

# GT Capital Holdings, Inc. and Subsidiaries

## **Interim Condensed Consolidated Financial Statements**

As of June 30, 2013 (Unaudited) and December 31, 2012 (Audited)  
and for the period ended June 30, 2013 and 2012 (Unaudited)

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Millions)

	Unaudited	Audited
	June 30, 2013	December 31, 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱24,139	₱11,553
Receivables	9,479	6,505
Inventories	17,114	12,275
Due from related parties	135	489
Prepayments and other current assets	5,998	6,000
Total Current Assets	56,865	36,822
<b>Noncurrent Assets</b>		
Noncurrent receivables	4,710	3,159
Option deposits	2,085	2,085
Available-for-sale investments	1,189	1,060
Investments and advances	39,498	43,364
Investment properties	7,901	7,816
Property and equipment	39,858	33,661
Intangible assets	8,452	8,691
Deferred tax assets	633	238
Other noncurrent assets	6,968	571
Total Noncurrent Assets	111,294	100,645
	₱168,159	₱137,467
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables	₱18,657	₱7,377
Loans payable	4,363	16,565
Customers' deposits	947	974
Due to related parties	191	191
Dividends payable	1	1,949
Income tax payable	48	26
Other current liabilities	993	1,370
Total Current Liabilities	25,200	28,452
<b>Noncurrent Liabilities</b>		
Pension liabilities	₱253	₱204
Long-term loans payable	36,674	39,188
Accrued expenses-long term	1,583	-
Bonds payable	9,899	-
Liabilities on purchased properties	3,449	2,581
Deferred tax liabilities	958	935
Other noncurrent liabilities	243	243
Total Noncurrent Liabilities	53,059	43,151
	78,259	71,603
<b>Equity</b>		
Equity attributable to equity holders of GT Capital Holdings, Inc.		
Capital Stock	1,743	1,580
Additional paid-in capital	46,695	36,753
Retained earnings	19,908	13,856
Other equity adjustments	23	(681)
Other comprehensive income	1,461	2,983
	69,830	54,491
Non-controlling interests	20,070	11,373
Total equity	89,900	65,864
	₱168,159	₱137,467



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In Millions, Except Earnings Per Share)

	Unaudited			
	Jan to June		April to June	
	2013	2012	2013	2012
<b>REVENUE</b>				
Equity in net income of associates	₱3,263	₱2,556	₱1,045	₱1,104
Auto sales	32,050	-	18,881	-
Net fees	8,656	3,778	4,795	3,778
Real Estate sales	2,253	1,107	1,298	547
Interest income on real estate sales	295	117	164	63
Sale of goods and services	340	376	170	180
Gain from loss of control of a subsidiary	-	1,448	-	-
Gain from previously held interest	1,260	-	-	-
Commission income	91	61	30	10
Rent income	300	112	146	64
Interest and other income	691	412	403	1,715
	<b>49,199</b>	<b>9,967</b>	<b>26,932</b>	<b>7,461</b>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sales	1,733	676	990	309
Cost of goods and services	5,420	332	3,216	149
Cost of goods manufactured	22,535	-	13,152	-
Power plant operation and maintenance	4,405	2,127	2,425	2,127
General and administrative expenses	4,285	896	2,376	546
Interest expense	1,693	1,055	841	774
	<b>40,071</b>	<b>5,086</b>	<b>23,000</b>	<b>3,905</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>9,128</b>	<b>4,881</b>	<b>3,932</b>	<b>3,556</b>
<b>PROVISION FOR INCOME TAX</b>	<b>1,002</b>	<b>87</b>	<b>598</b>	<b>62</b>
<b>NET INCOME</b>	<b>₱8,126</b>	<b>₱4,794</b>	<b>₱3,334</b>	<b>₱3,494</b>
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	₱6,052	₱4,016	₱2,083	₱2,740
Non-controlling interest	2,074	778	1,251	754
	<b>₱8,126</b>	<b>₱4,794</b>	<b>₱3,334</b>	<b>₱3,494</b>
<b>Basic/Diluted Earnings Per Share</b>				
<b>Attributable to Equity Holders of the Parent Company</b>	<b>₱35.1</b>	<b>₱29.1</b>		

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE**  
**INCOME**  
(In Millions)

	Unaudited			
	Jan to June		April to June	
	2013	2012	2013	2012
<b>NET INCOME</b>	<b>₱8,126</b>	₱4,794	<b>₱3,334</b>	₱3,494
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Equity in net unrealized loss on available for sale financial assets of associates	(1,763)	(754)	(2,597)	(1,249)
Equity in translation adjustment of associates	241	(165)	278	(90)
	(1,522)	(919)	(2,319)	(1,339)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱6,604</b>	₱3,875	<b>₱1,015</b>	₱2,155
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	₱4,530	3,097	(₱236)	1,401
Non-controlling interest	2,074	778	1,251	754
	<b>₱6,604</b>	₱3,875	<b>₱1,015</b>	₱2,155



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**AS OF JUNE 30, 2012 AND 2011 (UNAUDITED)**  
(In Millions)

Attributable to Equity Holders of GT Capital Holdings, Inc

	Capital stock	Additional paid-in capital	Retained earnings	Other equity adjustment	Net unrealized gain (loss) on available-for-sale investments	Equity in net unrealized gain (loss) on available-for-sale investments of associates	Equity in translation adjustment of associates	Total	Non-controlling interest	Total Equity
<b>At January 1, 2013</b>	<b>₱1,580</b>	<b>₱36,753</b>	<b>₱13,856</b>	<b>(₱681)</b>	<b>(₱7)</b>	<b>₱2,954</b>	<b>₱36</b>	<b>₱54,491</b>	<b>₱11,373</b>	<b>₱65,864</b>
Issuance of capital stock	163	9,942	—	—	—	—	—	10,105	—	10,105
Net income	—	—	6,052	—	—	—	—	6,052	2,074	8,126
Other comprehensive income	—	—	—	—	—	(1,763)	241	(1,522)	—	(1,522)
Effect of acquisition of TMP Group	—	—	—	—	—	—	—	—	6,062	6,062
Movement in non-controlling interest	—	—	—	704	—	—	—	704	561	1,265
<b>At June 30, 2013</b>	<b>₱1,743</b>	<b>₱46,695</b>	<b>₱19,908</b>	<b>₱23</b>	<b>(₱7)</b>	<b>₱1,191</b>	<b>₱277</b>	<b>₱69,830</b>	<b>₱20,070</b>	<b>₱89,900</b>
<b>At January 1, 2012</b>	<b>₱1,250</b>	<b>₱23,072</b>	<b>₱7,802</b>	<b>₱—</b>	<b>₱—</b>	<b>₱2,544</b>	<b>₱261</b>	<b>₱34,929</b>	<b>₱2,221</b>	<b>₱37,150</b>
Issuance of capital stock	330	13,621	—	—	—	—	—	13,951	—	13,951
Net income	—	—	4,016	—	—	—	—	4,016	778	4,794
Other comprehensive income	—	—	—	—	—	(754)	(165)	(919)	—	(919)
Effect of acquisition of GBPC Group	—	—	—	—	—	—	—	—	15,393	15,393
Acquisition of non-controlling interest	—	—	—	(513)	—	—	—	(513)	(2,187)	(2,700)
<b>At June 30, 2012</b>	<b>₱1,580</b>	<b>₱36,693</b>	<b>₱11,818</b>	<b>(₱513)</b>	<b>₱—</b>	<b>₱1,790</b>	<b>₱96</b>	<b>₱51,464</b>	<b>₱16,205</b>	<b>₱67,669</b>

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Millions)

	Unaudited	
	Period Ended June 30	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱9,128	₱4,881
Adjustments for:		
Interest expense	1,692	1,055
Depreciation and amortization	1,310	968
Equity in net income of associates and a joint venture	(3,263)	(2,556)
Gain from previously held interest	(1,260)	-
Interest income	(533)	(385)
Operating income before changes in working capital	7,074	3,963
Decrease (increase) in:		
Receivables	(1,690)	(5,101)
Due from related parties	354	(318)
Inventories	401	1,414
Prepayments and other current assets	464	(1,980)
Increase (decrease) in:		
Accounts and other payables	1,839	2,116
Customers' deposits	(27)	64
Other current liabilities	(377)	2,165
Pension liabilities	48	98
Cash provided by operations	8,086	2,421
Interest received	290	387
Interest paid	(1,946)	(1,247)
Dividends received	3,617	988
Dividends paid	(1,948)	-
Income taxes paid	(924)	(14)
Net cash provided by operating activities	7,175	2,535
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of:		
Long term investment	-	2,440
Property and equipment	66	-
Additions to:		
Investment properties	(128)	(39)
Property and equipment	(1,515)	(37,557)
Intangible assets	(3)	-
Increase in investments and advances	-	275
Acquisition of subsidiary through business combination	811	-
Decrease (increase) in other noncurrent asset	738	(791)
Net cash used in investing activities	(31)	(35,672)
(Forward)		



	Unaudited	
	Period Ended June 30	
	2013	2012
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan availment	1,258	29,895
Proceeds from bond issuance	9,899	-
Payment of loans payable	(16,258)	(9,056)
Issuance of capital stock	10,105	13,951
Increase (decrease) in:		
Liabilities on purchased land	869	-
Due to related parties	(1)	(4)
Other noncurrent liabilities	88	717
Noncontrolling interest	(518)	12,693
Net cash provided by financing activities	5,442	48,196
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	12,586	15,059
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>11,553</b>	<b>454</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱24,139</b>	<b>₱15,513</b>

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

**GENERAL NOTES TO INTERIM CONDENSED 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.

As of June 30, 2013, the Parent Company owns 100.00% of Federal Land, Inc. (Fed Land), 50.89% (with 58.14% effective ownership) of Global Business Power Corporation (GBPC) and 51.00% of Toyota Motor Philippines Corporation (Toyota). The ultimate parent of GT Capital Holdings, Inc. is Grand Titan Capital Holdings, Inc. (Grand Titan).

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBTC) and Philippine AXA Life Insurance Corporation (AXA Philippines).

Group Activities

The Parent Company, Fed Land and Subsidiaries (Fed Land Group), GBPC and Subsidiaries (GBPC Group) and Toyota and Subsidiaries (Toyota Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group (Real estate business), GBPC Group (Power business) and Toyota Group (Auto 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. The Parent Company acquired effective control of GBPC on April 30, 2012. The acquisition of control over GBPC accounted for as a business combination achieved in stages and the related provisional accounting for said business combination are discussed extensively in the 2012 audited consolidated financial statements. 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 is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobile parts, accessories and instruments. The Parent Company gained control over Toyota upon acquisition of additional 15% in January 2013 thereby increasing its shareholdings in Toyota to 51.00%.

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

### **Summary of Significant Accounting Policies**

#### Basis of Preparation

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

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

#### Statement of Compliance

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

#### Presentation of Financial Statements

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

#### Basis of Consolidation

##### *Basis of consolidation*

The interim condensed consolidated financial statements include the financial statements of the Parent Company, consolidated financial statements of Fed Land Group, GBPC Group, Toyota Group and the Group's share in the net assets of the associates plus cost of investment.

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

	Direct Percentages of Ownership		Effective Percentages of Ownership	
	<b>June 30, 2013</b>	December 31, 2012	<b>June 30, 2013</b>	December 31, 2012
Fed Land and Subsidiaries	<b>100.00</b>	80.00	<b>100.00</b>	80.00
GBPC and Subsidiaries	<b>50.89</b>	50.89	<b>58.14</b>	62.98
Toyota and Subsidiaries	<b>51.00</b>	36.00	<b>51.00</b>	36.00

On January 17, 2013, the Parent Company and MBTC executed a Sale and Purchase Agreement for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC under the second tranche as provided in the MOU for a total consideration of ₱4.54 billion. This represented 15.00% of Toyota's outstanding capital stock which increased the Parent Company's shareholdings in Toyota to 51.00% (see Note 3).

Fed Land's Subsidiaries

	Percentage of Ownership
Southern Horizon Development Corp. (SHDC)	100.00
FLI - Management and Consultancy, Inc. (FMCI)	100.00
Fedsales Marketing, Inc. (FMI)	100.00
Baywatch Project Management Corporation (BPMC)	100.00
Horizon Land Property and Development Corp. (HLPDC) (previously known as Heritage Consolidated Assets, Inc.)	100.00
Harbour Land Realty & Dev't Corp. (HLRC)	100.00
Top Leader Property Management Corp. (TLPMC)	100.00
Bonifacio Landmark Realty and Dev't Corp. (BLRDC) (formerly Morano Holdings Corp. (MHC))	-
Omni-Orient Marketing Network, Inc. (OOMNI)	87.80
Central Realty and Development Corp. (CRDC)	75.80
Federal Brent Retail, Inc. (FBRI)	51.66

GBPC's Subsidiaries

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

Toyota's Subsidiaries

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



#### Combinations of Entities Under Common Control

Business combination of entities under common control is accounted for using the uniting of interest method. The combined entities accounted for by the uniting of interests method reports 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 current assets, current liabilities, revenues, and cost of sales 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 acquire 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 acquire in accordance with applicable PRFS;
- no amount is recognized as goodwill.
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

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

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the interim condensed consolidated statement of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and within equity in the interim condensed consolidated statements of financial position, separately from the Parent Company's equity. Any losses attributable to the NCI are allocated even if it results in a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.



### Changes in Accounting Policies

The accounting policies adopted in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2012 except for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2013.

- **PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income***  
The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.
- **PAS 19, *Employee Benefits* (Amendment)**  
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 Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard.

The effects in the consolidated statements of financial position as at December 31, 2012 and January 1, 2012 are as follows:

	<b>December 31, 2012</b>	January 1, 2012
Increase (decrease) in:	(in million pesos)	
Net defined benefit liability	<b>₱360</b>	₱350
Deferred tax asset	<b>108</b>	105
Other comprehensive loss	<b>102</b>	85
Retained earnings	<b>(151)</b>	(153)

The effects in the consolidated statement of comprehensive income in 2012 are as follows:

Increase (decrease) in (in million pesos):	
Net retirement benefit expense	(₱3)
Profit for the year	(2)
Other comprehensive loss	17

- **PAS 27, *Separate Financial Statements* (as revised in 2011)**  
As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.



- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)  
As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*  
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  - c) The net amounts presented in the statement of financial position;
  - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    - ii. Amounts related to financial collateral (including cash collateral); and
  - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.
- PFRS 10, *Consolidated Financial Statements*  
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- PFRS 11, *Joint Arrangements*  
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, *Disclosure of Involvement 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. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS 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.



Amendments to PFRS 1 covering first time adoption of PFRS on government loans are not applicable to the Group.

#### Annual Improvements to PFRSs (2009-2011)

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- 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*

Except as otherwise indicated, the impact of the revised standards adopted effective January 1, 2013 has been reflected in the interim condensed consolidated financial statements, as applicable.

#### *Financial Instruments*

##### *Date of recognition*

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

##### *Initial recognition of financial instruments*

All financial 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: securities at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at fair value through profit or loss 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 June 30, 2013 and December 31, 2012, the Group's financial assets are of the nature of loans and receivables and AFS investments while financial liabilities are of the nature of other financial liabilities. The Group made no reclassifications in its financial assets in 2013 and 2012.

##### *Determination of fair value*

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



For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

#### *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 or financial assets at FVPL. This accounting policy relates to the interim condensed consolidated statement of financial position captions "Cash and cash equivalents", "Receivables"(except for advances to contractors and suppliers), "Due from related parties" and "Long term cash investment".

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 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 non-derivative financial assets which are designated as such or do not qualify to be classified as designated as securities 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.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of comprehensive income. Dividends on an AFS equity instrument are recognized in the consolidated statement of comprehensive income when the entity's right to receive payment is established.

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

#### *Other financial liabilities*

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

This accounting policy applies primarily to the Group's accounts and other payables, loans payable, liabilities for purchased properties, due to related parties and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income



tax payable).

#### Standards Issued But Not Yet Effective

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

- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*  
These amendments to PAS 32 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. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing impact of the amendments to PAS 32.
- *PFRS7, Financial Instruments: Disclosures – Mandatory Effective date of PFRS 9 and Transition Disclosures*  
PFRS 7 was amended to require additional disclosures on transition from PAS 39, *Financial Instruments: Recognition and Measurement*, to PFRS 9. The amendments to PFRS 7 are effective for annual periods beginning on or after January 1, 2015.
- *PFRS 9, Financial Instruments: Classification and Measurement*  
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed.

The Group conducted an evaluation of the financial impact of the adoption of PFRS 9 based on the audited financial statements as of December 31, 2011 and decided not to early adopt PFRS 9 for its 2013 financial reporting. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

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

The adoption of this Philippine Interpretation will be accounted for retrospectively and will result in the restatement of prior period consolidated financial statements. The adoption of



this Philippine Interpretation may significantly affect the determination of the net income and the related statement of financial position accounts as follows: installment contract receivables, inventories, customer's deposit, deferred tax and retained earnings.

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### 3. Investments and Advances

#### Investment in Toyota

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 Toyota at a consideration of ₱9.00 billion on October 19, 2012 and October 23, 2012, respectively. In relation to this, a Memorandum of Understanding (MOU) was entered into by the Parent Company and MBTC on October 22, 2012. Pursuant to the MOU, the sale was effected in two tranches and an option payment was given by the Parent Company to MBTC amounting to ₱20.00 million for the exclusive option to acquire the shares under the second tranche.

On December 3, 2012, the Parent Company and MBTC executed a Sale and Purchase Agreement (SPA) for the acquisition of 2,324,118 common shares of Toyota under the first tranche for a total consideration of ₱4.50 billion. The acquisition represented 15.00% of Toyota's issued and outstanding capital stock, thus, increasing the Parent Company's interest in Toyota from 21.00 % to 36.00%.

On January 17, 2013, the Parent Company and MBTC executed a Sale and Purchase Agreement for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC under the second tranche as provided in the MOU for a total consideration of ₱4.54 billion. This represented 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%. In addition, option deposit amounting to ₱20.00 million was returned by MBTC to the Parent Company.

As of June 30, 2013, the purchase price allocation relating to the Parent Company's acquisition of control over Toyota has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently has limited information. The difference between the total consideration and the net assets amounting to ₱6.3 billion was initially allocated to goodwill as of June 30, 2013. In addition, based on the preliminary valuation of Toyota, the Parent Company recognized a gain on the revaluation of the previously held interest amounting to ₱1.26 billion. The preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date.

#### Investment in GBPC

On June 27, 2013, First Metro Investment Corporation (FMIC), the investment bank subsidiary of MBTC, concluded a Share Sale and Purchase Agreement for 200,000,000 shares of GBPC to ORIX Corporation (ORIX) at a price of ₱7.15 billion. With the transaction, resulting ownership structure of GBPC follows: FMIC with 29.11%, ORIX with 20.00% and the Parent Company with direct majority ownership of 50.89% and effective ownership of 58.14%. This sale transaction resulted to an equity adjustment amounting to ₱703.57 million representing the excess of the consideration over the carrying amount of non-controlling interest sold.



Equity call from GBPC

On February 15, 2013 and March 15, 2013, the Parent Company disbursed ₱763.35 million and ₱230.77 million, respectively, as its pro rata share in response to equity calls from GBPC upon its stockholders.

Cash dividends from MBTC

On January 23, 2013, the BOD of MBTC approved the declaration of a 5.00% cash dividend or ₱1.00 per share based on a par value of ₱20.00 to all stockholders of record as of March 8, 2013. The BSP approved such dividend declaration on February 8, 2013. On April 3, 2013, the Parent Company received its prorata share in the dividends declared by MBTC.

Cash dividends from Toyota

On April 11, 2013, the BOD of Toyota approved the declaration of cash dividends amounting to ₱2.99 billion or ₱193.24 per share to all stockholders of record as of December 31, 2012. On April 15, 2013, the Parent Company received its prorata share in the dividends declared by Toyota.

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**4. Bonds Payable**

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

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

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

Said bonds were listed on February 27, 2013.



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## 5. Equity

### *Capital stock and additional paid-in capital*

As of June 30, 2013 and December 31, 2012, the paid-up capital consists of the following (amounts in millions except for par value and number of shares):

	<b>June 30, 2013</b>	December 31, 2012
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding	<b>₱1,743</b>	₱1,580
Additional paid-in capital	<b>46,695</b>	36,753
	<b>₱48,438</b>	₱38,333

The movements in the issued and outstanding common stock follow:

	<b>June 30, 2013</b>		December 31, 2012	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	<b>158,000,000</b>	<b>₱1,580</b>	125,000,000	₱1,250
Issuance of shares of stocks	<b>16,300,000</b>	<b>163</b>	33,000,000	330
Balance at end of year	<b>174,300,000</b>	<b>₱1,743</b>	158,000,000	₱1,580

On January 10, 2013, the Parent Company conducted an overnight placement of 23,027,000 shares to institutional investors, where Grand Titan is the selling entity. The placement, which was priced at ₱620.00 per share, raised approximately ₱10.11 billion of primary proceeds for the Parent Company and ₱4.17 billion secondary proceeds for Grand Titan. The placement was realized via a top-up structure, whereby Grand Titan concurrently subscribed 16,300,000 new shares. This decreased Grand Titan's interest in the Parent Company from 69.68% as of December 31, 2012 to 59.30% as of January 10, 2013.

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## 6. Related Party Transactions

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

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

As of June 30, 2013 and December 31, 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.

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## 7. Basic/Diluted Earnings Per Share

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

	June 30		December 31,
	2013	2012	2012
	Unaudited		Audited
Net income attributable to Parent Company	₱6,052	₱4,016	₱6,555
Weighted average number of shares	172	138	148
	₱35.1	₱29.1	₱44.3

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

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## 8. 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 segment is engaged in real estate and leasing, development and selling of properties of every kind and description
- Financial institutions are engaged in the banking and insurance industry
- Motor segment is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments.
- Other segments have been aggregated to form a reportable segment are engaged in the following business:
  - a) trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintains a petroleum service station and
  - b) engaged in the food and restaurant service
  - c) to act as a marketing agent for and in behalf of any real estate development company or companies.

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, operating profit and pretax income which are measured similarly in the financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to third parties.



The following tables present revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the period ended June 30, 2013 and as of and for the year ended December 31, 2012.

	Real Estate	Financial Institution	Motor	Power	Others	Total
<b>Six Months Ended June 30, 2013 (Unaudited)</b>						
<b>Results of Operations</b>						
Revenue	₱3,193	₱-	₱32,242	₱8,702	₱1,260	₱45,397
Rentals	300	-	-	-	-	300
Equity in net income of associates	159	3,002	102	-	-	3,263
	3,652	3,002	32,344	8,702	1,260	48,960
Cost of sales and services	2,048	-	27,640	-	-	29,688
Power plant operation and maintenance (before depreciation and amortization)	-	-	-	3,522	-	3,522
General and administrative expense (before depreciation and amortization)	759	-	1,740	1,113	246	3,858
	2,807	-	29,380	4,635	246	37,068
EBITDA	845	3,002	2,964	4,067	1,014	11,892
Other income (expenses)						
Finance income	4	-	91	96	47	238
Finance cost	(245)	-	(3)	(1,105)	(340)	(1,693)
Depreciation and amortization	(69)	-	(65)	(1,173)	(2)	(1,309)
Pretax income	535	3,002	2,987	1,885	719	9,128
Provision for income tax	75	-	847	71	9	1,002
<b>Net Income (Loss)</b>	<b>₱460</b>	<b>₱3,002</b>	<b>₱2,140</b>	<b>₱1,814</b>	<b>₱710</b>	<b>₱8,126</b>
<b>Statement of Financial Position</b>						
Total Assets	₱36,487	₱35,297	₱30,952	₱62,326	₱3,097	₱168,159
Total Liabilities	₱19,547	₱-	₱13,165	₱35,597	₱9,950	₱78,259
<b>Year Ended December 31, 2012 (Audited)</b>						
<b>Results of Operations</b>						
Revenue	₱4,687	₱-	₱-	₱12,915	₱428	₱18,030
Rentals	233	-	-	-	-	233
Equity in net income of associates	226	3,047	631	-	-	3,904
	5,146	3,047	631	12,915	428	22,167
Cost of sales and services	2,023	-	-	-	-	2,023
Power plant operation and maintenance (before depreciation and amortization)	-	-	-	5,456	-	5,456
General and administrative expense (before depreciation and amortization)	1,256	-	-	1,733	274	3,263
	3,279	-	-	7,189	274	10,742
EBITDA	1,867	3,047	631	5,726	154	11,425
Other income (expenses)						
Finance income	577	-	-	213	77	867
Finance cost	(327)	-	-	(826)	(598)	(1,751)
Depreciation and amortization	(68)	-	-	(1,559)	(2)	(1,629)
Pretax income	2,049	3,047	631	3,554	(369)	8,912
Provision for income tax	61	-	-	222	15	298
<b>Net Income (Loss)</b>	<b>₱1,988</b>	<b>₱3,047</b>	<b>₱631</b>	<b>₱3,332</b>	<b>(₱384)</b>	<b>₱8,614</b>
<b>Statement of Financial Position</b>						
Total Assets	₱19,817	₱33,421	₱5,901	₱53,513	₱24,815	₱137,467
Total Liabilities	₱11,805	₱-	₱-	₱38,937	₱20,861	₱71,603



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## 9. Financial Risk Management and Objectives

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

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

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

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

### Credit risk

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

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

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of 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.

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

As of June 30, 2013 and December 31, 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.



### Liquidity risk

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

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

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

### **Unaudited June 30, 2013**

(Amounts in millions)

	< 1 year	> 1 to < 5 years	> 5 years	Total
<b>Financial assets</b>				
Cash and cash equivalents	₱24,131	₱-	₱-	₱24,131
Receivables	9,882	4,963	874	15,719
Due from related parties	135	-	-	135
Other current assets	38	-	-	38
AFS investments - quoted	1,050	-	72	1,122
AFS investments - unquoted	-	10	57	67
<b>Total undiscounted financial assets</b>	<b>₱35,236</b>	<b>₱4,973</b>	<b>₱1,003</b>	<b>₱41,212</b>
<b>Other financial liabilities</b>				
Accounts and other payables	₱16,875	₱10	₱175	₱17,060
Dividends payable	1	-	-	1
Loans and bonds payable	7,929	33,042	28,052	69,023
Due to related parties	185	-	-	185
Liabilities on purchased properties	550	1,583	2,500	4,633
<b>Total undiscounted financial liabilities</b>	<b>₱25,540</b>	<b>₱34,635</b>	<b>₱30,727</b>	<b>₱90,902</b>
<b>Liquidity Gap</b>	<b>₱9,696</b>	<b>(₱29,662)</b>	<b>(₱29,724)</b>	<b>(₱49,690)</b>

### **Audited**

### **December 31, 2012**

(Amounts in millions)

	< 1 year	> 1 to < 5 years	> 5 years	Total
<b>Financial assets</b>				
Cash and cash equivalents	₱11,568	₱-	₱-	₱11,568
Receivables	6,591	3,024	862	10,477
Due from related parties	489	-	-	489
AFS financial assets - quoted	-	-	1,050	1,050
AFS financial assets - unquoted	-	-	10	10
<b>Total undiscounted financial assets</b>	<b>₱18,648</b>	<b>₱3,024</b>	<b>₱1,922</b>	<b>₱23,594</b>
<b>Other financial liabilities</b>				
Accounts and other payables	₱5,993	₱10	₱-	₱6,003
Dividends payable	1,949	-	-	1,949
Loans payable	18,668	32,743	19,349	70,760
Due to related parties	191	-	-	191
Liabilities on purchased properties	-	888	2,314	3,202
<b>Total undiscounted financial liabilities</b>	<b>₱26,801</b>	<b>₱33,641</b>	<b>₱21,663</b>	<b>₱82,105</b>
<b>Liquidity Gap</b>	<b>(₱8,153)</b>	<b>(₱30,617)</b>	<b>(₱19,741)</b>	<b>(₱58,511)</b>

#### Foreign currency risk

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

#### Interest rate risk

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

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

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### 10. Contingent Liabilities

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

In addition, in order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of Housing and Land Use Regulatory Board for a total guarantee amount of ₱868.17 million as of June 30, 2013 and December 31, 2012.

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### 11. Events after Financial Reporting Date

On July 15, 2013, the Parent Company executed a Subscription Agreement with Fed Land, a wholly-owned subsidiary, to acquire 11,000,000 common shares of stock from Fed Land's authorized capital stock for an aggregate consideration amounting to ₱1.1 billion.

On July 3, 2013, Fed Land signed a ₱5.0 billion Corporate Notes Facility agreement with a syndicate of institutional lenders composed of banks, insurance companies, pension funds and trust institutions. Proceeds of the facility, which consist of seven and ten-year Fixed-rate Notes will be used for ongoing projects, working capital and general corporate purposes.



**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**AS OF AND FOR THE PERIOD ENDED JUNE 30, 2013 AND 2012**

(Amounts in millions except %)	2013	2012
<b>Liquidity Ratio</b>		
Current ratio	2.26	2.81
Current assets	₱56,865	₱38,472
Current liabilities	25,200	13,690
<b>Solvency Ratio</b>		
Total liabilities to total equity ratio	0.87	0.87
Total liabilities	78,259	58,954
Total equity	89,900	67,669
Debit to equity ratio	0.60	0.71
Total debt**	54,385	48,088
Total equity	89,900	67,669
<b>Asset to Equity Ratio</b>		
Asset to equity ratio	2.41	2.46
Total assets	168,159	126,623
Equity attributable to Parent Company	69,830	51,464
<b>Interest Rate Coverage Ratio*</b>		
Interest rate coverage ratio	6.39	5.63
Earnings before interest and taxes (EBIT)	10,821	5,936
Interest expense	1,693	1,055
<b>Profitability Ratio</b>		
Return on average assets	7.33%	6.69%
Net income attributable to Parent Company (Annualized)	11,200	6,584
Total assets	168,159	126,623
Average assets	152,813	98,343
Return on Average Equity	18.0%	15.24%
Net income attributable to Parent Company (Annualized)	11,200	6,584
Equity attributable to Parent Company	69,830	51,464
Average equity attributable to Parent Company	62,161	43,197
Income before income tax	9,128	4,881
Interest expense	1,693	1,055
EBIT	10,821	5,936

\*computed as EBIT/Interest Expense

\*\*includes liabilities on purchased properties