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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)

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 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
<i>Month</i>	<i>Day</i>
(Fiscal Year)	

A A C F S

(Form Type)

<i>Month</i>	<i>Day</i>
(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

41

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Ave. cor. H.V. dela Costa Street
Makati City

We have audited the accompanying consolidated financial statements of GT Capital Holdings, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, 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 its Subsidiaries as at December 31, 2012 and 2011 and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Aris C. Malantic

Partner

CPA Certificate No. 90190

SEC Accreditation No. 0326-AR-2 (Group A),

March 15, 2012, valid until March 14, 2015

Tax Identification No. 152-884-691

BIR Accreditation No. 08-001998-54-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3669696, January 2, 2013, Makati City

March 20, 2013



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

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P11,553,288,498	P454,421,565
Receivables (Note 5)	6,504,694,886	3,933,792,763
Inventories (Note 6)	12,275,078,957	11,338,367,323
Due from related parties (Note 26)	489,042,589	938,859,224
Prepayments and other current assets (Note 7)	5,999,839,002	1,905,301,342
Total Current Assets	36,821,943,932	18,570,742,217
Noncurrent Assets		
Noncurrent receivables (Note 5)	3,159,140,836	1,114,943,862
Investments and advances (Note 8)	43,363,689,238	38,112,517,612
Investment properties (Note 9)	7,815,576,971	5,227,423,530
Available-for-sale investments (Note 10)	1,060,087,293	9,921,760
Property and equipment (Note 11)	33,661,228,629	396,367,203
Deposits (Note 12)	2,085,000,000	4,085,000,000
Intangible assets (Note 13)	8,691,009,693	8,498,083
Long-term cash investments (Note 26)	-	2,440,084,378
Deferred tax asset (Note 28)	238,369,925	3,791,675
Other noncurrent assets (Note 14)	571,395,511	93,473,604
Total Noncurrent Assets	100,645,498,096	51,492,021,707
	P137,467,442,028	P70,062,763,924
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 15)	P7,376,718,844	P4,573,419,840
Loans payable - current (Note 16)	16,565,258,699	7,648,700,000
Customers' deposits (Note 17)	974,327,489	457,625,624
Dividends payable (Note 26)	1,948,727,265	244,000
Due to related parties (Note 26)	191,264,721	403,598,150
Income tax payable	25,793,451	-
Other current liabilities (Note 18)	1,370,244,207	57,884,393
Total Current Liabilities	28,452,334,676	13,141,472,007
Noncurrent Liabilities		
Loans payable - noncurrent (Note 16)	39,187,769,092	19,600,000,000
Liabilities on purchased properties (Notes 19 and 26)	2,580,574,771	-
Pension liability (Note 27)	204,502,610	28,111,610
Deferred tax liability (Note 28)	935,506,710	80,613,144
Other noncurrent liabilities (Note 20)	242,566,372	62,932,335
Total Noncurrent Liabilities	43,150,919,555	19,771,657,089
	71,603,254,231	32,913,129,096

(Forward)



	December 31	
	2012	2011
Equity (Note 21)		
Equity attributable to equity holders of GT Capital Holdings, Inc.		
Capital stock	₱1,580,000,000	₱1,250,000,000
Additional paid-in capital	36,752,473,660	23,071,664,419
Retained earnings	13,855,815,763	7,801,755,408
Other comprehensive income	2,983,891,862	2,805,451,828
Other equity adjustments (Note 30)	(681,066,182)	-
	54,491,115,103	34,928,871,655
Non-controlling interest	11,373,072,694	2,220,763,173
Total Equity	65,864,187,797	37,149,634,828
	₱137,467,442,028	₱70,062,763,924

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2012	2011	2010
REVENUE			
Net fees	₱12,845,109,991	₱-	₱-
Equity in net income of associates and jointly controlled entities (Note 8)	3,903,830,555	3,567,873,099	2,948,879,125
Real estate sales	2,131,002,354	2,512,196,616	2,160,695,953
Gain from loss of control on a subsidiary (Note 8)	1,448,398,924	-	-
Interest income (Note 22)	866,431,011	598,227,699	184,374,971
Sale of goods and services	730,736,289	764,665,350	644,692,097
Gain on bargain purchase (Note 30)	427,530,654	-	-
Rent income (Notes 9 and 29)	233,443,132	238,001,688	197,991,209
Commission income	184,493,366	95,970,876	47,054,822
Other income (Note 22)	262,450,798	188,545,192	123,121,743
	23,033,427,074	7,965,480,520	6,306,809,920
COSTS AND EXPENSES			
Power plant operation and maintenance expenses (Note 23)	6,711,049,473	-	-
General and administrative expenses (Note 25)	3,637,779,420	1,109,747,048	893,294,486
Interest expense (Note 16)	1,749,782,179	989,749,556	281,920,080
Cost of real estate sales (Note 6)	1,342,018,241	1,553,768,313	1,364,808,171
Cost of goods and services sold (Note 24)	680,910,846	709,726,583	584,566,497
	14,121,540,159	4,362,991,500	3,124,589,234
INCOME BEFORE INCOME TAX	8,911,886,915	3,602,489,020	3,182,220,686
PROVISION FOR INCOME TAX (Note 28)	298,282,930	148,779,135	70,203,309
NET INCOME	₱8,613,603,985	₱3,453,709,885	₱3,112,017,377
Attributable to:			
Equity holders of the GT Capital Holdings, Inc.	₱6,554,920,355	₱3,324,399,379	₱3,001,620,966
Non-controlling interest	2,058,683,630	129,310,506	110,396,411
	₱8,613,603,985	₱3,453,709,885	₱3,112,017,377
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 33)	₱44.27	₱26.60	₱24.01

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2012	2011	2010
NET INCOME	₱8,613,603,985	₱3,453,709,885	₱3,112,017,377
Change in fair value of available-for-sale investments (Note 10)	(10,489,999)	-	-
Equity in other comprehensive income of associates (Note 8):			
Change in fair value of available for sale investments	478,401,175	2,762,533,470	344,974,822
Translation adjustment	(224,734,500)	133,071,497	(112,571,362)
TOTAL OTHER COMPREHENSIVE INCOME	243,176,676	2,895,604,967	232,403,460
TOTAL COMPREHENSIVE INCOME	₱8,856,780,661	₱6,349,314,852	₱3,344,420,837
Attributable to:			
Equity holders of the GT Capital Holdings, Inc.	₱6,801,980,429	₱6,220,004,346	₱3,234,024,426
Non-controlling interest	2,054,800,232	129,310,506	110,396,411
	₱8,856,780,661	₱6,349,314,852	₱3,344,420,837

See accompanying Notes to Consolidated Financial Statements.



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to Equity Holders of GT Capital Holdings, Inc.

	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Retained Earnings (Note 21)	Other Equity Adjustments (Note 30)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 10)	Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates (Note 8)	Equity in Translation Adjustment of Associates (Note 8)	Attributable to Non-controlling Interest of Subsidiary	Total
At January 1, 2012	¥1,250,000,000	¥23,071,664,419	¥7,801,755,408	¥-	¥-	¥2,544,293,006	¥261,158,822	¥2,220,763,173	¥37,149,634,828
Issuance of capital stock	330,000,000	13,680,809,241	-	-	-	-	-	639,809,982	14,650,619,223
Effect of business combination (Note 30)	-	-	-	-	-	(68,620,040)	-	15,238,649,131	15,170,029,091
Acquisition of non-controlling interest	-	-	-	(681,066,182)	-	-	-	(5,235,856,759)	(5,916,922,941)
Movement in non-controlling interest of subsidiaries	-	-	-	-	-	-	-	(1,495,136,065)	(1,495,136,065)
Dividends declared	-	-	(500,860,000)	-	-	-	-	(2,049,957,000)	(2,550,817,000)
Total comprehensive income	-	-	6,554,920,355	-	(6,606,601)	478,401,175	(224,734,500)	2,054,800,232	8,856,780,661
At December 31, 2012	¥1,580,000,000	¥36,752,473,660	¥13,855,815,763	(¥681,066,182)	(¥6,606,601)	¥2,954,074,141	¥36,424,322	¥11,373,072,694	¥65,864,187,797
At January 1, 2011	¥1,250,000,000	¥23,071,664,419	¥5,377,356,029	¥-	¥-	(¥218,240,464)	¥128,087,325	¥2,211,452,667	¥31,820,319,976
Consideration transferred on acquisition of a subsidiary under common control (Note 21)	-	-	-	-	-	-	-	(84,000,000)	(420,000,000)
Dividends declared	-	-	(564,000,000)	-	-	-	-	(36,000,000)	(600,000,000)
Total comprehensive income	-	-	3,324,399,379	-	-	2,762,533,470	133,071,497	129,310,506	6,349,314,852
At December 31, 2011	¥1,250,000,000	¥23,071,664,419	¥7,801,755,408	¥-	¥-	¥2,544,293,006	¥261,158,822	¥2,220,763,173	¥37,149,634,828
At January 1, 2010	¥1,250,000,000	¥23,071,664,419	¥2,875,735,063	¥-	¥-	(¥563,215,286)	¥240,658,687	¥1,521,300,256	¥28,396,143,139
Increase in non-controlling interest	-	-	-	-	-	-	-	600,000,000	600,000,000
Dividends declared	-	-	(500,000,000)	-	-	-	-	(20,244,000)	(520,244,000)
Total comprehensive income	-	-	3,001,620,966	-	-	344,974,822	(112,571,362)	110,396,411	3,344,420,837
At December 31, 2010	¥1,250,000,000	¥23,071,664,419	¥5,377,356,029	¥-	¥-	(¥218,240,464)	¥128,087,325	¥2,211,452,667	¥31,820,319,976

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱8,911,886,915	₱3,602,489,020	₱3,182,220,686
Adjustments for:			
Equity in net income of associates and jointly controlled entities (Note 8)	(3,903,830,555)	(3,567,873,099)	(2,948,879,125)
Interest expense (Note 16)	1,749,782,179	989,749,556	281,920,080
Depreciation and amortization (Note 11)	1,629,115,327	71,352,576	72,251,958
Gain from loss of control on a subsidiary (Note 8)	(1,448,398,924)	-	-
Interest income (Note 22)	(866,431,011)	(598,227,699)	(184,374,971)
Gain on bargain purchase (Note 30)	(427,530,654)	-	-
Pension expense (Note 27)	120,661,613	16,621,998	9,368,388
Loss from initial recognition of financial asset (Note 25)	94,224,170	-	-
Loss on revaluation of previously held interest (Note 30)	53,949,714	-	-
Gain on disposal of property and equipment (Note 11)	(8,316,148)	(302,584)	(4,395,150)
Unrealized foreign exchange losses (Note 25)	7,113,039	193,784	604,708
Operating income (loss) before changes in working capital	5,912,225,665	514,003,552	408,716,574
Decrease (increase) in:			
Receivables	1,230,216,844	(4,203,893,169)	(1,068,313,992)
Inventories	3,002,358	(3,228,592,505)	(820,933,594)
Due from related parties	877,422,046	(380,714,964)	313,918,738
Prepayments and other current assets	(4,058,602,627)	(282,455,718)	(188,837,310)
Increase (decrease) in:			
Accounts and other payables	(581,033,757)	2,632,476,447	1,302,037,270
Customers' deposits	516,701,865	40,164,351	(197,904,705)
Due to related parties	(212,333,429)	-	-
Other current liabilities	693,497,586	34,076,298	34,542,139
Cash provided by operations	4,381,096,551	(4,874,935,708)	(216,774,880)
Dividends paid	(2,550,817,000)	(600,000,000)	(521,956,766)
Interest paid	(1,468,593,272)	(1,087,246,900)	(374,660,184)
Income tax paid	(383,256,129)	(14,553,856)	(102,155,530)
Interest received	749,895,600	907,573,247	207,699,362
Dividends received	157,156,316	1,495,803,180	604,780,787
Contributions to pension plan assets (Note 27)	-	(12,959,089)	(9,814,420)
Net cash provided by (used in) operating activities	885,482,066	(4,186,319,126)	(412,816,631)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	50,915,037	475,003	112,714
Investment in an associate	-	-	142,218,325
Additions to:			
Investments and advances (Note 8)	(4,500,000,965)	(2,624,660,409)	(5,927,980,178)
Investment properties (Note 9)	(2,968,258,325)	(57,705,511)	(1,411,585,709)
Property and equipment (Note 11)	(1,152,938,297)	(18,540,327)	(117,646,488)
Intangible assets (Note 13)	(10,727,484)	-	-
Deposits (Note 12)	-	(4,085,000,000)	-
Long-term cash investments (Note 26)	-	(2,440,084,378)	-
Settlements of:			
Long-term cash investments (Note 26)	2,440,084,378	-	-
Deposits (Note 12)	2,000,000,000	-	-
Acquisition of subsidiary through business combinations - net of cash acquired (Note 30)	7,903,548,151	(420,000,000)	-
Redemption of non-controlling interests in consolidated subsidiaries (Notes 21 and 30)	(5,916,922,941)	-	-
Increase in other noncurrent asset	1,539,110,135	(24,329,670)	(8,901,393)
Refund of advances	-	602,879,241	-
Net cash used in investing activities	(615,190,311)	(9,066,966,051)	(7,323,782,729)

(Forward)



	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments	₱	₱19,305,000,000	₱14,189,000,000
Proceeds from initial public offering (Note 21)	14,010,809,241	-	-
Payment of loans payable	(5,755,695,795)	(8,238,491,076)	(3,902,700,000)
Increase (decrease) in:			
Non-controlling interests	-	-	600,000,000
Liabilities on purchased properties	2,580,574,771	(516,846,000)	(112,254,000)
Due to related parties	-	83,026,536	(174,741,264)
Other noncurrent liabilities	-	10,269,220	4,407,594
Net cash provided by financing activities	10,835,688,217	10,642,958,680	10,603,712,330
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(7,113,039)	(193,784)	(604,708)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	11,098,866,933	(2,610,520,281)	2,866,443,262
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	454,421,565	3,064,941,846	198,498,584
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)			
	₱11,553,288,498	₱454,421,565	₱3,064,941,846

See accompanying Notes to Consolidated Financial Statements.



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

As of December 31, 2012, the Parent Company owns 100.00% of Federal Land, Inc. (Fed Land) and 50.89% (with 62.98% effective ownership) of Global Business Power Corporation (GBPC). The ultimate parent of GT Capital Holdings, Inc. is Grand Titan Capital Holdings, Inc. (Grand Titan).

Group Activities

The Parent Company, Fed Land and Subsidiaries (Fed Land Group) and 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) and GBPC Group (Power 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.

On the other hand, 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 30, the Group acquired effective control of GBPC on April 30, 2012.

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 Group's functional currency. Values are rounded to the nearest peso unless otherwise indicated.

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 comprise the financial statements of the Group as at December 31, 2012 and 2011 and for the years then ended December 31, 2012, 2011 and 2010.

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

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date when such control ceases. The financial statements of the subsidiary 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 consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.



The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority-owned domestic subsidiaries of the Parent Company (see Note 8):

	Direct Percentages of Ownership		Effective Percentages of Ownership	
	December 31		December 31	
	2012	2011	2012	2011
Fed Land and Subsidiaries	100.00	80.00	100.00	80.00
GBPC and Subsidiaries	50.89	-	62.98	-

On May 3, 2012, the Parent Company acquired an additional 20.00% of Fed Land from the holders of non-controlling interest, thereby increasing the Parent Company's ownership in Fed Land from 80.00% to 100.00%.

As of December 31, 2012, the Parent Company has effective ownership over GBPC of 62.98% (50.89% direct holdings and 12.09% indirect ownership). The Parent Company's 12.09% indirect ownership came from its 25.11% direct interest in Metropolitan Bank & Trust Company (MBTC), which has direct interest in First Metro Investments Corporation (FMIC). FMIC, in turn, has 49.11% direct interest in GBPC as of December 31, 2012 (see Note 30).

Fed Land's Subsidiaries

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

HLPDC

On December 28, 2012, Fed Land's deposit for future subscription amounting to ₱2.00 billion was converted to 200,000,000 shares of stock of HLPDC. Also, advances to HLPDC amounting to ₱44.44 million were converted to shares of stock consisting of 4,444,471 shares at ₱10.00 par.

HLRC

In 2011, the Group acquired interest in HLRC, a wholly owned subsidiary of Fed Land, from affiliated companies for a total consideration of ₱420.00 million. Such transaction involving business combination under common control was accounted for using uniting of interest method (see Note 30).



TLPMC

On April 27, 2011, the SEC approved the Articles of Incorporation and By-Laws of TLPMC, a wholly owned subsidiary of Fed Land for a total subscription of ₱0.50 million. TLPMC started its operations in May 2011.

BLRDC

In 2011, Fed Land and MHC entered into a Deed of Assignment and Subscription Agreement under a joint venture arrangement with Orix Risingsun Properties II, Inc. (Orix).

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

In June 2012, BLRDC was converted from a wholly-owned subsidiary to a jointly controlled entity (see Note 8).

CRDC

On June 23, 2011, CRDC issued its remaining unissued capital stock to Fed Land consisting of 400,000 common shares with ₱100.00 par value share for ₱37.50 million. As a result, the Group obtained a 60.64% interest in CRDC through Fed Land's 75.80% direct interest in CRDC after the issuance in 2011. The Group accounted for the business combination under common control using uniting of interest method (see Note 30). As of December 31, 2012 and 2011, the Group has 75.80% interest in CRDC through its 100.00% ownership in Fed Land.

FBRI

FBRI is 51.66% owned by Fed Land and was consolidated to Fed Land Group. Effective ownership of the Parent Company over FBRI through Fed Land is 51.66% and 41.33% as of December 31, 2012 and 2011, respectively.

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

GCLDC

GBPC owns 100.00% interest in ARB Power Ventures, Inc. (APVI) and GCLDC. APVI owns 52.50% interest and a 95.00% share in the profit of TPC, a power generation company engaged in the operation of a 60-megawatt coal and 40-megawatt industrial fuel oil power stations both located in Toledo City, Cebu while GCLDC owns 47.50% interest and a 5.00% share in the profit of TPC and a 40.00% equity interest in the shares of stock of THC, a company that leases land to its related parties.



APVI

GBPC owns 100.00% interest in APVI. APVI owns 52.50% interest and a 95.00% share in the profit of TPC, a power generation company engaged in the operation of a 60-megawatt coal and 40-megawatt industrial fuel oil power stations both located in Toledo City, Cebu while GCLDC owns 47.50% interest and a 5.00% share in the profit of TPC and a 40.00% equity interest in the shares of stock of THC, a company that leases land to its related parties.

THC

THC is 40.00% and 60.00% owned by GCLDC and GBPC, respectively. Effective ownership of the Parent Company over THC through GBPC is 62.98% as of December 31, 2012.

TPC

TPC is 47.50% and 52.50% owned by GCLDC and APVI, respectively. Effective ownership of the Parent Company over TPC through GBPC is 62.98% as of December 31, 2012.

On May 24, 2012 and October 15, 2012, the Parent Company disbursed ₱507.00 million and ₱156.00 million, respectively, as its pro-rata share in an equity call from GBPC upon its stockholders. The equity call will partially fund GBPC's down payment in the Engineering, Procurement and Construction (EPC) contract and initial expenses of the Toledo Expansion Project situated in Toledo City, Cebu.

GPRI

GBPC owns 100.00% interest in GPRI. GPRI is engaged in the business of generating electric power in areas not connected to the present Luzon Grid, Mindanao Grid and major Visayas Grid(s) of National Power Corporation (NPC).

GPRI has a Power Purchase Agreement (PPA) with Oriental Mindoro Electric Cooperative, Inc. (ORMECO) wherein GPRI commits to provide and ORMECO commits to purchase in each contract year a minimum number of kilowatt-hours of net electrical output for a cooperation period of 20 years. The agreed fees are denominated in Philippine peso. This agreement also provides for, among others, the payment of fees/penalty or liquidated damages in the event of termination of agreement under certain circumstances, or default or breach of agreement by any parties. While GPRI has been delivering energy to ORMECO since 2000, as of December 31, 2012 and 2011, GPRI and ORMECO have not yet agreed on the date of start of cooperation period. Effective ownership of the Parent Company over GPRI through GBPC is 62.98% as of December 31, 2012.

GESC

GBPC owns 100.00% interest in GESC, a company with primary purpose to supply retail electricity. Effective ownership of the Parent Company over GESC through GBPC is 62.98% as of December 31, 2012.

GFPHI

On November 12, 2007, GBPC, Formosa Heavy Industries, Inc., a corporation duly organized and existing under the laws of Taiwan/Republic of China and Flat World Ltd., a corporation duly organized and existing under the laws of British Virgin Islands, collectively referred to as the "Parties", entered into an agreement to form a strategic partnership and to establish a joint venture corporation to be incorporated as a holding company for the purpose of holding interest in power generation projects in the Philippines. This joint venture was incorporated on May 5, 2008 as GFPHI, primarily to acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property and to do acts of being a holding



company in power generation projects in Philippines except to act as brokers dealers in securities. GBPC has 93.00% interest in GFPHI. Effective ownership of the Parent Company over GFPHI through GBPC is 58.68% as of December 31, 2012.

PPHC

On February 11, 2011, the SEC approved the change in name of Claredon Towers Holdings, Inc. to PPHC. GBPC owns 89.30% interest in PPHC. PPHC owns 100.00% interest in PPC and PEDC. Effective ownership of the Parent Company over PPHC, PPC and PEDC through GBPC is 56.24% as of December 31, 2012.

PPC

PPC owns and operates a total of 109.5-megawatt bunker fuel power plants located in La Paz, Iloilo City and Aklan. PPC has a Power Purchase Agreement with Panay Electric Company (PECO) under which PECO contracted a capacity of 15 megawatts for its intermediate and peak power supply requirements for a period of fifteen years until 2026. The energy fees and fuel costs shall be paid to PPC in accordance with the terms specified in the PPA. The agreed fees are denominated in Philippine peso. PPC also has Electric Power Purchase Agreements (EPPAs) with Iloilo I Electric Cooperative, Inc. (ILECO-1) and Aklan Electric Cooperative, Inc. (AKELCO) under which ILECO-1 and AKELCO will purchase in each contract month from the start of commercial operations a minimum number of kilowatt hours of net electrical output for a cooperation period of 20 years from the start of commercial operations.

PEDC

PEDC was incorporated on February 27, 2009 primarily to carry on the general business of generating power, derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric and other viable sources of power, for lighting and power purposes and whole selling the electric power to the NPC, private electric cooperatives, and for the carrying on of all business incident hereto, including but not limited to the sale of the by-products of power generation, e.g. steam, water, etc., to acquire, build, construct, own, maintain, and operate all necessary and convenient buildings, structures, dams, machinery, sub-stations, transmission lines, poles, wires, and other things and devices, to acquire and hold water and flowage rights and to acquire, lease, hold, occupy, or use land rights of way and easement therein, and to purchase and/or import raw materials, equipment and spare parts to be used for its business as power generator. PEDC is the project entity that owns and operates the power plant expansion project in La Paz, Iloilo City.

In 2011, PEDC entered into various EPPAs with ILECO-1, Iloilo III Electric Cooperative, Inc. (ILECO-3) and Central Negros Electric Cooperative, Inc. (CENECO). In 2010, PEDC entered into various EPPAs with PECO, AKELCO, Iloilo II Electric Cooperative, Inc. (ILECO-2), Capiz Electric Cooperative, Inc. (CAPELCO) and Antique Electric Cooperative, Inc. (ANTECO). These agreements provide for, among others, the agreed minimum supply levels and electricity fees, denominated in Philippine peso, and payment of fees/penalty or liquidated damages in the event of termination of agreement under certain circumstances, and the recovery of any costs incurred as a result of change in circumstances including change in any laws or regulations of the Philippines, among others, from PEDC's customers. Under the EPPAs, PEDC is committed to supply electricity during the 25-year cooperation period which shall commence on March 26, 2011 or the date when the units have been completed, inspected, tested and is ready to commence operation, whichever is earlier.



CEDC

On August 11, 2007, GBPC and Aboitiz-Garcia Group entered into a Memorandum of Agreement (MOA) whereby both parties agreed to form a joint venture company for the purpose of constructing a new coal-fired power plant in Toledo City, Cebu. This joint venture was incorporated on December 5, 2008 as CEDC, primarily to engage in the general business of generating power for lighting and power purposes and whole-selling the electric power to the NPC, private electric cooperatives and other entities, and for carrying on of all businesses incidental thereto. The MOA allows a third party investor to participate on a minority basis in the equity contribution of GBPC to CEDC.

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 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 acquiree in accordance with applicable PRFS;
- no amount is recognized as goodwill.
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

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

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 consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed 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.



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 profit or loss. Any recognized changes in the value of its equity interest in the acquiree in other comprehensive income are recognized by the Group similar to a disposal of the previously held equity interest.

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 in accordance with Philippine Accounting Standards (PAS) 39 either in profit or loss or as change 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.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in profit or loss under "Gain on bargain purchase."

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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.

Change in Ownership Without Loss of Control

The change in parent's ownership interest in a subsidiary that does not result in a loss of control is accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests is adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the Parent.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2012.

- PAS 12, *Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value, which is not applicable to the Group.



- *PFRS 7, Financial Instruments: Disclosures (Amendments) - Transfers of Financial Assets*
The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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 on the contracts.

Financial Instruments

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: securities at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2012 and 2011, the Group has no financial assets and financial liabilities at FBPL and HTM investments. The Group's financial investments include loans and receivables, AFS investments and other financial liabilities.

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, option pricing models, and other relevant valuation models.

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 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 use is made of data which is not observable, the difference between the transaction price and model value is only recognized in 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 consolidated statement of financial position captions "Cash and cash equivalents", "Receivables", "Due from related parties", "Deposits" 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 those which are designated as such or do not qualify to be classified as designated as securities of 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 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).

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 carrying amount of the asset is reduced through 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 effective interest rate 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 a 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.

Receivable, 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 at the reversal date.

AFS investments

In case of equity investments 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 consolidated comprehensive income. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive 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 of 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, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

Inventories consist of condominium units held for sale, gasoline retail and petroleum products, food and nonfood products that are available for sale in the Fed Land Group's ordinary course of business and land and improvements and will be part of the Fed Land Group's future real estate projects. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to make the sale. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Real estate inventories

Property acquired 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 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 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 under "Condominium units held for sale".

Costs of condominium held for sale includes the carrying amount of the land transferred from "Land for development" 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.



Investments and Advances

This account includes advances for future stocks 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 joint venture 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 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 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 instead included as income in the determination of the share in the earnings of the investees.

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 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 other comprehensive income are recognized directly in other comprehensive income in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the statement of income and statement of comprehensive income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in subsidiaries of the associate.

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 are treated as a reduction of the accumulated earnings under "Investment in associate" account.

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 share in the net income equals the share of net losses 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 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 profit or loss 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 estimated useful lives (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, except for power purchase agreements, 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.

The Group's intangible assets consist of power purchase agreements, software costs, and franchise. Intangible assets, except for power purchase agreements, have an estimated useful life of 3 to 5 years. 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 profit or loss when the intangible asset is derecognized.

Power Purchase Agreements

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.

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 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.

Deposits

Deposits are stated at cost. Cost is the fair value of the asset given up at the date 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.

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 and advances to associates and jointly controlled entities, investment properties, property and equipment, software costs and franchise and deposits), 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 cash-generating unit'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 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. That increased 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 profit or loss 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.



The following criteria are also applied in assessing impairment of specific assets:

Investments and advances

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 and advances to associates and jointly controlled entities 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 entity and the carrying cost and recognizes the amount in the consolidated statement of income.

Intangible assets

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 accumulated impairment, if any. Otherwise, such costs are recognized as expense as incurred.

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. The Group's intangible assets consist of power purchase agreements, software costs and franchise. Intangible assets have an estimated useful life of 4 to 25 years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Goodwill

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in profit or loss. 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 consolidated statement of financial position date.

Customers' Deposits

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. 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.

In relation to this, the customer's deposits consists of payment from buyers which have not reached the minimum required percentage and any excess of collections over the recognized receivables.



Equity

The Group records common stocks 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.

Retained earnings represent accumulated earnings (losses) of the Group less dividends declared, if any.

Capital stock

The 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.

Where the Company purchases the Company's common stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the 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 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.

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.

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

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.

General and administrative expenses

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



Pension Costs

The Group has a funded, noncontributory defined benefit retirement plan, 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. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

The liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the financial reporting date less the fair value of the plan assets and less any actuarial gains or losses not recognized. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10.00% of the present value of defined benefit obligation or 10.00% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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 functional and presentation currency of the Group is Philippine Peso. 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.

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 34.

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 PPC's, TPC's, GPRI's, PEDC's and CEDC's obligation, under their Environmental Compliance Certificate, 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.

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.

The amended standards adopted had no impact on the financial position or performance of the Company.



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.

Effective in 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. The amendment affects presentation only and has therefore no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- 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 amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

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:

	December 31, 2012	January 1, 2012
Increase (decrease) in:		
Net defined benefit liability	₱327,786,013	₱331,897,390
Deferred tax asset	98,335,804	99,569,217
Other comprehensive loss	100,088,248	87,247,333
Retained earnings	(126,338,014)	(142,056,893)

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

Increase (decrease) in:	
Net retirement benefit expense	(₱18,960,290)
Profit for the year	(10,050,161)
Other comprehensive loss	12,840,915
Income tax expense	690,437



- 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. The Group presents separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- 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. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- 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.

The amendments to PFRS 7 will be applied retrospectively for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.
- 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. This standard becomes effective for annual periods beginning on or after January 1, 2013.



- **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. The application of this new standard will not have significant impact to the financial position of the Parent Company since the Parent Company accounts its jointly controlled under the equity method of accounting. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **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. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- **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. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

- **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.

Effective in 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*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal



outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, 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 in respect of the liability's 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 into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. 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 the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- *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.

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*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.



- *PAS 1, Presentation of Financial Statements - Clarification of the requirements for comparative information*
The 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 consolidated financial statements. An entity must include comparative information in the related notes to the consolidated 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 consolidated financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 16, Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group's expects that this amendment will not have any impact on its financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

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:

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 commitment - 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 (see Note 22).

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 (see Note 35).

Determining whether an arrangement contains a lease

The PPAs and EPPAs qualify as a lease on the basis that PPC, TPC and GPRI sell all its output to PECO, AKELCO, ILECO-1, Cebu III Electric Cooperative, Inc. (CEBECO III), Visayan Electric Company, Inc. (VECO), National Grid Corp. of the Philippines (NGCP), Carmen Copper Corp. (CCC), Balamban Enerzone Corp. (BEZ) and ORMECO. The agreements calls 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 PPC, TPC and GPRI. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to PECO, AKELCO, ILECO-1, CEBECO III, VECO, NGCP, CCC, BEZ and ORMECO are recorded as revenue.



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 ₱3.93 billion and ₱1.92 billion as of December 31, 2012 and 2011, respectively (see Note 5). The Group recognized real estate sales in December 31, 2012, 2011 and 2010 amounting to ₱2.13 billion, ₱2.51 billion and ₱2.16 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 group 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.

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, 2012 and 2011, the carrying values of these assets are as follow:

	2012	2011
Receivables (Note 5)	₱6,504,694,886	₱3,933,792,763
Due from related parties (Note 26)	489,042,589	938,859,224

Evaluating net realizable value of inventories

Inventories are valued at the lower of cost and net realizable value.



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 accurate valuation in the financial records.

The carrying value of the Group's inventories amounted to ₱12.28 billion and ₱11.34 billion as of December 31, 2012 and 2011, respectively (see Note 6).

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

The Group 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.

As of December 31, 2012 and 2011, the carrying values of investment property, property and equipment, intangible assets from power purchase agreements, software costs and franchise are as follow:

	2012	2011
Investment properties (Note 9)	₱7,815,576,971	₱5,227,423,530
Property and equipment (Note 11)	33,661,228,629	396,367,203
Power purchase agreements (Note 13)	8,676,723,532	-
Software costs (Note 13)	14,286,161	8,425,386
Franchise (Note 13)	-	72,697

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 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 as of December 31, 2012 and 2011:

	2012	2011
Investment properties (Note 9)	₱7,815,576,971	₱5,227,423,530
Investments in and advances to associates and jointly controlled entities (Note 8)	43,363,689,238	38,112,517,612
Input VAT (Note 7)	3,387,924,051	695,928,291
Creditable withholding tax (Note 7)	324,510,952	186,685,573
Property and equipment (Note 11)	33,661,228,629	396,367,203
Power purchase agreements (Note 13)	8,676,723,532	-
Software (Note 13)	14,286,161	8,425,386
Franchise (Note 13)	-	72,697
Other noncurrent assets (Note 14)	571,395,511	93,473,604

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 ₱1.06 billion and ₱9.92 million as of December 31, 2012 and 2011, respectively (see Note 10). The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive. As of December 31, 2012 and 2011, the net unrealized loss on available-for-sale investments amounted to ₱10.49 million and nil, respectively. There was no impairment loss recognized in 2012 and 2011.

Deferred tax asset

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 28.



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 ₱183.49 million and nil as of December 31, 2012 and 2011, respectively (see Note 20).

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 27 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, 2012 and 2011, the present value of defined benefit obligations and unrecognized actuarial losses are as follows (see Note 27):

	2012	2011
Present value of funded defined benefit obligations	₱630,990,518	₱94,019,346
Unrecognized actuarial losses	(176,966,112)	(42,949,696)

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.

4. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand and in banks (Note 26)	P3,937,465,603	P383,635,340
Cash equivalents	7,615,822,895	70,786,225
	P11,553,288,498	P454,421,565

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 2.30% to 4.00% in 2012 and 2011.

Interest income from cash and cash equivalents of the Group amounted to P325.25 million, P64.60 million and P9.81 million in 2012, 2011 and 2010 respectively (see Note 22).

5. Receivables

This account consists of:

	2012	2011
Trade receivables	P4,636,171,172	P178,816,574
Installment contracts receivables	3,925,822,347	1,924,210,550
Loans receivable	742,819,163	2,602,879,241
Accrued interest receivable	118,804,829	79,819,273
Management fee receivable	43,218,201	2,076,024
Accrued rent income	38,161,834	5,300,029
Accrued commission income	22,640,404	21,252,081
Dividend receivable	-	157,156,316
Others	140,815,196	80,994,925
Total	9,668,453,146	5,052,505,013
Less noncurrent portion		
Installment contracts receivables	1,677,842,895	1,114,943,862
Loans receivables	742,819,163	-
Trade receivables	738,478,778	-
Total noncurrent	3,159,140,836	1,114,943,862
Total current	6,509,312,310	3,937,561,151
Less allowance for credit losses	4,617,424	3,768,388
	P6,504,694,886	P3,933,792,763



The details of trade receivables follow:

	2012	2011
Power		
Current	P3,809,888,987	P-
Noncurrent	738,478,778	-
Real estate		
Current	87,803,407	178,816,574
Balance at end of year	P4,636,171,172	P178,816,574

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 real estate pertain to rent receivables from tenants' and their share in utilities (electricity, water and liquefied petroleum gas) already billed but not yet collected.

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:

	2012	2011
Installment contracts receivables	P4,417,915,379	P2,348,347,412
Less unearned interest income	492,093,032	424,136,862
Net installment contracts receivables	3,925,822,347	1,924,210,550
Less noncurrent portion	1,677,842,895	1,114,943,862
Current portion	P2,247,979,452	P809,266,688

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 model using discount rates ranging from 8.00% to 12.00% in 2012 and 2011. Interest income recognized from these receivables amounted to P283.17 million, P195.92 million and P174.57 million in 2012, 2011 and 2010, respectively (see Note 22).

Movements in the unearned interest income in 2012 and 2011 follow:

	2012	2011
Balance at beginning of year	P424,136,862	P147,081,808
Additions	347,402,107	472,979,186
Accretion (Note 22)	(279,445,937)	(195,924,132)
Balance at end of year	P492,093,032	P424,136,862

Loan receivables from various counterparties pertain to receivables of the following entities:

	2012	2011
Real estate	P610,775,830	P-
Power	132,043,333	-
Parent Company	-	2,602,879,241
Balance at end of year	P742,819,163	P2,602,879,241



Loans receivables for real estate relate to a loan agreement (Loan) with Cathay International Resources Corp. (Borrower). On December 21, 2012, Fed Land agreed to lend to the Borrower a total amount of ₱705.00 million with nominal interest rate of 3.15% annually. The loan will mature on the tenth year anniversary of the execution.

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 was recorded under 'General and administrative expenses' in the statement of comprehensive income (see Note25).

Loan receivables for power pertain to the MOA of PEDC with PECO. On June 2, 2009, PEDC entered into a MOA with PECO to provide financing for the construction of the Baldoza Substation subject to the terms and conditions set forth in the MOA.

Under the MOA, PECO shall construct, install, operate, and maintain a 62.50 MVA substation at Baldoza and a 2.50 KM, 69KV sub-transmission line (the Facilities) to connect to the grid of the NGCP through the Company's connection point to the grid at the power plant. PECO is obliged to file a capital expenditure and rate recovery application and obtain the approval of the Energy

Regulatory Commission (ERC) for the construction and installation of the Facilities and the recovery of the amount thereof. On January 21, 2010, PECO filed an Application for Approval of the Construction of the 50/62.5 MVA Sub-Station and the 2.5KM 69KV Sub-Transmission line with prayer for provisional authority with the ERC. The ERC approved such application on April 19, 2010. Subsequently, both PPC and PECO applied with the ERC for the recovery of the lost capacity fee from January 16, 2009 to April 2010 amounting to ₱146.00 million.

PEDC shall provide PECO funds of up to ₱140.00 million (Loan Amount) to be utilized solely for the construction and installation of the Facilities. The total amount of loan will be disbursed in three (3) tranches as follows:

- i. 30.00% of the Loan Amount (₱42.00 million) is to be released on November 15, 2009;
- ii. 60.00% of the Loan Amount (₱84.00 million) to be released equally every month thereafter or ₱16.80 million every 15th day of the month until April 2010 when the construction and installation of the Facilities are completed; and
- iii. 10.00% of the Loan Amount or ₱14.00 million to be released when the Facilities are commissioned or after the PEDC and PECO are satisfied that the Facilities have passed all applicable tests.

On June 18, 2010, PEDC and PECO agreed to amend the MOA in response to the request of PECO for additional fund in the total amount of ₱3.71 million (the Additional Loan Amount). For a period of five years after the date of the last release of the Loan Amount to PECO, PECO shall pay PEDC the Loan Amount and the Additional Loan Amount in 60 equal monthly installments (₱2.33 million), with interest at the rate of 9.00% per annum, subject to ERC's decision on the recovery of interest on the loan. If any amount payable by PECO under this Agreement is not paid when due, PECO shall pay additional interest thereon, calculated at 2.00% per month.

As of December 31, 2012, the outstanding long-term notes receivable from PECO amounted to ₱132.04 million

As of December 31, 2011, the Parent Company had outstanding loans receivable from a third party, amounting to ₱2.60 billion which was fully paid on February 16, 2012. Part of this loan amounting to ₱1.36 billion, which bore interest rate of 4.00% per annum, was secured by the shares of GBPC owned by the third party. The said loan also gave the Parent Company an option



to purchase additional 255,207 GBPC common shares from the third party at a fixed price of ₱3,500.00 per share, which was exercised by the Parent Company on May 2, 2013. The Parent Company, however, acquired 25,520,700 common shares of GBPC at a fixed price of ₱35.00 per share as a result of the reduction in the par value of GBPC's common shares from ₱100.00 per share to ₱1.00 per share as approved by the SEC on January 16, 2012 (see Notes 21 and 30).

Management fee receivable pertains to receivables from the services rendered by Fed Land in administering the different projects related its joint controlled entities.

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.

Other receivables represent mainly security deposits, charges and certain advances to be reimbursed by buyers.

As of December 31, 2012 and 2011, the Group's other receivables which are past due were provided with full allowance for credit losses amounting to ₱4.62 million and ₱3.77 million, respectively. The credit loss pertains to individually impaired accounts. No credit losses resulted from performing collective impairment test.

The movement in the Group's allowance for impairment losses follows:

	2012	2011
Balance at beginning of year	₱3,768,388	₱2,930,561
Provision for credit losses (Note 25)	849,036	879,708
Write-off	-	(41,881)
Balance at end of year	₱4,617,424	₱3,768,388

6. Inventories

This account consists of:

	2012	2011
Real estate and others (at cost):		
Condominium units held for sale	₱5,848,513,798	₱5,931,704,263
Land for development	4,670,153,960	4,653,076,618
Materials, supplies and others	629,766,101	743,058,180
Gasoline, retail and petroleum products (Note 24)	9,786,694	8,367,927
Food (Note 24)	2,351,541	2,160,335
	11,160,572,094	11,338,367,323
Power (at cost):		
Spare parts and supplies	460,945,403	-
Coal	468,099,034	-
Materials, supplies and others	95,487,536	-
Industrial fuel and lubricating oil	89,974,890	-
	1,114,506,863	-
	₱12,275,078,957	₱11,338,367,323



A summary of movements in inventories under real estate and others follow.

2012				
	Condominium units held for sales	Land for development	Others	Total
Balance at beginning of the year	P5,931,704,263	P4,653,076,618	P753,586,442	P11,338,367,323
Construction/development costs and purchases	142,762,076	-	91,191,920	233,953,996
Land acquired during the year	-	1,623,438,096	-	1,623,438,096
Construction costs reimbursed from joint venture	-	-	(552,532,407)	(552,532,407)
Contribution to a joint venture	-	-	(175,964,066)	(175,964,066)
Land costs transferred from land for future development	1,203,868,049	(1,203,868,049)	-	-
Transferred from Construction in progress to condo units for sale	163,549,997	-	(163,549,997)	-
Borrowing costs capitalized	278,507,043	-	69,416,782	347,923,825
Cost of sales during the year	(1,342,018,241)	-	(680,910,846)	(2,022,929,087)
Reclassifications (Note 9)	(529,859,389)	(402,492,705)	1,300,666,508	368,314,414
Balance at end of the year	P5,848,513,798	P4,670,153,960	P641,904,336	P11,160,572,094

2011				
	Condominium units held for sales	Land for development	Others	Total
Balance at beginning of the year	P3,154,520,645	P4,279,214,214	P455,484,341	P7,889,219,200
Construction/development costs and purchases	4,069,035,476	190,872,287	1,483,302,197	5,743,209,960
Land acquired during the year	-	7,165,853	-	7,165,853
Land costs transferred from land for future development	-	(299,649,249)	-	(299,649,249)
Borrowing costs capitalized	143,935,732	-	-	143,935,732
Cost of sales during the year	(1,553,768,313)	-	(709,726,583)	(2,263,494,896)
Reclassifications (Note 9)	117,980,723	475,473,513	(475,473,513)	117,980,723
Balance at end of the year	P5,931,704,263	P4,653,076,618	P753,586,442	P11,338,367,323

In 2012 and 2011, Fed Land acquired parcels of land amounting to P1.62 billion and P7.17 million, 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 P175.35 million and P64.70 million in 2012 and 2011, respectively, for loans specifically used to finance Fed Land's project construction with interest rates ranging from 3.25% to 7.09% in 2012 and 2011. Also, Fed Land's capitalized borrowing costs in respect of its general borrowing amounted to P172.57 million and P79.24 million in 2012 and 2011, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 7.34% and 7.29% in 2012 and 2011, 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 P175.96 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 (see Note 8).



7. Prepayments and Other Current Assets

This account consists of:

	2012	2011
Input value-added tax (VAT)	₱3,387,924,051	₱695,928,291
Advances to contractors and suppliers	1,859,983,399	890,524,121
Creditable withholding taxes	324,510,952	186,685,573
Prepaid expenses	291,344,697	90,924,676
Advances to officers, employees and agents (Note 26)	68,681,552	39,780,012
Deposits	49,857,650	-
Others	17,536,701	1,458,669
	₱5,999,839,002	₱1,905,301,342

Input VAT arising from purchases will be applied against output VAT on sales in the succeeding periods.

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.

Deposits include payment amounting to ₱20.00 million made to MBTC for the exclusive option granted by MBTC to the Parent Company for the acquisition of an additional 2,324,117 shares of Toyota Motor Philippines Corporation (TMPC) owned by MBTC which represent 15.00% of TMPC's outstanding capital stock (see Notes 8, 26 and 36). Other deposits pertain to security deposits for operating leases entered into by GBPC as lessee, including returnable containers and other deposits.

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

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

Advances to officers, employees and agents amounting to ₱32.22 million and ₱7.22 million as of December 31, 2012 and 2011, 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 ₱36.46 million and ₱32.56 million as of December 31, 2012 and 2011, 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.

Others include 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.



8. Investments and Advances

This account consists of:

	2012	2011
Investment in associates	₱39,322,199,156	₱34,268,458,613
Investments in jointly controlled entities	4,041,490,082	446,938,240
Advances to GBPC	-	3,397,120,759
	₱43,363,689,238	₱38,112,517,612

The movements in the Group's investments and advances follow:

	2012	2011
Associates		
Cost		
Balance at beginning of year		
MBTC (25.11% owned)	₱22,477,639,960	₱19,867,586,460
TMPC (36.00% owned in 2012; 21.00% owned in 2011)	1,471,689,039	1,471,689,039
Philippine AXA Life Insurance (Phil AXA) (25.31% owned)	598,729,027	584,122,118
	24,548,058,026	21,923,397,617
Acquisitions during the year		
MBTC	-	2,610,053,500
TMPC	4,500,000,965	-
Phil AXA	-	14,606,909
	4,500,000,965	2,624,660,409
Attributable to indirect interest - business combination (Note 30):		
Previously held interest	(188,645,412)	-
Additional indirect interest	(1,375,910,045)	-
	(1,564,555,457)	-
Balance at end of year		
MBTC	20,913,084,503	22,477,639,960
TMPC	5,117,203,715	1,471,689,039
Phil. AXA	598,729,027	598,729,027
	26,629,017,245	24,548,058,026
Dividends Received		
Balance at beginning of year		
MBTC	(1,253,401,070)	(723,200,000)
TMPC	(1,570,617,217)	(888,909,125)
Phil AXA	(485,006,121)	(201,112,103)
	(3,309,024,409)	(1,813,221,228)
During the year		
MBTC	(530,201,070)	(530,201,070)
TMPC	(457,415,805)	(681,708,092)
Phil AXA	(201,366,309)	(283,894,018)
	(1,188,983,184)	(1,495,803,180)

(Forward)



	2012	2011
As at end of year		
MBTC	(₱1,783,602,140)	(₱1,253,401,070)
TMPC	(2,028,033,022)	(1,570,617,217)
Phil AXA	(686,372,430)	(485,006,122)
	(4,498,007,592)	(3,309,024,408)
Accumulated Equity in Net Income		
Balance at beginning of year		
MBTC	7,362,445,801	4,588,789,325
TMPC	2,167,461,687	1,705,625,169
Phil AXA	694,065,679	449,238,590
	10,223,973,167	6,743,653,084
Attributable to indirect interest - business combination (Note 30)	(555,948,213)	-
	(555,948,213)	-
Equity in net income		
MBTC	3,669,830,653	2,773,656,476
TMPC	631,152,471	461,836,518
Phil AXA	231,682,962	244,827,089
	4,532,666,086	3,480,320,083
Unrealized upstream gain on acquisition of TMPC shares from MBTC	(854,486,289)	-
	3,678,179,797	3,480,320,083
Balance at end of year		
MBTC	10,476,328,241	7,362,445,801
TMPC	2,798,614,158	2,167,461,687
Phil. AXA	925,748,641	694,065,679
	14,200,691,040	10,223,973,167
Unrealized upstream gain on acquisition of TMPC shares from MBTC	(854,486,289)	-
	13,346,204,751	10,223,973,167
Accumulated Equity in Other Comprehensive Income (Loss)		
Balance at beginning of year		
MBTC	2,714,091,286	(117,886,959)
TMPC	3,178,335	3,178,335
Phil AXA	88,182,207	24,555,486
	2,805,451,828	(90,153,138)
Reversal of accumulated equity in other comprehensive income of previously held interest to profit or loss (Note 30)		
MBTC	(68,620,040)	-
	(68,620,040)	-
Equity in other comprehensive income		
MBTC	197,684,606	2,831,978,245
TMPC	10,501,200	-
Phil AXA	45,480,869	63,626,722
	253,666,675	2,895,604,967

(Forward)



	2012	2011
Balance at end of year		
MBTC	₱2,843,155,852	₱2,714,091,286
TMPC	13,679,535	3,178,335
Phil AXA	133,663,076	88,182,207
	2,990,498,463	2,805,451,828
Carrying Value		
MBTC	32,448,966,456	31,300,775,977
TMPC	5,901,464,386	2,071,711,844
Phil AXA	971,768,314	895,970,792
	39,322,199,156	34,268,458,613
Jointly Controlled Entities		
Cost		
Balance at beginning of year	330,000,000	330,000,000
Additions	3,368,901,084	-
	3,698,901,084	330,000,000
Accumulated Equity in Net Income		
Balance at beginning of year	116,938,240	29,385,224
Equity in net income	225,650,758	87,553,016
	342,588,998	116,938,240
	4,041,490,082	446,938,240
Deposit for Future Stock Subscription (Notes 26 and 30)		
Balance at the beginning of year	3,397,120,759	4,000,000,000
Conversion	(3,397,120,759)	-
Refund	-	(602,879,241)
	-	3,397,120,759
	₱43,363,689,238	₱38,112,517,612

The equity share in net income in MBTC is gross of the unrealized upstream gain on acquisition of TMPC share from MBTC which was charged against the Investment in TMPC.

The following tables summarize cash dividends declared and paid by the Group's associates:

Associate	Declaration date	Per share	Total (in millions)	Record Date	Payment Date
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
MBTC	February 29, 2012	1.00	2,111	March 5, 2012	March 26, 2012
2011					
Phil AXA	December 14, 2011	₱177.43	₱621	December 14, 2011	February 9, 2012
Phil AXA	April 28, 2011	143.13	501	April 28, 2011	June 6, 2011
TMPC	April 12, 2011	209.51	3,246	December 31, 2010	April 13, 2011
MBTC	March 25, 2011	1.00	2,111	May 16, 2011	May 23, 2011



Investment in BLRDC

Fed Land and MHC Omnibus Agreement

On January 25, 2012, the SEC approved the change in name from MHC 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 statements of income. From the date of joint control, Fed Land recognized its share in equity in net earnings of BLRDC as part of Revenue 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.

On October 11, 2008, Fed Land entered into a joint venture agreement with ORIX Risingsun Properties, Inc. (ORIX) for the organization of a joint venture company, Federal Land Orix Corporation (FLOC), to manage the development and selling of a certain real estate project for a 60% equity interest.



Investment in MBTC

In October 2010, the Board of Directors (BOD) of MBTC approved the entitlement of one (1) rights share for every 9,557 common shares held by eligible shareholders as of December 20, 2010, which is the Record Date. The offer price was ₱50.00 per share and the offer period was from January 5 to 15, 2011. At the Record Date, the Parent Company held 478,000,000 shares, and it had been entitled to 50,015,695 stock rights.

In January 2011, the Parent Company exercised its stock rights and subscribed for additional shares which aggregated to 52,201,070 shares with a cost of ₱2.61 billion. This increased the Parent Company's investment in MBTC from ₱19.87 million as of December 31, 2010 to ₱22.48 million as of December 31, 2011.

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 2012 and 2011 consolidated financial statements of MBTC have been prepared in compliance with Philippine GAAP. For the purpose of computing the Group's share in 2012 and 2011 net income and other comprehensive income of MBTC, certain adjustments were made in the Group's 2012 and 2011 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. 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 (see Note 8).

On December 3, 2012, the Parent Company and MBTC executed a Sale and Purchase Agreement (SPA) for the acquisition of 2,324,118 common share of TMPC under the first tranche for a total consideration of ₱4.50 billion. The acquisition represented 15.00% of TMPC's issued and outstanding capital stock, thus, increasing the Parent Company's interest in TMPC from 21.00 % to 36.00%. Provisional notional goodwill amounting to ₱3.12 billion arose from the acquisition of shares of stocks of TMPC.

Investment in Phil AXA

In 2011, the Parent Company agreed to increase its subscription in Phil AXA amounting to ₱14.61 million. This increased the Parent Company's investment in Phil AXA from ₱584.12 million as of December 31, 2010 to ₱598.73 million as of December 31, 2011 thereby increasing interest in Phil AXA by 2.50%.



The details of the net assets of the Group's associates and equity in the net assets of jointly controlled entities and the corresponding percentages of ownership follow (in millions, except for percentages):

	Associates			Joint Controlled Entities	
	MBTC	Phil AXA	Toyota	BLRDC	FLOC
Nature of Business	Banks	Insurance	Motor	Real estate	Real estate
2012					
Percentage of ownership	25.11%	25.31%	36.00%	70.00%	60.00%
Current assets	P-	P-	P16,060	P2,200	P1,705
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	P127,020	P3,914	P7,623	P3,417	P624
Revenues	P58,701	P12,280	P71,434	P403	P741
Expenses	37,828	3,620	67,203	357	565
2011					
Percentage of ownership	25.11%	25.31%	21.00%	-%	60.00%
Current assets	P-	P-	P13,448	P-	P928
Noncurrent assets	-	-	2,624	-	147
Total assets	958,384	38,943	16,072	-	1,075
Current liabilities	-	-	7,937	-	620
Noncurrent liabilities	-	-	1,357	-	8
Total liabilities	841,880	35,275	9,294	-	628
Net assets	P116,504	P3,668	P6,778	P-	P447
Revenues	P50,417	P4,306	P55,278	P-	P482
Expenses	34,503	3,198	52,330	-	395

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

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2012		
	Land	Buildings	Total
Cost			
At January 1	P5,030,540,238	P305,663,399	P5,336,203,637
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
Accumulated Depreciation			
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
Net Book Value at December 31	P4,884,012,384	P2,931,564,587	P7,815,576,971



	December 31, 2011		
	Land	Buildings	Total
Cost			
At January 1	₱5,091,340,619	₱305,138,230	₱5,396,478,849
Additions	57,180,342	525,169	57,705,511
Transfers (Note 6)	(117,980,723)	-	(117,980,723)
At December 31	5,030,540,238	305,663,399	5,336,203,637
Accumulated Depreciation			
At January 1	-	97,261,667	97,261,667
Depreciation (Note 11)	-	11,518,440	11,518,440
At December 31	-	108,780,107	108,780,107
Net Book Value at December 31	₱5,030,540,238	₱196,883,292	₱5,227,423,530

Certain parcels of land were transferred to the "Inventories" account with a carrying amount of ₱368.31 million and ₱117.98 million as of December 31, 2012 and 2011, 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 ₱233.44 million, ₱238.00 million and ₱197.99 million in 2012, 2011 and 2010, respectively (see Note 29).

The depreciation of the investment properties amounting to ₱11.79 million, ₱11.52 million and ₱9.14 million 2012, 2011 and 2010, respectively, is included in the "General and administrative expenses" account in the consolidated statements of income (see Note 25).

The aggregate fair value of the Group's investment properties amounted to ₱10.87 billion and ₱7.90 billion as of December 31, 2012 and 2011, 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:

	2012	2011
Equity Securities		
Quoted	₱1,050,165,533	₱-
Unquoted	9,921,760	9,921,760
Balances at end of year	₱1,060,087,293	₱9,921,760



The fair value changes in quoted AFS investments are recorded as “Net unrealized gain (loss) on available-for-sale investments” account, a component of other comprehensive income under the “Equity” section of the consolidated statement of financial position.

Unquoted AFS 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 pertain to preferred shares of a utility company issued to the Fed Land Group as a consequence of 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.

Movements in the carrying value of quoted AFS investments in 2012 follow:

Balance at beginning of year	₱-
Additions	1,060,655,532
Change in fair value	(10,489,999)
<u>Balance at end of year</u>	<u>₱1,050,165,533</u>



11. Property and Equipment

The composition and rollforward analysis of this account follow:

	December 31, 2012											Total
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Construction-in-Progress	Building	Boilers and Powerhouse	Turbine Generations and Desox System	Buildings and Land Improvements	Electrical Distribution System	Other Property and Equipment	
Cost												
At January 1	₱23,180,879	₱96,082,953	₱481,884,677	₱14,144,983	₱1,479,330	₱117,545,133	₱-	₱-	₱-	₱-	₱-	₱734,317,955
Beginning balance from newly acquired subsidiary	548,859	1,426,629	3,274,258	2,605,924,754	420,215,013	57,120,517	11,503,097,858	9,877,136,313	3,665,756,045	3,168,273,800	2,189,527,989	33,492,302,035
Additions	27,036,851	15,376,665	14,337,193	30,093,946	279,520,724	479,484	157,991,043	-	513,808,758	-	114,293,633	1,152,938,297
Disposals and reclassifications	(1,899,215)	(75,330)	(5,057,841)	(15,480,873)	(136,322,952)	-	-	-	-	-	(82,517,316)	(241,353,527)
At December 31	48,867,374	112,810,917	494,438,287	2,634,682,810	564,892,115	175,145,134	11,661,088,901	9,877,136,313	4,179,564,803	3,168,273,800	2,221,304,306	35,138,204,760
Accumulated Depreciation and Amortization												
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 25)	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)
At December 31	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
Net Book Value at December 31	₱22,084,027	₱19,880,561	₱241,983,923	₱2,606,452,189	₱564,892,115	₱164,973,806	₱10,923,830,708	₱9,749,908,443	₱4,098,822,582	₱3,094,361,696	₱2,174,038,579	₱33,661,228,629



	December 31, 2011						
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Construction- in-Progress	Building	Total
Cost							
At January 1	₱21,596,996	₱86,919,287	₱476,541,640	₱13,700,765	₱1,660,746	₱116,712,824	₱717,132,258
Additions	2,938,513	8,880,581	5,241,206	444,218	203,500	832,309	18,540,327
Transfers	-	283,085	101,831	-	(384,916)	-	-
Disposals	(1,354,630)	-	-	-	-	-	(1,354,630)
At December 31	23,180,879	96,082,953	481,884,677	14,144,983	1,479,330	117,545,133	734,317,955
Accumulated Depreciation and Amortization							
At January 1	13,142,437	76,158,106	186,229,157	9,063,060	-	1,651,535	286,244,295
Depreciation and amortization (Note 25)	3,325,198	8,338,910	36,700,081	1,233,172	-	3,291,307	52,888,668
Disposals and reclassification	(855,819)	-	(326,392)	-	-	-	(1,182,211)
At December 31	15,611,816	84,497,016	222,602,846	10,296,232	-	4,942,842	337,950,752
Net Book Value at December 31	₱7,569,063	₱11,585,937	₱259,281,831	₱3,848,751	₱1,479,330	₱112,602,291	₱396,367,203

Gain on disposal of property and equipment amounted to ₱8.32 million ₱0.32 million and ₱4.84 million in 2012, 2011 and 2010, respectively.

The additional office space pertains to the 20th floor of GT Tower International, which were acquired by the Group on December 14, 2011.

Details of depreciation and amortization are as follow:

	2012	2011	2010
Property and equipment	₱1,293,948,792	₱52,888,668	₱53,008,431
Intangible assets (Note 13)	323,376,065	6,945,468	10,106,756
Investment properties (Note 9)	11,790,470	11,518,440	9,136,771
	₱1,629,115,327	₱71,352,576	₱72,251,958
Power plant operation and maintenance expenses (Note 23)	₱1,255,133,738	₱-	₱-
General and administrative expenses (Note 25)	373,981,589	71,352,576	72,251,958
	₱1,629,115,327	₱71,352,576	₱72,251,958

12. Deposits

Deposits represent option money paid by Fed Land to 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 joint venture with third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties. The Group has outstanding deposits amounting to ₱2.09 billion and ₱4.09 billion as of December 31, 2012 and 2011, respectively, which bear 7.34% interest in 2012 and 2011. Interest income from deposits amounting to ₱257.74 million, ₱337.71 million and at nil in 2012, 2011 and 2010 respectively (see Notes 22 and 26).

In 2012, option agreements amounting to ₱2.00 billion were terminated and settled in cash. Option agreements terminated were from Kabayan Realty Corporation, Titan Resources Corp. and Hill Realty and Development amounting to ₱500.00 million, ₱1.00 billion and ₱500.00 million, respectively.



13. Intangible Assets

This account consists of:

	2012	2011
Power purchase agreements - net (Note 30)	P8,676,723,532	P-
Software costs - net	14,286,161	8,425,386
Franchise - net	-	72,697
	P8,691,009,693	P8,498,083

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:

Power Purchase Agreements

Fair value on business combination date(Note 30)	P8,995,160,191
Amortization (Note 11)	318,436,659
Net Book Value	P8,676,723,532

The rollforward analysis of the Group's software cost and franchise fee is as follows:

Software Cost

	2012	2011
Cost		
Balance at beginning of year	P37,320,702	P30,408,860
Additions	10,727,484	6,911,842
	48,048,186	37,320,702
Accumulated Amortization		
Balance at beginning of year	28,895,316	22,022,575
Amortization (Note 11)	4,866,709	6,872,741
	33,762,025	28,895,316
Net Book Value	P14,286,161	P8,425,386

The Group's software costs pertain to software cost and licenses. No amortization expense was recognized by the Parent Company on its software cost amounting to P5.52 million which was still under user acceptance testing phase as of December 31, 2012.

Fed Land maintains a Systems, Applications and Products in Data Processing (SAP) system rights which were fully implemented on July 1, 2008. Additions in 2012 and 2011 pertain to acquisitions of software licenses, programs and upgrade of SAP. The said systems have an estimated useful life of three (3) years.



Franchise

	2012	2011
Cost		
Balance at beginning and end of year	₱800,000	₱800,000
Accumulated Amortization		
Balance at beginning of year	727,303	654,576
Amortization (Note 11)	72,697	72,727
	800,000	727,303
Net Book Value	₱-	₱72,697

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 ₱0.07 million, ₱0.07 million and ₱0.50 million in 2012, 2011 and 2010, respectively, is included in the "General and administrative expenses" account in the consolidated statements of income (see Note 25).

14. Other Noncurrent Assets

This account consists of:

	2012	2011
Deposit for future acquisition of land	₱279,400,720	₱88,146,272
Rental and other deposits	210,830,845	-
Deferred input VAT	34,364,891	-
Goodwill	24,200,950	-
Others	22,598,105	5,327,332
	₱571,395,511	₱93,473,604

Deposit for future land acquisition pertains to Fed Land's deposit to acquire a parcel of land in Pasay City.

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.

On September 25, 2012, GBPC acquired 60.00% interest in THC from Yorktown Properties, Inc. The fair values of the net assets of THC acquired from Yorktown as of acquisition date follow:

Current assets	₱90,212,519
Current liabilities	(409,039,221)
Noncurrent assets	316,386,650
Noncurrent liabilities	(21,880,898)
Total	(24,320,950)
Consideration paid	120,000
Goodwill	(₱24,200,950)



Current assets consist of cash and cash equivalents, receivables and prepayments. Noncurrent assets represent property and equipment. Current and noncurrent liabilities consist of due to related parties and loans payable.

Others include deferred charges and guarantee deposits on obtaining collateral security for loan obtained from an affiliated bank.

15. Accounts and Other Payables

This account consists of:

	2012	2011
Trade payables	₱3,993,882,998	₱3,794,271,504
Deferred output tax	1,373,645,486	269,881,627
Accrued expenses	1,203,694,170	108,948,627
Accrued interest payable	346,055,359	64,866,452
Retentions payable	294,632,748	213,576,285
Accrued commissions	42,917,890	46,428,903
Others	121,890,193	75,446,442
	₱7,376,718,844	₱4,573,419,840

The details of trade payables as follow:

	2012	2011
Real estate	₱3,061,700,963	₱3,794,271,504
Power	932,182,035	-
	₱3,993,882,998	₱3,794,271,504

Trade payables for power pertain to billing received from suppliers of fuels and for real estate pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

Accrued expenses are noninterest-bearing and are normally settled within a fifteen (15) to sixty (60) day term; consist of accruals for payroll, professional services, fuel, oil and lubricants.

Deferred output tax mostly pertains to VAT on the uncollected portion of the contract price of sold units.

Accrued interests payable 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 and other government-related payables which are noninterest-bearing and are normally settled within one (1) year.



16. Loans Payable

This account consists of:

	2012	2011
<i>Loans payable</i>		
Affiliated loans:		
Loans from local banks	₱17,975,921,094	₱9,091,700,000
Non-affiliated loans:		
Loans from local banks	26,177,106,697	6,557,000,000
Corporate Notes	11,600,000,000	11,600,000,000
	55,753,027,791	27,248,700,000
<i>Less: Short term loans from banks</i>		
Affiliated	2,841,300,000	-
Non-affiliated	6,297,000,000	-
<i>Loans payable - current portion</i>		
Affiliated	1,395,187,517	3,091,700,000
Non-affiliated	6,031,771,182	4,557,000,000
	16,565,258,699	7,648,700,000
	₱39,187,769,092	₱19,600,000,000

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.

Corporate notes - Parent Company

As of December 31, 2012, the Parent Company had an outstanding notes facility of ₱5.00 billion from various lenders originally acquired in 2010. Notes totaling ₱4.20 billion and ₱0.80 billion will mature in 2013 and 2015, respectively and are presented as current liability and non current liability, respectively. As of December 31, 2012 and 2011, the Parent Company's long-term bank loans amounted to ₱2.80 billion and ₱11.00 billion.

In 2011, the Parent Company obtained a bank loan from a non-affiliated local bank for amount of ₱2.00 billion with a five-year term payable in lump sum upon maturity.

As of December 31, 2012 and 2011, the Parent Company also had outstanding short-term bank loans totaling ₱7.55 billion and ₱3.09 billion, respectively.

Loans payable with nonaffiliated banks bore interest rates ranging from 4.10% to 5.72% and 4.50% to 6.50% in 2012 and 2011, respectively.

The agreements covering the above mentioned Corporate Notes provide for restrictions and requirements with respect to, among others, declaration or payment of cash dividends/retirement of share (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 partnership, merger, consolidation or reorganization outside the regular course of business. As of December 31, 2012, the Parent Company is still in compliance with the covenants mentioned above.



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 at any one time to finance projects, working capital and for general corporate purposes. The note is payable in five years with interest rate based on the latest PDST-F plus a credit spread of 85 basis points plus 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.

Loans payable - Fed Land

In 2012, Fed Land obtained the following outstanding loans from local banks:

- a) Unsecured loan from with interest amounting to ₱200.00 million with an effective interest of 4.38% and will mature on March 31, 2013.
- b) Peso-denominated loan amounting to of ₱1.24 million which bears interest at three (3) months PDSTF rate plus 2.00% per annum. These loans have a maturity of twelve (12) months and are renewable for a period of twelve (12) months or less. Fed Land secured these loans by entering into a Mortgage Trust Indenture with MBTC.
- c) Unsecured loan amounting to of ₱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 2011, Fed Land obtained both partially secured and fully secured peso-denominated loans with an aggregate amount of ₱2.00 billion from MBTC with interest at prevailing market rate of ranging from 7.10% with spread of 85-100 basis point, payable in lump sum after 5 years. These loans are secured by Phil Exim Guarantee under Mortgage Participation Certificate.

In 2011, Fed Land's loan payable also pertains to unsecured peso-denominated short-term borrowings from a local bank with floating interest rates at 1.50% spread over benchmark 90-day PDST-R2 and gross receipts tax.

As of December 31, 2012, Fed Land has complied with the loan covenants.

Loans payable and Corporate notes - GBPC

CEDC

Tranche A-1 Lenders

Loans payable to local banks with interest equal to the 5 year PDEX treasury securities benchmark yield plus 200 basis points ₱4,223,094,270

Tranche A-2 Lenders

Loans payable to local banks with interest equal to the 7 year PDEX treasury securities benchmark yield plus 200 basis points 2,869,737,200

Tranche B Lenders

Loans payable to local banks with interest equal to the 10 year PDEX treasury securities benchmark yield plus 200 basis points 982,665,214

(Forward)



Tranche C Lenders

Loans payable to local banks with interest equal to the 12 year PDEX treasury securities benchmark yield plus 200 basis points ₱7,472,305,172

PEDC

Tranche A Lenders

Loans payable to local banks with interest equal to the 7 year PDEX treasury securities benchmark yield plus 200 basis points 5,873,027,027

Tranche B Lenders

Loans payable to local banks with interest equal to the 10 year PDEX treasury securities benchmark yield plus 200 basis points 2,984,845,767

Tranche C Lenders

Loans payable to local banks with interest equal to the 12 year PDEX treasury securities benchmark yield plus 200 basis points 5,400,395,762

PPC

Loans payable to a local bank with interest at the 3-month T-Bill rate published in PDST-F plus 2% spread, payable in quarterly installment starting August 2006 until August 2016 755,383,944

Loan which bears interest at fixed rate of 6.375%, payable semi-annually until January 2014 302,565,815

Loan which bears interest at fixed rate of 6.375%, payable semi-annually until September 2013 150,707,609

31,014,727,780

Less current portion 3,226,958,699

₱27,787,769,081

CEDC and PEDC

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. Loan availed as of December 31, 2012 amounted to ₱12.62 billion.

According to the agreements entered by CEDC and PEDC in 2009 and 2010, respectively, CEDC and PEDC are required to meet certain financial ratios. CEDC and PEDC shall maintain a debt-to-equity ratio of at least 70:30 at all times until full payment of the obligation. Also, CEDC and PEDC shall ensure that the core equity must be at least 30.00% of the total project cost at project completion date and shall at all times be equivalent to at least 30.00% of the sum of total outstanding loan under facility and the core equity. Debt-to-equity ratio is the ratio of the total aggregate indebtedness for borrowed money of the borrower and the sum of its equity as of any date of determination. Core equity includes the equity, paid in equity of third parties provided that if the same is in the form of preferred redeemable shares, redemption must be at the option of the borrower and at terms no more favorable than subordinated loans, outstanding subordinated loans and outstanding shareholder advances of the sponsor to the borrower.



As of December 31, 2012, CEDC and PEDC have complied with all the required financial ratios.

The loans of CEDC and PEDC shall be paid within 12 years from initial advance. The schedule of repayment follows:

	Percentage
Semi-annual principal amortization	70
Balloon payment	30
Total	100

The balloon payment shall be paid on the final maturity date. The semi-annual principal amortization shall be an equal amortization starting on the 42nd month from the date of the initial advance until the principal amortization date occurring prior to the final maturity date (exactly 12 years from initial advance). If the project completion date occurs earlier than the 36th month from the date of initial advance, the first principal amortization date shall be on the next succeeding interest payment date that is at least six months from the project completion date. If the period between the date falling on the sixth month from project completion date and the succeeding interest payment date is less than six months, the first principal amortization date shall commence and coincide with the next succeeding interest payment date.

CEDC and PEDC'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 (with a total land area of 152,677 square meters and 277,681 square meters for CEDC and PEDC, respectively) owned by THC, a related party with common stockholders, (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, and (iv) assignment agreement on CEDC's and PEDC's future revenues. Future revenues include, among others, revenues to be received by way of operation, all proceeds of and monies payable to CEDC and PEDC, including those paid as damages for breach, default cancellation, nullification or invalidity (under the Construction Contract, Supervisory Contract, Contract for Supply of Equipment, Coordination Agreement, Land Lease Agreement, Material Lease Contracts, and Insurance Contracts, collectively, the "Assigned Documents"), and, to the extent not covered by the foregoing, all value (whether in the form of money, securities, assets or otherwise) paid or payable by any Governmental Authority to CEDC and PEDC in whole or partial settlement of claims, whether or not resulting from judicial or administrative proceedings and whether paid or payable within or outside the Philippines, as compensation for or in respect of any compulsory transfer or taking of all or any part of the project, or any assets of CEDC and PEDC, by any Governmental agency or in respect of any invalidity of any Assigned Documents.

The chattel mortgage above shall cover to the extent of principal amount of ₱100.00 million, for each of CEDC and PEDC.

All monies received by the Trustee shall be applied in accordance with the Project Accounts Agreement.

Among others, the agreements prohibit CEDC and PEDC 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 and PEDC 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 and PEDC are prohibited from entering into contract of merger or consolidation (unless CEDC and PEDC 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 and PEDC.

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 and PEDC 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 and PEDC, 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 and PEDC 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.

In February and March 2011, PPHC infused capital with aggregate amount of ₱708.14 million.

PPC

MBTC Loans

On September 30, 2010, PPC entered into a ₱90.00 million loan with MBTC, a related party, for its working capital requirements. The principal shall be paid via lump sum payment on March 12, 2012 and interest of the loan shall be paid quarterly. As of December 31, 2012, this loan has been fully paid.

On November 6, 2009, PPC entered into a ₱300.00 million, 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, 2012, portion of the long-term loan amounting to ₱42.86 million which will mature within one year from the reporting date, is presented as current liability.



On August 24, 2006, PPC entered into a ₱1.20 billion, 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, 2012, portion of the long-term loan amounting to ₱153.85 million which will mature within one year from the reporting date, is presented as current liability.

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, 2012 and 2011, PPC has complied with the required financial ratios.

TPC

Notes Payable from SBCPI

Notes payable amounting to ₱100.00 million was obtained from SBCPI, a related party, to support TPC's working capital requirements. This loan is covered by a promissory note, bearing interest based on a three - month MART1 rate plus 4.00% spread. The original loan agreement stated that the principal is payable on or before December 4, 2009. In 2009, the Company and SBCPI amended the term of the notes payable extending its maturity to December 4, 2012. As of December 31, 2012, this loan has been fully paid.

FMIC Loans

The FMIC loan agreements consist of ten-year promissory notes. The proceeds from 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.

As of December 31, 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, 2012, presented as current liability, amounted ₱173.00 million.

Affiliated bank loan

As of December 31, 2012, the Parent Company has outstanding both partially secured and fully secured peso-denominated loans amounting to ₱2.84 billion from an affiliated local bank with interest at prevailing market rate of 3.80%.

As of December 31, 2011, the Parent Company has outstanding both partially secured and fully secured peso-denominated loans with an aggregate amount of ₱7.09 billion from an affiliated local bank with interest at prevailing market rate ranging from 3.53% to 5.40%. This included a ₱4.00 billion fully secured loan to fund equity infusion for power-related projects, specifically in



support of the construction of the 246 MW coal-fired plant. In 2012, the Company fully settled this loan through reallocation of proceeds from the initial public offering originally earmarked for the ₱2.00 billion pre-payment of the Union Bank term loan and the ₱0.80 billion partial pre-payment of the Company's ₱5.00 billion notes facility with various bank lenders. The reallocation was approved by the BOD on May 30, 2012 in order to save on the annual guarantee fee amounting to ₱31.50 million due on June 25, 2012.

Affiliated bank loan of GBPC are loans from FMIC and MBTC with three month T-bill rates published at MART1 plus 4.00% spread payable in quarterly installments.

Interest expense incurred in 2012, 2011 and 2010 from affiliated and nonaffiliated loans payable amounted to ₱597.35 million, ₱546.25 million and ₱226.11 million, respectively.

17. Customers' Deposits

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before the two parties enter 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, 2012 and 2011, the balance of this account amounted to ₱974.33 million and ₱457.63 million, respectively.

18. Other Current Liabilities

This account consists of:

	2012	2011
VAT payable	₱635,607,708	₱1,946,421
Due to holders of non-controlling interest (Note 26)	378,463,322	-
Withholding taxes payable	326,915,450	39,280,476
Unearned rent income	3,380,613	4,895,613
Others	25,877,114	11,761,883
	₱1,370,244,207	₱57,884,393

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 year.



19. 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 2011, Fed Land paid in full the remaining balance to property sellers.

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, 2012 amounted to ₱2.58 billion.

20. Other Noncurrent Liabilities

This account consists of:

	2012	2011
Decommissioning liability	₱183,491,180	₱-
Finance lease obligation - net of discount amounting to ₱127.70 million	11,106,215	11,908,856
Refundable and other deposits	47,968,977	51,023,479
	₱242,566,372	₱62,932,335

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:

Balances at beginning of year	₱-
Beginning balance of newly acquired subsidiary	61,656,006
Provisions during the year	113,753,507
Accretion expense for the year	8,081,667
Balances at end of year	₱183,491,180

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 5 to 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.



21. Equity

Capital stock and additional paid-in capital

As of December 31, 2012 and 2011, the paid-up capital consists of the following:

	2012	2011
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding	₱1,580,000,000	₱1,250,000,000
Additional paid-in capital	36,752,473,660	23,071,664,419
	₱38,332,473,660	₱24,321,664,419

The movements in the issued and outstanding common stock follow:

	2012		2011	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	125,000,000	₱1,250,000,000	125,000,000	₱1,250,000,000
Issuance of shares of stocks	33,000,000	330,000,000	-	-
Balance at end of year	158,000,000	₱1,580,000,000	125,000,000	₱1,250,000,000

On April 20, 2012, the Parent Company's common shares 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)
Balance at end of year		₱36,752,473,660

In 2011, there was no movement in Additional paid-in capital.

IPO related expenses amounting to ₱165.18 million were charged directly to "General and administrative expenses" (see Note 25).



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
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.

In accordance with SEC Memorandum Circular No. 11 issued on December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2012 and 2011 amounted to ₱2.38 billion and ₱631.94 million, respectively.

Other equity adjustments

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 from 34.41% to 39.00% (see Note 5). 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 (see Note 30).

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 (see Note 30).

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 (see Notes 2 and 30).

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 at the time of the combination (see Note 30).

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.



Increase in non-controlling interests of subsidiary

Increase in non-controlling interest in 2010 represents additional capital infusion to Fed Land from its non-controlling interests for the subscription of issued shares amounting to P600.00 million.

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 2012 and 2011.

The Parent Company considers total equity as its capital amounting to P40.71 billion and P24.95 billion as of December 31, 2012 and 2011, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

22. Interest and Other Income

Interest income consists of:

	2012	2011	2010
Interest income from banks (Note 4)	P325,248,088	P64,595,737	P9,807,371
Interest income on real estate sales (Note 5)	283,166,674	195,924,132	174,567,600
Interest on deposits (Note 12)	257,736,632	337,707,830	-
Interest on other receivables	279,617	-	-
	P866,431,011	P598,227,699	P184,374,971

Interest on deposit represents reimbursement of interest expense incurred by Fed Land from option money granted to affiliates (see Notes 12 and 26).

Other income consists of:

	2012	2011	2010
Real estate forfeitures, charges and penalties	P88,118,947	P92,926,119	P72,115,558
Management fee	41,142,177	36,834,278	20,807,368
Dividend income (Note 8)	23,304,907	25,200	408,600
Reimbursement from a contractor	16,903,454	-	-
Processing fee	10,052,364	-	-
Gain on sale of shares	-	2,304,422	-
Others	82,928,949	56,455,173	29,790,217
	P262,450,798	P188,545,192	P123,121,743



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 (see Note 26).

Others consist of gain on sale of assets and miscellaneous income. Others also 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.

23. Power Plant Operation and Maintenance Expenses

This account consists of:

Power plant operations expenses	P4,855,731,852
Repairs and maintenance	1,304,733,409
Purchased power	550,584,212
	P6,711,049,473

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.

24. Cost of Goods and Services Sold

This account consists of:

	2012	2011	2010
Beginning inventory			
Gasoline, retail and petroleum products	P8,367,927	P10,014,263	P5,620,580
Food	2,160,335	1,990,935	3,074,605
	10,528,262	12,005,198	8,695,185
Add net purchases	642,162,033	665,201,705	545,247,436
Total inventories available for sale	652,690,295	677,206,903	553,942,621
Less ending inventory (Note 6)			
Gasoline, retail and petroleum products	9,786,694	8,367,927	10,014,263
Food	2,351,541	2,160,335	1,990,935
	640,552,060	666,678,641	541,937,423
Direct labor	16,173,326	15,196,150	16,669,340
Overhead (Note 29)	24,185,460	27,851,792	25,959,734
	P680,910,846	P709,726,583	P584,566,497



25. General and Administrative Expenses

This account consists of:

	2012	2011	2010
Salaries, wages and employee benefits (Notes 26 and 27)	₱981,012,099	₱231,469,966	₱186,755,996
Taxes and licenses	620,106,523	137,666,355	165,006,087
Depreciation and amortization (Notes 11)	373,981,589	71,352,576	72,251,958
Administrative and management fees	248,497,988	54,236,786	4,847,937
Outside services	205,896,319	54,291,761	51,405,519
Commissions	189,703,924	168,976,570	114,758,144
Professional fees	173,760,643	102,053,104	64,648,305
Advertising and promotions	165,656,540	102,547,029	69,679,634
IPO related expenses (Note 21)	165,183,396	—	—
Light, water and other utilities	101,664,069	77,958,384	49,303,905
Loss from initial recognition of financial asset (Note 5)	94,224,170	—	—
Repairs and maintenance	69,575,384	13,080,654	18,476,567
Rent (Note 29)	52,366,000	18,338,131	10,556,281
Entertainment, amusement and recreation (Note 28)	51,924,135	18,014,503	11,525,022
Transportation and travel	45,834,907	7,678,012	5,239,710
Office supplies	26,589,448	12,197,808	13,504,274
Unrealized foreign exchange loss	7,113,039	193,784	604,708
Royalty and service fees	5,865,917	5,600,385	6,667,898
Others	58,823,330	34,091,240	48,062,541
	₱3,637,779,420	₱1,109,747,048	₱893,294,486

Other expenses include provision for credit losses on receivables (see Note 5), loss on revaluation of previously held interest (see Note 30), communication expenses, insurance and directors' fees.

26. 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, 2012 and 2011, 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, 2012		
	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Subsidiaries			
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
Associates			
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 and advances	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
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
Jointly controlled entities			
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
Other related parties			
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

(Forward)



December 31, 2012			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Loans payable	(P141,289,916)	P1,691,072,542	Secured, interest bearing loans, which bears annual interest ranging 10.27% to 10.35%, based on a three month MART1 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 (see 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
Key management personnel			
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
December 31, 2011			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Associates			
Cash in bank	P57,246,904	P71,856,648	Savings and current account with annual interest ranging 1.75% to 2.50%
Dividend receivable	157,156,316	157,156,316	See Note 8
Investments and advances	2,021,781,168	27,945,178,785	Purchase of additional investment in associates
Accrued interest payable	37,684,486	37,684,486	Interest on loans payable at 4.30% annual interest
Loans payable	5,091,700,000	9,091,700,000	Secured - P8.16 billion and unsecured - P0.93 billion; Unsecured loans are short-term in nature.
Dividend income	1,495,803,180	-	See Note 8
Interest income	6,574,347	-	Interest from saving deposits
Interest expense	282,861,250	-	Interest from loans payable with MBTC
Jointly controlled entities			
Due from related parties	31,753,410	31,753,410	Non-interest bearing; due and demandable
Due to related parties	292,000	292,000	Non-interest bearing; due and demandable
Other related parties			
Cash and cash equivalents	291,621,687	291,621,687	Interest bearing at prevailing market rate
Due from related parties	907,105,814	907,105,814	Non-interest bearing; due and demandable
Advances to officers and employees	7,215,861	7,215,861	Unsecured, non-interest bearing advances to officers and employees
Long term cash investments	2,440,084,378	2,440,084,378	With interest of 1.88%, payable in 2022.
Deposits	4,085,000,000	4,085,000,000	With interest of 7.34%; option agreement will expire on December 31, 2013
Due to related parties	403,306,150	403,306,150	Non-interest bearing; due and demandable
Management fee income	24,628,373	24,628,373	Non-interest bearing; due and demandable
Interest income from banks	58,021,391	-	Interest income from savings deposit
Interest income from deposits	337,707,830	-	Income from option deposit (see Note 12)
Key management personnel			
Rent income	6,525	-	Income from employees for car plans
Salaries and employee benefits	61,876,181	-	Salaries and benefits to employees
Director's fee	1,339,000	-	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 'Interest expense' in the statement of comprehensive 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 ₱2.09 billion and ₱4.09 billion with 7.34% interest in 2012 and 2011, 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 ₱257.94 million and ₱337.71 million in 2012 and 2011, respectively.



Investments and advances

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 TMPC under the first tranche for a total consideration of ₱4.50 billion. The acquisition represented 15.00% of TMPC's issued and outstanding capital stock, thus, increasing the Parent Company's interest in TMPC to 36.00%. (see Note 8)

The Parent Company advanced ₱3.40 billion to GBPC in August 2010 as deposit for future stock subscription with equivalent interest of 21.04% (see Note 30). Out of the total advances, GBPC returned ₱602.88 million to the Parent Company in 2011 (see Note 8). This deposit for future subscription, upon approval of the increase of GBPC's authorized capital stock, was converted into 117,067,800 common shares resulting to the Parent Company's direct ownership interest of 21.04% in GBPC.

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 ₱41.14 million, ₱36.83 million and ₱20.81 million in 2012, 2011 and 2010, respectively, pertains to the income received from a joint venture of Fed Land with Fed Land Orix Corporation (FLOC) and MBTC (see Note 22).

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 (See Note 29).

Compensation of key management personnel for the years ended December 31, 2012 and 2011 follow:

	2012	2011	2010
Short-term employee benefits	₱195,072,227	₱58,406,499	₱55,917,574
Post employment benefits	7,607,244	3,469,682	3,469,682
	₱202,679,471	₱61,876,181	₱59,387,256

In 2012, the retirement fund has the following outstanding transactions with MBTC, Group's trustee bank:

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Real Estate			
Savings deposit	₱-	₱15,967	Savings account with annual interest of 3.66%, 1 - 3 months; Unsecured and no impairment;
Time deposit	-	2,658,000	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment;
Interest income	28,300	-	Income earned from savings deposit
(Forward)			



Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Power			
Savings deposit	₱-	₱53,917	Interest bearing at prevailing market rate
Time deposit	-	3,372,000	With annual interest ranging 3.88%, 1 - 3 months maturity; Unsecured and no impairment;
Equity securities	-	734,400	Unsecured with no impairment
Interest income	83,732	-	Interest income from time deposits
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

27. 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:

	2012		2011	2010
	Real estate	Power	Real estate	Real estate
Discount rate	5.26%-6.24%	6.00%	8.81%	8.81%
Expected return on plan assets	6.00%	6.00%	10.00%	10.00%
Salary increase rate	5.00-8.00%	10.00%	10.00%	10.00%

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 components of pension expense (included in "Salaries, wages and employee benefits" under "General and administrative expenses" in the consolidated statements of comprehensive income) follow (see Note 25):

	2012			2011	2010
	Real estate	Power	Total		
Current service cost	₱11,148,400	₱64,670,947	₱75,819,347	₱9,137,003	₱6,027,767
Interest cost on benefit obligation	6,090,156	26,424,152	32,514,308	6,899,167	5,333,901
Net actuarial gains recognized	1,758,786	16,597,838	18,356,624	1,688,974	56,030
Expected return on plan assets	(1,962,444)	(4,066,222)	(6,028,666)	(1,103,146)	(2,049,310)
Total pension expense	₱17,034,898	₱103,626,715	₱120,661,613	₱16,621,998	₱9,368,388



The following table reconciles the funded status of defined benefit plans to the amounts recognized in the consolidated statements of financial position as of December 31, 2012, 2011 and 2010:

	2012			2011
	Real estate	Power	Total	Real estate
Present value of funded defined benefit obligations	₱101,349,200	₱529,641,318	₱630,990,518	₱94,019,346
Fair value of plan assets	19,049,705	79,652,190	98,701,895	22,958,040
Unfunded obligations	82,299,495	449,989,128	532,288,623	71,061,306
Unrecognized past service cost	-	(150,819,901)	(150,819,901)	-
Unrecognized actuarial losses	(37,152,987)	(139,813,125)	(176,966,112)	(42,949,696)
Liability recognized in the consolidated statement of financial position	₱45,146,508	₱159,356,102	₱204,502,610	₱28,111,610

Changes in the present value of the defined benefit obligation follow:

	2012		2011
	Real estate	Power	Real estate
Balance at beginning of year	₱94,019,346	₱421,329,704	₱78,287,581
Current service cost	11,148,400	64,670,947	9,137,003
Interest cost on benefit obligation	6,090,156	26,424,152	6,899,167
Actuarial losses (gain)	(2,301,458)	26,098,766	835,456
Benefits paid	(7,607,244)	(8,882,251)	(1,139,861)
Balance at end of year	₱101,349,200	₱529,641,318	₱94,019,346

Changes in the fair value of plan assets follow:

	2012		2011
	Real estate	Power	Real estate
Balance at beginning of year	₱22,958,040	₱67,770,372	₱11,031,465
Expected return on plan assets	1,962,444	4,066,222	1,103,146
Actuarial gain (losses)	1,736,465	7,815,596	(995,799)
Contributions paid	-	-	12,959,089
Benefits paid	(7,607,244)	-	(1,139,861)
Balance at end of year	₱19,049,705	₱79,652,190	₱22,958,040

Actual return on plan assets is computed as follows:

	2012		2011	2010	2009
	Real estate	Power	Real estate	Real estate	Real estate
Expected return on plan assets	₱1,962,444	₱4,066,222	₱1,103,146	₱2,049,310	₱1,391,902
Actuarial gains (losses)	1,736,465	7,815,596	1,688,974	(13,821,936)	2,182,180
	₱3,698,909	₱11,881,818	₱2,792,120	(₱11,772,626)	₱3,574,082
Experience adjustments on plan liabilities	(₱2,301,458)	(₱13,331,317)	₱-	₱22,730,279	₱16,540,929
Experience adjustments on plan assets	1,736,465	-	-	(13,821,936)	2,182,180



28. Income Taxes

Provision for income tax account consists of:

	2012	2011	2010
Deferred	₱155,555,864	₱76,273,791	(₱33,935,033)
Current	120,152,710	59,934,300	102,609,138
Final	22,574,356	12,571,044	1,529,204
	₱298,282,930	₱148,779,135	₱70,203,309

The components of the Group's deferred taxes as of December 31, 2012 and 2011 are as follow:

Net deferred tax asset:

	2012	2011
Deferred tax asset on:		
Net operating loss carry over	₱112,574,052	₱-
Net capitalized cost of generation	91,880,136	-
Decommissioning liability	32,616,214	-
Retirement benefit obligation	31,794,359	-
Accrued expenses	20,076,902	2,777,036
Allowance for non-refundable input vat	17,258,550	-
Unamortized discount on receivables	4,375,234	-
Unearned income	2,036,267	2,462,937
Allowance for probable losses	1,835,950	-
Unrealized foreign exchange losses	1,612,411	-
Accrued income	1,590,408	-
Allowance for credit losses on receivables	674,073	568,380
Others	224,420	-
	318,548,976	5,808,353
Deferred tax liability on:		
Unamortized deferred financing costs	49,082,407	-
Dismantling	22,094,745	-
Capitalized borrowing cost	9,001,899	-
Accrued income	-	1,590,009
Excess of book basis over tax basis of deferred gross profit	-	426,669
	80,179,051	2,016,678
Net deferred tax asset	₱238,369,925	₱3,791,675

Net deferred liability:

	2012	2011
Deferred tax asset on:		
Net operating carry over	₱101,033,995	₱-
Unamortized discount on receivables	34,541,983	-
Retirement benefit obligation	31,368,525	-
Allowance for non-refundable input vat	26,629,021	-
Decommissioning liability	22,431,140	-

(Forward)



	2012	2011
MCIT	P10,431,564	P432,073
Accrued expenses	4,824,372	3,736,604
Allowance for probable losses	2,830,264	-
Unrealized foreign exchange losses	309,421	-
Provision for credit losses on receivables	109,655	495,254
Accrued retirement	-	10,487,842
Earned interest income	-	7,849,950
Unearned income	-	1,014,184
	234,509,940	24,015,907
Deferred tax liability on:		
Fair value adjustment on acquisition	806,884,160	-
Capitalized borrowing cost	169,592,581	53,386,194
Foreign exchange losses capitalized during construction	62,732,556	-
Excess of book basis over tax basis of deferred gross profit	49,256,057	31,234,526
Earned interest income	23,198,482	4,971,935
Dismantling cost	14,942,580	-
Lease differential	6,239,052	3,427,862
Capitalized net income	3,602,459	-
Unearned income	798,667	-
Accrued income	-	3,838,931
Others	32,770,056	7,769,603
	1,170,016,650	104,629,051
Net deferred tax liability	P935,506,710	P80,613,144

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, 2012, 2011 and 2010, 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
2012	P878,923,484	P-	P878,923,484	2015
2011	632,568,376	-	632,568,376	2014
2010	331,942,224	-	331,942,224	2013
2009	48,181,897	48,181,897	-	2012
	P1,891,615,981	P48,181,897	P1,843,434,084	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2012	P446,800	P-	P446,800	2015
2011	17,559	-	17,559	2014
2010	1,587,387	-	1,587,387	2013
2009	1,707,384	1,707,384	-	2012
	P3,759,130	P1,707,384	P2,051,746	



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:

	2012	2011	2010
Provision for income tax computed at statutory rate	30.00%	30.00%	30.00%
Tax effects of:			
Interest income subjected to final tax	(26.64)	(0.57)	(0.08)
Nondeductible interest and other expenses	0.17	0.23	(0.23)
Change in unrecognized deferred tax asset	-	5.56	8.50
Income subject to tax holiday	(0.18)	(31.09)	(36.36)
	3.35%	4.13%	1.83%

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 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 to four 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.

29. Lease Commitment

The Group as a lessee

Fed Land started leasing land for its mall and gasoline station in 2005. The operating lease agreement is for a period of 10 years. The Group also leases its office space under an operating lease agreement for 2 years renewable under certain terms and conditions. The Group's rentals incurred on this lease, presented as "Overhead" and included in the cost of goods and services sold account, amounted to ₱24.19 million, ₱27.85 and ₱25.96 million in December 31, 2012, 2011 and 2010, respectively (see Note 24).

As of December 31, 2012 and 2011, the future minimum rental payments are as follows:

	2012	2011
Within one year	₱42,170,417	₱13,967,515
After one year but not more than five years	92,897,086	29,677,138
	₱135,067,503	₱43,644,653

The Group as a lessor

Fed Land also leases its mall to different parties. The lease term ranges from 5 to 10 years. The Group's rental income on these leases amounted to ₱212.79 million, ₱238.00 million and ₱197.99 million in 2012, 2011 and 2010, respectively (see Note 9).



As of December 31, 2012 and 2011, the future minimum receipts from these lease commitments are as follows:

	2012	2011
Within one year	₱487,926,149	₱133,483,943
After one year but not more than five years	1,256,010,629	259,667,873
More than five years	75,908,411	42,734,086
	₱1,819,845,189	₱435,885,902

30. Business Combinations

2012

Acquisition of GBPC

As of December 31, 2011, the Parent Company had an indirect interest of 7.61% over GBPC thru 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.

On April 30, 2012, consistent with its objective of acquiring control of GBPC, the Parent Company entered into a voting trust agreement with FMIC which gave the Parent Company control over GBPC thru effective voting rights of 88.11%. Accordingly, the Parent Company acquired control of GBPC on April 30, 2012. In accordance with the agreement with FMIC, the voting trust agreement was terminated on September 12, 2012 upon acquisition by the Parent Company of 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 has been provisionally determined based on the valuation performed by FTI Consulting, Inc. 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 GBPC at the proportionate share of the non-controlling interest in the identifiable net assets of GBPC.

As of April 30, 2012, the provisional fair values of the identifiable assets and liabilities of GBPC follow:

Assets	
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
Liabilities	
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
Total identifiable net assets at fair value	₱23,732,733,781

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
	₱23,305,203,127

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. This loss was included under "General and administrative expenses" in the consolidated statement of income (see Note 25).

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	(₱427,530,654)



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 of 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 (see Note 21).

2011

Common Control Business Combination

On October 03, 2011, East West Investment Ltd. (EIL), Great Co. Limited (GCL) and Titan Resources Corporation (TRC) (collectively referred herein as "Seller") and Fed Land entered into a deed of sale agreement to transfer its respective shares of stock held over HLRC for a total consideration of ₱420.00 million.

Equivalent number of shares transferred is detailed below:

	Number of Shares Transferred
East West (EIL)	200,000
Great Co. (GCL)	200,000
Titan Resources (TRC)	3,600,000

On June 23, 2011, Fed Land subscribed additional common shares issued by CRDC of 400,000 common shares obtaining an effective interest of 75.80% over CRDC after issuance. Before the acquisition, CRDC was majority owned by City Tower Realty Corporation (CTRC) which resulted to a dilution of its shares to Fed Land.

Net effect of uniting, representing the difference between Fed Land's cost of investment and the respective subsidiaries' equity attributable to parent and NCI at the time of the combination amounted to ₱130.33 million as of December 31, 2011.



31. Fair Value Measurement

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities in the Group's consolidated statements of financial position as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Loans and Receivables				
Cash and cash equivalents	₱11,553,288,498	₱11,553,288,498	₱454,421,565	₱454,421,565
Receivables				
Trade receivables	4,636,171,172	4,636,171,172	178,816,574	178,816,574
Installment contracts receivable	3,925,822,347	4,013,206,241	1,924,210,550	3,815,196,771
Loans receivable	742,819,163	742,819,163	2,602,879,241	2,602,879,241
Accrued interest receivable	118,804,829	118,804,829	79,819,273	79,819,273
Management fee receivable	43,218,201	43,218,201	2,076,024	2,076,024
Accrued rent income	38,161,834	38,161,834	5,300,029	5,300,029
Accrued commission income	22,640,404	22,640,404	21,252,081	21,252,081
Dividend receivable	-	-	157,156,316	157,156,316
Others*	136,197,772	136,197,772	77,226,537	77,226,537
Long-term cash investment	-	-	2,440,084,378	2,440,084,378
Due from related parties	489,042,589	489,042,589	938,859,224	938,859,224
	21,706,166,809	21,793,550,703	8,882,101,792	10,773,088,013
AFS investments				
Quoted	1,050,165,533	1,050,165,533	-	-
Unquoted	9,921,760	9,921,760	9,921,760	9,921,760
	₱22,766,254,102	₱22,853,637,996	₱8,892,023,552	₱10,783,009,773
Financial Liabilities:				
Other Financial Liabilities				
Accounts and other payables				
Trade payables	₱3,993,882,998	₱3,993,882,998	₱3,794,271,504	₱3,794,271,504
Accrued expenses	1,203,694,170	1,203,694,170	108,948,627	108,948,627
Accrued interest payable	346,055,359	346,055,359	64,866,452	64,866,452
Retentions payable	294,632,748	294,632,748	213,576,285	213,576,285
Accrued commission	42,917,890	42,917,890	46,428,903	46,428,903
Others	121,890,193	121,890,193	75,446,442	75,446,442
Dividends payable	1,948,727,265	1,948,727,265	244,000	244,000
Loans payable	55,753,027,791	60,456,580,305	27,248,700,000	28,679,539,952
Due to related parties	191,264,721	191,264,721	403,598,150	403,598,150
Liabilities on purchased properties	2,580,574,771	2,580,574,771	-	-
	₱66,476,667,906	₱71,180,220,420	₱31,956,080,363	₱33,386,920,315

* Net of allowance for doubtful accounts

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% and 8.00% to 8.87% as of December 31, 2012 and 2011, respectively. 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 loans payable subjected to quarterly repricing is not discounted. The interest rates used ranged from 7.09% to 7.75% for the year ended December 31, 2012 and 2011.
- *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.

32. 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, 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 of the Group's financial assets:

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	Total				
Cash and cash equivalents (Note 4)								
Receivables (Note 5)	₱11,553,288,498			₱11,553,288,498			₱11,553,288,498	
Trade receivables	2,943,309,987	918,642,474	-	3,861,952,461	774,218,711	-	4,636,171,172	
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 interest receivable	118,804,829	-	-	118,804,829	-	-	118,804,829	
Management fee receivable	43,218,201	-	-	43,218,201	-	-	43,218,201	
Accrued rent income	38,161,834	-	-	38,161,834	-	-	38,161,834	
Accrued commission income	22,640,404	-	-	22,640,404	-	-	22,640,404	
Others	136,197,772	-	-	136,197,772	-	-	140,815,196	
Due from related parties (Note 26)	489,042,589	-	-	489,042,589	-	4,617,424	489,042,589	
AFS investments (Note 10)	1,050,165,533	-	-	1,050,165,533	-	-	1,050,165,533	
Quoted	9,921,760	-	-	9,921,760	-	-	9,921,760	
Unquoted	₱20,679,949,898	₱918,642,474	₱-	₱21,598,592,372	₱1,167,661,730	₱4,617,424	₱22,770,871,526	

December 31, 2011

	Neither Past Due Nor Individually Impaired				Total	Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total				
Cash and cash equivalents (Note 4)								
Receivables (Note 5)	₱454,421,565			₱454,421,565			₱454,421,565	
Trade receivables	141,093,905	333,121	4,218,877	145,645,903	33,170,671	-	178,816,574	
Installment contracts receivable	1,063,555,960	212,810,388	428,063,313	1,704,429,661	219,780,889	-	1,924,210,550	
Loans receivable	2,602,879,241	-	-	2,602,879,241	-	-	2,602,879,241	
Accrued interest receivable	79,819,273	-	-	79,819,273	-	-	79,819,273	
Management fee receivable	2,076,024	-	-	2,076,024	-	-	2,076,024	
Accrued rent income	5,300,029	-	-	5,300,029	-	-	5,300,029	
Accrued commission income	21,252,081	-	-	21,252,081	-	-	21,252,081	
Dividend receivable	157,156,316	-	-	157,156,316	-	-	157,156,316	
Others	77,226,537	-	-	77,226,537	-	3,768,388	80,994,925	
Due from related parties (Note 26)	938,859,224	-	-	938,859,224	-	-	938,859,224	
Long-term cash investments (Note 26)	2,440,084,378	-	-	2,440,084,378	-	-	2,440,084,378	
AFS investments - unquoted (Note 10)	9,921,760	-	-	9,921,760	-	-	9,921,760	
	₱7,993,646,293	₱213,143,509	₱432,282,190	₱8,639,071,992	₱252,951,560	₱3,768,388	₱8,895,791,940	



As of December 31, 2012 and 2011, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

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) Receivables (Note 5)	₱11,553,288,498						₱-	₱11,553,288,498	
Trade receivable	3,861,952,461	273,650,902	111,349,644	78,761,201	304,074,602	6,382,362		774,218,711	
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	
Loans receivable	742,819,163	-	-	-	-	-	-	-	
Accrued interest receivable	118,804,829	-	-	-	-	-	-	742,819,163	
Management fee receivable	43,218,201	-	-	-	-	-	-	118,804,829	
Accrued rent income	38,161,834	-	-	-	-	-	-	43,218,201	
Accrued commission income	22,640,404	-	-	-	-	-	-	38,161,834	
Others	136,197,772	-	-	-	-	-	-	22,640,404	
Due from related parties (Note 26)	489,042,589	-	-	-	-	-	4,617,424	140,815,196	
AFS investments (Note 10)								489,042,589	
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	₱4,617,424	₱22,770,871,526	

December 31, 2011

	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) Receivables (Note 5)	₱454,421,565						₱-	₱454,421,565	
Trade receivables	145,645,903	10,194,950	5,146,173	4,002,196	4,257,716	9,569,636		178,816,574	
Installment contracts receivable	1,704,429,661	31,947,598	5,376,647	10,583,380	16,398,117	155,475,147		1,924,210,550	
Loans receivable	2,602,879,241	-	-	-	-	-	-	2,602,879,241	
Accrued interest receivable	79,819,273	-	-	-	-	-	-	79,819,273	
Management fee receivable	2,076,024	-	-	-	-	-	-	2,076,024	
Accrued rent income	5,300,029	-	-	-	-	-	-	5,300,029	
Accrued commission income	21,252,081	-	-	-	-	-	-	21,252,081	
Dividend receivable	157,156,316	-	-	-	-	-	-	157,156,316	
Others	77,226,537	-	-	-	-	-	-	77,226,537	
Due from related parties (Note 26)	938,859,224	-	-	-	-	-	3,768,388	80,994,925	
Long-term cash investments	2,440,084,378	-	-	-	-	-	-	938,859,224	
AFS investments - unquoted (Note 10)	9,921,760	-	-	-	-	-	-	2,440,084,378	
	₱8,639,071,992	₱42,142,548	₱10,522,820	₱14,585,576	₱20,655,833	₱165,044,783	₱3,768,388	₱8,895,791,940	



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 liabilities based on contractual undiscounted payments:

December 31, 2012

	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱11,568,191,065	₱-	₱-	₱11,568,191,065
Receivables (Note 5)				
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 interest receivable	118,804,829	-	-	118,804,829
Management fee receivable	43,218,201	-	-	43,218,201
Accrued rent income	38,161,834	-	-	38,161,834
Accrued commission income	22,640,404	-	-	22,640,404
Others	140,815,196	-	-	140,815,196
Due from related parties (Note 26)	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
Total undiscounted financial assets	₱18,648,429,577	₱3,023,527,791	₱1,922,208,927	₱23,594,166,295
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	₱3,986,382,998	₱7,500,000	₱-	₱3,993,882,998
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 16)	18,668,326,386	32,742,778,554	19,349,562,698	70,760,667,638
Due to related parties (Note 26)	191,264,721	-	-	191,264,721
Liabilities on purchased properties	-	888,140,064	2,313,741,028	3,201,881,092
Total undiscounted financial liabilities	₱26,801,031,760	₱33,641,278,588	₱21,663,303,726	₱82,105,614,074
Liquidity Gap	(₱8,152,602,183)	(₱30,617,750,797)	(₱19,741,094,799)	(₱58,511,447,779)



	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱454,841,386	₱-	₱-	₱454,841,386
Receivables (Note 5)				
Trade receivable	168,451,475	10,365,099	-	178,816,574
Installment contracts receivable	809,266,688	1,509,930,535	29,150,189	2,348,347,412
Loans receivable	2,620,231,769	-	-	2,620,231,769
Accrued interest receivable	79,819,273	-	-	79,819,273
Management fee receivable	2,076,024	-	-	2,076,024
Accrued rent income	5,300,029	-	-	5,300,029
Accrued commission income	21,252,081	-	-	21,252,081
Dividend receivable	157,156,316	-	-	157,156,316
Others	80,994,925	-	-	80,994,925
Due from related parties (Note 26)	938,859,224	-	-	938,859,224
Long term cash investment	2,485,957,964	-	-	2,485,957,964
AFS investments - unquoted (Note 10)	-	-	9,921,760	9,921,760
Total undiscounted financial assets	₱7,824,207,154	₱1,520,295,634	₱39,071,949	₱9,383,574,737
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	3,794,271,504	-	-	3,794,271,504
Retentions payable	213,576,285	-	-	213,576,285
Accrued expenses	108,948,627	-	-	108,948,627
Accrued interest	64,866,452	-	-	64,866,452
Accrued commission	46,428,903	-	-	46,428,903
Others	75,446,442	-	-	75,446,442
Dividends payable	244,000	-	-	244,000
Loans payable (Note 16)	7,669,146,727	28,942,506,064	-	36,611,652,791
Due to related parties (Note 26)	403,598,150	-	-	403,598,150
Total undiscounted financial liabilities	₱12,376,527,090	₱28,942,506,064	₱-	₱41,319,033,154
Liquidity Gap	(₱4,552,319,936)	(₱27,422,210,430)	₱39,071,949	(₱31,935,458,417)

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 amounted to US\$6.24 million and US\$0.01 million in 2012 and 2011, respectively. The Philippine peso values of these instruments amounted to ₱256.01 million and ₱0.32 million in 2012 and 2011, respectively.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱41.05 and ₱43.84 to US\$1.00, the Philippine peso-U.S. dollar exchange rates as at December 31, 2012 and 2011, 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, 2012 and 2011. There is no other impact on the Group's equity other than those already affecting the statements of comprehensive income.

Php appreciates (depreciates)	Increase (decrease) in income before tax		
	2012	2011	2010
₱1.00	₱6,236,619	₱7,207	₱232,662
(1.00)	(6,236,619)	(7,207)	(232,662)



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).

Change in basis points	Increase (decrease) in income before tax		
	2012	2011	2010
100	(P174,197,246)	(P817,461,000)	(P485,465,732)
(100)	174,197,246	817,461,000	485,465,732

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.

2012	Percentage change in PSEi	Increase (decrease) in total comprehensive income
		Increase by 14.01%
	Decrease by 14.01%	(P97,559,778)



33. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2012 and 2011 were computed as follows:

	2012	2011	2010
Net income attributable to Parent Company	₱6,554,920,355	₱3,324,399,379	₱3,001,620,966
Weighted average number of shares	148,081,967	125,000,000	125,000,000
	₱44.27	₱26.60	₱24.01

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

34. 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;
 - b) engaged in the food and restaurant service; and
 - 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 consolidated financial statements.

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



Year ended December 31, 2012 (Amounts in Thousands):

	Real Estate	Financial Institution	Motor	Power	Others	Total
Revenue	P4,687,203	P--	P--	P12,914,989	P 427,531	P18,029,723
Rentals	233,259	--	--	--	184	233,443
Equity in net income of associates and jointly controlled entities	225,651	3,047,027	631,152	--	--	3,903,830
Cost of sales and services	5,146,113	3,047,027	631,152	12,914,989	427,715	22,166,996
Power plant operation and maintenance (before depreciation)	2,022,929	--	--	--	--	2,022,929
General and administrative expense (before depreciation and amortization)	--	--	--	5,455,915	--	5,455,915
EBITDA	1,256,086	--	--	1,733,346	274,366	3,263,798
Other income (expenses)	3,279,015	--	--	7,189,261	274,366	10,742,642
Finance income	1,867,098	3,047,027	631,152	5,725,728	153,349	11,424,354
Finance cost	576,922	--	--	212,631	76,878	866,431
Depreciation and amortization	(326,942)	--	--	(825,487)	(597,352)	(1,749,781)
Pretax income	(67,898)	--	--	(1,559,179)	(2,039)	(1,629,116)
Provision for income tax	2,049,180	3,047,027	631,152	3,553,693	(369,164)	8,911,888
Income before income from discontinued operations	60,939	--	--	221,969	15,376	298,284
Post-tax income from discontinued operations	1,988,241	3,047,027	631,152	3,331,724	(384,540)	8,613,604
Segment Assets	P1,988,241	P3,047,027	P631,152	P3,331,724	(P384,540)	P8,613,604
Segment Liabilities	P19,817,046	P33,420,735	P5,901,464	P53,513,011	P24,815,186	P137,467,442
	P11,805,462	P--	P--	P38,936,817	P20,860,975	P71,603,254



Year ended December 31, 2011 (Amounts in Thousands):

	Real Estate	Financial Institution	Motor	Power	Others	Total
Revenue	₱3,175,105	₱-	₱-	₱-	₱919,906	₱4,095,011
Rentals	117,712	-	-	-	120,289	238,001
Equity in net income of associates and a jointly controlled entity	87,552	3,018,484	461,837	-	-	3,567,873
Cost of sales and services	3,380,369	3,018,484	461,837	-	1,040,195	7,900,885
General and administrative expense (before depreciation and amortization)	1,553,768	-	-	-	709,726	2,263,494
	545,152	-	-	-	493,243	1,038,395
	2,098,920	-	-	-	1,202,969	3,301,889
EBITDA	1,281,449	3,018,484	461,837	-	(162,774)	4,598,996
Other income (expenses)	-	-	-	-	-	-
Finance income	57,682	-	-	-	6,914	64,596
Finance cost	(432,809)	-	-	-	(556,940)	(989,749)
Depreciation and amortization	(29,346)	-	-	-	(42,006)	(71,352)
Pretax income	876,976	3,018,484	461,837	-	(754,806)	3,602,489
Provision for income tax	138,339	-	-	-	10,440	148,779
Income before income from discontinued operations	738,637	3,018,484	461,837	-	(765,246)	3,453,710
Post-tax income from discontinued operations	-	-	-	-	-	-
	₱738,637	₱3,018,484	₱461,837	₱-	(₱765,246)	₱3,453,710
Net income attributable to non-controlling interest	₱117,663	₱-	₱-	₱-	₱11,648	₱129,311
Net income attributable to equity holders	₱620,994	₱3,018,484	₱461,837	₱-	(₱753,598)	₱3,324,399
Segment Assets	₱28,933,681	₱32,196,747	₱2,071,712	₱3,397,121	₱3,443,502	₱70,062,763
Segment Liabilities	₱18,299,016	₱-	₱-	₱-	₱14,614,113	₱32,913,129



Year ended December 31, 2010 (Amounts in Thousands)

	Real Estate	Financial Institution	Motor	Others	Total
Revenue	₱2,335,264	₱-	₱-	₱843,685	₱3,178,949
Equity in net income of associates and a jointly controlled entity	41,155	2,173,023	734,701	-	2,948,879
Cost of sales and services	2,376,419	2,173,023	734,701	843,685	6,127,828
General and administrative expense (before depreciation and amortization)	1,364,808	-	-	584,566	1,949,374
	421,434	-	-	399,609	821,043
	1,786,242	-	-	984,175	2,770,417
EBITDA	590,177	2,173,023	734,701	(140,490)	3,357,411
Other income (expenses)	-	-	-	-	-
Finance income	-	-	-	-	-
Finance cost	(13,384)	-	-	(84,161)	(97,545)
Depreciation and amortization	(28,244)	-	-	(44,008)	(71,252)
Pretax income	548,549	2,173,023	734,701	(268,659)	3,187,614
Provision for income tax	70,198	-	-	5,399	75,597
Income before income from discontinued operations	478,351	2,173,023	734,701	(274,058)	3,112,017
Post-tax income from discontinued operations	-	-	-	-	-
	₱478,351	₱2,173,023	₱734,701	(₱274,058)	₱3,112,017
Net income attributable to non-controlling interest	₱80,486	₱-	₱-	₱29,910	₱110,396
Net income attributable to equity holders	₱397,865	₱2,173,023	₱734,701	(₱303,968)	₱3,001,621
Segment Assets	₱16,925,034	₱24,472,093	₱2,291,583	₱7,614,987	₱51,303,697
Segment Liabilities	₱18,551,027	₱-	₱-	₱932,350	₱19,483,377



35. Contingencies

In the ordinary course of the Group's operations, certain companies within GBPC 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 Housing and Land Use Regulatory Board for a total guarantee amount of ₱868.17 million as of December 31, 2012.

36. Events after Financial Reporting Date

Top-up equity placement

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.

Acquisition of TMPC shares from MBTC

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 TMPC from MBTC under the second tranche as provided in the MOU for a total consideration of ₱4.50 billion. This represented 15.00% of TMPC's outstanding capital stock and increased the Parent Company's shareholdings in TMPC to 51.00% (see Note 8). In addition, option deposit amounting to ₱20.00 million was returned by MBTC to the Parent Company.

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 which shall be payable on April 3, 2013. The BSP approved such dividend declaration on February 8, 2013.

₱10.00 billion bond issue

On February 13, 2013, the Parent Company issued a ₱10.00 billion worth of 7-year and 10-year worth of bonds with an interest rate of 4.84% and 5.09% respectively. The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to the following:

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

Said bonds were listed on February 27, 2013.



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 Fed Land

On February 18, 2013, BOD of Fed Land approved and authorized the declaration of cash dividends amounting to ₱100.00 million to stockholders on record as of December 31, 2012 payable on or before February 28, 2013.

37. 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 20, 2013.

38. Notes to Cash Flows Statements

Below are the noncash operating, investing and financing transactions of the Company:

	2012	2011	2010
Transfers from investment property to inventories (Note 6)	₱368,314,414	₱117,980,714	₱9,474,472
Transfers from property and equipment to inventories (Note 6)	855,240	-	11,528,424
Borrowing cost capitalized to inventories	332,920,000	141,978,879	119,673,718
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 30)	690,643,951	-	-
Additional indirect interest (Note 8)	1,375,910,045	-	-
Fair value of net assets acquired from GBPC (Note 30):			
Assets			
Receivables	3,935,964,042	-	-
Inventories	895,882,766	-	-
Prepayments and other current assets	1,212,354,008	-	-
Due from related parties	427,605,411	-	-
Property, plant and equipment	33,492,302,035	-	-
Investments and advances	3,077,687,617	-	-
Intangible assets	8,995,160,191	-	-
Liabilities			
Accounts payable and accrued expenses	3,103,143,854	-	-
Long-term debt	34,260,023,586	-	-
Other noncurrent liabilities	854,225,652	-	-
Deferred tax liability - from fair value change	593,256,587	-	-





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.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 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, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Form 17-A and have issued our report thereon dated March 20, 2013. 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.

Aris C. Malantic

Partner

CPA Certificate No. 90190

SEC Accreditation No. 0326-AR-2 (Group A),

March 15, 2012, valid until March 14, 2015

Tax Identification No. 152-884-691

BIR Accreditation No. 08-001998-54-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3669696, January 2, 2013, Makati City

March 20, 2013



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2012

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GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2012

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱631,935,666
Net income actually earned during the period	2,246,955,601
Net income during the period closed to Retained earnings	2,878,891,267
Less: Non-actual/unrealized income net of tax	—
Net income actually earned during the period	2,878,891,267
Dividend declaration during the period	(500,860,000)
Unappropriated Retained Earnings, as adjusted, ending	₱2,378,031,267



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER THE PFRS
FOR THE YEAR ENDED DECEMBER 31, 2012

Standard/Interpretation		Adopted	Amended	Repealed
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards		✓		
PFRS 1 (Revised)	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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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	✓		



Philippine Accounting Standards		Adopted	Effective Date	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		Effective 1/1/2013 (not early adopted)	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Effective 1/1/2013 (not early adopted)	
PFRS 8	Operating Segments	✓		✓
PFRS 9	Financial Instruments		Effective 1/1/2015 (not early adopted)	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Effective 1/1/2015 (not early adopted)	
PFRS 10	Consolidated Financial Statements		Effective 1/1/2013 (not early adopted)	
PFRS 11	Joint Arrangements		Effective 1/1/2013 (not early adopted)	
PFRS 12	Disclosure of Interests in Other Entities		Effective 1/1/2013 (not early adopted)	
PFRS 13	Fair Value Measurement		Effective 1/1/2013 (not early adopted)	
Philippine Accounting Standards				
PAS 1 (Revised)	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		Effective 7/1/2012 (not early adopted)	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		



Standard	Description	Adopted	Effective Date	Applicable
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits		Effective 1/1/2013 (not early adopted)	
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		Effective 1/1/2013 (not early adopted)	
PAS 28 (Amended)	Investments in Associates and Joint Ventures		Effective 1/1/2013 (not early adopted)	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
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		Effective 1/1/2014 (not early adopted)	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of 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	✓		
	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			✓



Philippine Interpretations		IFRS	IFRS	IFRS
Philippine Interpretations		IFRS	IFRS	IFRS
	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			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	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	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓



SIC	Description of Standard	Adopted	Effective Date	Applicable
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

Standards and interpretations applicable to annual periods beginning or after January 1, 2013 (where early adoption is allowed) will be adopted by the Group as they become effective.



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
FOR THE YEAR ENDED DECEMBER 31, 2012

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
Crown Central Properties Corp.	5,000,000 shares	₱5,000,000	₱5,000,000	—
Central Realty	4000 shares	400,000	400,000	—
Meralco preferred - "B" shares	—	4,521,760	4,521,760	—
Vivant Corporation	116,555,553 shares	1,050,165,533	1,050,165,533	—

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	₱1,377,454	₱873,852	₱1,377,454	—	₱873,852	—	₱873,852
Car plan	3,039,505	11,023,030	2,371,059	—	3,232,777	8,458,699	11,691,476
Financial Assistance	—	120,000	16,818	—	58,000	45,182	103,182
Housing Loan	5,585,242	5,500,000	920,305	—	894,988	9,269,948	—
	₱10,002,201	₱17,516,882	₱4,685,636	—	₱5,059,617	₱17,773,829	₱12,668,510

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
GBPC	—	₱1,460,543,000	₱1,460,543,000	—	₱1,460,543,000	(₱1,460,543,000)	—
FBRI	45,067,935	—	45,067,935	—	45,067,935	(45,067,935)	—
BRMC	—	(12,781,394)	12,781,394	—	12,781,394	(12,781,394)	—
HLRDC	1,928,983,140	(4,200,002)	1,933,183,142	—	1,933,183,142	(1,933,183,142)	—
TLMPC	2,606,109	606,109	2,000,000	—	2,000,000	(2,000,000)	—
CRDC	482,500,000	44,247,716	438,252,284	—	438,252,284	(438,252,284)	—
FMCI	—	(14,564,179)	14,564,179	—	14,564,179	(14,564,179)	—
PEDC	—	1,700,000,000	1,700,000,000	—	1,700,000,000	(1,700,000,000)	—
PPC	—	16,751,658	16,751,658	—	16,751,658	(16,751,658)	—
PEDC	—	120,511,547	120,511,547	—	120,511,547	(120,511,547)	—
TPC	—	190,000,000	190,000,000	—	190,000,000	(190,000,000)	—
CEDC	735,360,001	(253,679,409)	481,680,592	—	481,680,592	(481,680,592)	—
CEDC	—	418,320,591	418,320,591	—	418,320,591	(418,320,591)	—
GFPHC	—	389,874,791	389,874,791	—	389,874,791	(389,874,791)	—
PPHC	275,000,000	1,243,100,000	1,518,100,000	—	1,518,100,000	(1,518,100,000)	—
PPC	250,000,000	(250,000,000)	—	—	—	—	—
TPC	—	10,000,000	10,000,000	—	10,000,000	(10,000,000)	—
ARB	—	384,000,000	384,000,000	—	384,000,000	(384,000,000)	—
CEDC	1,457,732	1,662,752	3,120,484	—	3,120,484	(3,120,484)	—
TPC	—	1,805,164	1,805,164	—	1,805,164	(1,805,164)	—
CEDC	38,993,425	6,153,125	6,153,125	—	6,153,125	(6,153,125)	—
TCITRC	—	32,500,000	32,500,000	—	32,500,000	(32,500,000)	—
THC	5,192,540	—	—	5,192,540	5,192,540	(5,192,540)	—
THC	47,123,005	3,776,859	—	50,899,864	50,899,864	(50,899,864)	—
THC	87,317,778	8,614,200	—	95,931,978	95,931,978	(95,931,978)	—
TPC	3,495,759	3,512,741	7,008,500	—	7,008,500	(7,008,500)	—
PPC	9,234,235	(17,041)	9,217,194	—	9,217,194	(9,217,194)	—

(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
	₱		₱	₱	₱	(₱)	₱
GBHPRI		₱192,600	₱192,600		₱192,600	(₱192,600)	
CEDC	11,134,280	(6,977,240)	4,157,040		4,157,040	(4,157,040)	
GPRI		7,490,000	7,490,000		7,490,000	(7,490,000)	
CEDC		1,642,806	1,642,806		1,642,806	(1,642,806)	
CEDC	1,008,034	1,064,525	2,072,559		2,072,559	(2,072,559)	
THC	17,955,000		17,955,000		17,955,000	(17,955,000)	
TPC	26,286,842	3,450,027	29,736,869		29,736,869	(29,736,869)	
PPC	4,618,406	(1,103,097)	3,515,309		3,515,309	(3,515,309)	
GBHPRI	1,027,633	1,372,682	2,400,315		2,400,315	(2,400,315)	
GESC	11,233,424	16,972,972	28,206,396		28,206,396	(28,206,396)	
APVI	1,000	(1,000)					
PPHC							
THC	72,340,384		72,340,384		72,340,384	(72,340,384)	
GFHC	154,961	(154,961)					
GCLDC	1,355,293	(1,355,293)					
CEDC	136,596	(79,423)	57,172		57,172	(57,172)	
PEDC	4,410,337	13,114,217	17,524,554		17,524,554	(17,524,554)	
TCITRC	284,234	(199,112)	85,122		85,122	(85,122)	
GBPC	4,404,063	(4,382,293)	21,770		21,770	(21,770)	
GFPHC		184	184		184	(184)	
GCLDC	1,261,268	(1,261,268)					
GESC							
PPHC	487	(487)					
APVI	517,816	(517,816)					
GBHPRI	4,110	(2,124)	1,985		1,985	(1,985)	
PPC	66,617	(60,249)	6,369		6,369	(6,369)	
PEDC	71,796	(58,244)	13,553		13,553	(13,553)	
CEDC	40,544,347	(42,348,148)	(1,803,800)		(1,803,800)	1,803,800	
THC	40,602,786	(38,815)	40,563,971		40,563,971	(40,563,971)	
TCITRC	19,553,876	(19,553,876)					
TPC	30,198	(29,698)	500		500	(500)	
GBHPRI	1,092,981	(944,983)	147,997		147,997	(147,997)	
GBPC	47,660	(17,660)	30,000		30,000	(30,000)	
PPHC		115	115		115	(115)	
THC	142,291,337	(1,379,034)	140,912,304		140,912,304	(140,912,304)	
CEDC	2,415	12,133	14,549		14,549	(14,549)	
PEDC	514,173	2,619,684	3,133,857		3,133,857	(3,133,857)	
TCITRC	17,786	(17,786)					
GBPC	33,600	31,222	64,822		64,822	(64,822)	
GCLDC	732	(732)					
GFPHI		500	500		500	(500)	
GESC		582	582		582	(582)	
ARB		600	600		600	(600)	
PPHC	29,587,723	(29,587,723)					
GPRI	2,335	6,417	8,751		8,751	(8,751)	
TPC	10,319	(4,754)	5,565		5,565	(5,565)	
PPC	59,256,598	(58,851,185)	405,413		405,413	(405,413)	
THC		735	735		735	(735)	
CEDC	35,964	183,820	219,784		219,784	(219,784)	
GBPC	2,519,545	(2,425,570)	93,975		93,975	(93,975)	
GESC		66,129	66,129		66,129	(66,129)	
GBHPRI		250	250		250	(250)	
TPC	48,914,149	(41,929,062)	6,985,086		6,985,086	(6,985,086)	
PPC	3,620	4,590	8,210		8,210	(8,210)	
PEDC	43,284,226	(42,354,174)	930,053		930,053	(930,053)	
TCITRC							
GBPC	11,200	(2,800)	8,400		8,400	(8,400)	
GCLDC	100	(100)					
GESC	2,500,000		2,500,000		2,500,000	(2,500,000)	
TPC		7,564	7,564		7,564	(7,564)	
PPC	5,755	(3,713)	2,042		2,042	(2,042)	
PEDC		3,719	3,719		3,719	(3,719)	
CEDC		5,564	5,564		5,564	(5,564)	
GBPC	1,500		1,500		1,500	(1,500)	
PPC							
TCITRC	8,307,852	(8,307,852)					
PEDC		50,000,000	50,000,000		50,000,000	(50,000,000)	

(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
	₱-	₱-	₱-	₱-	₱-	₱-	₱-
PPC							
GPRI	192,600	(192,600)	(192,600)	-	(192,600)	192,600	-
PEDC	-	3,469,001	3,469,001	-	3,469,001	(3,469,001)	-
THC	1,036,857	(1,036,857)	-	-	-	-	-
GBPC	-	1,179,568	1,179,568	-	1,179,568	(1,179,568)	-
TPC	-	1,278,820	1,278,820	-	1,278,820	(1,278,820)	-
CEDC	-	3,139,617	3,139,617	-	3,139,617	(3,139,617)	-
PEDC	-	2,098,183	2,098,183	-	2,098,183	(2,098,183)	-
	₱4,511,006,473	₱5,344,967,326	₱9,638,146,893	₱152,024,382	₱9,790,171,275	(₱9,790,171,275)	₱-

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	₱-	₱8,995,160,191	(₱318,436,659)	₱-	₱-	₱8,676,723,532
Software cost and license	8,425,386	10,727,484	(4,866,709)	-	-	14,286,161
	₱8,425,386	₱9,005,887,675	(₱323,303,368)	₱-	₱-	₱8,691,009,693
Franchise	₱72,697	₱-	(₱72,697)	₱-	₱-	₱-

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
Note Facility Agreement	₱ 5,000,000,000	₱4,200,000,000	₱800,000,000
Loans payable	2,000,000,000	-	2,000,000,000
Note Facility Agreement	6,600,000,000	-	6,600,000,000
Loans payable	2,000,000,000	-	2,000,000,000
CEDC Omnibus Loan Agreement	16,000,000,000	1,584,492,168	13,963,309,698
PEDC Omnibus Loan Agreement	14,000,000,000	1,276,858,231	12,981,410,325
PPC Loan Agreement (for Panay)	1,269,271,600	151,355,001	430,953,507
PPC Loan Agreement (for Panay)	300,000,000	42,043,335	131,032,102
PPC Loan Agreement (for Avon)	515,000,000	102,348,347	200,217,468
PPC Loan Agreement (for Avon)	350,000,000	69,861,617	80,845,992
	₱-	₱7,426,958,699	₱39,187,769,092

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.	₱4,000,000,000	₱-
Metropolitan Bank & Trust Co.	2,000,000,000	2,000,000,000
Metropolitan Bank & Trust Co.	-	10,056,548,551
First Metro Investment Corporation	-	1,691,072,542

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	158,000,000	-	-	580,900	-



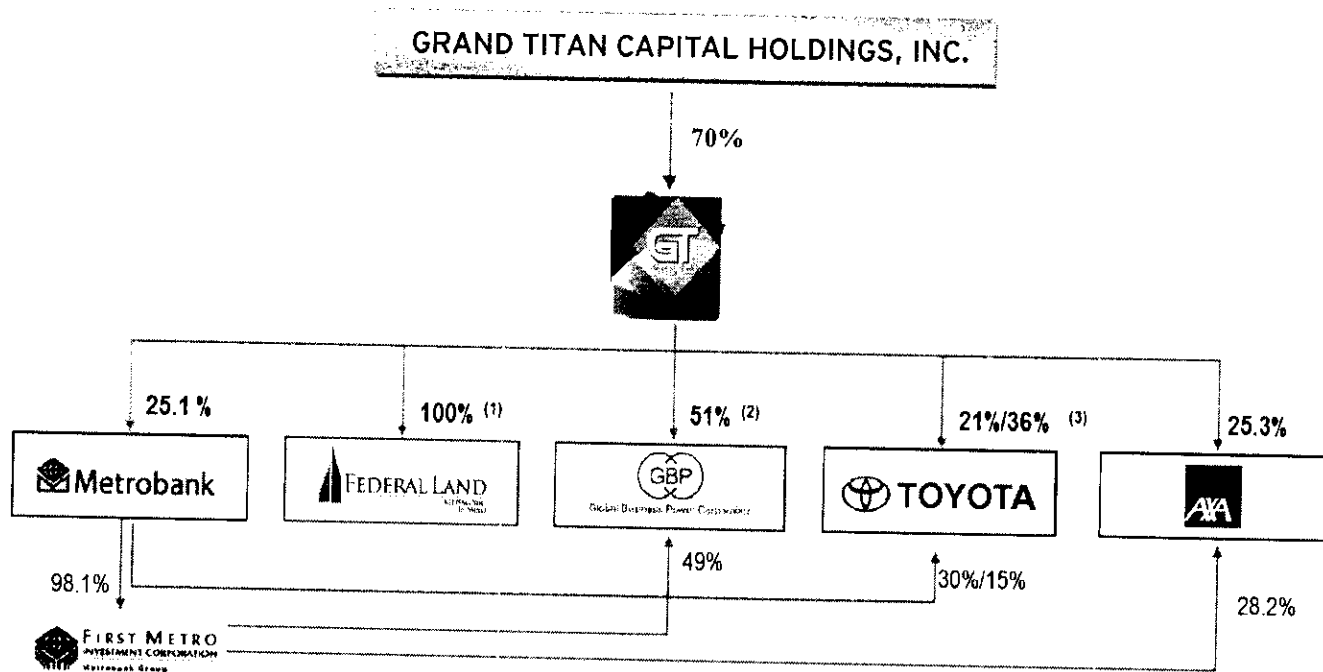
GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2012

(Amounts in millions except %)	2012	2011
Liquidity Ratio		
Current ratio	1.29	1.41
Current assets	₱36,821.94	₱18,570.74
Current liabilities	28,452.33	13,141.47
Solvency Ratio		
Total liabilities to total equity ratio	1.09	0.89
Total liabilities	71,603.25	32,913.13
Total equity	65,864.19	37,149.63
Debit to equity ratio	0.85	0.73
Total debt	55,753.03	27,248.70
Total equity	65,864.19	37,149.63
Asset to Equity Ratio		
Asset equity ratio	2.52	2.01
Total assets	137,467.44	70,062.76
Equity attributable to Parent Company	54,491.12	34,928.87
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	6.09	4.64
Earnings before interest and taxes (EBIT)	10,661.67	4,592.24
Interest expense	1,749.78	989.75
Profitability Ratio		
Return on average assets	6.32%	5.48%
Net income attributable to Parent Company	6,554.92	3,324.40
Average assets	103,765.12	167,983.00
Return on Average Equity	14.66%	10.30%
Net income attributable to Parent Company	6,554.92	3,324.40
Average equity attributable to Parent Company	44,710.00	989.75
Income before income tax	8,911.89	3,602.49
Interest expense	1,749.78	989.75
EBIT	10,661.67	4,592.24

*computed as EBIT/Interest Expense



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, 2012



Note:

- 1 On May 3, 2012, GT Capital executed a Deed of Absolute Sale with various selling shareholders of Fed Land to acquire the remaining 20% equity stake in Fed Land for an aggregate consideration of Php2.7 billion. The acquisition increased the direct holdings of GT Capital from 80% to 100%.
- 2 On May 2, 2012, the Company exercised its option to acquire an additional 4.6% of GBP at a fixed price of Php35.00 per share. On September 12, 2012, GT Capital acquired an additional 12% of GBP at a fixed price of Php35.13 per share. The acquisitions increased GT Capital's direct equity stake in GBP to 51%.
- 3 On December 3, 2012, GT Capital and MBT executed a Sale and Purchase Agreement whereby GT Capital acquired 15% of TMP for a consideration of Php4.5 billion. This effectively increased the direct equity stake of GT Capital to TMP to 36%.



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
DETAILS OF THE USE OF PROCEEDS OF THE COMPANY'S INITIAL
PUBLIC OFFERING
FOR THE YEAR ENDED DECEMBER 31, 2012

I. Gross and net proceeds as disclosed in the final prospectus

As stated in the final prospectus issued, the Company received gross proceeds amounting to ₱15.02 billion from the primary offering of 33,000,000 shares on April 20, 2012, and incurred ₱1.16 billion IPO-related expenses resulting to net proceeds of ₱13.86 billion.

II. Actual gross and net proceeds

The actual proceeds from the initial public offering also amounted to ₱15.02 billion and the net IPO proceeds amounted to ₱13.86 billion.

III. List of each expenditure item where the proceeds was used (in millions)

	Amount
Offer-related fees and expenses	₱1,159
Acquisition of 4.60% of GBPC	893
Acquisition of 20.00% of Fed Land	2,700
Repayment of term loan with MBTC and related interest expense	4,049
Toledo plant expansion	663
Capital expenditure to finance acceleration of Fed Land projects	3,795
Acquisition of 11.89% of GBPC	2,324
	<u>₱15,583</u>

IV. Balance of the proceeds as of the end of the reporting period

The table below shows the computation of the remaining balance of the IPO proceeds

	Amount
Gross proceeds	₱15,015,000,000
Less total expenditures	15,582,725,653
Total	(567,725,653)
Interest income earned	59,523,265
Bank charges	(292)
Disbursement from internally generated funds	507,851,042
Replenishment of expenses from other parties	474,001
	<u>₱122,363</u>

