,121</b>	<b>₱287,650,596</b>	<b>₱148,779,135</b>



The components of the Group's deferred taxes as of December 31, 2013 and 2012 are as follow:

Net deferred tax asset:

	2013	2012 (As restated - Note 2)
<b>Deferred tax asset on:</b>		
Retirement benefit obligation	<b>₱485,285,082</b>	₱124,108,933
Warranties payable and other provisions	<b>269,892,617</b>	17,258,550
Allowance for probable losses	<b>229,086,607</b>	1,835,950
Capitalized commissioning income	<b>115,734,529</b>	91,880,136
NOLCO	<b>97,235,999</b>	112,574,052
Decommissioning liability	<b>57,798,142</b>	32,616,214
Unearned premiums	<b>42,523,751</b>	-
Accrued expenses	<b>40,316,088</b>	20,076,902
Allowance for impairment losses	<b>39,970,139</b>	674,073
Others	<b>40,527,930</b>	9,838,740
	<b>1,418,370,884</b>	410,863,550
<b>Deferred tax liability on:</b>		
Costs of generation capitalized during construction	<b>90,013,982</b>	-
Deferred financing cost	<b>69,834,890</b>	58,084,306
Deferred acquisition costs	<b>64,912,883</b>	-
Dismantling costs	<b>36,125,990</b>	22,094,745
Fair value adjustment on acquisition - by Parent	<b>33,707,943</b>	-
Others	<b>14,603,810</b>	-
	<b>309,199,498</b>	80,179,051
<b>Net deferred tax asset</b>	<b>₱1,109,171,386</b>	<b>₱330,684,499</b>

Net deferred liability:

	2013	2012 (As restated - Note 2)
<b>Deferred tax asset on:</b>		
Fair value adjustment on acquisition - by Parent	<b>₱34,087,631</b>	₱-
Retirement benefit obligation	<b>32,109,122</b>	31,368,525
Unamortized discount on receivables	<b>26,061,686</b>	34,541,983
Deferred gross profit	<b>10,974,011</b>	-
NOLCO	<b>102,179</b>	101,033,995
Others	<b>13,414,146</b>	67,565,437
	<b>116,748,775</b>	234,509,940
<b>Deferred tax liability on:</b>		
Fair value adjustment on acquisition - by Parent	<b>2,850,921,020</b>	560,826,095
Fair value adjustment on acquisition - by subsidiaries	<b>226,373,419</b>	246,058,064
Deferred financing cost	<b>154,611,358</b>	169,592,581
Earned interest income	<b>61,457,003</b>	23,198,482
Capitalized net income	<b>11,738,793</b>	66,335,015
Deferred gross profit	<b>-</b>	49,256,057
Others	<b>63,388,028</b>	54,750,356
	<b>3,368,489,621</b>	1,170,016,650
<b>Net deferred tax liability</b>	<b>₱3,251,740,846</b>	<b>₱935,506,710</b>



The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

As of December 31, 2013, 2012 and 2011, the Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2013	₱1,052,769,050	₱-	₱1,052,769,050	2016
2012	968,338,310	-	968,338,310	2015
2011	632,568,376	-	632,568,376	2014
2010	331,942,224	331,942,224	-	2013
	<b>₱2,985,617,960</b>	<b>₱331,942,224</b>	<b>₱2,653,675,736</b>	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2013	₱217,786	₱-	₱217,786	2016
2012	446,800	-	446,800	2015
2011	17,559	-	17,559	2014
2010	1,587,387	1,587,387	-	2013
	<b>₱2,269,532</b>	<b>₱1,587,387</b>	<b>₱682,145</b>	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2013	2012 (As restated)	2011
Provision for income tax computed at statutory rate	<b>30.00%</b>	30.00%	30.00%
Tax effects of:			
Interest income subjected to final tax	<b>(0.22)</b>	(0.18)	(0.57)
Nondeductible interest and other expenses	<b>(3.51)</b>	(0.03)	0.23
Change in unrecognized deferred tax asset	<b>2.50</b>	-	5.56
Nontaxable income	<b>(16.19)</b>	(26.57)	(31.09)
	<b>12.58%</b>	3.22%	4.13%

Board of Investments (BOI) Incentives of Fed Land

On various dates in 2009 and 2008, the BOI issued Certificates of Registration as a New Developer of Mass Housing Project for its two (2) real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three (3) to four (4) years. The projects namely: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012. The projects namely: The Capital Towers-Beijing, Marquinton Gardens Terraces-Toledo, Oriental Gardens-Lilac and Peninsula Garden Midtown Homes-Tower A are entitled to ITH in years 2009 to 2013. Oriental Garden Heights - A, B and C in 2010 to 2014 and Marquinton Garden Terraces - Valderrama Tower in 2010 to 2013.



### 30. Lease Commitment

#### *The Group as a lessee*

The Group is a party under various lease agreements including the lease of premises occupied by the head office, land leased for the Group's mall and gasoline station as well as office space leased for the Group's branches. Lease terms under these agreements range from 1 to 10 years. These lease agreements also include rent of parking space for a lease term of three years. The Group's rentals incurred on the lease for its mall and gasoline stations are presented as 'Overhead' and included in the cost of goods and services sold account, amounting to ₱30.97 million, ₱24.19 million and ₱27.85 million in 2013, 2012 and 2011, respectively (Note 25).

As of December 31, 2013 and 2012, the future minimum rental payments are as follows:

	2013	2012
Within one year	₱39,201,598	₱42,170,417
After one year but not more than five years	98,891,027	92,897,086
	<b>₱138,092,625</b>	<b>₱135,067,503</b>

#### *The Group as a lessor*

Fed Land leases its mall to different parties as well as Toyota Motors which leases its land through non-cancellable leases to various counterparties. The lease term ranges from 5 to 10 years. The Group's rental income on these leases amounted to ₱592.04 million, ₱233.44 million, and ₱238.00 billion in 2013, 2012 and 2011, respectively (Note 9).

As of December 31, 2013 and 2012, the future minimum receipts from these lease commitments are as follows:

	2013	2012
Within one year	₱527,362,863	₱487,926,149
After one year but not more than five years	1,202,054,987	1,256,010,629
More than five years	254,680,118	75,908,411
	<b>₱1,984,097,968</b>	<b>₱1,819,845,189</b>

### 31. Business Combinations

2013

#### Acquisition of Toyota

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 MOU 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 acquisition of Toyota was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's 36.00% direct ownership interest over Toyota was regarded as the previously held interest and remeasured at fair value.



The Group engaged a third party valuer, FTI Consulting, Inc., to conduct a purchase price allocation. The Group elected to measure the non-controlling interest in Toyota at the proportionate share of the non-controlling interest in the fair value of the identifiable net assets of Toyota, amounting to ₱6.88 billion.

As of January 31, 2013, the fair values of the identifiable assets and liabilities of Toyota were finalized as follows:

<b>Assets</b>	
Cash and cash equivalents	₱8,581,503,619
Receivables	2,384,910,913
Inventories	5,256,937,104
AFS investments	560,349,347
Prepayments and other current assets	657,124,867
Property, plant and equipment	3,168,629,863
Investment properties	2,251,349,832
Deferred tax assets	421,764,219
Other non-current assets	337,258,975
Intangible assets - customer relationship (Note 13)	3,883,238,361
	<hr/>
	27,503,067,100
<b>Liabilities</b>	
Accounts payable and accrued expenses	10,873,614,987
Loans payable	290,000,000
Income tax payable	51,952,821
Long-term debt	229,481,790
Deferred tax liability	2,232,084,208
	<hr/>
	13,677,133,806
<b>Total identifiable net assets at fair value</b>	<b>₱13,825,933,294</b>

The gross contractual amount of receivable acquired amounted to ₱2.44 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱6,879,802,794
Fair value of previously held interest	8,006,101,371
Cash consideration	4,536,985,322
	<hr/>
	₱19,422,889,487

The fair value of the previously held interest of ₱1,435.33 per share was based on the valuation of a third party valuer. The Company recognized gain on the revaluation of the previously held interest amounting to ₱1.99 billion and is reported under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱5.60 billion computed as follows:

Total consideration transferred	₱19,422,889,487
Less: Fair value of identifiable net assets including intangible assets	13,825,933,294
<b>Goodwill</b>	<b>₱5,596,956,193</b>



Goodwill arising from the acquisition of Toyota Group is allocated entirely to the operations of Toyota. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Toyota Group has contributed gross revenues totaling ₱75.13 billion and net income amounting to ₱3.94 billion to the Group. If the business combination with Toyota has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱111.04 billion and ₱8.67 billion, respectively.

Acquisition of 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 ₱614.3 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.

The acquisition of Ping An was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over Ping An through its associate MBTC which owns 99.23% of FMIC which in turn owns 33.33% of Ping An before the business combination date was regarded as the previously held interest and remeasured at fair value. The accounting for the business combination was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. The Group elected to measure the non-controlling interest in Ping An at the proportionate share of the non-controlling interest in the identifiable net assets of Ping An.

As of October 1, 2013, the provisional fair values of the identifiable assets and liabilities of Ping An is as follows:

<b>Assets</b>	
Cash and cash equivalents	₱52,376,512
Short-term investments	874,410,676
Receivables	1,615,879,399
Reinsurance assets	3,701,512,371
Deferred acquisition cost	221,204,997
Prepayments and other current assets	25,589,459
AFS investments	1,208,433,444

(Forward)



Property, plant and equipment	₱195,469,447
Other non-current assets	18,736,582
	<u>7,913,612,887</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	618,336,186
Insurance contract liabilities	5,326,709,306
Insurance payable	373,629,735
Deferred reinsurance commission	44,005,499
Income tax payable	43,944,818
Other current liabilities	68,066,431
Pension liability	29,707,977
Deferred tax liability	38,535,272
	<u>6,542,935,224</u>
<b>Total identifiable net assets at fair value</b>	<b>₱1,370,677,663</b>

Total contractual amount of receivables amounted to ₱1.64 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱343,050,222
Fair value of previously held interest	162,160,900
Cash consideration	1,419,620,522
	<u>₱1,924,831,644</u>

Based on preliminary valuation, the fair value of the previously held interest is ₱557.84 per share. The Company recognized a gain on the revaluation of the previously held interest amounting to ₱59.5 million reported under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱554.15 million computed as follows:

Total consideration transferred	₱1,924,831,644
Less: Fair value of identifiable net assets	1,370,677,663
Goodwill	<u>₱554,153,981</u>

None of the goodwill is expected to be deductible for income tax purposes. Goodwill arising from the acquisition of Charter Ping An is allocated to the operations of Charter Ping An.

From the date of acquisition, Charter Ping An has contributed gross revenues totaling ₱547.84 million and net income amounting to ₱34.58 million to the Group. If the business combination with Charter Ping An has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱106.70 billion and ₱8.76 billion, respectively.

#### Common Control Business Combination

On February 18, 2013, the BOD approved the merger of Federal Land with its two subsidiaries namely: Fedsales Marketing, Inc. and Omni-Orient Marketing Network, Inc. wherein Federal Land will be the surviving entity and the two (2) subsidiaries will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on November 29, 2013.





As a result of the merger, non-controlling interest amounting to ₱2.59 million arising from the previous consolidation of OOMNI in Fed Land was reversed and reflected as part of 'Other equity adjustment' account in the consolidated statement of financial position.

Also on May 8, 2013, the BOD of HLRDC, SHDC and HLPDC approved the merger of the three (3) entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on October 21, 2013.

2012

Acquisition of GBPC

As of December 31, 2011, the Parent Company had an indirect interest of 7.61% over GBPC through its investment in MBTC-FMIC. The Parent Company also had deposits for future subscription (DFS) amounting to ₱3.40 billion while FMIC had DFS to GBPC amounting to ₱5.59 billion.

On December 9, 2011, as part of the Parent Company's plan to acquire control over GBPC, the Parent Company and GBPC entered into a Subscription Agreement which provided that of the planned increase of ₱760.00 million in GBPC's authorized capital stock, the Parent Company shall subscribe to and purchase, and GBPC agrees to issue and sell, 117,067,800 shares with par value of ₱100.00 per share, for a total consideration of ₱3.40 billion.

On January 16, 2012, the SEC approved the application for the increase in authorized capital stock and reduction in the par value of common shares of GBPC from ₱100.00 per share to ₱1.00 per share. Upon approval of the increase, the Parent Company's DFS in GBPC was converted into 117,067,800 common shares representing interest of 21.04% in GBPC while FMIC's DFS was converted to 195,058,600 common shares representing interest of 35.06% in GBPC and a corresponding increase of 4.48% in the Parent Company's indirect interest over GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with a third party to acquire and transfer 35,504,900 and 38,863,000 common shares of GBPC, respectively, with the third party as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.24 billion and ₱1.36 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37% interest over GBPC.

The Parent Company acquired an additional 11.89% direct interest over GBPC for a total direct interest of 50.89%.

The acquisition of GBPC was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over GBPC through its associate MBTC which owns 98.06% of FMIC which in turn owns 38.09% of GBPC before the business combination date was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer, FTI Consulting, Inc., to conduct a purchase price allocation. The fair value of the identifiable assets and liabilities was finalized in April 2013. The Group elected to measure the non-controlling interest in GBPC at the proportionate share of the non-controlling interest in the identifiable net assets of GBPC.



As of April 30, 2013, the fair values of the identifiable assets and liabilities of GBPC were finalized as follows:

<b>Assets</b>	
Cash and cash equivalents	₱10,506,427,392
Receivables	3,935,964,042
Inventories	895,882,766
Prepayments and other current assets	1,212,354,008
Receivables from affiliates	427,605,411
Property, plant and equipment	33,492,302,035
Investments and other non-current assets	3,077,687,617
Intangible assets (Note 13)	8,995,160,191
	62,543,383,462
<b>Liabilities</b>	
Accounts payable and accrued expenses	3,103,143,856
Long-term debt	34,260,023,586
Other liabilities	854,225,652
Deferred tax liability	593,256,587
	38,810,649,681
<b>Total identifiable net assets at fair value</b>	<b>₱23,732,733,781</b>

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱15,238,649,131
Fair value of previously held interest	690,643,951
Cash consideration and cost of indirect interest	7,375,910,045
	<b>₱23,305,203,127</b>

The fair value of the previously held interest of ₱37.81 per share was based on the valuation of FTI Consulting, Inc. The Company recognized a loss on the revaluation of the previously held interest amounting to ₱53.95 million.

The business combination resulted in a gain on bargain purchase amounting to ₱427.53 million computed as follows:

Total consideration transferred	₱23,305,203,127
Less: Fair value of identifiable net assets including intangible assets	(23,732,733,781)
Gain on bargain purchase	<b>(₱427,530,654)</b>

#### Acquisition of Non-Controlling Interest

##### *GBPC*

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC to 39.00%.

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC to 50.89%.



*Fed Land*

On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80.00% to 100.00%.

These acquisitions were accounted for as change in ownership without loss of control and are accounted for as equity transactions. Total negative other equity adjustments recognized from these acquisitions amounted to ₱681.07 million (Note 22).

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### 32. 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 December 31, 2013 and 2012. 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 short term in 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 and loans payable 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 December 31, 2013 and 2012.



*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 on December 20, 2012 with 3.00% interest per annum.

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.

	Carrying Value	2013			Total
		Level 1	Level 2	Level 3	
<b>Financial Assets</b>					
Loans and receivables					
Installment contracts receivable	₱5,819,661,101	₱-	₱-	₱7,690,378,192	₱7,690,378,192
AFS investments					
Government securities	480,269,424	-	480,269,424	-	480,269,424
Quoted debt securities	1,153,068,021	1,153,068,021	-	-	1,153,068,021
Quoted equity securities	1,505,540,179	1,505,540,179	-	-	1,505,540,179
<b>Total Financial Assets</b>	<b>₱8,958,538,725</b>	<b>₱2,658,608,200</b>	<b>₱480,269,424</b>	<b>₱-</b>	<b>₱10,829,255,816</b>
<b>Non-Financial Assets</b>					
Investment properties	₱8,328,668,533	₱-	₱-	₱7,690,378,192	₱7,690,378,192
<b>Financial Liabilities</b>					
Loans payable	₱45,692,608,996	₱-	₱47,609,127,777	₱-	₱47,609,127,777
Bonds payable	9,903,088,308	-	9,994,354,200	-	9,994,354,200
<b>Total Financial Liabilities</b>	<b>₱55,595,697,304</b>	<b>₱-</b>	<b>₱57,603,481,977</b>	<b>₱-</b>	<b>₱57,603,481,977</b>

	Carrying Value	2012			Total
		Level 1	Level 2	Level 3	
<b>Financial Assets</b>					
Loans and receivables					
Installment contracts receivable	₱3,925,822,347	₱-	₱-	₱3,925,822,347	₱3,925,822,347
AFS investments					
Government securities	9,921,760	-	9,921,760	-	9,921,760
Quoted equity securities	1,050,165,533	1,050,165,533	-	-	1,050,165,533
<b>Total Financial Assets</b>	<b>₱4,985,909,640</b>	<b>₱1,050,165,533</b>	<b>₱9,921,760</b>	<b>₱3,925,822,347</b>	<b>₱4,985,909,640</b>
<b>Non-Financial Assets</b>					
Investment properties	₱8,328,668,533	₱-	₱-	₱13,121,349,832	₱13,121,349,832
<b>Financial Liabilities</b>					
Loans payable	₱55,753,027,791	₱-	₱60,456,580,305	₱-	₱60,456,580,305

As of December 31, 2013 and 2012, 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:

	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>
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.



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### 33. Financial Risk Management and Objectives

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, AFS investments, accounts and other payable, due to/from related parties, and loans payable.

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

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

The use of financial derivative instruments (if any) is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

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

#### 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 comprised 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 post dated 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.

#### *a. Maximum exposure to credit risk after taking into account collateral held or other credit enhancements*

As of December 31, 2013 and 2012, 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.



As of December 31, 2011, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable and loans receivable. The maximum exposure to credit risk of the installment contracts receivable is nil since the fair value of the condominium units collateral is greater than the carrying value of the installment contracts receivable. The maximum exposure to credit risk of the loans receivable amounted to ₱1.24 billion since ₱1.36 billion of the loans receivable was secured by the shares of GBPC with fair value amounting to ₱1.47 billion.

*b. Credit quality per class of financial assets*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment-based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

AFS investments - quoted AFS investments is based on the quoted market bid prices at the close of business on the reporting date while the unquoted financial assets are unrated.



The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2013							
	Neither Past Due Nor Individually Impaired				Total	Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	P-				
Cash and cash equivalents* (Note 4)	₱27,161,145,896	₱-	₱-	₱-	₱27,161,145,896	₱-	₱-	₱27,161,145,896
Short-term Investments	1,466,463,867	-	-	-	1,466,463,867	-	-	1,466,463,867
Receivables (Note 5)								
Trade receivables	7,412,130,179	-	-	-	7,412,130,179	610,924,329	9,923,816	8,032,978,324
Installment contracts receivable	2,301,427,513	2,412,942,503	628,024,445	-	5,342,394,461	475,615,793	1,650,847	5,819,661,101
Insurance receivables	1,622,829,840	-	-	-	1,622,829,840	-	-	1,622,829,840
Accrued rent and commission income	335,682,637	-	-	-	335,682,637	-	-	335,682,637
Loans receivable	719,934,106	-	-	-	719,934,106	-	-	719,934,106
Dividends receivable	240,000,000	-	-	-	240,000,000	-	-	240,000,000
Nontrade receivables	198,940,565	-	-	-	198,940,565	-	-	198,940,565
Others	309,890,868	15,183,102	835,903	-	325,909,873	77,028,664	30,028,493	432,967,030
Due from related parties (Note 27)	849,398,310	-	-	-	849,398,310	-	-	849,398,310
AFS investments (Note 10)								
Equity securities								
Quoted	1,497,970,179	-	-	-	1,497,970,179	-	-	1,497,970,179
Unquoted	480,269,424	-	-	-	480,269,424	-	-	480,269,424
Quoted debt securities	1,132,556,640	-	-	-	1,132,556,640	-	-	1,132,556,640
	<b>₱45,728,640,024</b>	<b>₱2,428,125,605</b>	<b>₱628,860,348</b>	<b>₱-</b>	<b>₱48,785,625,977</b>	<b>₱1,163,568,786</b>	<b>₱41,603,156</b>	<b>₱49,990,797,919</b>

\*Excludes cash on hand amounting to ₱5,742,556

	December 31, 2012							
	Neither Past Due Nor Individually Impaired				Total	Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	P-				
Cash and cash equivalents (Note 4)	₱11,546,836,848	₱-	₱-	₱-	₱11,546,836,848	₱-	₱-	₱11,546,836,848
Receivables (Note 5)								
Trade receivables	2,855,506,580	918,642,474	-	-	3,774,149,054	774,218,711	-	4,548,367,765
Installment contracts receivable	3,532,379,328	-	-	-	3,532,379,328	393,443,019	-	3,925,822,347
Loans receivable	742,819,163	-	-	-	742,819,163	-	-	742,819,163
Accrued rent and commission income	148,605,645	-	-	-	148,605,645	-	-	148,605,645
Others	298,220,802	-	-	-	298,220,802	-	4,617,424	302,838,226
Due from related parties (Note 27)	489,042,589	-	-	-	489,042,589	-	-	489,042,589
AFS investments (Note 10)								
Quoted	1,050,165,533	-	-	-	1,050,165,533	-	-	1,050,165,533
Unquoted	9,921,760	-	-	-	9,921,760	-	-	9,921,760
	<b>₱20,673,498,248</b>	<b>₱918,642,474</b>	<b>₱-</b>	<b>₱-</b>	<b>₱21,592,140,722</b>	<b>₱1,167,661,730</b>	<b>₱4,617,424</b>	<b>₱22,764,419,876</b>

\*Excludes cash on hand amounting to ₱6,451,650





As of December 31, 2013 and 2012, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2013									
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired					Total	Individually Impaired	Total	
		<30 days	30-60 days	61-90 days	91-120 days	>120 days				
Cash and cash equivalents (Note 4)	₱27,166,888,452	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱27,166,888,452	
Short-term investment	1,466,463,867	-	-	-	-	-	-	-	1,466,463,867	
Receivables (Note 5)										
Trade receivable	7,521,518,936	209,793,262	108,323,500	3,326,557	181,297,997	6,474,437	509,215,753	2,243,635	8,032,978,324	
Installment contracts receivable	5,342,394,460	96,681,907	52,542,331	61,146,857	27,909,477	237,335,220	475,615,792	1,650,849	5,819,661,101	
Insurance Receivables	1,051,504,220	92,906,206	39,502,507	41,582,476	359,865,628	-	533,856,817	37,468,803	1,622,829,840	
Loans receivable	719,934,106	-	-	-	-	-	-	-	719,934,106	
Dividend receivable	240,000,000	-	-	-	-	-	-	-	240,000,000	
Accrued rent and commission income	335,682,637	-	-	-	-	-	-	-	335,682,637	
Non-trade receivable	198,940,565	-	-	-	-	-	-	-	198,940,565	
Others	413,486,694	738,053	1,440,010	1,269,083	13,717,989	2,315,201	19,480,336	-	432,967,030	
Due from related parties (Note 27)	849,398,310	-	-	-	-	-	-	-	849,398,310	
AFS investments (Note 10)										
Equity securities										
Quoted	1,497,970,179	-	-	-	-	-	-	-	1,497,970,179	
Unquoted	480,269,424	-	-	-	-	-	-	-	480,269,424	
Quoted debt securities	1,124,248,174	-	-	-	-	-	-	8,308,466	1,132,556,640	
	<b>₱48,408,700,024</b>	<b>₱400,119,428</b>	<b>₱201,808,348</b>	<b>₱107,324,973</b>	<b>₱582,791,091</b>	<b>₱246,124,858</b>	<b>₱1,538,168,698</b>	<b>₱49,671,753</b>	<b>₱49,996,540,475</b>	



	December 31, 2012								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired					Total	Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
Cash and cash equivalents (Note 4)	₱11,553,288,498	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱11,553,288,498
Receivables (Note 5)									
Trade receivable	3,774,149,054	273,650,902	111,349,644	78,761,201	304,074,602	6,382,362	774,218,711	-	4,548,367,765
Installment contracts receivable	3,532,379,328	75,835,456	39,504,499	40,690,797	44,921,009	192,491,258	393,443,019	-	3,925,822,347
Loans receivable	742,819,163	-	-	-	-	-	-	-	742,819,163
Accrued rent and commission income	148,605,645	-	-	-	-	-	-	-	148,605,645
Others	298,220,802	-	-	-	-	-	-	4,617,424	302,838,226
Due from related parties (Note 27)	489,042,589	-	-	-	-	-	-	-	489,042,589
AFS investments (Note 10)									
Quoted	1,050,165,533	-	-	-	-	-	-	-	1,050,165,533
Unquoted	9,921,760	-	-	-	-	-	-	-	9,921,760
	₱21,598,592,372	₱349,486,358	₱150,854,143	₱119,451,998	₱348,995,611	₱198,873,620	₱1,167,661,730	₱4,617,424	₱22,770,871,526



*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 tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2013			
	< 1 year	> 1 to < 5 years	> 5 years	Total
<b>Financial assets</b>				
Cash and cash equivalents (Note 4)	₱28,416,018,465	₱-	₱-	₱28,416,018,465
Short-term investments (Note 4)	2,016,387,817	-	-	2,016,387,817
Receivables (Note 5)				
Trade receivable	8,032,978,324	-	-	8,032,978,324
Installment contracts receivable	2,771,155,157	3,859,481,354	52,862,327	6,683,498,838
Insurance receivables	1,622,829,840	-	-	1,622,829,840
Loans receivable	30,091,649	156,598,649	804,630,064	991,320,362
Dividends receivable	240,000,000	-	-	240,000,000
Accrued commission income	335,682,637	-	-	335,682,637
Nontrade receivables	198,940,565	-	-	198,940,565
Others	432,967,030	-	-	432,967,030
Due from related parties (Note 27)	849,398,310	-	-	849,398,310
AFS investments (Note 10)				
Equity Securities				
Quoted	-	-	1,497,970,179	1,497,970,179
Unquoted	-	-	480,269,424	480,269,424
Debt	31,074,450	285,979,794	836,013,777	1,153,068,021
<b>Total undiscounted financial assets</b>	<b>₱44,977,524,244</b>	<b>₱4,302,059,797</b>	<b>₱3,671,745,771</b>	<b>₱52,951,329,812</b>
<b>Other financial liabilities</b>				
Accounts and other payables (Note 15)				
Trade	₱7,590,142,735	₱-	₱-	₱7,590,142,735
Telegraphic Transfers and drafts and acceptance payable	5,819,661,101	-	-	5,819,661,101
Accrued expenses	3,698,807,355	-	-	3,698,807,355
Deferred output tax	2,454,049,984	-	-	2,454,049,984
Retentions payable	500,417,643	-	-	500,417,643
Accrued interest	389,752,174	-	-	389,752,174
Accrued commission	367,772,684	-	-	367,772,684
Insurance payable	296,242,243	-	-	296,242,243
Others	1,046,599,001	-	-	1,046,599,001
Loans payable (Note 17)	1,092,492,332	36,613,052,569	17,335,750,224	55,041,295,125
Bonds payable (Note 17)	489,175,200	1,956,700,800	11,268,212,840	13,714,088,840
Due to related parties (Note 27)	188,385,414	-	-	188,385,414
Liabilities on purchased properties	-	1,486,916,469	3,873,645,362	5,360,561,831
<b>Total undiscounted financial liabilities</b>	<b>₱23,933,497,866</b>	<b>₱40,056,669,838</b>	<b>₱32,477,608,426</b>	<b>₱96,467,776,130</b>
<b>Liquidity Gap</b>	<b>₱21,044,026,378</b>	<b>(₱35,754,610,041)</b>	<b>(₱28,805,862,655)</b>	<b>(₱43,516,446,318)</b>

\*Excludes cash on hand amounting to ₱5,742,556



	December 31, 2012			Total
	< 1 year	> 1 to < 5 years	> 5 years	
<b>Financial assets</b>				
Cash and cash equivalents (Note 4)	₱11,561,739,415	₱-	₱-	₱11,561,739,415
<b>Receivables (Note 5)</b>				
Trade receivable	3,957,368,507	673,056,989	5,745,676	4,636,171,172
Installment contracts receivable	2,247,979,452	2,129,597,469	40,338,458	4,417,915,379
Loans receivable	22,207,500	220,873,333	816,037,500	1,059,118,333
Accrued rent and commission income	148,605,645	-	-	148,605,645
Others	140,815,196	-	-	140,815,196
Due from related parties (Note 27)	489,042,589	-	-	489,042,589
<b>AFS investments (Note 10)</b>				
Quoted	-	-	1,050,165,533	1,050,165,533
Unquoted	-	-	9,921,760	9,921,760
<b>Total undiscounted financial assets</b>	<b>₱18,567,758,304</b>	<b>₱3,023,527,791</b>	<b>₱1,922,208,927</b>	<b>₱23,513,495,022</b>
<b>Other financial liabilities</b>				
<b>Accounts and other payables (Note 15)</b>				
Trade	₱3,986,382,998	₱7,500,000	₱-	₱3,993,882,998
Deferred output tax	1,373,645,486	-	-	1,373,645,486
Accrued expenses	1,203,694,170	-	-	1,203,694,170
Accrued interest	346,055,359	-	-	346,055,359
Retentions payable	294,632,748	-	-	294,632,748
Accrued commission	42,917,890	-	-	42,917,890
Others	119,030,223	2,859,970	-	121,890,193
Dividends payable	1,948,727,265	-	-	1,948,727,265
Loans payable (Note 17)	18,668,326,386	32,742,778,554	19,349,562,698	70,760,667,638
Due to related parties (Note 27)	191,264,721	-	-	191,264,721
Liabilities on purchased properties	-	888,140,064	2,313,741,028	3,201,881,092
<b>Total undiscounted financial liabilities</b>	<b>₱28,174,677,246</b>	<b>₱33,641,278,588</b>	<b>₱21,663,303,726</b>	<b>₱83,479,259,560</b>
<b>Liquidity Gap</b>	<b>(₱9,606,918,942)</b>	<b>(₱30,617,750,797)</b>	<b>(₱19,741,094,799)</b>	<b>(₱59,965,764,538)</b>

\*Excludes cash on hand amounting to ₱6,451,650

#### 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 are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US\$8.55 million and JP¥3.24 million as of December 31, 2013 and US\$6.24 million and nil as of December 31, 2012. Short-term investments denominated in foreign currency amounted to US\$27.31 million and JP¥76.00 million as of December 31, 2013 and nil as of December 31, 2012.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱44.40 to US\$1.00 and ₱41.05 to US\$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.42 to JP¥1.00 and nil, the Philippine peso-Japan Yen exchange rates as at December 31, 2013 and 2012, respectively.



The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2013 and 2012. There is no other impact on the Group's equity other than those already affecting the statements of comprehensive income.

Reasonably Possible Change	Increase (Decrease) in Income Before Tax			
		2013	2012	2011
US\$	₱1.00	(₱2,510,102,063)	₱6,236,619	₱7,207
	(1.00)	2,510,102,063	(6,236,619)	(7,207)
JP¥	1.00	(1,853,268)	-	-
	(1.00)	1,853,268	-	-

*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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

Reasonably Possible Changes in Interest Rates	Increase (decrease) in income before tax		
	2013	2012	2011
100 basis points (bps)	(₱155,702,489)	(₱174,197,246)	(₱817,461,000)
100 bps	155,702,489	174,197,246	817,461,000

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

*Equity price risk*

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.



The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2013	<b>Increase by 23.31%</b>	<b>₱79,769,658</b>
	<b>Decrease by 23.31%</b>	<b>79,769,658</b>
2012	Increase by 14.01%	97,559,778
	Decrease by 14.01%	(97,559,778)

### 34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2013 and 2012 were computed as follows:

	2013	2012 (As restated - Note 2)	2011
Net income attributable to Parent Company	<b>₱8,640,186,114</b>	₱6,589,727,953	₱3,324,399,379
Weighted average number of shares	<b>173,853,425</b>	148,081,967	125,000,000
	<b>₱49.70</b>	₱44.50	₱26.60

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

### 35. 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; and
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;

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.

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.



The following tables present the financial information of the operating segments of the Group (amounts in thousands) as of and for the years ended December 31, 2013, 2012 and 2011:

	December 31, 2013					Total
	Real Estate	Financial Institution	Automotive Operations	Power*	Others	
Revenue	₱5,359,112	₱504,585	₱74,358,719	₱16,944,069	₱-	₱97,166,485
Other income	1,042,486	43,263	109,054	100,182	2,069,099	3,364,084
Equity in net income of associates and joint ventures	410,249	3,058,216	119,345	-	-	3,587,810
	6,811,847	3,606,064	74,587,118	17,044,251	2,069,099	104,118,379
Cost of goods and services sold	619,600	-	44,849,860	-	-	45,469,460
Cost of goods manufactured	-	-	19,986,100	-	-	19,986,100
Cost of real estate sales	3,666,932	-	-	-	-	3,666,932
Power plant operation and maintenance	-	-	-	8,945,436	-	8,945,436
Net insurance benefits	-	289,525	-	-	-	289,525
General and administrative expenses	1,732,919	235,939	4,282,206	2,842,079	300,568	9,393,711
	6,019,451	525,464	69,118,166	11,787,515	300,568	87,751,164
Earnings before interest and taxes	792,396	3,080,600	5,468,952	5,256,736	1,768,531	16,367,215
Depreciation and amortization	164,248	5,785	190,432	2,492,320	4,489	2,857,274
EBITDA	956,644	3,086,385	5,659,384	7,749,056	1,773,020	19,224,489
Interest income	1,043,592	16,252	177,061	133,561	58,563	1,429,029
Interest expense	(620,928)	(420)	(87,282)	(2,153,906)	(599,787)	(3,462,323)
Depreciation and amortization	(164,248)	(5,785)	(190,432)	(2,492,320)	(4,489)	(2,857,274)
Pretax income	1,215,060	3,096,432	5,558,731	3,236,391	1,227,307	14,333,921
Provision for income tax	203,969	3,640	1,506,595	77,353	11,713	1,803,270
Net income	₱1,011,091	₱3,092,792	₱4,052,136	₱3,159,038	₱1,215,594	₱12,530,651
Segment assets	₱27,310,535	₱8,239,989	₱29,179,086	₱50,586,094	₱77,044,142	₱192,359,846
Segment liabilities	₱24,655,375	₱7,897,017	₱17,957,456	₱38,519,309	₱10,766,934	₱99,796,091

\* Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱196.97 million





December 31, 2012 (As restated - Note 2)

	Real Estate	Financial Institution	Automotive Operations	Power*	Others	Total
Revenue	₱2,861,738	₱-	₱-	₱12,845,110	₱-	₱15,706,848
Other income	2,058,724	-	-	69,879	373,765	2,502,368
Equity in net income of associates and joint ventures	225,651	3,045,293	631,152	-	-	3,902,096
	5,146,113	3,045,293	631,152	12,914,989	373,765	22,111,312
Cost of real estate sales	1,342,018	-	-	-	-	1,342,018
Cost of goods and services sold	680,911	-	-	-	-	680,911
Power plant operation and maintenance	-	-	-	6,711,049	-	6,711,049
General and administrative expense	1,323,984	-	-	1,958,632	276,406	3,559,022
	3,346,913	-	-	8,669,681	276,406	12,293,000
Earnings before interest and taxes	1,799,200	3,045,293	631,152	4,245,308	97,359	9,818,312
Depreciation and amortization	67,898	-	-	1,559,179	2,039	1,629,116
EBITDA	1,867,098	3,045,293	631,152	5,804,487	99,398	11,447,428
Interest income	576,922	-	-	212,631	76,878	866,431
Interest expense	(326,942)	-	-	(825,487)	(597,352)	(1,749,781)
Depreciation and amortization	(67,898)	-	-	(1,559,179)	(2,039)	(1,629,116)
Pretax income	2,049,180	3,045,293	631,152	3,632,452	(423,115)	8,934,962
Provision for income tax	60,939	-	-	211,337	15,375	287,651
Net income	₱1,988,241	₱3,045,293	₱631,152	₱3,421,115	(₱438,490)	₱8,647,311
Segment assets	₱19,817,046	₱33,420,735	₱5,901,464	₱53,513,011	₱24,332,799	₱136,985,055
Segment liabilities	₱11,805,462	₱-	₱-	₱34,982,606	₱25,143,295	₱71,931,363

\* Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱353.11 million



December 31, 2011 (As restated - Note 2)

	Real Estate	Financial Institution	Automotive Operations	Power	Others	Total
Revenue	₱3,276,862	₱-	₱-	₱-	₱-	₱3,276,862
Other income	15,955	-	-	-	506,563	522,518
Equity in net income of associates and joint ventures	87,552	3,018,484	461,837	-	-	3,567,873
	3,380,369	3,018,484	461,837	-	506,563	7,367,253
Cost of real estate sales	1,553,768	-	-	-	-	1,553,768
Cost of goods and services sold	709,727	-	-	-	-	709,727
General and administrative expense	574,498	-	-	-	535,248	1,109,746
	2,837,993	-	-	-	535,248	3,373,241
Earnings before interest and taxes	542,376	3,018,484	461,837	-	(28,685)	3,994,012
Depreciation and amortization	29,346	-	-	-	42,006	71,352
EBITDA	571,722	3,018,484	461,837	-	13,321	4,065,364
Interest income	591,314	-	-	-	6,914	598,228
Interest expense	(432,809)	-	-	-	(556,941)	(989,750)
Depreciation and amortization	(29,346)	-	-	-	(42,006)	(71,352)
Pretax income	700,881	3,018,484	461,837	-	(578,712)	3,602,490
Provision for income tax	138,339	-	-	-	10,440	148,779
Net income	₱562,542	₱3,018,484	₱461,837	₱-	(₱589,512)	₱3,453,711
Segment assets	₱28,953,681	₱32,196,747	₱2,071,712	₱3,397,121	₱3,110,222	₱69,729,483
Segment liabilities	₱18,299,016	₱-	₱-	₱-	₱14,944,612	₱33,243,628



**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:

	2013
Domestic	₱95,441,206,420
Foreign	10,106,201,620
	<u>₱105,547,408,040</u>

In 2012 and 2011, all of the Group's consolidated revenues to external customers are derived from the domestic market.

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**36. Contingencies**

In the ordinary course of the Group's operations, certain entities 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 consolidated financial position and results of operations.

In order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱901.82 million and ₱868.17 million as of December 31, 2013 and 2012, respectively.

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**37. Events after the Reporting Date**

*Equity call from GBPC*

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

*Acquisition of Charter Ping An shares from FMIC*

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.

*Acquisition of TMBC shares from FMIC*

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 the TMBC's outstanding capital stock and raised the Parent Company's ownership interest in TMBC to 60.00%.



*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 shall be payable 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
		<b>₱3.00 billion</b>

**38. Approval for the Release of the Financial Statements**

The accompanying financial statements of the Company were approved and authorized for issue by the Company's BOD on March 11, 2014.

**39. Notes to Cash Flows Statements**

Below are the noncash operating, investing and financing transactions of the Company:

	2013	2012	2011
Transfers from investment property to inventories (Note 6)	₱1,765,346,107	₱368,314,414	₱117,980,714
Transfers from property and equipment to inventories (Note 6)	–	855,240	–
Borrowing cost capitalized to inventories (Note 6)	299,265,598	332,926,798	141,978,879
Conversion of deposit for future stock subscription (Note 8)	–	3,397,120,759	–
Indirect interest included in the consideration for the business combination:			
Fair value of previously held interest (Note 31)	8,168,271,296	690,643,951	–
Additional indirect interest (Note 8)	–	1,375,910,045	–
Fair value of net assets acquired from business combinations (Note 31):			
Assets			
Receivables	4,000,790,312	3,935,964,042	–
Inventories	5,256,937,104	895,882,766	–
Reinsurance assets	3,701,512,371	–	–
Prepayments and other current assets	903,919,323	1,212,354,008	–

(Forward)



	2013	2012	2011
Due from related parties	P-	P427,605,411	P-
Available-for-sale investments	2,643,193,467	-	-
Investment properties	2,251,349,832	-	-
Property, plant and equipment	3,364,099,310	33,492,302,035	-
Investments in associates and joint ventures	-	3,077,687,617	-
Intangible assets	10,034,348,535	8,995,160,191	-
Deferred tax assets	421,764,219	-	-
Other non-current assets	356,077,960	-	-
<b>Liabilities</b>			
Accounts payable and accrued expenses	11,865,580,908	3,103,143,854	-
Other current liabilities	207,969,569	-	-
Long-term debt	229,481,790	34,260,023,586	-
Other noncurrent liabilities	(29,707,977)	854,225,652	-
Deferred tax liability - from fair value change	2,270,619,482	593,256,587	-





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BOA/PRC Reg. No. 0001,  
December 28, 2012, valid until December 31, 2015  
SEC Accreditation No. 0012-FR-3 (Group A),  
November 15, 2012, valid until November 16, 2015

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
GT Capital Holdings, Inc.  
43rd Floor, GT Tower International  
Ayala Avenue corner H.V. dela Costa St.  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GT Capital Holdings, Inc. and Subsidiaries as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this Form 17-A and have issued our report thereon dated March 11, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1, As Amended (2011) and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

  
Vicky Lee Salas  
Partner

CPA Certificate No. 86838  
SEC Accreditation No. 0115-AR-3 (Group A),  
February 14, 2013, valid until February 13, 2016  
Tax Identification No. 129-434-735  
BIR Accreditation No. 08-001998-53-2012,  
April 11, 2012, valid until April 10, 2015  
PTR No. 4225181, January 2, 2014, Makati City

March 11, 2014



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2013**

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Reconciliation of Retained Earnings Available for Dividend Declaration	Schedule I
List of Effective Standards and Interpretations under the Philippine Financial reporting Standard (PFRS) as of December 31, 2012	Schedule II
Supplementary Schedules Required by Annex 68-E	Schedule III
Map of Relationship between and among the Parent Company, Subsidiaries and Associates	Schedule IV
Schedule of Financial Soundness Indicators	Schedule V



**GT CAPITAL HOLDINGS, INC.****RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		₱2,378,031,267
Add: Net income actually earned during the period		
Net income during the period closed to Retained earnings	₱2,541,340,936	
Less: Non-actual/unrealized income net of tax	-	
Add: Non actual losses	-	2,541,340,936
Subtotal		4,919,372,203
Add (Less):		
Dividend declaration during the period	(522,900,000)	
Effect of retrospective application of PAS 19	(492,832)	(523,392,832)
Total Retained Earnings, end available for dividend declaration		₱4,395,979,371

Note: On March 11, 2014, the board of directors of the GT Capital Holdings, Inc. 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 Global Business Power Corporation for plant expansions	2014	₱2.00 billion
Acquisition of investments	2014-2015	1.00 billion
		₱3.00 billion





**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS**  
**UNDER THE PFRS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	No Adopted	No Available	No Not Adopted
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓			
<b>PFRSs Practice Statement Management Commentary</b>		✓			
<b>Philippine Financial Reporting Standards</b>		✓			
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
<b>PFRS 2</b>	Share-based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓			
<b>PFRS 4</b>	Insurance Contracts	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓			
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓	
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓	
	Amendments to PFRS 7: Disclosures - Offsetting	✓			



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable	Final Status
	Financial Assets and Financial Liabilities				
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Additional Hedge Accounting Disclosures (and consequential amendments) Resulting From the Introduction of the Hedge Accounting Chapter in PFRS 9				✓
<b>PFRS 8</b>	Operating Segments	✓			
<b>PFRS 9</b>	Financial Instruments	✓			
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Reissue to Incorporate a Hedge Accounting Chapter and Permit Early Application of the Requirements for Presenting in Other Comprehensive Income the "Own Credit" Gains or Losses on Financial Liabilities Designated under the Fair Value Option without Early Applying the Other Requirements of PFRS 9				✓
<b>PFRS 10</b>	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Investment Entities	✓			
<b>PFRS 11</b>	Joint Arrangements	✓			
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓			
	Amendments to PFRS 12: Investment Entities	✓			
<b>PFRS 13</b>	Fair Value Measurement	✓			
<b>Philippine Accounting Standards</b>		✓			
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendment to PAS 1: Comparative Information	✓			
<b>PAS 2</b>	Inventories	✓			
<b>PAS 7</b>	Statement of Cash Flows	✓			
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
<b>PAS 10</b>	Events after the Balance Sheet Date	✓			
<b>PAS 11</b>	Construction Contracts	✓			
<b>PAS 12</b>	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓	



PRACTICE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of November 01, 2018		Adopted	Not Adopted	Not Applicable	Not Bank Adopted
PAS 16	Property, Plant and Equipment	✓			
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Employee Benefits	✓			
PAS 19 (Amended)	Employee Benefits	✓			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation			✓	
PAS 23 (Revised)	Borrowing Costs	✓			
PAS 24 (Revised)	Related Party Disclosures	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27 (Amended)	Separate Financial Statements	✓			
PAS 28 (Amended)	Investments in Associates	✓			
	Investments in Associates and Joint Ventures	✓			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures (Replaced by PFRS 11)	✓			
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues	✓			
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓			
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	No. Adopted	No. Applied	No. Early Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓	
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
	Amendment to PAS 39: Eligible Hedged Items	✓			
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓			
<b>PAS 40</b>	Investment Property	✓			
<b>PAS 41</b>	Agriculture			✓	
<b>Philippine Interpretations</b>		✓			
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓			
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓	
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓			
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓			
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓	
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓	
<b>IFRIC 8</b>	Scope of PFRS 2			✓	
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	✓			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓			
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓	
<b>IFRIC 12</b>	Service Concession Arrangements			✓	
<b>IFRIC 13</b>	Customer Loyalty Programmes	✓			
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓			
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓			
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓	



INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not adopted	Not Applicable	Not Used
Effective as of December 31, 2013					
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners	✓			
<b>IFRIC 18</b>	Transfers of Assets from Customers	✓			
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments	✓			
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓	
<b>IFRIC 21</b>	Levies			✓	
<b>SIC-7</b>	Introduction of the Euro			✓	
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓	
<b>SIC-12</b>	Consolidation - Special Purpose Entities	✓			
	Amendment to SIC - 12: Scope of SIC 12	✓			
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓			
<b>SIC-15</b>	Operating Leases - Incentives	✓			
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non- Depreciable Assets	✓			
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓			
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓	
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓	
<b>SIC-32</b>	Intangible Assets - Web Site Costs	✓			



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Schedule A. Financial Assets**

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Equity securities				
Quoted	Various	₱1,497,970,179	₱1,497,970,179	₱-
Unquoted	Various	480,269,424	480,269,424	-
Quoted debt securities	Various	1,132,556,640	1,132,556,640	-

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)**

Loan Type	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Employee loan	₱3,313,969	₱5,916,563	₱5,865,113	₱-	₱3,975,434	₱107,987	₱3,365,419
Car plan	11,906,915	2,444,619	1,918,151	-	2,114,457	3,561,193	12,433,383
Financial assistance	103,182	-	-	-	-	-	103,182
Housing loan	10,164,936	-	-	-	-	-	10,164,936
	<b>₱25,489,002</b>	<b>₱8,361,182</b>	<b>₱7,783,264</b>	<b>₱-</b>	<b>₱6,089,891</b>	<b>₱3,669,180</b>	<b>₱ 26,066,920</b>

**Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements:**

Name and Designation of debtor	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period	Eliminations	GT Capital Balance
Federal Land, Inc.	₱-	₱103,400	₱103,400	₱-	₱103,400	(₱103,400)	₱-
GBPC	-	1,017,800,000	1,017,800,000	-	1,017,800,000	(1,017,800,000)	-
Baywatch Project Management Corp.	15,208,738	2,427,343	12,781,394	-	12,781,394	(12,781,394)	-
Harbour Land Top Leader Mgt. Corp	1,933,173,142	-	1,933,173,142	-	1,933,173,142	(1,933,173,142)	-
Central Realty & Dev't Corp.	2,000,000	-	2,000,000	-	2,000,000	(2,000,000)	-
Fedsales Marketing, Inc.	482,500,000	35,000,000	447,500,000	-	447,500,000	(447,500,000)	-
OMNI Orient Marketing, Inc.	19,116,139	(182,963)	19,299,101	-	19,299,101	(19,299,101)	-
Horizon Land Property Development Corp.	25,974,802	15,000	25,959,802	-	25,959,802	(25,959,802)	-
FLI Management Consultancy Inc.	-	(1,665,000,000)	1,665,000,000	-	1,665,000,000	(1,665,000,000)	-
Toyota Makati	9,779,679	1,309,000	8,470,679	-	8,470,679	(8,470,679)	-
Toyota San Fernando	427,344,571	-	427,344,571	-	427,344,571	(427,344,571)	-
Lexus Manila, Inc.	260,008,395	-	260,008,395	-	260,008,395	(260,008,395)	-
Horizon Land Property Development Corp.	21,339,857	-	21,339,857	-	21,339,857	(21,339,857)	-
	-	-	3,978	-	3,978	(3,978)	-

(Forward)



Name and Designation of debtor	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period	Eliminations	GT Capital Balance
THC	₱164,786,842	₱12,350,038	₱20,160,000	₱156,976,879	₱177,136,879	(₱177,136,879)	₱-
CEDC	485,837,631	1,035,465,237	1,521,691,377	-	1,521,691,377	(1,521,691,377)	-
GESC	-	118,599,889	118,599,889	-	118,599,889	(118,599,889)	-
PEDC	134,972,933	1,115,755,791	1,250,728,723	-	1,250,728,723	(1,250,728,723)	-
PPHC	-	1,026,950,000	1,026,950,000	-	1,026,950,000	(1,026,950,000)	-
GFPHI	-	939,456,000	939,456,000	-	939,456,000	(939,456,000)	-
TCITRC	32,500,000	42,467,720	74,967,720	-	74,967,720	(74,967,720)	-
PPC	18,791,357	57,947,129	76,738,485	-	76,738,485	(76,738,485)	-
GBH	-	917,868	917,868	-	917,868	(917,868)	-
	<b>₱4,033,334,087</b>	<b>₱3,741,381,452</b>	<b>₱10,870,994,382</b>	<b>₱156,976,880</b>	<b>₱11,027,971,262</b>	<b>(₱11,027,971,262)</b>	<b>₱-</b>

**Schedule D. Intangible Assets - Other Assets**

Description (i)	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Power purchase agreements	₱8,676,723,532	₱-	(₱477,654,989)	₱-	₱-	₱8,199,068,543
Goodwill	24,201,028	6,151,110,174	-	-	-	6,175,311,202
Customer Relationship	-	3,883,238,361	-	-	-	3,883,238,361
Software cost and license	14,286,161	7,643,629	(7,609,854)	-	1,494,679	15,814,615
	<b>₱8,715,210,721</b>	<b>₱10,041,992,164</b>	<b>(₱485,264,843)</b>	<b>₱-</b>	<b>₱1,494,679</b>	<b>₱18,273,432,721</b>
Franchise	₱-	₱1,700,000	(₱116,667)	₱-	₱-	₱1,583,333

**Schedule E. Long Term Debt**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Bonds payable	₱10,000,000,000	₱-	₱9,883,088,308
Note Facility Agreement	₱6,600,000,000	₱-	₱6,600,000,000
Note Facility Agreement	5,000,000,000	-	5,000,000,000
Loans payable	2,000,000,000	-	2,000,000,000
CEDC Omnibus Loan Agreement	16,000,000,000	1,296,045,835	11,277,313,214
PEDC Omnibus Loan Agreement	14,000,000,000	1,052,074,172	10,518,754,108
PPC Loan Agreement (for Panay)	1,269,271,600	153,851,103	269,239,430
PPC Loan Agreement (for Panay)	300,000,000	42,857,143	85,714,286
PPC Loan Agreement (for Avon)	515,000,000	200,849,980	-
TPC Loan Agreement	2,350,000,000	-	2,311,410,324
Toyota Autoparts Philippines, Inc	78,626,700	78,626,700	78,626,700
TRP, Inc.	91,000,000	91,000,000	91,000,000
Philippine HKR, Inc.	76,200,000	76,200,000	76,200,000
	<b>₱58,280,098,300</b>	<b>₱2,991,504,933</b>	<b>₱38,308,258,062</b>

**Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

Name of related party	Balance at beginning of period	Balance at end of period
Metropolitan Bank & Trust Co.	₱2,000,000,000	₱2,000,000,000
Metropolitan Bank & Trust Co.	10,056,548,551	7,993,073,727
First Metro Investment Corporation	1,691,072,542	1,037,320,579



**Schedule G. Guarantees of Securities of Other Issuers**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
None				

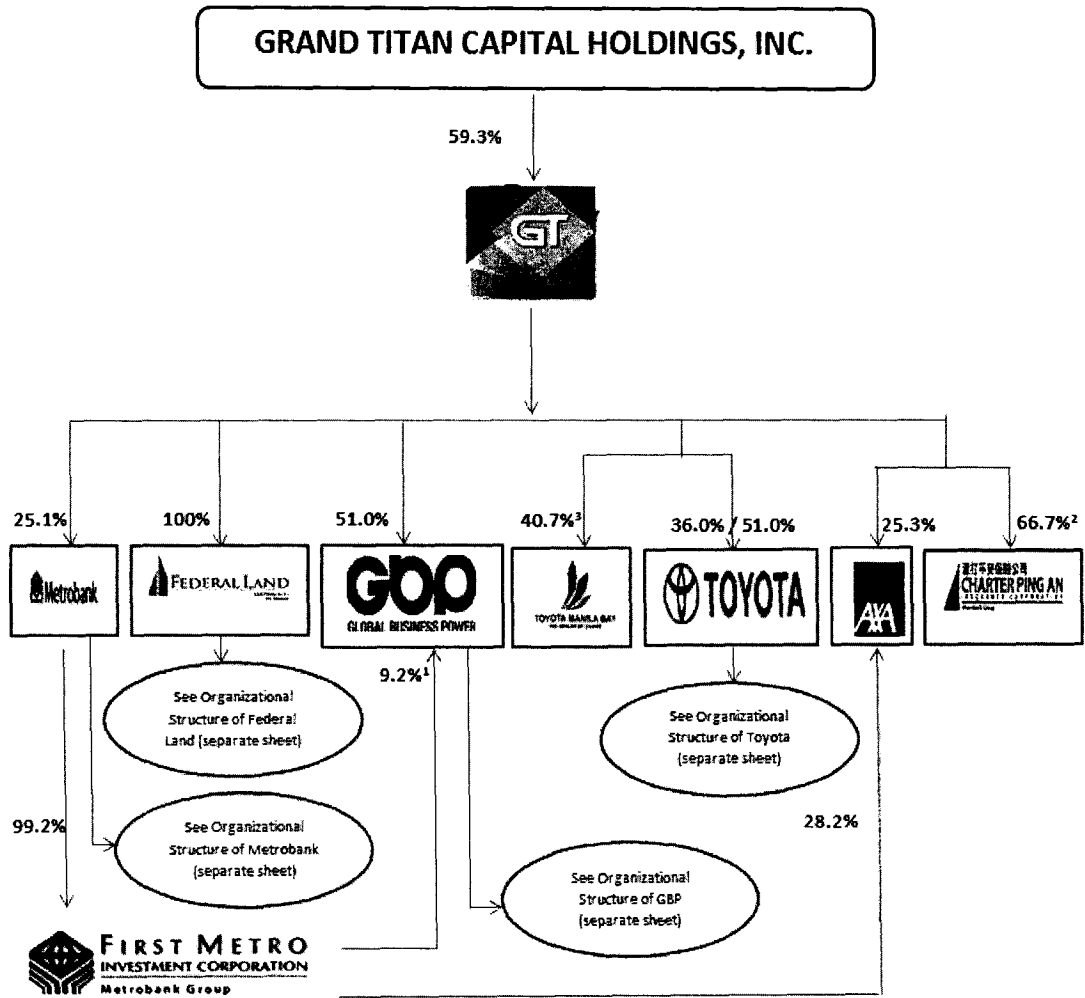
**Schedule H. Capital Stock**

Title of issue	Number of Shares authorized	Number of Shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	500,000,000	174,300,000	-	10,000	590,400	-





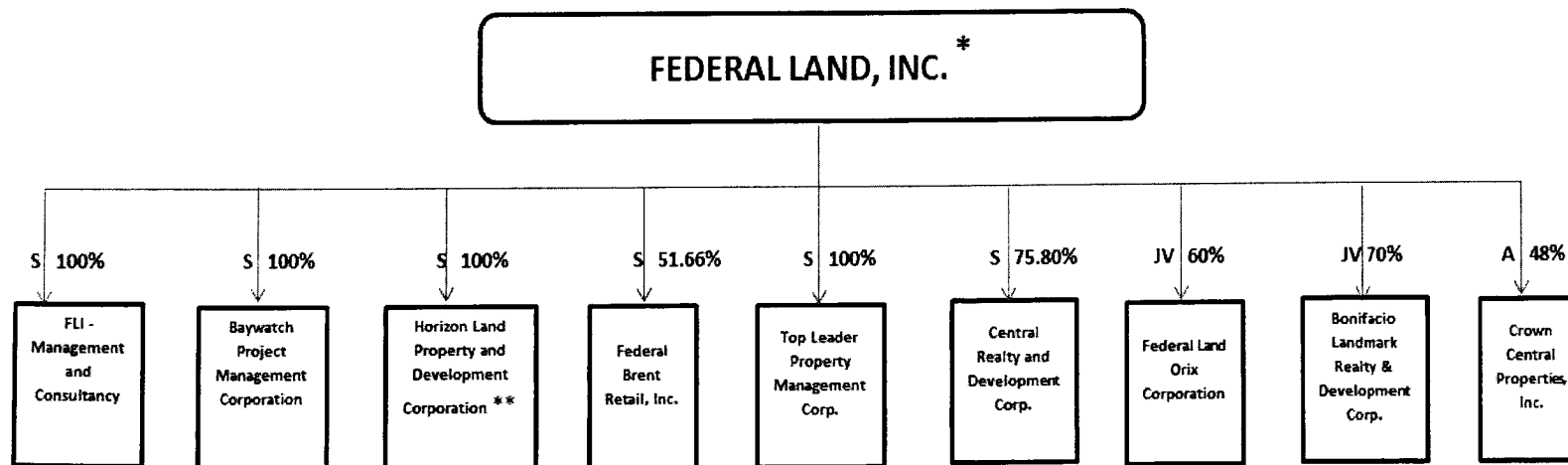
**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT**  
**COMPANY AND ITS ULTIMATE PARENT, SUBSIDIARIES AND**  
**ASSOCIATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**



<sup>1</sup> Originally 49%, 20% sold to Orix in June 2013;  
 20% sold to Meralco PowerGen in October 2013  
<sup>2</sup> Acquired 66.7% in October 2013  
<sup>3</sup> Acquired 40.7% in December 2013



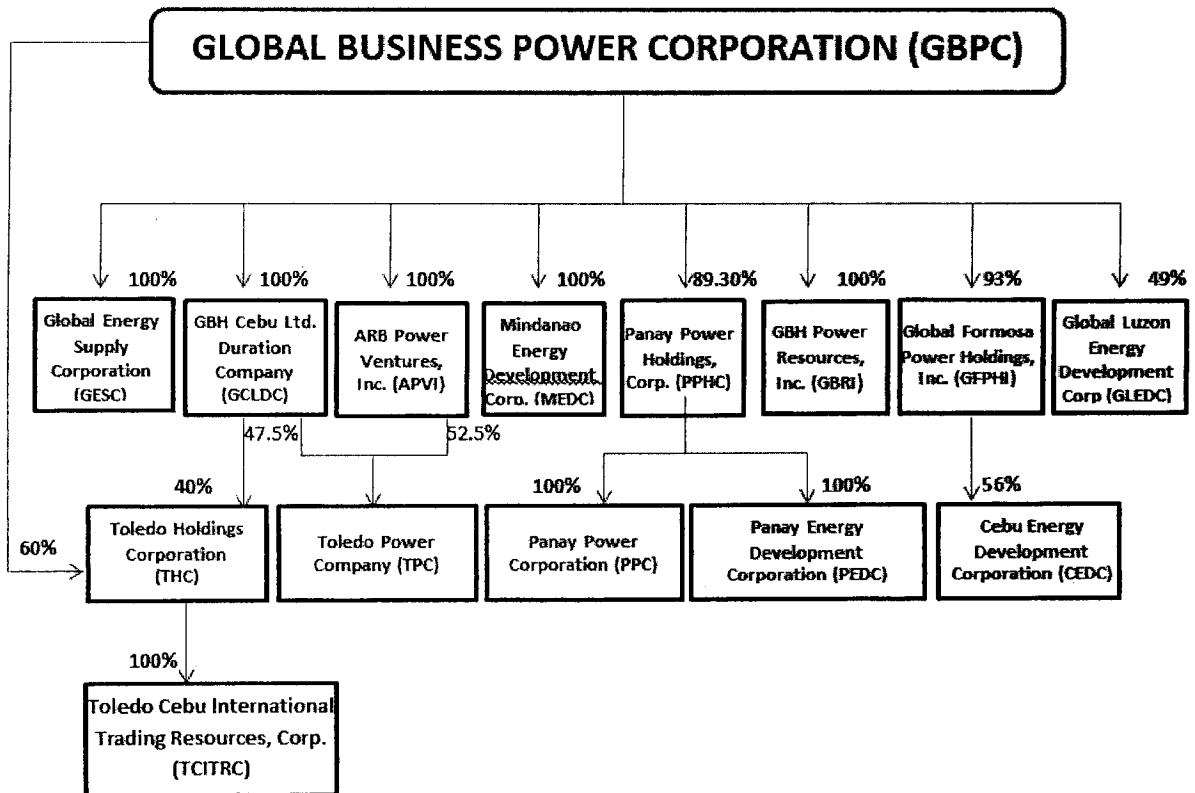
**FEDERAL LAND, INC.**  
**SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**  
**AS OF DECEMBER 31, 2013**



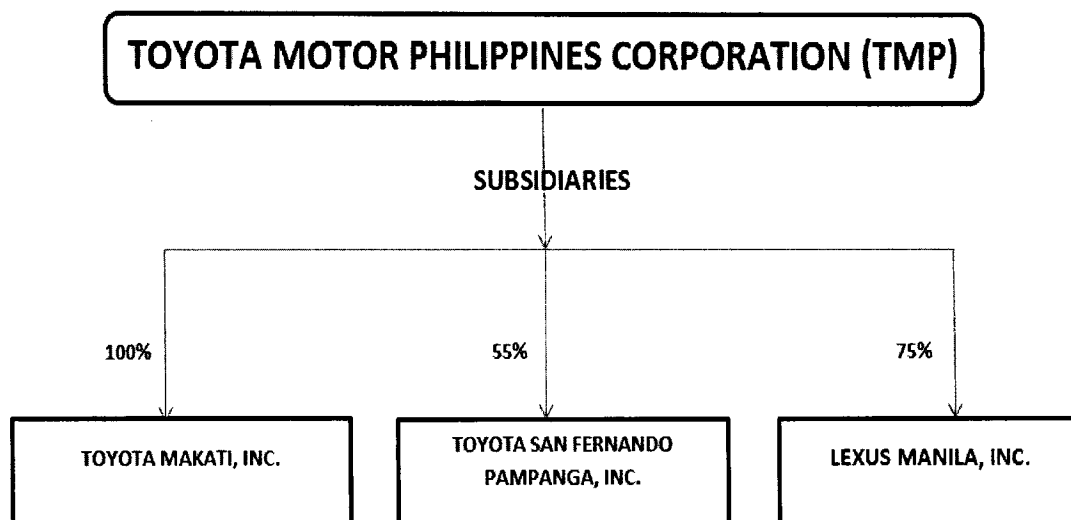
**LEGEND:**  
 Subsidiary (S)  
 Associate (A)  
 Joint Venture (JV)

**NOTES:**  
 \*On February 18, 2013, the board of directors (BOD) of Fed land approved the merger of Fed Land and its two subsidiaries namely Fed sales Marketing, Inc.(FMI) and Omni-Orient Marketing Network, Inc. (OOMNI), where Fed Land will be the surviving entity and the two subsidiaries will be the absorbed entities. The merger was approved by the Philippine Securities Exchange Commission (SEC) on November 29, 2013.  
 \*\* On May 8, 2013, the BOD of Horizon Land Property and Development Corporation (HLPDC), Harbour Land Realty and Development Corporation (HLRDC) and Southern Horizon Development Corporation (SHDC) approved the merger of the three entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The merger was approved by the SEC on October 21, 2013.

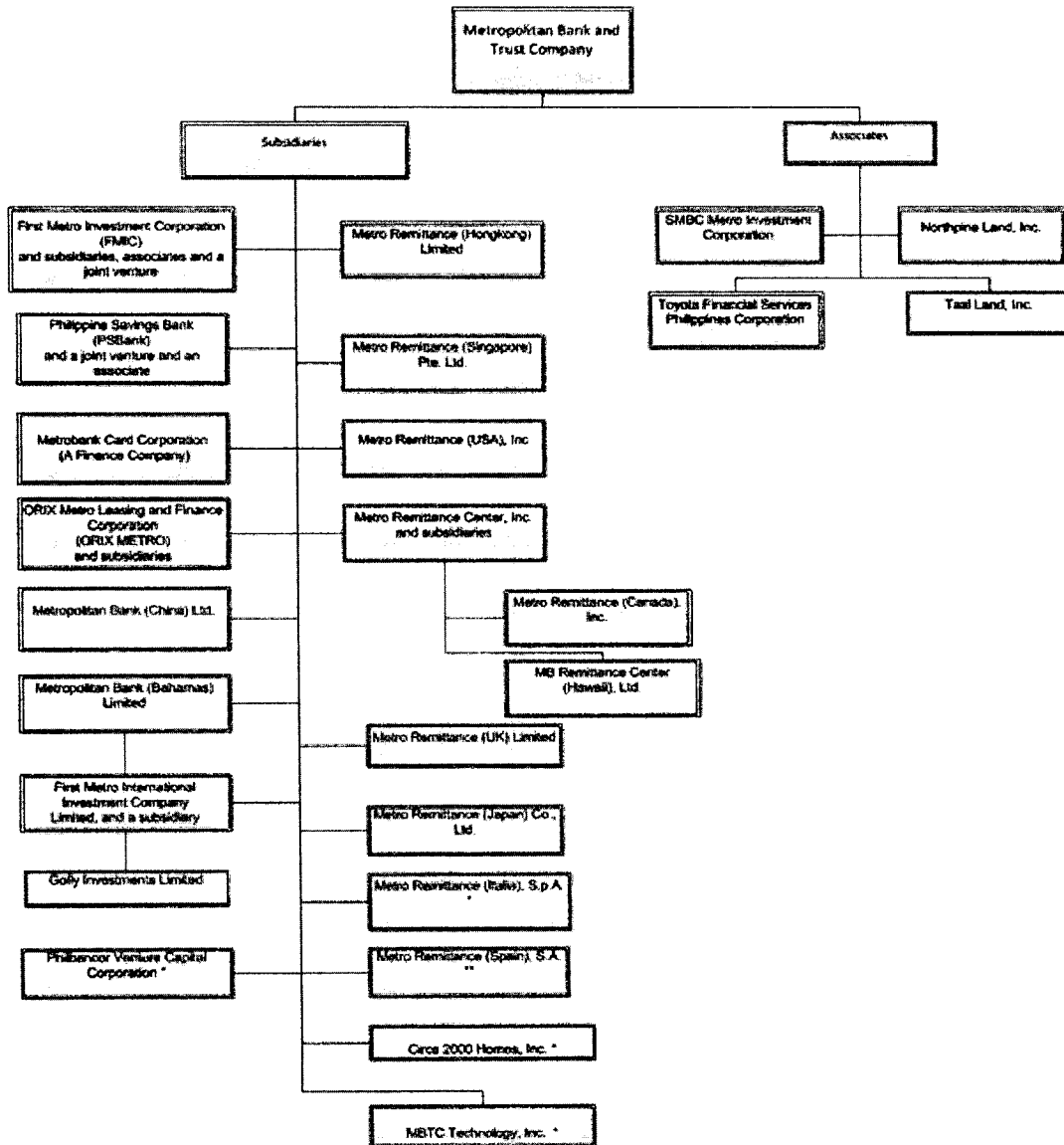
**GLOBAL BUSINESS POWER CORPORATION**  
**SUBSIDIARIES AND ASSOCIATE**  
**AS OF DECEMBER 31, 2013**



**TOYOTA MOTOR PHILIPPINES CORPORATION**  
**SUBSIDIARIES**  
**AS OF DECEMBER 31, 2013**



**METROPOLITAN AND BANK TRUST COMPANY**  
**SUBSIDIARIES**  
**AS OF DECEMBER 31, 2013**



\* In the process of dissolution

\*\* Liquidated in July 2013



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

(Amounts in millions except %)	2013	2012 (As restated)
<b>Liquidity Ratio</b>		
Current ratio	1.88	1.29
Current assets	₱73,671	₱36,822
Current liabilities	39,193	28,452
<b>Solvency Ratio</b>		
Total liabilities to total equity ratio	1.08	1.11
Total liabilities	99,796	71,931
Total equity	92,564	65,054
Debit to equity ratio	0.54	0.90
Total debt	50,013	58,334
Total equity	92,564	65,054
<b>Asset to Equity Ratio</b>		
Asset equity ratio	2.73	2.55
Total assets	192,360	136,985
Equity attributable to Parent Company	70,525	53,760
<b>Interest Rate Coverage Ratio*</b>		
Interest rate coverage ratio	5.14	6.11
Earnings before interest and taxes (EBIT)	17,797	10,685
Interest expense	3,462	1,750
<b>Profitability Ratio</b>		
Return on average assets	5.25%	6.38%
Net income attributable to Parent Company	8,640	6,590
Average assets	164,672	103,357
Return on Average Equity	13.90%	14.97%
Net income attributable to Parent Company	8,640	6,590
Average equity attributable to Parent Company	62,142	44,020
Income before income tax	14,334	8,935
Interest expense	3,463	1,750
EBIT	17,796	10,685

\*computed as EBIT/Interest Expense



### CERTIFICATION OF INDEPENDENT DIRECTORS

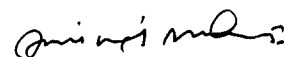
I, **JAIME MIGUEL G. BELMONTE**, Filipino, of legal age and a resident of 17 Tindalo St. corner Dao, Valle Verde III, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent director of GT Capital Holdings, Inc.
2. I am affiliated with the following companies or organizations

Company/Organization	Position/Relationship	Period of Service
The Philippine Star	President & CEO	July 1998 to present
Pilipino Star Ngayon	President & Publisher	February 1994 to present
PM-Pang Masa	President and Publisher	January 2003 to present
Pilipino Star Printing Co., Inc.	President	February 1994 to present
The Freeman	President	August 2004 to present
Banat News	President	August 2004 to present
Stargate Media Corp.	Director	2000 to present
Manila Tytana College	Member, Board of Advisers	2008-present
Help and Real Orphans Foundation (HERO Foundation)	Member, Board of Trustees	2011-present
PGH Foundation	Director	2000-2001

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of GT Capital Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of GT Capital Holdings, Inc. of any changes in the abovementioned information within (5) days from its occurrence.

Done, this 24th day of March 2014, at Makati City.



**JAIME MIGUEL G. BELMONTE**  
Affiant

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

SUBSCRIBED AND SWORN to before me this **MAR 27 2014**, affiant exhibiting to me his Passport No. EB8680963 issued on July 16, 2013 at DFA Manila.

Doc No. 16 ;  
Page No. 4 ;  
Book No. 5 ;  
Series of 2014.



**ATTY. MELISSA B. REYES**  
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2014  
ROLL NO. 41369 / APPOINTMENT NO. M-270  
IBP NO. 913785 / PTR. NO. 3674214  
45/F GT TOWER INTERNATIONAL, AYALA AVENUE  
CORNER H.V. DE LA COSTA, MAKATI CITY



## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **WILFREDO A. PARAS**, Filipino, of legal age and a resident of 600 Palico St., Ayala Alabang Village, Muntinlupa City, 1780, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent director of GT Capital Holdings, Inc.
2. I am affiliated with the following companies or organizations

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
WAP Holdings	President	2007-Present
Association of Petrochemical Manufacturers of the Philippines	Senior Adviser	2007-Present
Philex Mining Corporation	Independent Director	2011-Present
Granexport Manufacturing Corporation	Director	August 2011-Present
Cagayan de Oro Coconut Oil Mills, Inc.	Director	August 2011-Present
Iligan Coconut Industries, Inc.	Director	August 2011-Present
Dualtech Training Center Foundation, Inc.	Trustee	2012-Present
JG Summit Petrochemical Corp.	Executive Vice President	1996-2008
PT Union Carbide Indonesia	President/Director	1994-1996
Union Carbide Ltd. Singapore	Managing Director	1994-1996
Union Carbide Asia Pacific-Singapore	Business Director	1989-1994
Union Carbide Eastern-Hongkong	Group Marketing Manager	1987-1989
Union Carbide Philippines	President	1985-1987

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of GT Capital Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of GT Capital Holdings, Inc. of any changes in the abovementioned information within (5) days from its occurrence.

Done, this 24<sup>th</sup> day of March 2014, at Makati City.




**WILFREDO A. PARAS**

Affiant

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

SUBSCRIBED AND SWORN to before me this **MAR 27 2014**, affiant exhibiting to me his Passport No. EB4166838 Issued on November 28, 2011 at DFA Manila.

Doc No. 17 ;  
Page No. 4 ;  
Book No. 5 ;  
Series of 2014.

  
**ATTY. MELISSA B. REYES**  
**NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2014**  
**ROLL NO. 41369 / APPOINTMENT NO. M-270**  
**IBP NO. 913785 / PTR. NO. 3674214**  
**45/F GT TOWER INTERNATIONAL, AYALA AVENUE**  
**CORNER H.V. DE LA COSTA, MAKATI CITY**

**CERTIFICATION OF INDEPENDENT DIRECTORS**

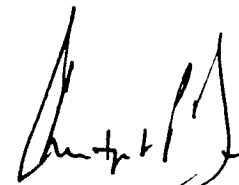
I, **CHRISTOPHER P. BESHOURI**, a U.S. citizen, of legal age and a resident of 12 Dap Dap Street, North Forbes, Makati, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent director of GT Capital Holdings, Inc.
2. I am affiliated with the following companies or organizations

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Vicsal Development Corporation	Group President and Chief Operating Officer	September 2013-present
McKinsey and Company	Managing Partner, Philippines	January 2005-2013
McKinsey and Company	Chief of Staff, Asia	June 2004-December 2005
McKinsey and Company	Associate Principal, Consultant	November 1997-June 2004
United States Treasury	National Bank Regulator	August 1989-July 1997
United States Treasury	Director, Special Studies	December 1996-July 1997
United States Treasury	Senior Financial Economist	August 1989-December 1995
Georgetown University, College of Business	Adjunct Professor	August 1996-June 1997
World Bank	Consultant for West Africa Country Operations	July 1988 – September 1998
Catholic Relief Services	Financial Auditor	July 1987- July 1988
Federal Reserve Bank of Atlanta	Analyst and Research Assistant	November 1984- August 1986

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of GT Capital Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of GT Capital Holdings, Inc. of any changes in the abovementioned information within (5) days from its occurrence.

Done, this 25<sup>th</sup> day of March 2014, at Makati City.




**CHRISTOPHER P. BESHOURI**  
Affiant

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

SUBSCRIBED AND SWORN to before me this MAR 27 2014, affiant exhibiting to me his  
Passport No. 488187118 Issued on November 20, 2012.

Doc No. 18 ;  
Page No. 4 ;  
Book No. 5 ;  
Series of 2014.

  
**ATTY. MELISSA B. REYES**  
**NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2014**  
**ROLL NO. 41389 / APPOINTMENT NO. M-270**  
**IBP NO. 913785 / PTR. NO. 3674214**  
**45F GT TOWER INTERNATIONAL, AYALA AVENUE**  
**CORNER H.V. DE LA COSTA, MAKATI CITY**