

GT Capital Holdings, Inc. and Subsidiaries

Interim Condensed Consolidated Financial Statements

As of September 30, 2012 (Unaudited) and

December 31, 2011 (Audited)

and for the period ended September 30, 2012 and 2011 (Unaudited)

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

	Unaudited	Audited
	September 30, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	P11,761	P454
Receivables	6,895	4,864
Inventories	9,747	11,338
Due from related parties	1,063	939
Prepayments and other current assets	3,405	975
Total Current Assets	32,871	18,570
Noncurrent Assets		
Noncurrent receivables	3,978	1,115
Long - term cash investments	-	2,440
Deposits	3,085	4,085
Investments and advances	39,721	38,113
Investment properties	5,086	5,228
Property and equipment	36,850	396
Deferred tax assets	163	4
Other noncurrent assets	1,214	112
Total Noncurrent Assets	90,097	51,493
	P122,968	P70,063
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	P5,740	P4,573
Short term loans payable	2,707	7,649
Customers' deposits	417	458
Due to related parties	380	403
Income tax payable	38	-
Other current liabilities	2,420	58
Total Current Liabilities	11,702	13,141
Noncurrent Liabilities		
Pension liabilities	P151	P28
Long- term loans payable	43,931	19,600
Deferred tax liabilities	353	81
Other noncurrent liabilities	704	63
Total Noncurrent Liabilities	45,139	19,772
	56,841	32,913
Equity		
Equity attributable to equity holders of GT Capital Holdings, Inc.		
Capital Stock	1,580	1,250
Additional paid-in capital	36,694	23,072
Retained earnings	12,631	7,802
Other equity adjustments	(607)	-
Other comprehensive income	2,059	2,805
	52,357	34,929
Non-controlling interests	13,770	2,221
Total equity	66,127	37,150
	P122,968	P70,063

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

	Unaudited			
	January to September		July to September	
	2012	2011	2012	2011
REVENUE				
Equity in net income of associates	P3,595	P2,840	P1,039	P936
Net fees	8,378	-	4,600	-
Real Estate sales	1,624	1,171	518	423
Interest income on real estate sales	212	145	95	63
Sale of goods and services	541	562	165	191
Commission income	103	86	42	28
Rent income	165	179	53	74
Interest and other income	2,086	387	226	192
	16,704	5,370	6,738	1,907
COSTS AND EXPENSES				
Cost of real estate sales	1,023	790	347	299
Cost of goods and services	475	495	144	169
Power plant operation and maintenance	4,729	-	2,602	-
General and administrative expenses	1,495	694	600	222
Interest expense	1,987	684	932	278
	9,709	2,663	4,625	968
INCOME BEFORE INCOME TAX	6,995	2,707	2,113	939
PROVISION FOR INCOME TAX	132	64	45	43
NET INCOME	6,863	2,643	2,068	896
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	P5,330	P2,569	P1,313	P868
Non-controlling interest	1,533	74	755	28
	P6,863	P2,643	P2,068	P896
Basic/Diluted Earnings Per Share				
Attributable to Equity Holders of the Parent Company	P36.8	P20.6		

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

	Unaudited			
	January to September		July to September	
	2012	2011	2012	2011
NET INCOME	₱6,863	₱2,643	₱2,068	₱896
OTHER COMPREHENSIVE INCOME				
Equity in net unrealized gain (loss) on available for sale financial assets of associates	(553)	52	204	171
Equity in revaluation reserve on investment property of associates	1	-	-	-
Equity in revaluation increment on property and equipment of associates	1	-	-	-
Equity in translation adjustment of associates	(195)	89	(30)	50
	(746)	141	174	221
TOTAL COMPREHENSIVE INCOME	₱6,117	₱2,784	₱2,242	₱1,117
Attributable to:				
Equity holders of the GT Capital Holdings, Inc.	₱4,584	₱2,710	₱1,487	₱1,089
Non-controlling interest	1,533	74	755	28
	₱6,117	₱2,784	₱2,242	₱1,117

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

	Attributable to Equity Holders of GT Capital Holdings, Inc										
	Capital stock	Additional paid-in capital	Retained earnings	Other equity adjustment	Equity in net gain (loss) on available-for-sale financial assets of associates	Equity in revaluation reserve on investment property of associates	Equity in revaluation increment on property and equipment of associates	Equity in translation adjustment of associates	Total	Non-controlling interest	Total Equity
At January 1, 2012	P1,250	P23,072	P7,802	P-	P2,546	(P1)	(P1)	P261	P34,929	P2,221	P37,150
Issuance of capital stock	330	13,622	-	-	-	-	-	-	13,952	-	13,952
Net income	-	-	5,330	-	-	-	-	-	5,330	1,533	6,863
Other comprehensive income	-	-	-	-	(553)	1	(195)	-	(746)	-	(746)
Effect of acquisition of GBP Group	-	-	-	-	-	-	-	-	-	14,433	14,433
Declaration of dividends	-	-	(501)	-	-	-	-	-	(501)	-	(501)
Acquisition of non-controlling interest	-	-	-	(607)	-	-	-	-	(607)	(4,417)	(5,024)
At September 30, 2012	P1,580	P36,694	P12,631	(P607)	P1,993	P-	P-	P66	P52,357	P13,770	P66,127
At January 1, 2011	P1,250	P23,072	P5,377	P-	(P216)	(P1)	(P1)	P128	29,609	P2,211	P31,820
Net income	-	-	2,569	-	-	-	-	-	2,569	74	2,643
Other comprehensive income	-	-	-	-	52	-	-	89	141	-	141
Effect of business combination	-	-	(336)	-	-	-	-	-	(336)	(84)	(420)
Declaration of dividends	-	-	(500)	-	-	-	-	-	(500)	-	(500)
At September 30, 2011	P1,250	P23,072	P7,110	P-	(P164)	(P1)	(P1)	P217	31,483	P2,201	P33,684

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

	Unaudited	
	Period Ended September 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P6,995	P2,707
Adjustments for:		
Interest expense	1,987	684
Depreciation and amortization	840	49
Equity in net income of associates and a joint venture	(3,595)	(2,840)
Unrealized foreign exchange losses	11	-
Interest income	(446)	(249)
Operating income before changes in working capital	5,792	351
Decrease (increase) in:		
Receivables	(3,877)	(708)
Due from related parties	876	(1,892)
Inventories	1,596	1,350
Prepayments and other current assets	(2,622)	(270)
Increase (decrease) in:		
Accounts and other payables	1,182	445
Customers' deposits	(41)	(167)
Other current liabilities	2,011	12
Pension liabilities	122	-
Cash provided by (used in) operations	5,039	(879)
Interest received	287	252
Interest paid	(1,629)	(625)
Dividends received	1,397	1,339
Income taxes paid	(42)	-
Net cash provided by (used in) operating activities	5,052	87
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of:		
Long term investment	2,440	-
Property and equipment	1	-
Additions to:		
Investment properties	(49)	(1,366)
Property and equipment	(36,647)	(18)
Increase in investments and advances	(587)	(2,765)
Decrease in other noncurrent assets	(2,633)	(4,509)
Net cash used in investing activities	(37,475)	(8,658)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availments	24,324	11,423
Payment of loans payable	(4,941)	(3,607)
Issuance of capital stock	13,952	-
Increase (decrease) in:		
Due to related parties	(24)	(10)
Other noncurrent liabilities	(1,105)	397
Non-controlling interest	11,549	(110)
Net cash provided by financing activities	43,755	8,093
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(25)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,307	(478)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	454	3,065
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P11,761	P2,587

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

In 2012, the Parent Company acquired an additional 20% equity interest in Federal Land Inc. (Fed Land). The acquisition increased the Parent Company's interest in Fed Land to 100%. Likewise, the Parent Company's direct interest in Global Business Power Corporation (GBP) increased to 51% with effective ownership of 63% as of September 30, 2012.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBT), Toyota Motor Philippines, Inc. (Toyota) and Philippine AXA Life Insurance Corp. (AXA Philippines).

Group Activities

The Parent Company, Fed Land and Subsidiaries (Fed Land Group) and GBP and subsidiaries (GBP Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group, 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 sell properties and act 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, GBP was registered with the Philippine Securities and Exchange Commission (SEC) on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

The 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 interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2011.

The interim condensed financial statements of the Group have been prepared using the historical cost basis and are presented in Philippine Pesos (₱), the Group's functional currency. Values are rounded to the nearest Million Pesos (₱000,000) unless otherwise indicated.

Statement of Compliance

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

Presentation of Financial Statements

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

Basis of Consolidation

Basis of consolidation

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

The interim condensed consolidated financial statements include the financial statements of the Parent Company and the following domestic subsidiaries of Fed Land and GBP:

	<u>Effective Percentages of Ownership</u>	
	<u>Sept 30, 2012</u>	<u>December 31, 2011</u>
Fed Land ¹	100.00%	80.00%
Subsidiaries of Fed Land:		
Southern Horizon Development Corp.	100.00	80.00
Federal Land - Management and Consultancy, Inc.	100.00	80.00
Fedsales Marketing, Inc.	100.00	80.00
Baywatch Project Management Corporation	100.00	80.00
Horizon Land Property and Development Corporation	100.00	80.00
Omni-Orient Marketing Network, Inc.	87.80	70.24
Federal Brent Retail, Inc. (FBR) ²	51.66	41.33
Top Leader Property Management Corp.	100.00	80.00
Central Realty and Development Corp. (CRDC)	75.80	60.64
Harbour Land Realty Corporation (HLRC)	100.00	80.00

¹ Subsidiary

² Engaged in trading of petroleum and non-fuel products and food and restaurant services

(Forward)

	<u>Effective Percentages of Ownership</u>	
	<u>Sept 30, 2012</u>	<u>December 31, 2011</u>
GBP	63.00%	-
Subsidiaries of GBP:		
ARB Power Ventures, Inc.	63.00	-
GBH Cebu Limited Duration Company	63.00	-
GBH Power Resources, Inc.	63.00	-
Global Energy Supply Corporation	63.00	-
Panay Power Holdings Corporation (PPHC)	56.26	-
Global Formosa Power Holdings, Inc. (GFPHI)	58.59	-

As of September 30, 2012, the Parent Company has effective ownership of 63% over GBP (see note 3).

Also, on May 3, 2012, the Parent Company acquired an additional 20% of Fed Land from the holders of non-controlling interest, thereby increasing the Parent Company's ownership in Fed Land from 80% to 100% (see Note 3).

FBRI

FBRI is 51.66% owned by Fed Land and was consolidated to the Fed Land Group. Effective ownership of the Parent Company over FBRI through Fed Land is 51.66% and 41.33% as of September 30, 2012 and December 31, 2011, respectively.

Bonifacio Landmark Realty and Development Corporation (BLRDC)

In 2011, Fed Land and Morano Holdings Corporation (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 Bonifacio Landmark Realty and Development Corporation (BLRDC).

Effective June 2012, BLRDC was converted from a wholly-owned subsidiary to a joint venture corporation (see note 3).

PPHC and GFPHI

PPHC and GFPHI are 89.3% and 93% owned by GBP and were consolidated to the GBP Group. Effective ownership of the Parent Company over PPHC and GFPHI through GBP is 56.26% and 58.59%, respectively, as of September 30, 2012.

Combinations of Entities Under Common Control

Business combination of entities under common control is accounted for using the uniting of interest method. The combined entities accounted for by the uniting of interests method reports results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

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

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

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

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the 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 interim condensed consolidated statement of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and within equity in the interim condensed consolidated statements of financial position, separately from the Parent Company's equity. Any losses attributable to the NCI are allocated even if it results in a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

Changes in Accounting Policies

The accounting policies adopted in preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2011 except for the adoption of the following amended PAS and PFRS effective as of January 1, 2012. Adoption of these changes did not have any significant impact on the Group's interim condensed consolidated financial statements.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 will be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations and assess their impact when these become effective.

- 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 re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- 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 separate financial statements. The Group does not present 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 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- **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 Group since the Group accounts its jointly controlled under 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.
- **PFRS 9, *Financial Instruments: Classification and Measurement***
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed.

The Group conducted an evaluation of the financial impact of the adoption of PFRS 9 based on the audited financial statements as of December 31, 2011 and decided not to early adopt PFRS 9 for its 2012 financial reporting. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

- **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.
- **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 (FRSC) have deferred the effectivity of this interpretation until the final Revenue Standard is issued by International Accounting Standards Board (IASB) 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 may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

As of September 30, 2012 and December 31, 2011, the Group's financial assets are of the nature of loans and receivables and AFS financial assets while financial liabilities are of the nature of other financial liabilities. The Group made no reclassifications in its financial assets in 2012 and 2011.

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. These valuation techniques include the net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Loans and receivables

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

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

AFS financial assets

AFS financial assets are non-derivative financial assets 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 financial assets pertain to unquoted equity securities included under the interim condensed consolidated statement of financial position caption "Other noncurrent assets".

These are carried at cost less impairment and approximate fair value because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Other financial liabilities

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

This accounting policy applies primarily to the Group's accounts and other payables, loans payable, liabilities for purchased land, 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).

3. Investments and Advances

Investment in Fed Land

On May 3, 2012, the Parent Company acquired the remaining 20,000,000 common shares of Fed Land representing 20% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.7 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80% to 100%. The acquisition of 20% of Fed Land also resulted in the recognition of other equity adjustment amounting to ₱513.4 million representing the excess of cost consideration over the carrying amount of the non-controlling interest.

On June 28, 2012, the Parent Company subscribed to 37,947,000 common shares of Fed Land for a total subscription price amounting to ₱3.8 billion to fund the increase in Fed Land's authorized capital stock from ₱10.0 billion to ₱15.0 billion. The funds were used to partially finance Fed Land's ongoing projects in Metro Manila and Cebu.

Acquisition of GBP

On December 20, 2011, GBP filed an application for the increase in its authorized capital stock and reduction in the par value of its common shares to ₱1.00 per share. Upon application of increase in authorized capital stock, the Parent Company intends to convert the deposit for future stocks subscription (DFS) through issuance of new common shares by GBP. As a result, Parent Company's direct interest will be 21.04% with equivalent subscription of 117,067,800 new common shares (see Note 8). These advances are carried at cost and did not apply equity method of accounting due to pending regulatory approval as of December 31, 2011.

On January 16, 2012, the SEC approved the application of the increase in authorized capital stock of GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with Global Business Holdings, Inc. (GBHI) for the sale and transfer of 35,504,900 and 38,863,000 common shares of GBP, respectively, with GBHI as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.2 billion and ₱1.4 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37 % direct interest of the Parent Company over 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 ₱893.2 million.

On September 12, 2012, the Parent Company acquired a total of 66,145,700 common shares of GBPC, representing 12% 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 of 12% of GBPC resulted in the recognition of other equity adjustment amounting to ₱93.2 million representing the excess of cost consideration over the carrying amount of the non-controlling interest.

With the result of foregoing transactions, the Parent Company obtained an effective interest of 63.0% over GBP Group, computed as follows:

Nature	Effective interest
Direct interest	
Conversion of deposit for future stock subscriptions	21.0%
Acquisition of secondary shares from GBHI	13.4%
Exercised option to purchase additional shares from GBHI	4.6%
Acquisition of secondary shares	11.9%
Indirect interest through an associate	12.1%
	63.0%

As of September 30, 2012, the purchase price allocation, relating to the Parent Company's effective acquisition of control over GBP on May 2, 2012, has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently has limited information. The difference between the total consideration and the net assets amounting to ₱280.0 million was initially allocated to goodwill. Given the size and complexity of the transaction, the preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date.

Toledo Expansion Project

On May 24, 2012, the Parent Company disbursed ₱507.0 million as its pro-rata share in an equity call from GBP upon its stockholders. The equity call will partially fund GBP's down payment in the Engineering, Procurement and Construction (EPC) contract and initial expenses of the Toledo Expansion Project situated in Toledo City, Cebu.

Fed Land and MHC Omnibus Agreement

Fed Land, together with ORIX, executed a memorandum of agreement (MOA) dated December 8, 2011 and an Omnibus Subscription Agreement (OSA) dated December 21, 2011. Under the MOA, Fed Land shall make additional capital contributions in the form of cash and property and ORIX shall make capital contributions in the form of cash in exchange for shares of stock of MHC pursuant to the terms and conditions set forth in the Omnibus Subscription Agreement; Orix contributions shall be placed in an escrow account until an increase in subscription has been finally made. On January 31, 2012, the Escrow has been released resulting to the increase in deposit for future subscription and APIC of MHC by ₱307.2 million and ₱44.8 million.

Fed Land and Orix intends to (i) develop a residential condominium and a hotel/retail/ office building on two (2) parcels of land located in Bonifacio Global City, Fort Bonifacio, Taguig City, Metro Manila, Philippines, with an aggregate area of 12,984 square meters, and (ii) engage in the operations of the hotel.

In June 2012, FLI and ORIX Risingsun Properties, Inc. II (Orix) entered into a contractual arrangement to establish joint control over Bonifacio Landmark Realty Dev't. Corp. (BLRDC), with FLI owning 70% of BLRDC's capital stock and the remaining 30% owned by Orix. Prior to June 2012, BLRDC was a wholly-owned subsidiary of FLI. As a result of the joint venture between FLI and Orix, FLI derecognized the assets and liabilities of BLRDC at their carrying amounts. Thus, the investment retained in BLRDC was carried

at its fair value. The difference, between the fair value of the investment retained and the derecognized previously consolidated net assets and the land and cash contributions made to the joint venture was treated as gain amounting ₱1.4 billion. Such gain was recognized as income in the Statement of Income under the line item "Other income".

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 HLRDC for a total consideration of ₱420.0 million.

On June 23, 2011, Fed Land subscribed to additional common shares issued by CRDC of 400,000 common shares obtaining an effective interest of 75.8% 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.

The two acquisitions were accounted for using the uniting of interest method.

4. Equity

As of September 30, 2012 and December 31, 2011, this account consists of (amounts in millions except for par value and number of shares):

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding – 158,000,000		
shares as of September 30, 2012 and		
125,000,000 shares as of December 31,		
2011	₱1,580	₱1,250
Additional Paid-In Capital	36,694	23,072
	<u>₱38,274</u>	<u>₱24,322</u>

On April 20, 2012, the Parent Company's common shares were listed on the Philippine Stock Exchange, Inc. raising gross proceeds amounting to ₱15.0 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 ₱14.0 billion, net of direct transaction costs.

On September 21, 2012, the Board of Directors of the Parent Company approved the declaration of cash dividends in the amount of ₱500.86 million or ₱3.17 per share in favor of the Parent Company's common stockholders of record as of September 28, 2012, payable on October 22, 2012.

5. Related Party Transactions

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

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

As of September 30, 2012 and December 31, 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.

6. Basic/Diluted Earnings Per Share

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

	September 30		December 31,
	2012	2011	2011
	Unaudited	Audited	
Net income attributable to Parent Company	₱5,330	₱2,569	₱3,324
Weighted average number of shares	145	125	125
	₱36.8	₱20.6	₱26.6

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

7. 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 which have been aggregated to form a reportable segment are engaged in the following business:
 - a) trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintains a petroleum service station and
 - b) engaged in the food and restaurant service
 - c) to act as a marketing agent for and in behalf of any real estate development company or companies.

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the financial statements.

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

The following tables present revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the period ended September 30, 2012 and as of and for the year ended December 31, 2011.

	Real Estate	Financial Institution	Motor	Power	Others	Total
Nine Months Ended September 30, 2012 (Unaudited)						
Results of Operations						
Revenue	P1,836	P-	P-	P8,378	P541	P10,755
Rentals	72	-	-	-	93	165
Equity in net income of associates	122	2,731	517	225	-	3,595
	<u>2,030</u>	<u>2,731</u>	<u>517</u>	<u>8,603</u>	<u>634</u>	<u>14,515</u>
Cost of sales and services	1,023	-	-	-	475	1,498
Power plant operation and maintenance (before depreciation and amortization)	-	-	-	3,955	-	3,955
General and administrative expense (before depreciation and amortization)	559	-	-	486	384	1,429
	<u>1,582</u>	<u>-</u>	<u>-</u>	<u>4,441</u>	<u>859</u>	<u>6,882</u>
EBITDA	448	2,731	517	4,162	(225)	7,633
Other income (expenses)						
Finance income and other income	1,764	-	-	194	231	2,189
Finance cost	(300)	-	-	(1,230)	(457)	(1,987)
Depreciation and amortization	(21)	-	-	(787)	(32)	(840)
Pretax income	1,891	2,731	517	2,339	(483)	6,995
Provision for income tax	61	-	-	48	23	132
Net Income (Loss)	<u>1,830</u>	<u>2,731</u>	<u>517</u>	<u>2,291</u>	<u>(506)</u>	<u>6,863</u>
Statement of Financial Position						
Total Assets	29,282	33,652	2,132	57,217	685	122,968
Total Liabilities	13,011	-	-	33,504	10,326	56,841

	Real Estate	Financial Institution	Motor	Power	Others	Total
Year Ended December 31, 2011 (Audited)						
Results of Operations						
Revenue	₱3,176	₱-	₱-	₱-	₱920	₱4,096
Rentals	118	-	-	-	120	238
Equity in net income of associates	87	3,018	462	-	-	3,567
	3,381	3,018	462	-	1040	7,901
Cost of sales and services	1,554	-	-	-	710	2,264
General and administrative expense (before depreciation and amortization)	545	-	-	-	493	1,038
	2,099	-	-	-	1,203	3,302
EBITDA	1,282	3,018	462	-	(163)	4,599
Other income (expenses)		-	-	-		
Finance income	58	-	-	-	7	65
Finance cost	(433)	-	-	-	(557)	(990)
Depreciation and amortization	(29)	-	-	-	(42)	(71)
Pretax income	878	3,018	462	-	(755)	3,603
Provision for income tax	138	-	-	-	11	149
Net Income (Loss)	₱740	₱3,018	₱462	₱-	(₱766)	₱3,454
Statement of Financial Position						
Total Assets	₱28,954	₱32,197	₱2,071	₱3,397	₱3,444	₱70,063
Total Liabilities	₱18,299	₱-	₱-	₱-	₱14,614	₱32,913

8. Financial Risk Management and Objectives

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

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

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

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

Credit risk

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

Financial assets comprise cash and cash equivalents, receivables, due from related parties and AFS financial assets. 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.

The table below shows the maximum exposure to credit risk for the components of the Group's statement of financial position.

	Unaudited September 30, 2012	Audited December 31 2011
	(in millions)	
Cash and cash equivalents (excluding cash on hand)	₱11,758	₱452
Receivables (Note 5)		
Installment contracts receivable	3,317	1,924
Dividend receivable	-	157
Trade receivable	4,806	179
Accrued commission income	33	21
Accrued rent income	4	5
Accrued interest receivable	9	2
Others	758	161
Due from related parties	1,063	939
Long term cash investment	-	2,440
Long term notes receivable	147	-
AFS financial assets	453	10
Other noncurrent assets	19	-
Total credit risk exposure	₱22,367	₱6,290

Liquidity risk

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

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

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

Unaudited September 30, 2012

(Amounts in millions)	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents	₱11,758	₱-	₱-	₱11,758
Receivables				
Installment contracts receivable	1,673	2,912	-	4,585
Trade receivable	2,720	2,086	-	4,806
Accrued commission income	33	-	-	33
Accrued rent income	4	-	-	4
Accrued interest receivable	9	-	-	9
Others	727	31	-	758
Due from related parties	1,063	-	-	1,063
Long term notes receivable	14	128	5	147
AFS financial assets - unquoted	-	9	444	453
Other noncurrent assets	-	-	19	19
Total undiscounted financial assets	18,001	5,166	468	23,635
Other financial liabilities				
Accounts and other payables				
Trade	₱4,068	₱-	₱-	₱4,068
Retentions payable	249	-	-	249
Accrued expenses	731	-	-	731
Accrued interest	35	-	-	35
Others	707	-	-	707
Loans payable	7,747	41,383	15,633	64,763
Due to related parties	380	-	-	380
Other noncurrent liabilities	-	-	578	578
Total undiscounted financial liabilities	13,917	41,383	16,211	71,511
Liquidity Gap	₱4,084	(₱36,217)	(₱15,743)	(₱47,876)

Audited

December 31, 2011

(Amounts in millions)	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents	₱452	₱-	₱-	₱452
Receivables				
Installment contracts receivable	820	1,105	-	1,925
Dividend receivable	157	-	-	157
Trade receivable	168	10	-	178
Accrued commission income	21	-	-	21
Accrued rent income	5	-	-	5
Accrued interest receivable	2	-	-	2
Others	157	-	4	161
Due from related parties	939	-	-	939
Long term cash investment	-	2,440	-	2,440
AFS financial assets - unquoted	-	10	-	10
Total undiscounted financial assets	₱2,721	₱3,565	₱4	₱6,290
Other financial liabilities				
Accounts and other payables				
Trade	3,794	-	-	3,794
Retentions payable	214	-	-	214
Accrued expenses	109	-	-	109
Accrued interest	65	-	-	65
Others	75	-	-	75
Loans payable	7,649	19,600	-	27,249
Due to related parties	404	-	-	404
Total undiscounted financial liabilities	₱12,310	₱19,600	₱-	₱31,910
Liquidity Gap	(₱9,589)	(₱16,035)	₱4	(₱25,620)

Foreign currency risk

Financial assets and financing facilities extended to the Group were mainly denominated in Philippine Pesos. As such, the Group's foreign currency risk is very minimal.

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.

9. Commitments and Contingent Liabilities

In the course of the Group's operations, there are outstanding commitments and contingent liabilities which are not reflected in the accompanying condensed consolidated financial statements. No material losses are anticipated to be recognized as a result of these transactions.

As of September 30, 2012, the Parent Company issued Letters of Guarantee (LG) in favor of HLURB for a total guarantee amount of ₱607.65 million. LGs were issued to partially guarantee the completion of FLI's ongoing projects.

10. Subsequent Events

On October 15, 2012, the Parent Company disbursed ₱156.0 million as its additional pro-rata share in an equity call from GBP upon its stockholders. This additional pro-rata share was to partially fund the Toledo plant expansion.

On October 19, 2012, the Board of Directors of the Parent Company, upon the endorsement of the Related Party Transaction committee, approved in principle the acquisition of Metrobank's 30% ownership in TMP. Said acquisition is part of the Parent Company's long-term program of increasing its holdings in its core businesses and will result to an increase in direct equity ownership in TMP from 21% to 51%.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**FINANCIAL SOUNDNESS INDICATORS**

AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
1. Liquidity Ratio		
Current Ratio	2.81	1.53
2. Solvency Ratio		
Debt to Equity Ratio	0.86	0.84
3. Asset-to-Equity Ratio		
Assets to Equity Ratio	2.35	1.97
4. Interest Rate Coverage Ratio*		
Interest Rate Coverage Ratio	4.52	4.96
5. Profitability Ratios		
Return on Assets	6.7%	6.0%
Return on Equity	15.2%	11.2%

*computed as Earnings before Interest Expense and Taxes/Interest Expense

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING
AS OF SEPTEMBER 30, 2012

The details of disbursement of Initial Public Offering (IPO) proceeds from listing date of April 20, 2012 up to September 30, 2012 are presented below.

As disclosed in the Company's prospectus, gross and net proceeds were estimated at Php15 billion and Php14.2 billion, respectively.

The Company received gross proceeds amounting to ₱15.02 billion from the primary offering of 33,000,000 million shares on April 20, 2012, and incurred ₱1.16 billion IPO-related expenses.

As of September 30, 2012, the net proceeds amounting to ₱13.86 billion have been disbursed as follows: (1) ₱893 million for the acquisition of 4.6% of Global Business Power (GBP) from Global Business Holdings; (2) ₱2.7 billion for the acquisition of an additional 20% stake in Federal Land, Inc.; (3) ₱2.8 billion originally earmarked for the pre-payment of the ₱2.00 billion Union Bank term loan and ₱800.00 million partial payment of the Company's ₱5.00 billion notes facility maturing in 2013, was re-allocated and used to fully settle the ₱4.0 billion 5-year term loan with Metrobank, as approved by the Board of Directors on May 30, 2012, in order to save on the annual guarantee fee amounting to ₱31.5 million due on June 25, 2012; (4) ₱507 million for GBP's first equity call to fund the Toledo plant expansion; (5) ₱3.8 billion for capital expenditures to finance the acceleration of key growth projects of Federal Land, Inc.; and (6) ₱2.32 billion was used to finance the acquisition of additional 66,145,700 GBP shares representing 12% of GBP. The Company still have to fund an estimated ₱1.15 billion in equity contribution to GBP representing future equity calls on the Toledo Expansion Project. The Company is planning to fund this through a combination of internally generated funds and bank loans.