GT CAPITAL
HOLDINGS INCORPORATED

2012 Annual Report

A CONVERGENCE FOR NATION-BUILDING

Metrobank TOYOTA GBP Global Business Power Corporation FEDERAL LAND AXA redefining / standards

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A CONVERGENCE FOR NATION-BUILDING

GT Capital Holdings, Inc. is the convergence of several diverse yet synergistic businesses and professionally managed market leaders in a strong single entity. GT Capital is in a distinctive position, standing dominant over the local business landscape. This convergence is driven by a higher purpose, which is to contribute to nation-building.

25.1% *

Metrobank is a leading universal bank providing corporate and consumer banking products and services through its extensive branch network nationwide and through its foreign branches and representative offices. The Bank reaches out to and serves a wide range of clients that include large local and multinational corporations, middle market and SMEs, high net worth individuals, and retail segments.

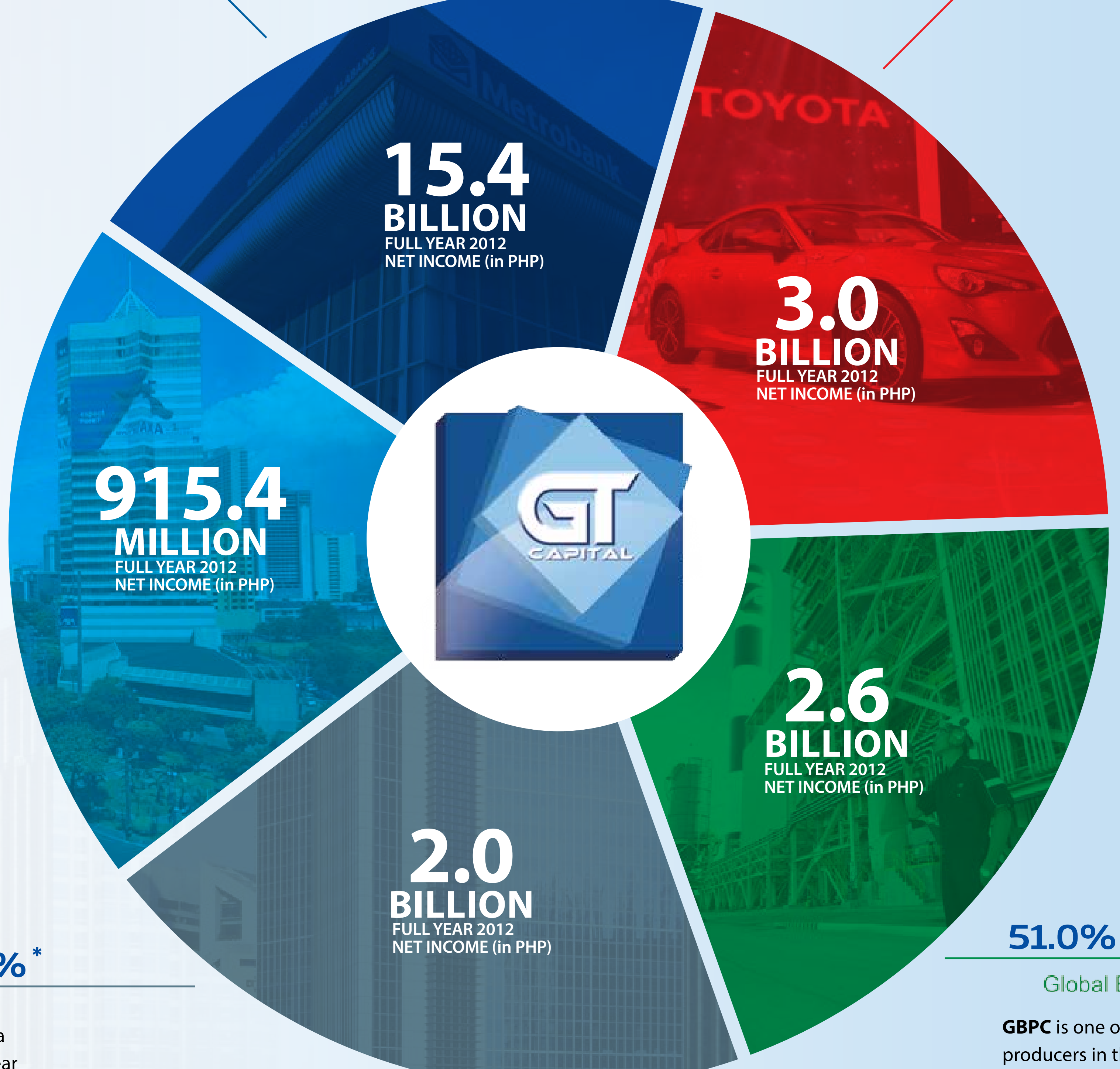
25.3% *

redefining / standards

AXA Philippines is one of the largest life insurance companies in the Philippines based on total net premium income, and is a pioneer in the bancassurance industry. The company is the innovator behind and the market leader in variable life insurance products that offer clients new possibilities to secure their financial future and expand their investment choices. AXA Philippines enjoys strong business synergies with Metrobank by utilizing the bank's branch network as distribution channels.

100.0% *

Fed Land is a leading Philippine property developer with a historical focus on the residential segment and has a 40-year track record across various real estate subsectors. It is involved in stand-alone residential projects, commercial developments, and master planned communities. The company's land bank is sufficient for at least ten years' worth of project development, most of which is highly concentrated in key cities within the boundaries of Metro Manila.



36.0% *

TMP is the Philippines' dominant car company engaged in the manufacturing, importation, and wholesale distribution of Toyota and Lexus motor vehicles in the Philippines. Products include vehicles and service parts for local sales and OEM (original equipment manufacturer) parts for export. TMP operates a manufacturing facility located at the Toyota Special Economic Zone in Santa Rosa, Laguna, where it currently assembles its top-selling Innova and Vios models.

51.0% *

Global Business Power Corporation

GBPC is one of the largest independent power producers in the Visayas region with high quality, new, and competitive generation assets. The company owns nine power generation facilities in the Visayas and in Mindoro Island, with a combined gross dependable capacity of 627 megawatts. It embarked on additional power projects in the Visayas, to capitalize on the projected rapid power demand growth in the region.

**GT Capital direct ownership as of 31 December 2012*

GT CAPITAL
HOLDINGS INCORPORATED

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Our Vision

A world-class conglomerate, dominant in all the key sectors where it is invested, most sought after by global investors seeking opportunities for partnership in the Philippines, a major contributor to nation building.

Our Mission

GT Capital Holdings, Inc., a Philippine conglomerate with a strategic business portfolio, has a heritage of leadership in the vital sectors of financial services, insurance, property development, power generation and automotive sales and manufacturing that are essential to national development.

It has earned its stature of prominence in these key sectors by blending local ingenuity and resources with the technology and expertise of renowned global business partners.

Anchored on our core values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation, we fulfill our mission to ensure sustainable long-term profitability, increase shareholder value, create synergies, provide career opportunities, and contribute to nation building.

Our Corporate Values

Integrity

Above everything else, we practice consistent adherence to ethical and moral values under all circumstances both from an institutional and individual basis. Such values are embedded in the corporate culture, which has earned for us the trust and confidence of our clients, investors, and business partners.

Competence

Each of the group subsidiaries and affiliates have a solid track record of consistently delivering excellence in all our products and services, resulting in the highest level of satisfaction to our customers and stakeholders, who account for our continued success and leadership in each of the sectors where we are present.

Respect

We take a special regard for the individual, for their empowerment and the diversity of opinions, resulting in a more balanced view of our business proposition, open to different perspectives, constantly challenging assumptions and re-visiting previously set ways, within the framework of a shared vision and a shared corporate culture, with the end objective of constant improvement.

Entrepreneurial Spirit

We believe in intelligent risk-taking, identifying key opportunities as they present themselves while holding each one accountable for doing the best thing today in order to reap future rewards. This is encouraged at all levels of the organization to constantly provide fresh insight.

Commitment to Value Creation

We are committed to planting the seeds today that will result in the creation of shareholder value in the future. We believe that taking a long-term and sustainable perspective is essential to creating value.

Consolidated Financial Highlights

For the year (in million Pesos)	2012	2011	2010
Revenues	**23,033**	7,965	6,307
Net Income Attributable to Equity Holders	**6,555**	3,324	3,002

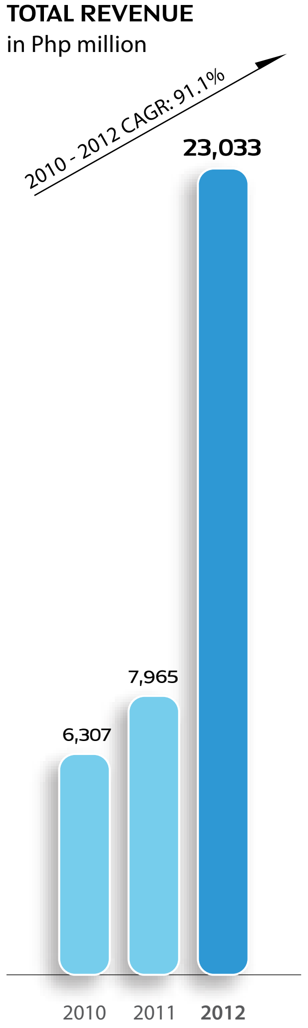
At Year-End (in million Pesos)	2012	2011	2010
Total Assets	**137,467**	70,063	51,304
Total Liabilities	**71,603**	32,913	19,483
Total Equity	**65,864**	37,150	31,820
Equity Attributable to Equity Holders	**54,491**	34,929	29,609

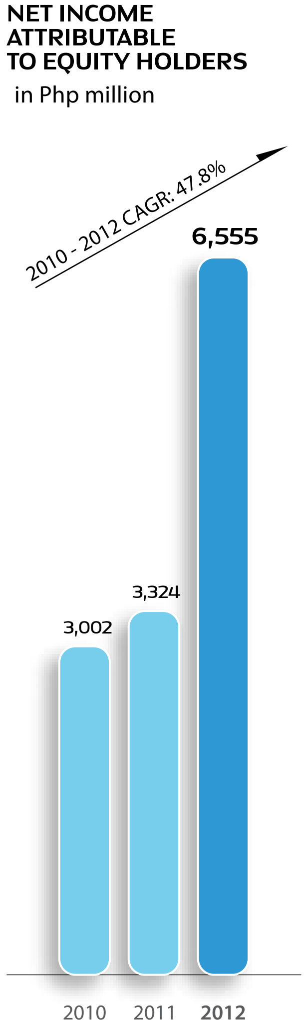
Per Share (in Pesos)	2012	2011	2010
Earnings (basic/diluted)	**44.3**	26.6	24.0
Book Value of Common Shares	**444.8**	297.2	254.6

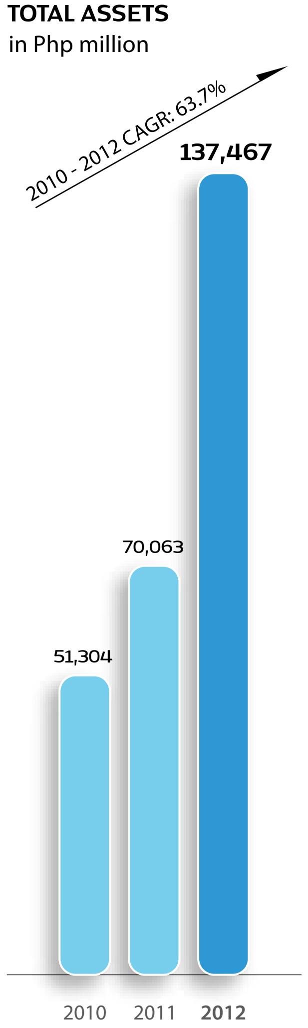
Liquidity/Leverage	2012	2011	2010
Current Ratio	**1.30**	1.41	1.34
Debt-to-Equity Ratio	**1.08**	0.89	0.61

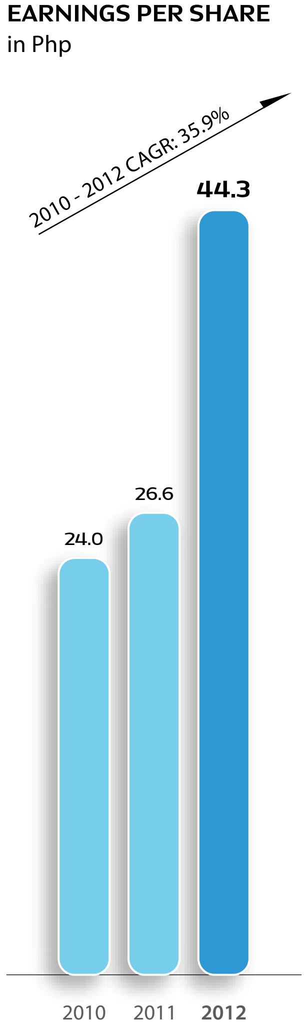
Profitability (in per cent)	2012	2011	2010
Return on Average Assets* (ROAA)	**6.3%**	5.5%	7.1%
Return on Average Equity** (ROAE)	**14.7%**	10.3%	10.6%

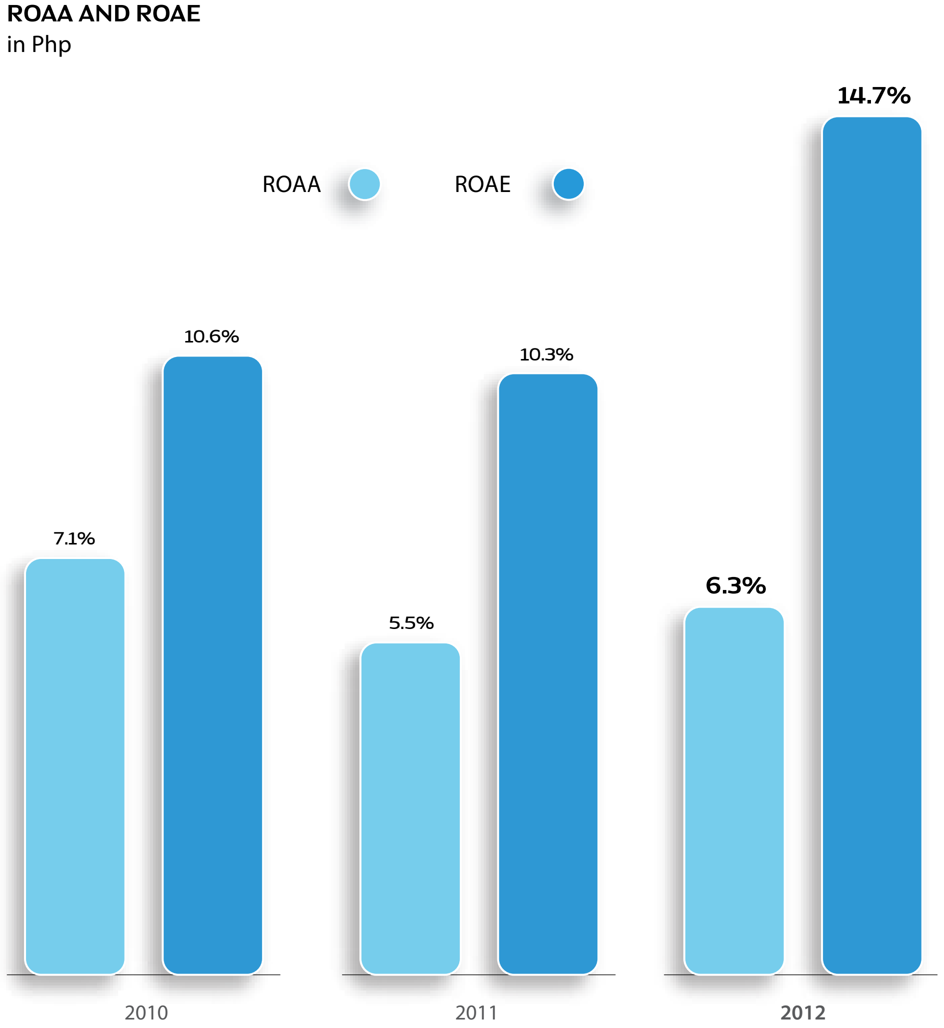
**Consolidated Net Income divided by Average Total Assets*
***Consolidated Net Income Attributable to Parent Company divided by Average Total Equity Attributable to Parent*











Message from the Chairpersons

A CONVERGENCE FOR NATION-BUILDING

DR. GEORGE S.K. TY
Group Chairman

ALFRED VY TY
Vice Chairman

ARTHUR VY TY
Chairman

CARMELO MARIA LUZA BAUTISTA
President / Director

To Our Fellow Shareholders:

2012 proved to be a highly encouraging year for the Philippine economy. Coming off a modest gross domestic product (GDP) growth of 3.9% during the previous year, the economy significantly recovered and surpassed consensus forecasts by attaining a respectable 6.6% GDP expansion in 2012.

The economy's healthy performance may largely be attributed to robust personal consumption expenditures. This was in turn fueled by the still resilient remittances from overseas Filipinos, which reached a record level of USD21.4 billion during the year. Other growth drivers include increased government spending, the continued expansion in the business process outsourcing

Message from the Chairpersons

(BPO)-led services sector, and improvements in manufacturing and construction. In addition, interest rates reached record low levels and inflation was mostly benign.

Amid this favorable macroeconomic environment, our company, GT Capital Holdings, Inc. (GTCAP), delivered impressive results in 2012. Owing to the remarkable performance of our five well-positioned, market-leading component companies namely, Metropolitan Bank & Trust Company (Metrobank), Toyota Motor Philippines Corporation (TMP), Global Business Power Corporation (GBPC), Federal Land, Inc. (Fed Land), and Philippine AXA Life Insurance Corporation (AXA Philippines), GTCAP's consolidated net income reached Php6.5 billion, achieving a robust 97% increase, year-on-year. The company's core net income, which excludes extraordinary items, increased by 63% to Php5.4 billion by year end 2012, from Php3.3 billion during the same period in 2011.

In addition, the buoyant capital markets during the year allowed our company to embark on a landmark initial public offering (IPO) in April, which generated a total of Php21.6 billion in proceeds, and was six-times oversubscribed, a clear testament to the extremely warm reception from both global and domestic investors. Our company judiciously used the proceeds of the listing to increase our direct ownership in GBPC and Fed Land, to fund the expansion projects of these two companies, as well as to refinance existing GTCAP debt.

GTCAP's IPO is considered as one of the biggest and most successful in the country. The International Financing Review-Asia (IFR-Asia) publication cited the IPO as the Philippine Capital Markets Deal of the Year. Prior to this recognition from IFR-Asia, GTCAP garnered another distinction in 2012 through the company's inclusion into the MSCI Global Small Cap Index, a guide used by institutional investors when deciding on which equity issues they will include in their portfolio.

Another major initiative undertaken by our company in 2012 was its acquisition of an additional 15% direct equity in TMP from Metrobank. The purchase of shares increased GTCAP's direct ownership in TMP to 36%, which was then further increased to 51% in January of this year. The acquisition was in line with GTCAP's strategy of consolidating its component companies, and further strengthening Metrobank's Tier 1 capital in preparation for the full implementation of the Basel III banking regulations by 2014.

As a result of its consolidation efforts, GTCAP today fully owns Fed Land and has majority ownership of GBPC and TMP, while Metrobank and AXA Philippines are recognized and treated through equity accounting. These five component companies have frequently outperformed the sectors to which they belong and benefit from the strong business synergies created among them.

"We will remain steadfast in our commitment to contribute towards the country's progress and to uplift the Filipinos' quality of life, as we advocate and support safe and efficient vehicles, a stable and dependable banking system, resilient property development, reliable power generation, and responsive life insurance coverage."

Notwithstanding the accomplishments GTCAP attained in 2012, we shall carry on with our quest to further improve on what we have achieved as a burgeoning conglomerate. In particular, we shall continue to unlock the organic growth potential of all of GTCAP's current businesses. We shall also explore new opportunities, while forming alliances with the right global partners, to further enhance the synergies that are now present within the GTCAP group.

We will remain steadfast in our commitment to contribute towards the country's progress and to uplift the Filipinos' quality of life, as we advocate and support safe and efficient vehicles, a stable and dependable banking system, resilient property development, reliable power generation, and responsive life insurance coverage.

As we move on to a new year that is full of even brighter opportunities, we sincerely thank all of our stakeholders for their full support and confidence in our efforts to realize GTCAP's vision of being a dominant, world-class conglomerate, the component companies of which converge for nation-building.

(Sgd.)

DR. GEORGE S.K. TY
Group Chairman

(Sgd.)

ARTHUR V. TY
Chairman

(Sgd.)

ALFRED V. TY
Vice Chairman

Report from the President

FORGING ON TOWARDS CONTINUED GROWTH AND STABILITY

DEAR FELLOW SHAREHOLDERS:

Last year, the Philippine economy once again manifested its resiliency. Amidst global uncertainties and while the more developed economies were still reeling from internal and external challenges in 2012, our country surged ahead and exceeded expectation by growing its gross domestic product (GDP) by a noteworthy 6.6%.

The country's economic upturn during the period resulted from several key growth drivers. Specifically, the services sector performed creditably, expanding by 7.4%, as compared to 5.1% during the previous year. Business process outsourcing (BPO) companies led the sector, attaining USD13.4 billion in revenues while employing close to 800,000 young Filipinos. Government spending increased substantially by 11.8%, versus its tepid 1.0% growth in 2011. Public and private construction helped boost the economy as well, improving by 32.4% and 8.6%, respectively.

As in previous years, intrepid overseas Filipinos buoyed our country by sending USD21.4 billion in remittances. Consequently, the country's gross international reserves improved by 12% to a record level of USD83.8 billion, which is equivalent to more than 12 months' worth of imports. Inflation remained manageable at 3.2%, while the average bank lending rate for the year was stable at 5.7%. The country's capital markets distinctly improved as well, with the Philippine Stock Exchange index reaching a 2012 yearend close of 5,812.7 points, rising 33% year-on-year.

Robust performance

All these highly encouraging developments translated into heightened economic and business activity that includes greater demand for financial services, record-setting vehicle sales, increased power and energy requirements, sustained demand for residential and commercial space, and wider market acceptance of life insurance coverage, among others. As a result, all of our component companies, **Metropolitan Bank & Trust Company** (Metrobank), **Toyota Motor Philippines Corporation** (TMP), **Global Business Power Corporation** (GBPC), **Federal Land, Inc.** (Fed Land), and **Philippine AXA Life Insurance Corporation** (AXA Philippines) delivered noteworthy results for the year.

+97%
consolidated net income growth

In this light, I am very pleased to report that our company, **GT Capital Holdings, Inc.** (GTCAP) performed impressively in 2012. Our five component companies, which are proven leaders in their respective sectors, enabled GTCAP to exceed its goals for the year and thereby further strengthen its position.

Our company's consolidated net income in 2012 grew to Php6.5 billion from Php3.3 billion during the previous year, for a substantial 97% increase. Core net income reached Php5.4 billion, for a year-on-year growth of 63%. Total revenues surged by 189% to Php23.0 billion from Php8.0 billion in 2011. Our company's EBITDA reached Php11.4 billion, resulting in an EBITDA margin of 50%. GTCAP's balance sheet remained healthy, with total assets reaching Php137.5 billion by end-2012, an increase of 96% from Php70.1 billion in the previous year.

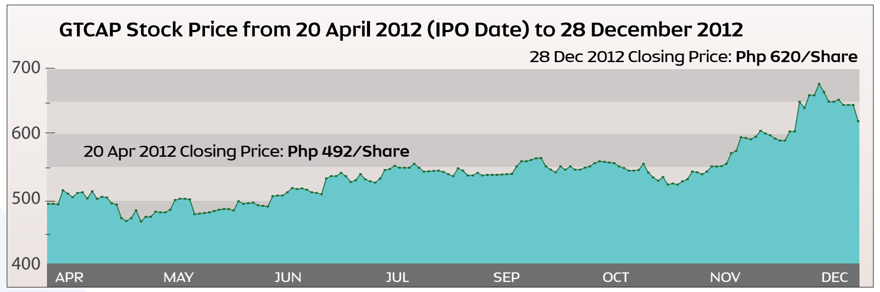
Enabling environment for major initiatives

We would also like to report that the favorable economic and investment climate that prevailed during the year allowed us to undertake our momentous initial public offering (IPO) in April 20, 2012. The warmly received, six-times oversubscribed capital raising initiative generated Php21.6 billion, which were used to increase GTCAP's direct ownership in Fed Land and GBPC. The remainder of the amount raised was used to fund the expansion projects of these two aforementioned component companies and for GTCAP's debt management measures. Our IPO was recognized by the International Financing Review – Asia as the Philippine Capital Markets Deal of the Year.

Interestingly, from GTCAP's IPO price of Php455 per share, we ended 2012 with a closing price of Php620, for a 36% appreciation in just eight months. In addition, GTCAP was included last year in the MSCI Global Small

Report from the President

Cap Index, which is a benchmark used by institutional investors. These developments validate the positive perception your company receives from the investment community.



GTCAP Stock Price from 20 April 2012 (IPO Date) to 28 December 2012

It was also in 2012 that GTCAP embarked on another significant corporate undertaking. Our company in December last year acquired an additional 15% direct equity in TMP from Metrobank. The purchase raised our direct ownership in TMP to 36%, which was eventually expanded to 51% in January 2013. Apart from being in consonance with GTCAP's consolidation strategy, the initiative also is in compliance with the stringent Basel III banking rules that will be implemented by the Bangko Sentral ng Pilipinas in January 2014.

Component companies deliver

In banking, Metrobank continued its growth momentum during the year, attaining a consolidated net income of Php15.4 billion, 40% higher than the Php11.0 billion realized in 2011. Return on average equity increased to 13.4%, as compared to 11.2% in 2011. Metrobank's net interest margin reached 3.6% in 2012.

For the automotive industry, TMP sustained its market dominance in 2012. The company achieved record sales of 65,396 vehicles during the period, boosting its market share to 36% by yearend. TMP's sales performance was at its peak in October, having sold 6,946 units, which is another record in the industry. TMP's parent net income consequently reached Php3.0 billion in 2012, for a 37% increase from Php2.2 billion the previous year. The company's total revenues reached Php71.0 billion, rising 29% from Php55.0 billion in 2011.

For our power and energy business, GBPC continues to be one of the largest independent power producers in the Visayas, with a total installed capacity of 627 megawatts. In 2012, GBPC reported a core net income of Php2.6 billion, a substantial 64% increase from Php1.6 billion attained in 2011. The company realized Php19.2 billion in net fees, a 14% improvement from Php16.8 billion during the previous year.

In property development, Fed Land experienced substantial growth for the year as reservation sales surged by 90%, from Php7.8 billion in 2011 to Php14.9 billion in 2012. Unit sales during the period grew from 2,168 to 3,448, representing a 59% upswing. The company's consolidated net income amounted to Php2.0 billion, a hefty 231% jump from Php0.6 billion in 2011.

In insurance, AXA Philippines sustained its position as one of the leading life insurance companies in the country. In 2012, the company's gross premiums reached Php12.3 billion, accomplishing a 23% growth from Php10.0 billion in 2011. In Annualized Premium Equivalent, AXA Philippines reported a 26% increase to Php2.8 billion, from Php2.2 billion during the previous year. The company reported a net income of Php915 million for 2012.

Brighter prospects ahead

Clearly, these milestones prove that 2012 was indeed an auspicious year for our company. We are therefore further encouraged to sustain the growth momentum that we have achieved thus far, as 2013 beacons with more exciting prospects. We definitely look forward to the positive consequences that shall result from further developments such as the investment rating upgrade that the Philippines recently received, the multiplier effect on consumer spending of this year's local elections, and the continued improvement in the country's macroeconomic indicators.

We have already started to feel such benefits when in January this year, GTCAP conducted an overnight equity placement to global institutional investors, raising Php14.3 billion and increasing your company's free float to approximately 40%. The following month, GTCAP successfully launched its maiden Php10.0 billion, seven- and ten-year bonds. Both issuances were the first for the Philippines in 2013 and enjoyed brisk demand from numerous investors.

Inspired by these early successes, we shall ensure that your company perseveres in seeking out and exploring the forthcoming opportunities that a vastly improving economy will offer. The individual strengths of our component companies, the business synergies they have created among themselves, as well as the expertise and prudence that our management teams continually exercise shall definitely serve us well towards this end. In addition, we shall rely on our inherent values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation in allowing us to forge on towards continued growth and stability.

On behalf of our directors, management, and staff, we sincerely thank all of you, our dear fellow shareholders, for your unwavering trust and confidence in, and steadfast support for GT Capital Holdings, Inc.

(Sgd.)

CARMELO MARIA LUZA BAUTISTA
President

Metrobank

Operational HIGHLIGHTS

FABIAN S. DEE
President
Metropolitan Bank & Trust Company

+40%
consolidated net income growth

In 2012, the **Metropolitan Bank & Trust Company** (Metrobank) celebrated its 50th anniversary, while completing another banner year with aggressive targets reached and high expectations met.

"As Metrobank commemorates half a century of providing first-rate banking and financial services and products to all our stakeholders, we commit to further strengthen our position in the industry, enabling us to contribute to the highly encouraging growth prospects of the Philippine economy," Metrobank President Fabian S. Dee said.

Metrobank reported a consolidated net income of Php15.4 billion for the year, a hefty 40% increase from the previous year's Php11.0 billion. Consequently, return on average equity improved to 13.4% for the year from 11.2% in 2011.

Noteworthy is Metrobank's consolidated resources, which exceeded the Php1.0 trillion level for the first time, reaching Php1.04 trillion by yearend 2012, 9% higher than its 2011 amount of Php958.4 billion. The growth in consolidated resources was due mainly to the 8% increase in total deposits to Php738.7 billion in 2012 from Php681.0 billion the previous year.

The increase in total deposits also fueled the expansion of Metrobank's net loan portfolio, which grew by a substantial 15% from Php457.4 billion in 2011 to Php525.7 billion in 2012. The growth in the Bank's net loans for 2012 was due to the high demand in consumer loans as well as in the middle-market and corporate segments.

Despite the increase in its loan portfolio, the Bank's non-performing loans (NPL) ratio continued to improve. In 2012, Metrobank's NPL fell to 1.8% from 2.2% the previous year, thus enhancing asset quality. Moreover, the Bank set aside provisions for credit and impairment losses totaling Php4.5 billion for the year, raising NPL coverage from 100% in 2011 to 117% in 2012.

- **Exceeded Php1.0 Trillion in total resources**
- **Euromoney's Best Bank in the Philippines for 2010, 2011 and 2012**
- **828 branches and 1,760 ATMs nationwide**

Metrobank's total equity grew 9% from Php109.8 billion in 2011 to Php120 billion in 2012. Total capital adequacy ratio (CAR) was at 16.3%, while Tier 1 CAR was 13.7%.

Total operating income reached Php58.7 billion or 16% higher than the Php50.4 billion reported in 2011, due to the 5% growth in net interest income, from Php29.4 billion to Php30.8 billion, complemented by a 33% hike in non-interest income.

The increase in non-interest income was, in turn, fueled by a steady growth in fee-based revenues, earnings from treasury and investment activities, and miscellaneous income. The Bank's net interest margin improved to 3.6%. With the rationalization of its branch network, Metrobank continued to report efficiency gains, as the cost-to-income ratio improved to 59.7% from 62.6% in 2011.

In terms of expansion, the Bank opened 43 new branches and installed 179 new ATMs. As of end-2012, the Metrobank group had a total of 828 branches, which constitute the largest domestic branch network in the industry and 1,760 ATMs nationwide, as well as 34 foreign branches, subsidiaries, and representative offices.

During the year, Metrobank was cited by the Euromoney Awards for Excellence 2012 as the Best Bank in the Philippines, for the third consecutive year.

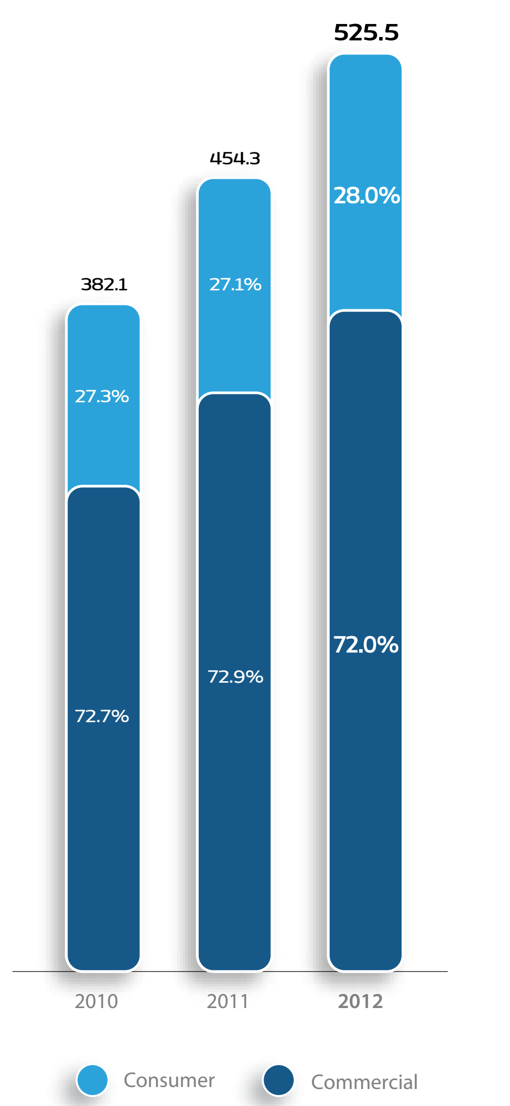
Metrobank

50 years

Best Bank in the Philippines: Euromoney Awards 2010, 2011, 2012

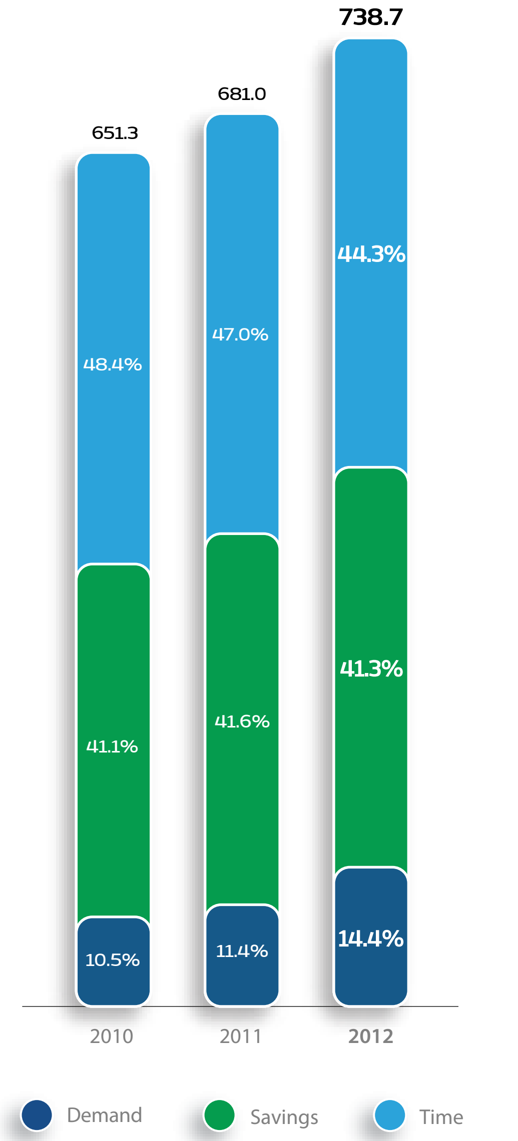
Metrobank commits to further strengthen its position in the industry, enabling the bank to contribute to the highly encouraging growth prospects of the Philippine economy.

LOAN PORTFOLIO
Total Loans (in PHP bn)*



*Receivables from customers gross of unearned discounts and capitalized interest

DEPOSIT GROWTH
Total Deposits (in PHP bn)

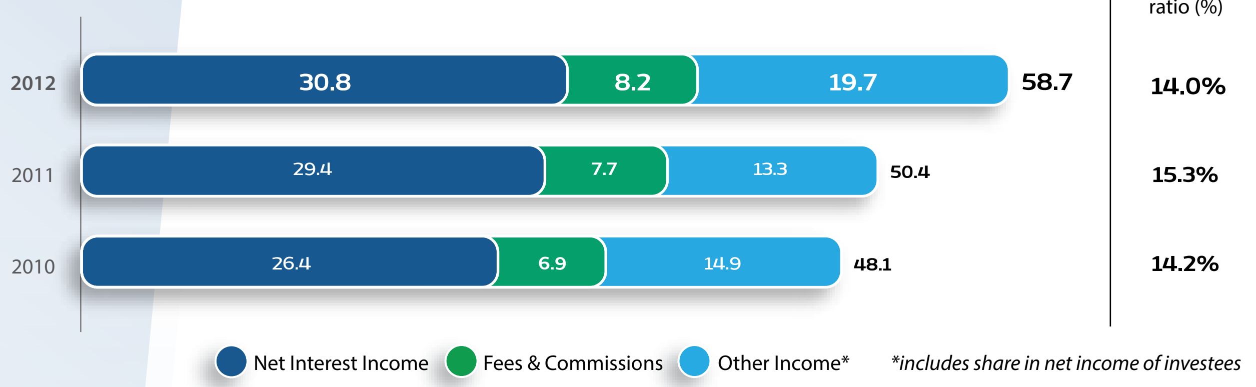


Financial HIGHLIGHTS

Metrobank

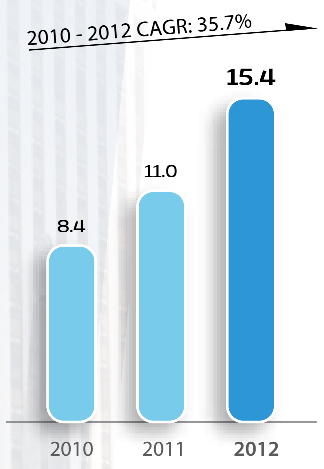
TOTAL REVENUES

(In PHP Bn) *2010 - 2012 CAGR Total Operating Income : 10.5%*



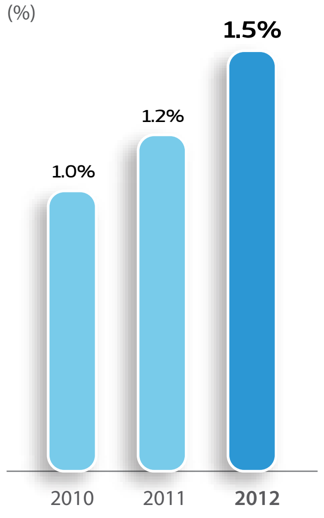
NET INCOME ATTRIBUTABLE TO PARENT COMPANY

(In PHP Bn)



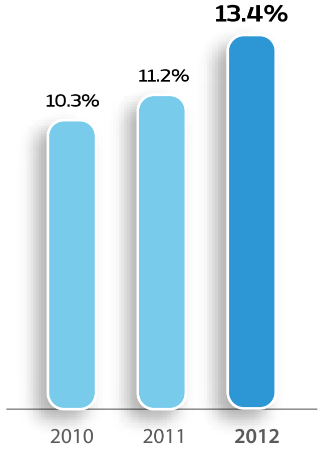
RETURN ON AVERAGE ASSETS (ROAA)

(%)



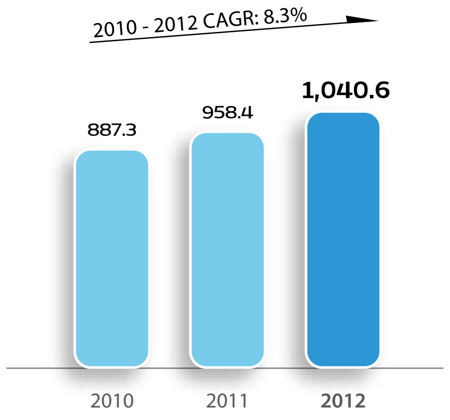
RETURN ON AVERAGE EQUITY (ROAE)

(%)



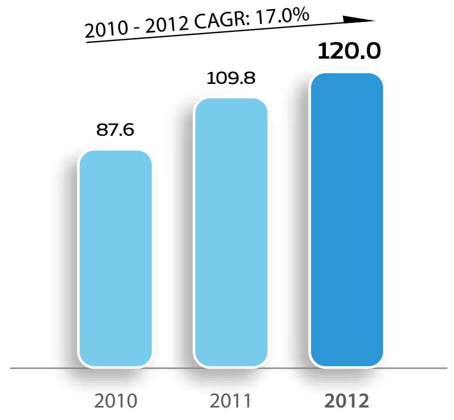
TOTAL ASSETS

(In PHP Bn)



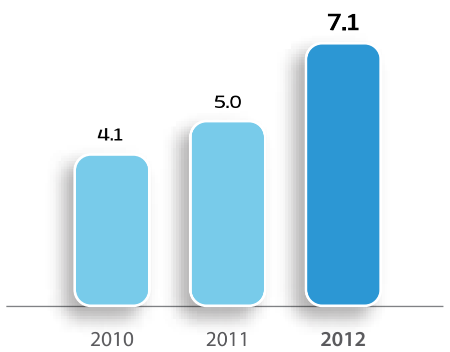
TOTAL EQUITY ATTRIBUTED TO PARENT COMPANY

(In PHP Bn)



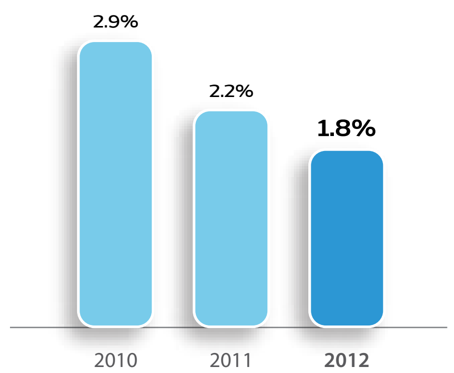
EARNINGS PER SHARE

(In PHP)



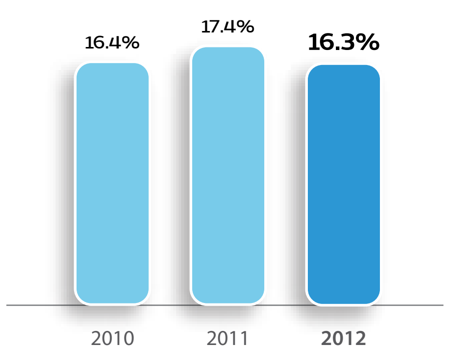
NON-PERFORMING LOANS (NPL) RATIO

(%)



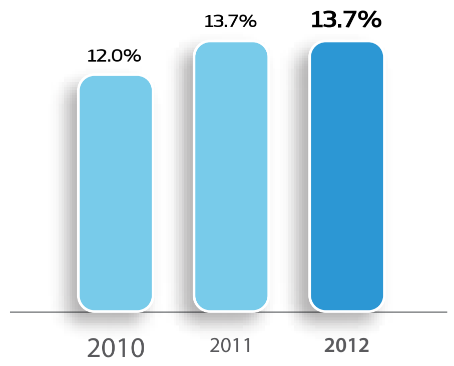
TOTAL CAPITAL ADEQUACY RATIO (CAR)

(%)



TIER 1 CAR

(%)



Operational HIGHLIGHTS

MICHINOBU SUGATA
President
Toyota Motor Philippines Corporation

42%
Return on Average Equity

On the back of an improving domestic economy, **Toyota Motor Philippines Corporation** (TMP) continued to lead the Philippine automotive industry in 2012, attaining a new record of 65,396 units sold during the year, representing a 20% improvement from the 54,593 vehicles sold in 2011. Consequently, the company garnered its 11th consecutive Triple Crown, which is awarded to a Philippine automotive company that ends the year with the most number of units sold in three categories, namely passenger car, commercial vehicle, and overall sales.

The company's performance in 2012 reached its peak in October, selling 6,946 units, the highest that any car company in the country has realized in a single month. It was the second time during the year that TMP broke monthly sales records, with the first in July, when the company sold 6,258 units. These achievements may be the initial effect of the phenomenon known as the 'motorization phase' of the economy, which has been observed in more developed economies of the Association of Southeast Asian Nations or ASEAN. During this phase, motorists shift or graduate from two-wheeled vehicles to four-wheeled vehicles, once a country's per capita gross domestic product or GDP exceeds USD2,500.

TMP ended 2012 with a market share of 35.8%. The company grew its net income for the whole year to Php3.0 billion, from Php2.2 billion in 2011, representing a 38% year-on-year increase. Total revenues amounted to Php71.0 billion, 29% higher than the Php55.0 billion reached during the previous year. Return on average equity improved to 42% from 30%.

The locally-assembled Vios continued to strengthen its position as the best-selling passenger car in the country. The Innova, which is likewise manufactured in the country, remained to be the commercial vehicle of choice for local buyers.

2012 also saw TMP launching the highly sought-after 86, a heavily in-demand sports car, and the new Land Cruiser, the updated version of the iconic SUV. Enhanced and improved versions of the Avanza, Innova, Yaris, Camry, Vios, Fortuner, and Hilux were unveiled as well. Furthermore, the company launched four new models of its luxury-class Lexus line and the newest addition to the Prius Hybrid line, the all-new compact hybrid Prius C.

- **35.8% market share as of end 2012**
- **Highest number of passenger car, commercial vehicle and overall sales; garnered 11 consecutive "Triple Crown" awards since 2002**
- **Number one in total sales in 22 out of 24 years since 1989**
- **Record setting unit sales in 2012**

TMP awarded three new dealership franchises in 2012. In January, Toyota Global City in Taguig was inaugurated. In the same month, Toyota La Union in Northern Luzon was opened, followed by Toyota San Pablo in Laguna, the month after. By the end of 2012, TMP had 31 full-service dealerships nationwide.

A noteworthy initiative undertaken by the company during the year was the ground breaking in September of the world-class TMP Technical School inside the Toyota Special Economic Zone in Sta. Rosa, Laguna. TMP envisions the technical school to be a rich source of specialized talent, such as mechanics and technicians, schooled in the Toyota technology, for the Toyota dealer network all over the world.

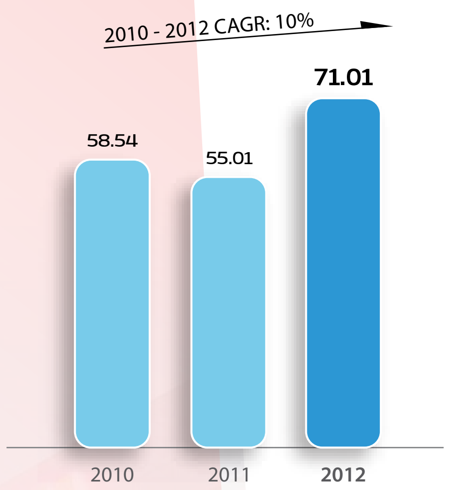
"Through this school, which will operate as a non-profit organization, we will take another significant step to make the Philippines a human resources development hub for global Toyota," TMP President Michinobu Sugata shared during the ground breaking ceremony.

During the year, TMP received recognition for various aspects of its operations. Awards received by the company in 2012 include those from the Public Relations Society of the Philippines and the Department of Labor and Employment, among others.

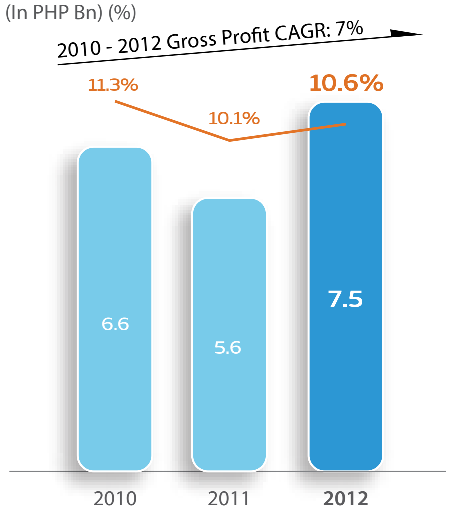
Financial HIGHLIGHTS

TMP garnered its 11th consecutive Triple Crown in 2012, ending the year with the most number of units sold in passenger car, commercial vehicle, and overall sales.

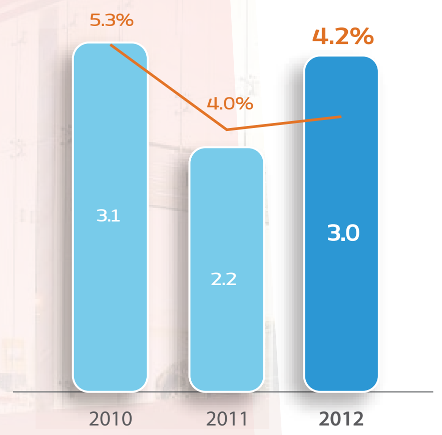
TOTAL REVENUES
(In PHP Bn)



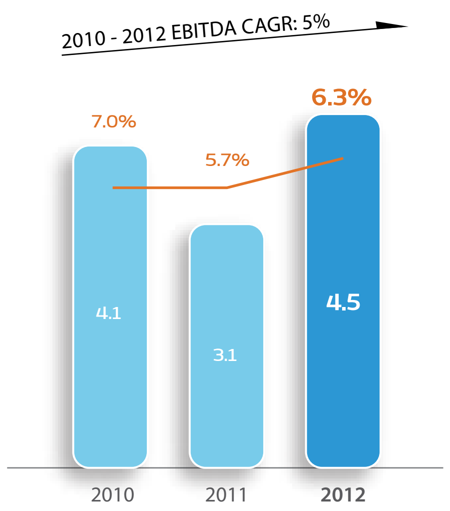
GROSS PROFIT AND GROSS PROFIT MARGIN
(In PHP Bn) (%)



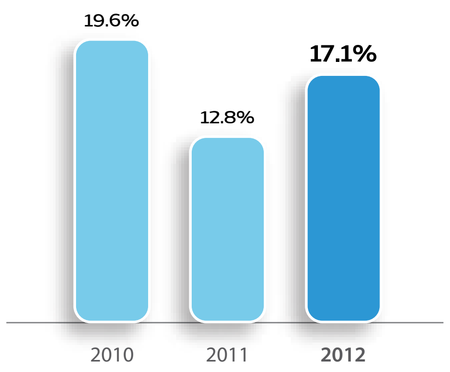
NET INCOME AND NET INCOME MARGIN
(In PHP Bn) (%)



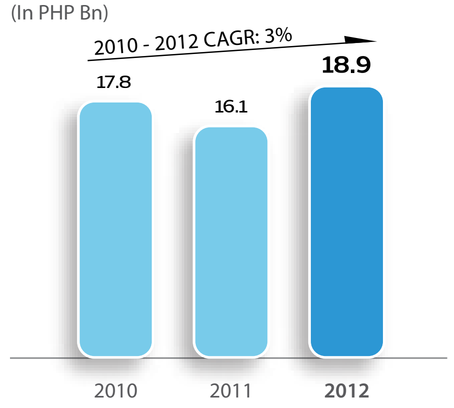
EBITDA AND EBITDA MARGIN
(In PHP Bn) (%)



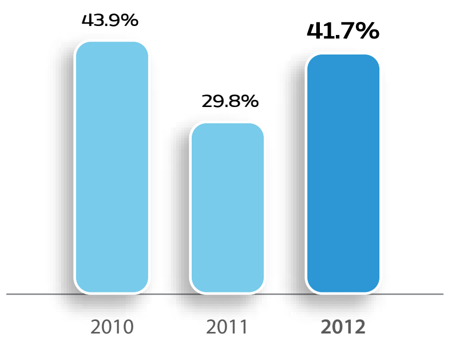
RETURN ON AVERAGE ASSETS (ROAA)
(%)



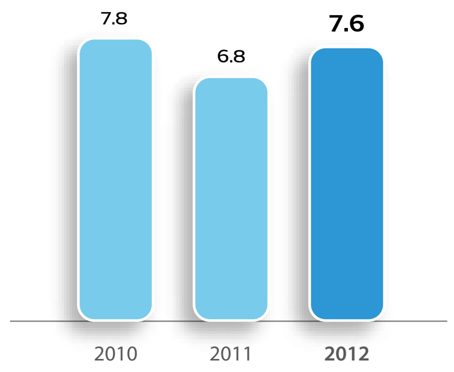
TOTAL ASSETS
(In PHP Bn)

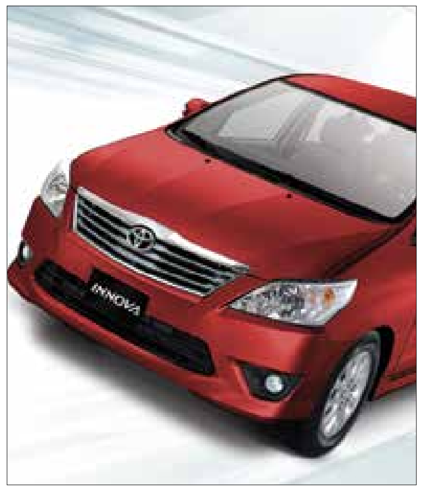


RETURN ON AVERAGE EQUITY (ROAE)
(%)



TOTAL EQUITY
(In PHP Bn)





Operational HIGHLIGHTS

Global Business Power Corporation

FRANCISCO C. SEBASTIAN
Chairman
Global Business Power Corporation

+64%
Core Net Income Growth

With the continuously increasing power requirements in the Visayas grid, 2012 proved to be another fruitful year for **Global Business Power Corporation** (GBPC). With a total installed capacity of 627 megawatts (MW) and benefitting from the full-year operations of its two new power plants in Cebu and Panay, both of which started operating in 2011, the company realized Php19.2 billion in net fees, for a 14% increase from Php16.8 billion in 2011.

GBPC posted a core net income of Php2.6 billion for 2012, 64% higher than its Php1.6-billion income during the previous year. EBITDA for the year amounted to Php7.9 billion from Php6.3 billion in 2011, for a 25% increase, year on year. This resulted in an EBITDA margin of 41%.

GBPC and its subsidiaries operate mainly in the Visayas grid. Its major off-takers or customers in the area include Visayan Electric Company, Inc.; Panay Electric Company, Inc.; Mactan Economic Zone 1; Mactan Electric Company, Inc.; and Aklan Electric Cooperative, Inc., among others. Economic activity in the Visayas has significantly increased, driven largely by tourism, the business process outsourcing (BPO) sector, and mining. These booming industries require substantial additional power from the grid.

"We are very much aware of the encouraging economic progress that the Visayas has been realizing in recent years. In support of this positive development and in response to the consequent increase in demand for power in the region, we are pouring more resources into the area to enhance and replace existing coal facilities with the latest in clean coal technology," Francisco C. Sebastian, GBPC Chairman said.

- **One of the largest independent power producers in the Visayas**
- **627-MW total installed capacity**
- **9 power generating facilities spread out across the Visayas and Mindoro Region**
- **Expansion projects of 82-MW and 82-150 MW power plants**

In terms of expansion, GBPC through its subsidiary Toledo Power Corporation (TPC), commissioned Formosa Heavy Industries (FHI) for the engineering, procurement, and construction of a new 82-MW clean coal-fired power plant in Toledo City, Cebu. The new plant, the ground breaking for which was held in November 2012, will complement TPC's existing coal plant in the city. Furthermore, it will supply the 60-MW power requirement of Carmen Copper Corporation, a subsidiary of Atlas Consolidated Mining and Development Corporation. This is in line with TPC's 12-year power purchase agreement with the mining firm. The new Toledo power plant is expected to be operational by the end of 2014.

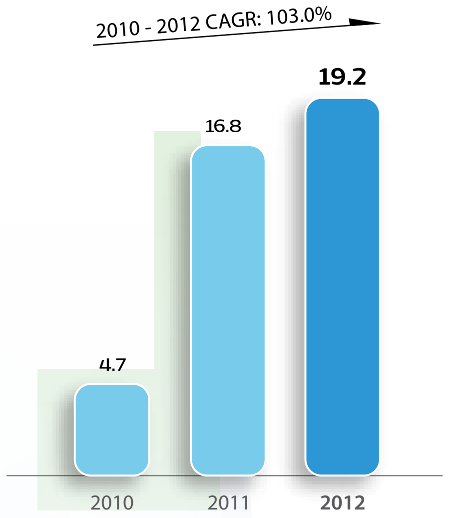
Also in 2012, another GBPC subsidiary, Panay Energy Development Corporation signed a memorandum of understanding with FHI to study and finalize the expansion of the former's existing power plants in Panay, increasing their existing capacity of 164-MW to anywhere from 246-MW up to 314-MW, in response to greater economic activity in the region.

Global Business Power Corporation

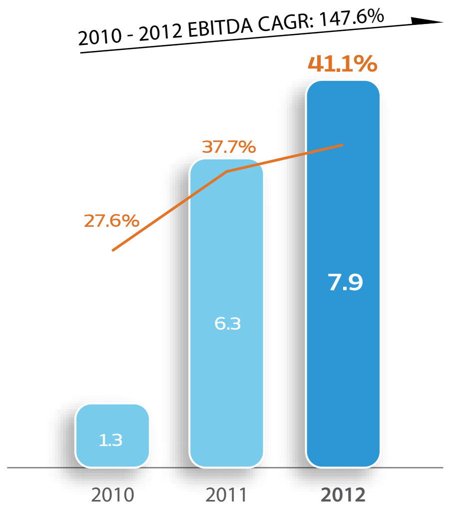
Financial HIGHLIGHTS

GBPC is pouring more resources into the Visayas to enhance and replace existing coal facilities with the latest in clean coal technology.

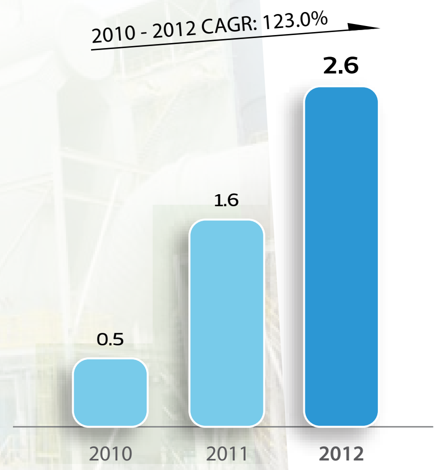
TOTAL REVENUE (NET FEES)
(In PHP Bn)



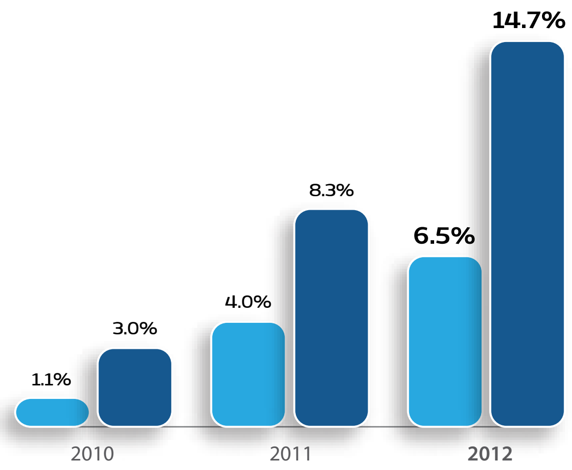
EBITDA AND EBITDA MARGIN
(In PHP Bn) (%)



CORE NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS
(In PHP Bn)

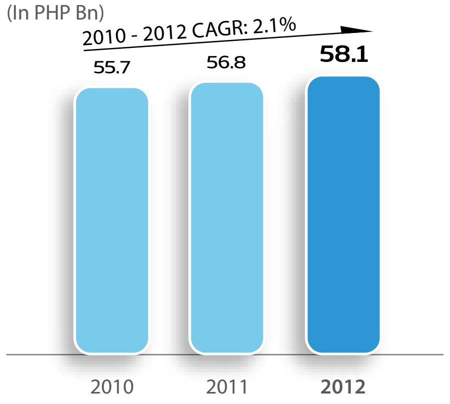


ROA* ROE**
(%)

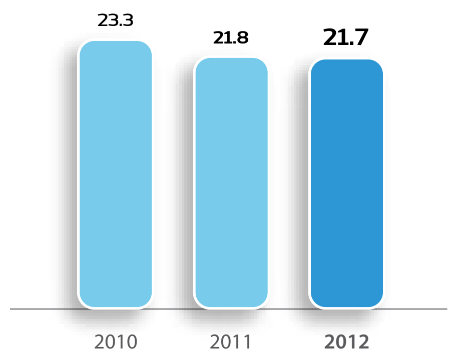


*Core Net Income divided by Average Total Assets
**Core Net Income Attributable to Parent Company divided by Average Total Equity Attributable to Parent Company

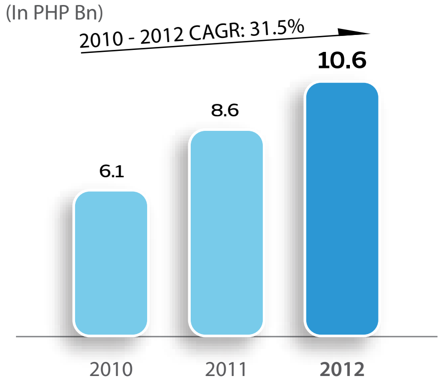
TOTAL ASSETS
(In PHP Bn)



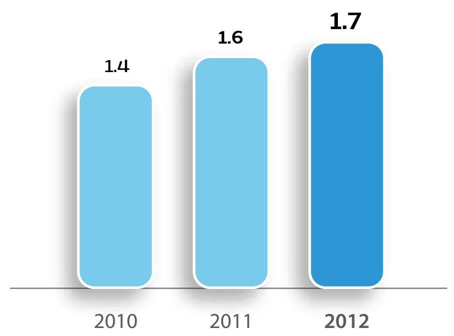
TOTAL EQUITY
(In PHP Bn)



CASH
(In PHP Bn)



DEBT-TO-EQUITY RATIO



Operational HIGHLIGHTS

ALFRED VY TY
President
Federal Land, Inc.

+90%
Growth in Reservation Sales

Amidst a resilient Philippine property sector and enjoying warm market reception for its product offerings, **Federal Land, Inc.** (Fed Land) sustained its robust reservation sales in 2012, which amounted to Php14.9 billion, up 90% from Php7.8 billion during the previous year. Total number of residential units sold increased by 59%, reaching 3,448 as compared to 2,168 units in 2011.

The company realized a consolidated net income of Php2.0 billion for the whole year, achieving a 231% upswing from the Php0.6 billion registered in 2011. In June 2012, Fed Land realized a Php1.4 billion gain arising from the conversion of a wholly owned subsidiary of Fed Land into a joint venture corporation. The joint venture is with ORIX Risingsun Properties, Inc. and is for the development of a 1.8-hectare property at the Fort Bonifacio Global City (FBGC) in Taguig, where the master-planned Grand Hyatt Residences and the Grand Hyatt Hotel will rise.

Fed Land completed in 2011 and 2012 the construction of Tower 1 of the Grand Midori residential condominium project in Legazpi Village, Makati City, the Bay Garden Banyan Tower in Pasay City, The Oriental Place also in Makati City, and Toledo Tower in Sumulong Avenue, Metro East among others, while launching 13 new projects in 2012.

On top of the list of new projects launched is the aforementioned Grand Hyatt Residences. It is one of two high-end, mixed-use towers in Fed Land's ten-hectare, master planned Veritown Fort community at the FBGC. Grand Hyatt Residences offers over 200 upscale condominium units. The other tower will house the luxury, 450-room Grand Hyatt Hotel, which is the first six-star hotel to be launched in the Philippines, as well as premium office space.

- **Over 40 years of experience in property development**
- **32 total projects as of end 2012**
- **Strategically located 107.4-hectare land bank for sustainable growth**
- **Master planned communities in key Metro Manila areas**

Other projects launched in 2012 were Tower 1 of Central Parkwest, and Madison Parkwest, both of which are also in FBGC. Launched in other areas of Metro Manila were Six Senses Report Tower 1 near Manila Bay in Pasay City; the Magnolia and Mandarin Towers of Peninsula Garden Midtown Homes in Manila; the Rio tower of the Capital Towers in Quezon City; and the Lotus Tower of the Four Season Riviera in Binondo. The projects launched outside Metro Manila were Tower 3 of the Marco Polo Parkview in Cebu and various horizontal residential developments at the Miami and Tampa phases of Florida Sun Estate in Cavite.

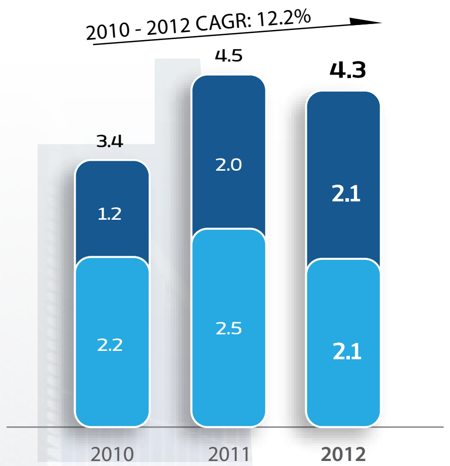
The company ended 2012 with a total of 32 property development projects in various stages of completion.

"Drawing from our vast 40-year experience in property development, Federal Land aptly provided the residential requirements of our valued clientele throughout the years. We will continue leveraging on our know-how and expertise to ensure that we create master planned communities that provide a desirable and enjoyable living for all Federal Land homeowners," Federal Land President Alfred V. Ty explained.

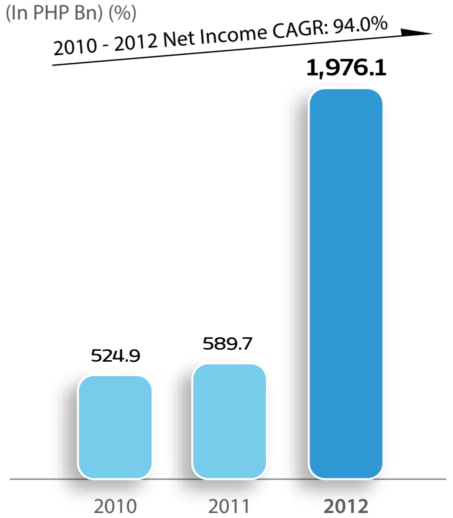
FEDERAL LAND
GT Capital Holdings
KEEPING YOU IN MIND

Financial HIGHLIGHTS

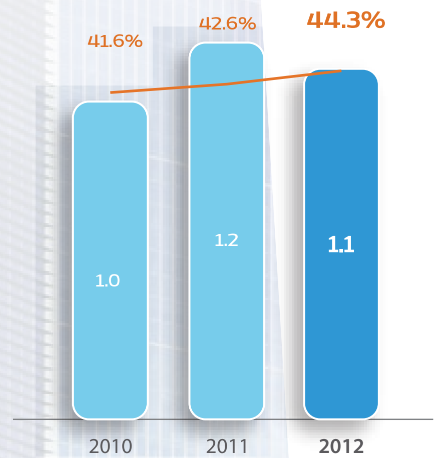
TOTAL REVENUE
(In PHP Bn)
Real estate sales   Others



NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS
(In PHP Bn) (%)

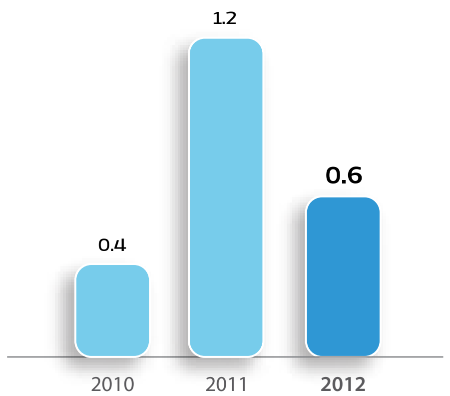


GROSS PROFIT* AND GROSS PROFIT MARGIN
(In PHP Bn) (%)



*attributable to real estate sales and related interest income

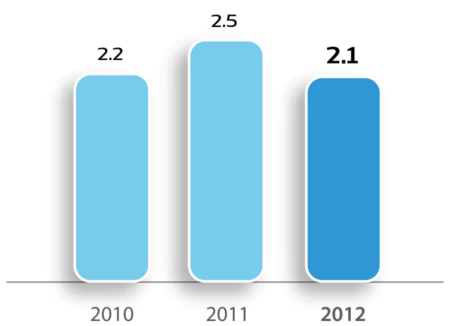
DEBT-TO-EQUITY RATIO*



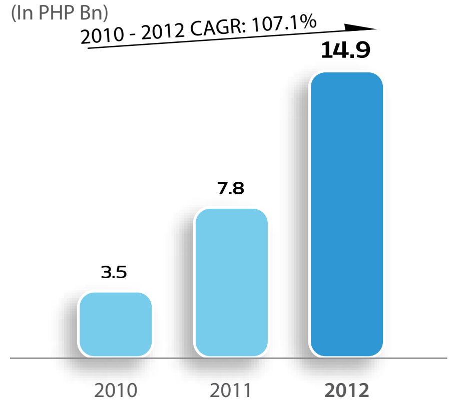
*Short-term and Long-term Loans

Drawing from its vast 40-year experience in property development, Federal Land aptly provided the residential requirements of its valued clientele throughout the year.

REAL ESTATE SALES
(In PHP Bn)



RESERVATION SALES
(In PHP Bn)



Veritown at the Fort Bonifacio Global City

Four Season Riviera in Binondo, Manila

SixSenses Resort along Macapagal Ave., Pasay City

Operational HIGHLIGHTS

SEVERINUS P.P. HERMANS
President
Philippine AXA Life

+23%
Growth in Gross Written Premiums

2012 was a banner year for **Philippine AXA Life Insurance Corporation** (AXA Philippines). The company realized new business in Annualized Premium Equivalent of Php2.8 billion compared to Php2.2 billion in 2011, while gross written premiums grew to Php12.3 billion from Php10.0 billion in 2011, registering an increase of 23%. Net income for the period amounted to Php915 million.

To stay ahead and remain as the benchmark in the bancassurance industry, which AXA Philippines pioneered together with Metrobank, structural changes were implemented in the company's bancassurance model during the year. Thus, 'Rebirth of Bancassurance' segmented the market into three major clusters to match AXA Philippines' products, sales approach, and distributors' expertise with the customers' financial needs and align the company's propositions and back-office support to the clients' personal preferences.

AXA Philippines' strength in offering financial solutions complements Metrobank's banking products and the new bancassurance model became the renewed foundation for synergy between the two. Bancassurance accounted for 59% of AXA Philippines' total sales in 2012 and capped the year at 106% of target and 130% of 2011's sales performance, proving that this is a partnership built for growth.

The company grew its national footprint through Agency, driven by achieving "quantility" – increasing the quantity and enhancing the quality of distributors through an integrated strategy. The focus on implementing "needs-based selling" and on building solutions using the new regular pay investment-linked plans allowed Agency to meet its 2012 plan, registering a respectable growth of 35% over the previous year.

In the Corporate Solutions market, AXA Philippines launched the Group Management System (GMS), an internet-based portal – the first of its kind in the industry – that enables group clients to fully manage and service their members' accounts. Corporate Solutions exceeded its 2012 target and grew significantly by 35% over 2011.

The company's focus in the coming year is to build marketing capabilities using internet, telephone, SMS, e-mail, and even regular mail to invite prospective clients to a financial needs analysis session, offer Easy & Affordable solutions, and allow direct selling of investment solutions through Metrobank's internet banking site.

AXA Philippines' total sales performance was on target for 2012 and 26% higher than the year before, primarily through the push for regular premium products in a market that was heavily driven by the increase in the sales of single premium products.

- **Bancassurance pioneer in the Philippines**
- **Strong business synergy with MBTC through the bank's 800+ branches nationwide**
- **Top global insurance brand for four consecutive years, from 2009 to 2012**
- **Offers top-notch bancassurance, traditional, and group life insurance coverage**

In order to provide attractive investment options for the high net worth market, AXA Philippines introduced aXcess, a variable life insurance product allowing clients to invest in top Philippine Stock Exchange listed companies and Dollar aXcess, a US-dollar denominated variable life insurance product that allows clients to invest in first-in-market dollar equity funds placed with companies listed in the NASDAQ 100 index.

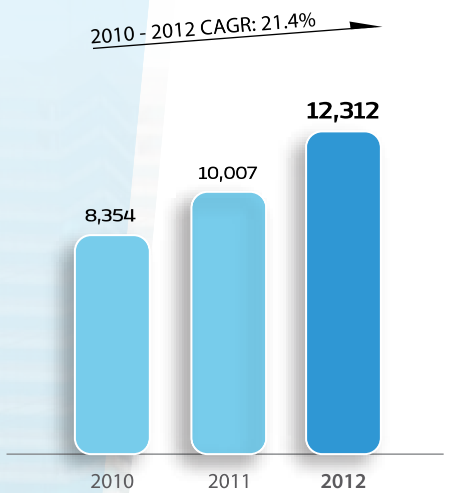
For the mass affluent market, the company launched the Easy and Affordable line of products that offers easy-to-access, easy-to-understand, and easy-to-buy insurance products, health coverage and educational plans, headlined by Academic eXentials, an affordable educational product designed for young middle-income families.

"Redefining the market is what we do, and under the banner, 'We Give You What You Need,' we have differentiated AXA Philippines from the competition by understanding that different customers have different financial needs and different preferences in solving them. We will continue to give customers what they need, continue to improve the quality of advice, and continue to improve how we interact with customers. We believe that the company that delivers superior customer satisfaction through exemplary service will be able to build not only the largest customer base with the highest customer value, but will also maximize shareholder value and attract and retain the best employees in the industry," AXA Philippines President Severinus P.P. Hermans shared.

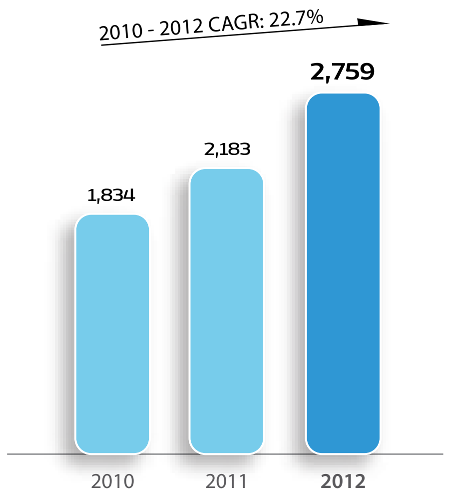
AXA Philippines handles Php44.4 billion in assets under management (AUM) and serves 379,500 customers nationwide through a distribution network of 1,750 exclusive financial advisors stationed in 26 Agency sales offices and a bancassurance network of 470 financial executives based in 600 Metrobank branches. The company offers group and employee insurance coverage through its corporate solutions team and employs 80 sales staff through its direct marketing and telemarketing channel.

Financial HIGHLIGHTS

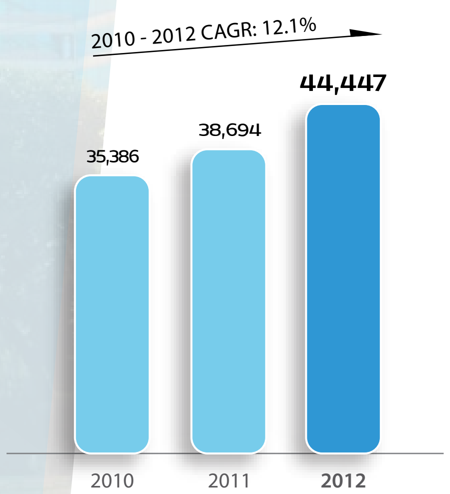
GROSS PREMIUMS
(In PHP M)



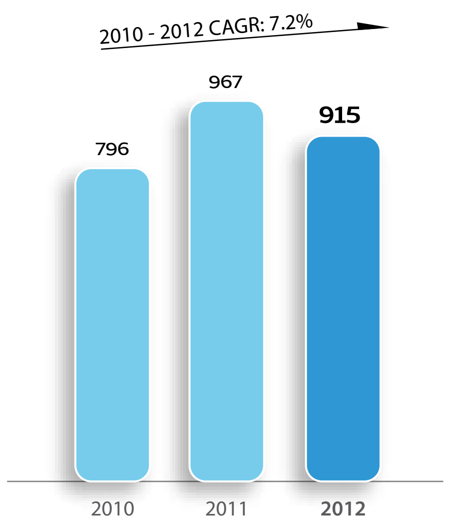
ANNUAL PREMIUM EQUIVALENT
(In PHP M)



ASSET UNDER MANAGEMENT
(In PHP M)

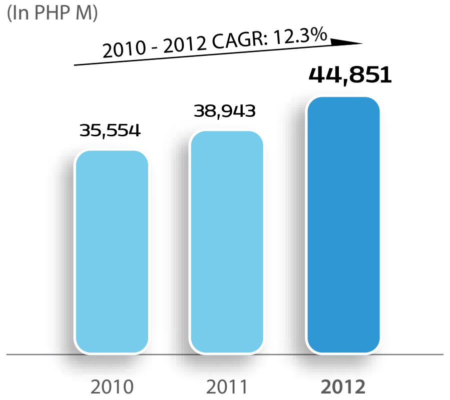


NET INCOME
(In PHP M)

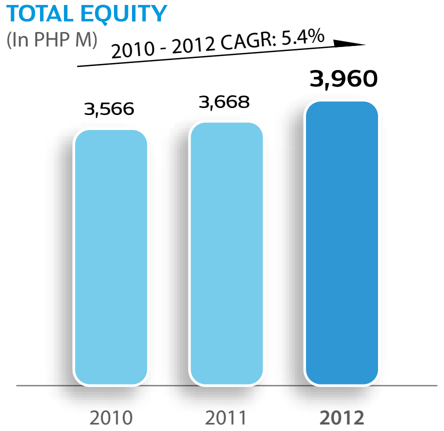


AXA Philippines handles Php44 billion in assets under management and serves 379,500 customers nationwide through a distribution network of 1,750 exclusive financial advisors stationed in 26 Agency sales offices and a bancassurance network of 470 financial executives based in 600 Metrobank branches.

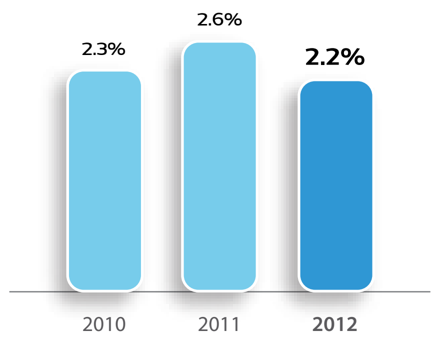
TOTAL ASSETS
(In PHP M)



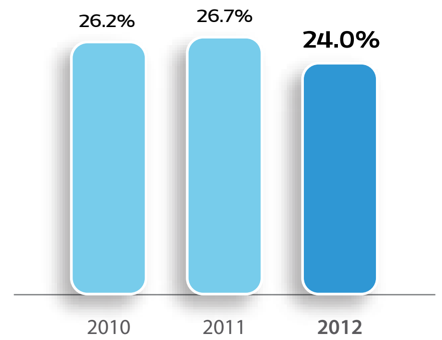
TOTAL EQUITY
(In PHP M)



RETURN ON AVERAGE ASSETS (ROAA)
(%)



RETURN ON AVERAGE EQUITY (ROAE)
(%)



GT Capital's Strategic Global Partners

TOYOTA MOTOR CORPORATION is a leading global automotive company engaged in the design, manufacture, assembly, and sale of passenger cars and commercial vehicles. The wide range of vehicles the company manufactures includes compact, subcompact, mid-sized, sports utility, and hybrid cars, as well as minivans and pick-up trucks, among others. Toyota is the brand name the company uses for these vehicles, while luxury cars are under the brand names Lexus and Crown. Hybrid cars carry the Prius and Crown brands. Aside from vehicles, Toyota also manufactures spare parts and offers financial services for retail and wholesale financing, retail leasing, insurance, credit cards, and housing loans. Toyota operates in over 170 countries.

AXA is primarily engaged in providing life insurance coverage, as well as property and casualty insurance. Asset management is another service that the group offers, which include employee benefit plans, medical plans, and investment advice. The bulk of AXA's customers are in Europe, the Mediterranean, and Latin America, whereas other customers come from North America, Asia, and the United Kingdom. The organization's roots may be traced to the time when Claude Bebear decided to join the Ancienner Mutuelle insurance company – France's oldest insurance company – in Rouen, France in 1958. There are now over 95 million AXA customers around the world, served by AXA's over 210,000 employees.

FORMOSA HEAVY INDUSTRIES CORP. was founded in 1991 and is based in Taipei, Taiwan. The company manufactures equipment for petrochemical processes, power plants, heavy transportation, and heavy lifting. Their main products and services are oil refinery and petrochemical process equipment, plastics and fiber processing equipment, transportation and lifting for heavy equipment, factory automation and distribution, automatic storage and retrieval machines, cogeneration turnkey plants, boiler and related equipment for power plants, gear reducers and precision gears, industrial rubber roll and anticorrosion lining, metal roll hot grinding, and electrolysis polishing. Formosa Heavy Industries Corporation operates as a subsidiary of Formosa Plastics Corporation.

ANZ BANK is engaged in commercial banking, which includes corporate and rural banking, mortgage lending, asset and general finance, and international and investment banking. ANZ is one of New Zealand's largest companies. It has a global reach through the ANZ Group of companies worldwide, and through different brands including ANZ, The National Bank, UDC Finance, EFTPOS New Zealand, Bonus Bonds, Direct Broking, and OnePath. In 1990, ANZ opened a representative office in the Philippines. Five years later the office was granted a commercial banking license and later, an expanded derivatives license that allowed the bank to provide a full range of institutional and personal banking services.

ORIX engages in non-depository credit intermediation such as leasing, installment loans, life insurance, and other related financial services. It is also involved in property development. For banking and life insurance, Orix has two brands, namely Orix Bank and Orix Life Insurance. In the automobile industry, the company is engaged in corporate and personal leasing, rental, car sharing, and used-vehicle sales. The company's corporate financial services include lending, building lease, e-commerce, corporate pension, life and accident insurance consulting, and investment banking. Orix also is into energy conservation, energy recycling, and electric power. In property development, the company offers housing, real estate investment, and building management. Orix has a corporate network of 1,098 locations in Japan and 275 locations in 26 countries.

A distinguished brand of the Hyatt global hospitality company, **GRAND HYATT HOTELS** are large-scale hotels that provide upscale accommodations in major cities. All Grand Hyatt hotels boast of dramatic, energetic lobbies, exquisite dining options, state-of-the-art technology, spas, fitness centers, and comprehensive business and meeting facilities. Located in the heart of the cities and destinations they serve, Grand Hyatt hotels combine breathtaking spaces, unforgettable experiences, and signature hospitality that create truly grand moments.

SUMITOMO CORPORATION is an international trading company that operates in various industries including metal products, transportation and construction systems, infrastructure, mineral resources, energy, chemical, electronics, real estate, media, and new industry development, among others. The company also provides IT solutions, mobile communications, and Internet services; and operates TV shopping channels, supermarkets, and drugstores. It develops and imports coal, iron ore, non-ferrous metal materials, uranium, and petroleum. In the general products and real estate sectors, the company engages in business development, planning, production management, processing, and logistics. It is also involved in construction and real estate ventures. The company's financial and logistics group promotes finance-related businesses, logistics, insurance, and industrial park-related businesses.

MITSUI is one of the most diversified and comprehensive trading, investment and service enterprises in the world, with 151 offices in 67 countries as of March 2013. Utilizing global operating locations, network and information resources, Mitsui is multilaterally pursuing business that ranges from product sales, worldwide logistics and financing to the development of major international infrastructure and other projects in the following fields: iron and steel products, mineral and metal resources, infrastructure projects, motor vehicles, marine and aerospace, chemicals, energy, food resources, food products and services, consumer services, IT, finance and new business, and transportation logistics. Mitsui is actively taking on challenges for global business innovation around the world.

The **MARCO POLO HOTELS** offer a legendary blend of Asian hospitality and Western innovation, served in modern, chic sophistication. Located in strategic business and cultural centers of Hong Kong, China, and the Philippines, Marco Polo Hotels provide its guests with a unique travel experience that embraces the local charm and the adventure of travel with the deeply instilled elegance and warmth of the in-house culture of the Marco Polo group. In the Philippines, Marco Polo Plaza Cebu provides a panoramic view of the city while still accessible to the shopping and business districts of cosmopolitan Cebu City. It is one of the 5-star hotels in the city, offering 329 spacious and comfortable guest rooms and suites.

CORPORATE SOCIAL RESPONSIBILITY AS A KEY TO NATION-BUILDING

GT Capital believes that business must be run with a sincere commitment to give something back to the people who support the company. In this regard, GT Capital is proud that its component companies all have their own effective corporate social responsibility (CSR) projects that benefit various sectors and communities of the country.

BANKING ON SOCIAL RESPONSIBILITY

Metrobank

Metrobank Foundation
Excel. Engage. Empower.

The corporate social responsibility (CSR) programs of the Metropolitan Bank & Trust Company (Metrobank) are done through its philanthropic arm, the Metrobank Foundation, Inc. (MBFI). In 2012, the Foundation continued to pursue its existing programs and pioneered new ones, all with the aim of celebrating the best in Filipinos while inspiring the whole nation to strive for excellence and become positive contributors to national development.

MBFI's programs on education, peace and security, and the visual arts continued to serve as venues to discover outstanding individuals who are models of excellence in their chosen fields.

During the year, a fresh batch of Outstanding Filipinos — teachers, soldiers, and police officers — was awarded and presented in a grand celebration that marked Metrobank's 50th anniversary. The awardees were all recognized for their exceptional achievements in their field and for their performance above and beyond the call of duty.

The Foundation, through the Metrobank Art and Design Excellence (MADE) competition, also strengthened its support for the arts in 2012 by honoring Filipino amateur and professional artists and designers for their outstanding works of art and design that were truly representative of Filipino ingenuity and creativity. The MADE program also aims to educate the public on the role of arts in building sustainable communities.

MBFI also re-launched during the year its cultural diplomacy program in partnership with the Department of Foreign Affairs (DFA) and with the help of the National Commission for Culture and the Arts (NCCA). The program was launched through an exhibit and book launching event dubbed "DiplomART: Cultural Diplomacy through Philippine Architecture and Interior Design."

The Foundation's initiative of giving grants to like-minded institutions went into higher gear in 2012, as evidenced by the increased number of beneficiaries. As in previous years, the MBFI's grants were strategically focused on areas specific to the attainment of the Millennium Development Goals (MDGs), a blueprint agreed upon by the world's countries and leading development institutions to address eight international developmental issues by the year 2015.

MBFI turned over a total of Php10.0 million during its Annual Grants Turnover event and this amount was in support of 50 development and charitable organizations, the projects and advocacy programs of which are aligned with the Foundation's own advocacies on education, arts, and health, as well as with the national government's agenda of achieving the MDGs. Moreover, Metrobank allocated Php200.0 million in support of the Foundation's new programs, such as the Search for Journalists of the Year and financial literacy and microfinance programs, which would benefit overseas Filipinos in Singapore and their families back home.

The Philippines is a country that experiences typhoon calamities practically every year. As such, part of MBFI's CSR efforts is providing calamity assistance to typhoon victims. In 2012 alone, the Foundation donated a total of Php5.5 million to address the immediate needs of the victims of the monsoon rain flooding, locally known as the "Habagat" calamity, and Typhoon Pablo.

The Foundation also revitalized its scholarship programs in 2012 with a fresh endowment from the bank. Through its Metrogold Scholarship Program (MSP), the MBFI offered new scholarships slots to support the education of financially challenged but academically outstanding students in all three school levels.

MBFI's scholarship programs, under different grants and with diverse partners, are currently supporting in different ways the education of around 200 students from first grade to the college level in select schools, colleges, and universities nationwide. Another batch of 20 scholars will be chosen for school year 2013-2014.

Another important contribution of MBFI to the teaching profession is the National Teachers' Month (NTM). This month-long celebration and recognition of the teaching profession were originally conceived in 2008 by the Foundation and several partners and is now a national movement with the participation of more government institutions, private companies, and non-profit organizations. The campaign was further institutionalized when His Excellency Benigno S. Aquino III, President of the Republic of the Philippines, issued a proclamation officially declaring the period from September 5 to October 5 of every year as National Teachers' Month. In recognition of its role in the teaching profession, the MBFI was invited to participate in the 2012 World Teachers' Day ceremonies in Paris.

In the healthcare sector, the MBFI's affiliate is the Manila Doctors Hospital, which has its own CSR programs. In 2012, the hospital enhanced its in-house medical missions and reached out to more underprivileged patients in identified communities, particularly providing free cataract surgery, cleft lip surgery, and surgical help for underprivileged patients with ovarian and uterine tumors.

The hospital and MBFI also held a joint medical mission in Sta. Maria, Laguna where volunteer doctors and medical staff gave free medical check-ups and related services to around 4,000 residents.

MBFI was given recognition during the year by three important organizations, namely the National Historical Commission of the Philippines, for the Foundation's programs on the arts, education, peace and security; the International Association of Business Communicators, for the Foundation's grant-giving initiatives; and the Public Relations Society of the Philippines for MBFI's contribution to math education through its annual nationwide math competition.

WORLD-CLASS
TECHNICAL EDUCATION FOR FILIPINOS

The corporate social responsibility (CSR) efforts of Toyota Motor Philippines Corporation (TMP) for 2012 centered on providing world-class technical education for Filipinos. Accordingly, the country's leading automotive company broke ground for its Toyota Motor Philippines School of Technology at the Toyota Special Economic Zone (TSEZ) in Sta. Rosa, Laguna. The technical school for automotive technicians will operate as a non-profit organization and will serve as a source of talent for the global Toyota network.

The technical school will occupy a ten-hectare area in the TSEZ and is expected to open within the second half 2013. The launch of the project was held in September 2012 and was attended by distinguished guests led by Toyota Motor Corporation of Japan honorary chairman Dr. Shoichiro Toyoda and former Philippine President Fidel V. Ramos. Dr. Toyoda, in his message during the ceremony, expressed his optimism on the long-term benefits that the global Toyota network will reap from the technical school.

According to TMP chairman Dr. George S.K. Ty, the establishment of the school is an expression of his gratitude to TMC for the fruitful partnership they have maintained for the past 24 years. Moreover, Dr. Ty stressed that the construction of the school is a way of giving back to the nation that has provided him with vast opportunities. In a special message, Dr. Ty stated that he believed in the empowerment of the youth through quality education, a belief that is also manifested in the education-based projects of the Metrobank Foundation.

EMPOWERED
BY SOCIAL RESPONSIBILITY

Global Business Power Corporation (GBPC) took strides in furthering its corporate social responsibility (CSR) program in 2012 through a diverse line of projects. The power company, in partnership with the Iloilo City local government and the Department of Environment and Natural Resources (DENR), established the Iloilo City Bird Sanctuary and Wetland Park, a seven-hectare ecological park beside the Panay Power Corporation grounds. The eco-tourism park is designed as both a conservation area for birdlife and a recreational park for families living in the community.

The company, through its subsidiaries, also signed an agreement with the DENR to support the Department's "Adopt an Estero or Waterbody" project, which aims to clean up rivers, creeks, and 'esteros' in Central Visayas. The company's Toledo Power and Cebu Energy plants have adopted a stretch of about 500 meters of the Luray creek in Toledo City as project area.

Global Business Power also conducted a 120-day school feeding program in Toledo City. Dubbed as the Amuma Feeding Program, the project served nutritious meals to undernourished students of two schools in the city for 120 days. The company also conducted a mass feeding program in Iloilo City.

Aside from the aforementioned projects, GBPC also has ongoing scholarship, health, and reforestation programs. The company has 475 grade school and high school scholars, as of end-2012. The company provides the scholars with school supplies and school uniforms and assists them in their school miscellaneous fees.

The company also regularly conducts medical and dental missions in its adopted barangays in Cebu and Iloilo, providing free medical and dental check-up, as well as free medicine. The company also gave out free eyeglasses to its adopted barangays in the cities of Toledo, Cebu, and Iloilo, donating 650 prescription eyeglasses for the year.

Lastly, through its subsidiaries, GBPC has been actively conducting sustainable environment protection programs. Towards this end, the company has been involved in tree-planting, reforestation, and mangrove rehabilitation projects in partnership with the DENR and local government units. Its ongoing projects include the rehabilitation of 500 hectares of land within the headwaters of the Mananga River and 100 hectares near the Malubog Watershed, both in Cebu. Another 35 hectares of mangrove area are also being rehabilitated in Iloilo City.

FEDERAL LAND
GT Capital Holdings
KEEPING YOU IN MIND

A HELPING HAND
FOR CHILDREN IN NEED

Federal Land, Inc. (Fed Land) believes that the country's underprivileged children need the most compassion and assistance. This explains why Fed Land's corporate social responsibility (CSR) efforts have been geared mainly for the benefit of this sector of our society.

In 2012, Fed Land supported civic institutions and programs such as the CHILD Foundation, which among other initiatives, supports indigent children confined at the Philippine General Hospital's (PGH) pediatrics department. The foundation actively engages in fundraising activities, solicitation of medical supplies and equipment, and in providing diagnostic and therapeutic procedures for needy pediatric patients. Through the Child Foundation, Fed Land contributed medical supplies for the aforementioned pediatric ward of PGH.

Fed Land similarly donated to the CRIBS Foundation and the Bahay Maria Foundation, both of which maintain a safe, comfortable home for abandoned, neglected, or abused children. The company also gave assistance to the Museo Pambata, which provides literacy programs to underprivileged children from different public schools as well as to the marginalized youth from different barangays, orphanages, and centers in Metro Manila, and to the Justice Cecilia Muñoz-Palma Foundation's college and vocational scholarship projects for deserving underprivileged students.

AXA
redefining / standards

HELPING PEOPLE,
IMPROVING LIVES

Philippine AXA Life Insurance Corporation (AXA Philippines) always gives much importance to its corporate social responsibility (CSR) initiatives. Thus in 2012, AXA Philippines furthered its community-building initiatives, as the company strengthened its partnership with Gawad Kalinga (GK), a Philippine-based poverty-alleviation and nation-building movement.

In partnership with GK, AXA Philippines has been financially supporting some 30 needy children to attend Sibol, a community-based pre-school program initiated by the former, which envisions each child to be imbued with positive Filipino values and to be academically prepared for formal schooling.

Moreover, AXA Philippines held a fundraising campaign for GK's Christmas gift-giving project as well as to address the educational needs of its scholars. The campaign raised more than Php150 thousand for the year.

AXA Philippines has also been supporting the global AXA Group's risk reduction and education advocacy. In line with this, the company held the "Walk for a Cause" in June of 2012 with the aim of promoting wellness and raising funds for GK. The project, which was participated in by over 200 AXA Philippines employees, was able to raise over Php60 thousand for GK's projects.

The company also did a pilot run of "Insure Your Success," a workshop that aimed to raise awareness of financial risk management in young students. The workshop taught students the value of budgeting, saving, investing, insurance coverage, and overcoming risks in their families' financial standing. Some 520 high school students participated in the workshop.

AXA Philippines also conducted a month-long, fundraising campaign dubbed "AXA Hearts in Action for a Million" for the benefit of Filipinos affected by Typhoon Sendong, which badly devastated several of the country's provinces in 2011. The campaign raised a total of Php2.1 million that was turned over to the local representatives of CARE, an international non-profit organization that provides much-needed support and assistance to remote areas worldwide.

Corporate Governance Report

GT Capital Holdings, Inc. (the "Corporation"), in line with its vision as a publicly listed company, has adopted a Manual on Corporate Governance ("Manual"), which contains principles of good corporate governance to be followed by the Board of Directors (the "Board") and Management of the Corporation in the attainment of its corporate goals.

The Corporation has fully complied with the Revised Code of Corporate Governance and strives to further adhere to corporate governance best practices as prescribed by the Philippine Stock Exchange ("PSE") and as contained in the ASEAN Corporate Governance Scorecard.

BOARD OF DIRECTORS

The Board is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of corporate objectives, it provides an independent check on management. It is the Board's responsibility to foster the long-term success of the Corporation and secure its sustained growth and competitiveness in a manner consistent with its fiduciary responsibility, which it exercises in the best interest of the Company and all of its stakeholders.

Duties and Responsibilities

Among the duties and responsibilities of the Board under the Manual are:

- Provide sound strategic policies and guidelines to the corporation on major investments and capital expenditures.
- Periodically evaluate and monitor the implementation of such policies, including business plans, operating budgets and Managements' overall performance
- Identify key risk areas and performance indicators and monitor these factors to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions.
- Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.

Composition

The Corporation's Board is composed of nine members, elected annually by the stockholders. The members of the Board possess diverse expertise, experiences and backgrounds in the areas of business, finance and law.

As of December 31, 2012, two Board members are independent, in compliance with the rules and regulations of the Securities and Exchange Commission on the qualifications, nomination and election of independent directors.

The Corporation abides by the definition of independence as stated in SEC Memorandum Circular No. 16, Series of 2002, which defines an independent director as "a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director…"The corporation likewise complies with other SEC rules and regulations governing independent directors. To that end, the Corporation's independent directors are independent of management and major/substantial shareholders.

Performance

Board meetings are held regularly. The Board has separate and independent access to the Corporate Secretary, who plays a vital role in supporting the Board in the discharge of its responsibilities. The Corporate Secretary attends all Board meetings and is responsible for the adequate flow of information prior to the meetings, the safekeeping of the Board minutes, and the recording of the attendance of all members of the Board during meetings.

The Board met nine times in 2012. Below is a table showing the attendance of the directors at each of the regular and special board meetings held:

Name	Dates of Meetings								
	Feb 14, 2012	Feb 17, 2012	May 30, 2012	Jul 11, 2012	Sep 7, 2012	Sep 12, 2012	Oct 22, 2012	Nov 14, 2012	Dec 20, 2012
1. George S.K. Ty	P	P	A	P	P	A	A	P	P
1. Arthur Vy Ty	P	P	P	P	P	P	P	P	P
2. Alfred Vy Ty	P	A	P	P	P	A	P	P	P
3. Carmelo Maria Luza Bautista	P	P	P	P	P	P	P	P	P
4. Solomon S. Cua	P	P	P	P	P	A	P	P	P
5. Roderico V. Puno	P	P	P	P	P	P	P	P	P
6. Jaime G. Belmonte	A	A	A	P	P	P	P	P	P
7. Renato C. Valencia	A	P	P	P	P	P	P	P	P
8. Manuel Q. Bengson	A	P	A	P	P	P	P	P	P

BOARD POLICIES

Under the Corporation's Manual, directors shall not profit or gain benefits or advantages for himself and/or his related interests and is mandated to avoid situations which may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. Conflicts of interest are considered material if a director's personal or business interest is antagonistic to that of the Corporation's, or if he stands to acquire or gain financial advantage at the expense of the Corporation.

Directors are also duty bound to keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board. In compliance with PSE's Revised Disclosure Rules and the Implementing Rules and Regulations of the Securities Regulation Code, directors, including principal officers of the Corporation, disclose their transactions involving the Corporation's shares in a timely manner. Likewise, directors and principal officers are also prohibited from dealing in the Corporation's securities from the time they receive or become aware of material non-public information for up to two full trading days after its disclosure to the investing public.

BOARD COMMITTEES

The Board has established committees to assist in exercising its authority in monitoring the performance of the business. The Corporation has an Executive Committee, a Compensation Committee, a Nominations Committee, an Audit Committee, and a Corporate Governance Committee. Each Committee is governed by its respective charters, which are updated annually, if necessary, and amendments to the charters and the Manual are disclosed.

Executive Committee

The Executive Committee exercises the Board's powers in the interim periods between Board meetings. The Committee, however, cannot approve resolutions or take action with regard to the following: 1) matters requiring

Corporate Governance Report

shareholders' approval; 2) filling of vacancies in the Board; 3) amendment or repeal of the Company's Articles of Incorporation and By-Laws or the adoption of new By-Laws; 4) amendment or repeal of any resolution of the Board; and 5) declaration of cash dividends.

EXECUTIVE COMMITTEE	
Chairman	Alfred Vy Ty
Vice Chairman	Mary Vy Ty
Member	Carmelo Maria Luza Bautista
Member	Solomon S. Cua
Adviser	Arthur Vy Ty

Compensation Committee

The Compensation Committee is composed of at least three members of the Board, one of whom shall be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

COMPENSATION COMMITTEE	
Chairman	Alfred Vy Ty
Member	Carmelo Maria Luza Bautista
Member	Renato C. Valencia

Nominations Committee

The Nominations Committee is composed of at least three voting directors, one of whom is independent. Its key function is the evaluation of candidates for director and the shortlisting of nominees for election to the Board, as well as those nominated in other positions requiring appointment by the Board in accordance with specified qualifications and disqualifications.

NOMINATIONS COMMITTEE	
Chairman	Roderico V. Puno
Member	Carmelo Maria Luza Bautista
Member	Jaime Miguel G. Belmonte

Audit Committee

The Audit Committee consists of at least three directors who preferably have accounting and finance backgrounds among them, at least two of whom shall be independent directors, including the Committee's chairman. The Audit Committee, among its other duties and responsibilities, assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. The Audit Committee is also responsible for performing oversight functions over the corporation's external auditor and the review of the non-audit fees paid to the external auditor.

Sycip, Gorres, Velayo & Company is the external auditor for the calendar year 2012. The aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor were Php31,440,000.00 and Php300,000.00 for 2012 and 2011, respectively. The audit fees for 2013 are estimated to be at Php1,300,000.00. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and assistance in the preparation of annual income tax returns. Also, in 2013, SGV rendered other professional services relating to the Bond Offering of GT Capital Holdings, Inc. The professional fees amounted to Php12,500,000.00 exclusive of VAT and out-of-pocket expenses. There were no other professional services rendered by SGV & Co. during the period. Tax consultancy services are secured from other entities other than the external auditor.

AUDIT COMMITTEE	
Chairman	Renato C. Valencia
Member	Manuel Q. Bengson
Member	Solomon S. Cua

Corporate Governance Committee

The Corporate Governance Committee is composed of at least three members, two of whom shall be independent directors. It is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles as well as the review of the Corporation's related party transactions (RPTs).

In 2012, there were no RPTs that could be classified as financial assistance. A discussion on the RPTs of the Corporation can be found under Note 26 of the Corporation's Audited Financial Statements,

CORPORATE GOVERNANCE COMMITTEE	
Chairman	Manuel Q. Bengson
Member	Roderico V. Puno
Member	Jaime Miguel G. Belmonte

STAKEHOLDER RELATIONS

Shareholder Meeting and Voting Procedures

Under the Company's Amended By-laws, the Annual Meeting of Stockholders is held on the second Monday of May of every year. Stockholders are informed at least fifteen business days in advance of the scheduled date of their meetings. The notice of regular or special meetings contains the agenda and sets the date, time and place for validating proxies, which must be done at least five business days prior to the annual stockholders' meeting. Each outstanding common share of stock entitles the holder as of record date to one vote in accordance with the provisions of the Corporation Code of the Philippines.

Shareholder and Investor Relations

Transparency in systems and communication is crucial to the establishment and maintenance of trust and confidence of investors. The Company's investor relations division aims to impart a thorough understanding of the Company's strategies in creating shareholder value.

The investor relations division compiles and reports these documents and requirements to meet the needs of the investing public and shareholders, fully disclosing these to the local stock exchange, as well as through quarterly briefings, one-on-one investor meetings, annual stockholders' meetings, road shows, investor conferences, email correspondences or telephone queries, teleconferences, annual reports, and the company website.

GTCAP IPO is IFR - Asia's Capital Markets Deal of the Year

The April 2012 initial public offering of conglomerate GT Capital Holdings, Inc. (GTCAP) was cited by capital markets publication International Finance Review - Asia (IFR - Asia) as the Philippine Capital Markets Deal of the Year. Receiving the award during ceremonies held in Hong Kong on 20 February 2013 is GTCAP vice chairman Alfred V. Ty (second from left). Joining him are GTCAP president Carmelo Maria Luza Bautista (third from left) and First Metro Investment Corporation president Roberto Juanchito T. Dispo (second from right). Also with them were IFR Asia Editor Steve Garton (extreme left) and Andy Xie, event guest speaker (extreme right).

Board of Directors

DR. GEORGE S.K. TY
Group Chairman

ARTHUR VY TY
Chairman

ALFRED VY TY
Vice Chairman

CARMELO MARIA LUZA BAUTISTA
President / Director

SOLOMON S. CUA
Director

JAIME MIGUEL G. BELMONTE
Independent Director

RODERICO V. PUNO
Director

RENATO C. VALENCIA
Independent Director

MANUEL Q. BENGSON
Director

Board of Directors

DR. GEORGE S.K. TY *Group Chairman*

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

ARTHUR VY TY *Chairman*

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

ALFRED VY TY *Vice Chairman*

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

CARMELO MARIA LUZA BAUTISTA
President / Director

Carmelo Maria Luza Bautista assumed the role of Director and President of GT Capital Holdings, Inc. in August 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation in April of 2008 as Executive Director and was appointed as the Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 35 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank Manila; Vice President Real Estate Finance Group Citibank N.A. Singapore branch; Vice President Structured Finance Citibank N.A. Singapore Regional Office; Country Manager ABN AMRO Bank Philippines; and, President and CEO Philippine Bank of Communications. Mr. Bautista has a Masters in Business Management degree from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelors degree major in Economics from the Ateneo de Manila University.

SOLOMON S. CUA *Director*

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

RODERICO V. PUNO *Director*

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

JAIME MIGUEL G. BELMONTE *Independent Director*

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

RENATO C. VALENCIA *Independent Director*

Renato C. Valencia was elected as an independent director of GT Capital Holdings, Inc. on July 11, 2012 and is the Chairman of the Audit Committee. At present, he concurrently holds the following positions: independent director of Metrobank (since 1998), President and CEO of Roxas Holdings, Inc. (since 2011), Chairman of i-People (since 2007) and Board Adviser of Philippine Veterans Bank (since 2005). At Metrobank, he serves as the Chairman of the Audit Committee, Related Party Transaction Committee and Nominations Committee; and a member of the Risk Management Committee. From 1963 to 2011, he assumed different executive and non-executive roles in various entities including the Armed Forces of the Philippines, Ayala Investment and Development Corporation, Far East Bank and Trust Company, Manila Electric Company, Philex Mining Corporation, PSBank, Philippine Long Distance Telephone Company, San Miguel Corporation, Philippine Coca-Cola System, Union Bank of the Philippines and the Social Security System. He finished his master's degree in Business Management at the Asian Institute of Management.

MANUEL Q. BENGSON *Director*

Manuel Q. Bengson was elected as director of GT Capital Holdings, Inc. on July 11, 2012 and is the Chairman of the Corporate Governance Committee. He was a director of Metrobank until October 22, 2012 and is at present a member of the Board of Governance of the Philippine Dealing and Exchange Corporation (since 2011). At Metrobank, he remains a member of the Trust Committee and was Chairman of the Legal and Tax Committee and member of the Overseas Banking Committees. From 1969 to 2003, he assumed senior executive functions in several entities such as Ayala Corporation, Ayala Life-FGU, Ayala Life Fixed Income Fund, Bank of the Philippine Islands Group and Citibank branches in Manila, Jakarta and San Francisco, USA. He finished his BBA major in Accounting and worked as CPA for several years. He was recently elected director of Greenergy Capital Holdings and Two Salcedo Place Condominium Corporation.

Senior Management

CARMELO MARIA LUZA BAUTISTA
President / Director

MARY VY TY
Treasurer

FRANCISCO H. SUAREZ, JR.
SVP/Chief Financial Officer

ANJANETTE TY DY BUNCIO
Assistant Treasurer

ANTONIO V. VIRAY
Corporate Secretary

JOCELYN Y. KHO
Assistant Corporate Secretary

MARGARET TY CHAM
Assistant Corporate Secretary

ALESANDRA T. TY
Assistant Treasurer

JOSELITO V. BANAAG
VP/Head, Legal and Compliance

SUSAN E. CORNELIO
VP/Head, Human Resources and Administration

JOSE B. CRISOL, JR.
VP/ Head, Investor Relations and Corporate Communications

REYNA ROSE P. MANON-OG
AVP/Head, Accounting and Finance Control

CARMELO MARIA LUZA BAUTISTA
President/Director

Carmelo Maria Luza Bautista assumed the role of Director and President of GT Capital in August 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation in April of 2008 as Executive Director and was appointed as the Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 35 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank Manila; Vice President Real Estate Finance Group Citibank N.A. Singapore branch; Vice President Structured Finance Citibank N.A. Singapore Regional Office; Country Manager ABN AMRO Bank Philippines; and President and CEO Philippine Bank of Communications. Mr. Bautista has a Masters in Business Management degree from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelors degree major in Economics from the Ateneo de Manila University.

MARY VY TY
Treasurer

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

Senior Management

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

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

ANTONIO V. VIRAY
Corporate Secretary
Antonio V. Viray joined the Company as Assistant Corporate Secretary and became Corporate Secretary in 2009. He was formerly the Senior Vice President, General Counsel and Assistant Corporate Secretary of Metrobank. He was also a Senior Vice President and General Counsel of Philippine Savings Bank and Director of Solidbank. At present he is a Director of Metrobank; Corporate Secretary of Golden Treasure Holdings,Inc. and Grand Titan Holding Holdings, Inc.; and Director and Senior Vice President of Global Business Holdings, Inc. He is also Chairman and President of AVIR Development Corporation and Of Counsel of Feria Tantoco Robeniol Law Office. He obtained his Bachelor of Laws from the University of Sto. Tomas and Master of Laws from Northwestern University in Chicago, U.S.A.

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

MARGARET TY CHAM
Assistant Corporate Secretary
Margaret Ty Cham will join GT Capital as Assistant Corporate Secretary effective May 14, 2013. She is also a Director and Assistant Vice President of PSBank; Director of Orix Metro Leasing Corporation, and Federal Land, Inc.; President of Glam Holdings Corporation and Glamore Holdings Corporation; Vice President of Great Mark Resources Corporation; Vice President and Corporate Secretary of Norberto and Tytana Ty Foundation; Vice President, Corporate Secretary, and member of the Board of Trustees of GT Metro Foundation; Corporate Secretary of the Metrobank Foundation; Vice President of Global Treasure Holdings, Inc.; and Vice President of Grand Titan Holdings, Inc. She obtained her Bachelor of Science in Humanities degree from the De La Salle University.

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

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

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

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

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

GT Capital Group Management

FRANCISCO C. SEBASTIAN
Chairman
Global Business Power Corporation

ALFRED VY TY
President
Federal Land, Inc.

FABIAN S. DEE
President
Metropolitan Bank & Trust Company

MICHINOBU SUGATA
President
Toyota Motor Philippines
Corporation

SEVERINUS P.P. HERMANS
President
Philippine AXA Life
Insurance Corporation

FABIAN S. DEE
President, Metropolitan Bank & Trust Company

Fabian S. Dee is the newly appointed President of Metropolitan Bank & Trust Company (Metrobank), the country's premier universal bank, recognized by financial experts as the Best Bank and the Strongest Bank in the Philippines today. Fabian is a seasoned banker with close to 30 years of experience in treasury, corporate banking, and retail banking. He joined the Metrobank Group in 2000 to lead the Bank's largest business center, Grace Park Caloocan, with resources and profitability comparable to medium-sized banks. He then moved to Corporate Banking and re-established Metrobank's stronghold among the large conglomerates and middle market accounts. In 2006, he was appointed National Branch Banking Sector Head and successfully streamlined operations and improved productivity, leading to the Bank's robust growth in retail assets and deposits. Concurrent to his post as president of the Bank, Fabian continues to be the Chairman of Metrobank Card Corporation, a position he has held since 2006, Chairman of Remittance Singapore PTE Ltd. and Adviser of Metropolitan Bank (Bahamas) Ltd, since 2006. Previously, he served as Director of SMBC Metro Investment Corporation, and Consultant of First Metro Investment Corporation.

MICHINOBU SUGATA
President, Toyota Motor Philippines Corporation

Michinobu Sugata has been the President of Toyota Motor Philippines since January 2010. He first joined TMP in 1997 as Senior Vice President, Comptrollership Division. Following his four-year assignment with TMP, he went back to TMC's Asia Division as a Project Sales Manager. After this time he moved to Toyota Motor Thailand as Executive Managing Director Coordinator for three years, then on to TMAP in Singapore as Senior Vice President for one year, where he was responsible for Marketing and Sales. He graduated from Kobe University with a bachelor's degree in Economics. He earned his Master of Business Administration degree from the University of Washington in the U.S.A.

ALFRED VY TY
President, Federal Land, Inc.

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

FRANCISCO C. SEBASTIAN
Chairman, Global Business Power Corporation

Francisco C. Sebastian became Chairman of Global Business Power Corporation in 2007. He became Vice Chairman of Metrobank in 2006. He joined the Metrobank Group in 1997, as President of First Metro Investment Corporation until he was appointed Chairman in 2011. He earned his AB degree in Economics Honors, Magna Cum Laude, from the Ateneo de Manila University in 1975. He worked in Hong Kong as an investment banker from 1977 to 1984 with Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984 until he joined Metrobank in 1997, he owned and managed his own business and financial advisory firm in Hong Kong, Integrated Financial Services Ltd. He is now the Chairman of First Metro Investment Corporation, after having served as its President for 13 years. He is also the Chairman of Federal Land, Inc.

SEVERINUS P.P. HERMANS
President, Philippine AXA Life Insurance Corporation

Severinus P. P. Hermans became President of AXA Philippines in February 2009, after a successful career of almost 20 years in ING. For this company he held several Board Member and senior executive positions in The Netherlands, The Philippines, Hong Kong, Malaysia and Poland. Currently Mr. Hermans is an executive Board Member of AXA Philippines. He finished his Master of Science in Business Economics at the University of Amsterdam in 1994 and earned his Master of Marketing at Tilburg Institute for Advanced Studies in 1997. Mr. Hermans and his family have been staying in the Philippines since 1999.

Corporate Officers

SENIOR OFFICERS
(Left to Right): Atty. Joselito V. Banaag (VP/Head, Legal and Compliance), Francisco H. Suarez, Jr. (SVP/CFO), Reyna Rose P. Manon-og (AVP/Head, Accounting and Financial Control), Carmelo Maria Luza Bautista (President/ Director), Jose B. Crisol, Jr. (VP/Head, Investor Relations and Corporate Communications) and Susan E. Cornelio (VP/Head, Human Resources and Administration).

CONTROLLERSHIP
(Left to Right): Ma. Rayza R. Escarton (Accounting Officer), Francisco H. Suarez, Jr. (SVP/CFO), Reyna Rose P. Manon-og (AVP/Head, Accounting and Financial Control) Maribeth D. Guevarra (Treasury and Finance Officer) and Farrah Lyra Q. De Ala (Accounting Manager).

CORPORATE PLANNING AND BUSINESS DEVELOPMENT
(Left to Right): Regina S. Aseron (Analyst), Francisco H. Suarez, Jr. (SVP/CFO), Blaine C. Ocampo Tan (Analyst) and Mhark A. Serato (Senior Analyst)

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS
(Left to Right): Jose B. Crisol, Jr. (VP/Head, Investor Relations and Corporate Communications) and Michael Blase V. Aquilizan (Investor Relations Assistant)

LEGAL AND COMPLIANCE
(Left to Right): Israel H. De Leon (Paralegal), Atty. Joselito V. Banaag (VP/Head, Legal and Compliance) and Atty. Renee Lynn C. Miciano (Senior Legal and Compliance Officer).

HUMAN RESOURCES AND ADMINISTRATION
(Left to Right): Jerome Z. Bonayon (Human Resources and Administrative Associate) and Susan E. Cornelio (VP/Head, Human Resources and Administration).

FINANCIAL STATEMENTS

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Statement of Management's Responsibility for Financial Statements

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

(Sgd.)

Arthur V. Ty
Chairman of the Board

(Sgd.)

Carmelo Maria L. Bautista
President

(Sgd.)

Francisco H. Suarez
Chief Financial Officer

March 20, 2013

SUBSCRIBED AND SWORN to before me on MAR 26 2013, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

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

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Book No. 1
Series of 2013

ATTY. AMANDA R. ABRERA BENGSON
Notary Public for Makati City
Commission No. M-151
Until December 31, 2013
22nd Flr. GT Tower International
cor. H.V. Dela Costa St., Salcedo Village Makati City
Roll No. 46163
PTR No. 3685192/01-16-2013/Makati City
IBP Lifetime No. 05696/Makati

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

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

Consolidated Statements of Financial Position

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱11,553,288,498**	₱454,421,565
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
	₱137,467,442,028	₱70,062,763,924
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 15)	**₱7,376,718,844**	₱4,573,419,840
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
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.

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.

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.

Consolidated Statements of Changes in Equity

	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
	Attributable to Equity Holders of GT Capital Holdings, Inc								
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)	–	–	(336,000,000)	–	–	–	–	(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.

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)
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.

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 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 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.

Notes to Consolidated Financial Statements

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 FVPL 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 as 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 re-wording. 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.

<u>Annual Improvements to PFRSs (2009-2011)</u>
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.

<u>Judgments</u>
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)	**₱3,937,465,603**	₱383,635,340
Cash equivalents	**7,615,822,895**	70,786,225
	₱11,553,288,498	₱454,421,565

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 ₱325.25 million, ₱64.60 million and ₱9.81 million in 2012, 2011 and 2010 respectively (see Note 22).

5. Receivables

This account consists of:

	2012	2011
Trade receivables	**₱4,636,171,172**	₱178,816,574
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
	₱6,504,694,886	₱3,933,792,763

The details of trade receivables follow:

	2012	2011
Power		
Current	**₱3,809,888,987**	₱–
Noncurrent	**738,478,778**	–
Real estate		
Current	**87,803,407**	178,816,574
Balance at end of year	**4,636,171,172**	₱178,816,574

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	**₱4,417,915,379**	₱2,348,347,412
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	**₱2,247,979,452**	₱809,266,688

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 ₱283.17 million, ₱195.92 million and ₱174.57 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	**₱424,136,862**	₱147,081,808
Additions	**347,402,107**	472,979,186
Accretion (Note 22)	**(279,445,937)**	(195,924,132)
Balance at end of year	**₱492,093,032**	₱424,136,862

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

	2012	2011
Real estate	**₱610,775,830**	₱–
Power	**132,043,333**	–
Parent Company	**–**	2,602,879,241
Balance at end of year	**₱742,819,163**	₱2,602,879,241

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 Note 25).

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 June18, 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, 2012. 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 to 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	**₱5,931,704,263**	**₱4,653,076,618**	**₱753,586,442**	**₱11,338,367,323**
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	**₱5,848,513,798**	**₱4,670,153,960**	**₱641,904,336**	**₱11,160,572,094**

	2011			
	Condominium units held for sales	Land for development	Others	Total
Balance at beginning of the year	₱3,154,520,645	₱4,279,214,214	₱455,484,341	₱7,889,219,200
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	₱5,931,704,263	₱4,653,076,618	₱753,586,442	₱11,338,367,323

In 2012 and 2011, Fed Land acquired parcels of land amounting to ₱1.62 billion and ₱7.17 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 ₱175.35 million and ₱64.70 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 ₱172.57 million and ₱79.24 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 175.96 million with an area of 5,484 square meters located at Bonifacio Global City, Fort Bonifacio, Taguig City. Said parcel was subject to deed of assignment in favor of BLRDC (formerly MHC) dated December 21, 2011. In 2012, this parcel of land became the contribution of the Parent Company to BLRDC upon execution of the Stockholders' Agreement with Orix (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)
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

(Forward)

	2012	2011
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
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	**₱–**	**₱–**	**₱16,060**	**₱2,200**	**₱1,705**
Noncurrent assets	**–**	**–**	**2,876**	**3,021**	**9**
Total assets	**1,040,580**	**44,703**	**18,936**	**5,221**	**1,714**
Current liabilities	**–**	**–**	**9,197**	**1,804**	**1,037**
Noncurrent liabilities	**–**	**–**	**2,116**	**–**	**53**
Total liabilities	**913,560**	**40,789**	**11,313**	**1,804**	**1,090**
Net assets	**₱127,020**	**₱3,914**	**₱7,623**	**₱3,417**	**₱624**
Revenues	**₱58,701**	**₱12,280**	**₱71,434**	**₱403**	**₱741**
Expenses	**37,828**	**3,620**	**67,203**	**357**	**565**
2011					
Percentage of ownership	25.11%	25.31%	21.00%	–%	60.00%
Current assets	₱–	₱–	₱13,448	₱–	₱928
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	₱116,504	₱3,668	₱6,778	₱–	₱447
Revenues	₱50,417	₱4,306	₱55,278	₱–	₱482
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	**₱5,030,540,238**	**₱305,663,399**	**₱5,336,203,637**
Additions	**221,786,560**	**2,746,471,765**	**2,968,258,325**
Transfers (Note 6)	**(368,314,414)**	**–**	**(368,314,414)**
At December 31	**4,884,012,384**	**3,052,135,164**	**7,936,147,548**
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	**₱4,884,012,384**	**₱2,931,564,587**	**₱7,815,576,971**

	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 in 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)
Balance at end of year	₱1,050,165,533

Notes to Consolidated Financial Statements

11. Property and Equipment

The composition and rollforward analysis of this account follow:

	December 31, 2012										
	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	Total
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, 2011and 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)	**₱8,676,723,532**	₱–
Software costs - net	**14,286,161**	8,425,386
Franchise - net	**–**	72,697
	₱8,691,009,693	₱8,498,083

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)	₱8,995,160,191
Amortization (Note 11)	318,436,659
Net Book Value	₱8,676,723,532

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	**₱37,320,702**	₱30,408,860
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	**₱14,286,161**	₱8,425,386

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 ₱5.52 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
Loans payable		
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
Less: Short term loans from banks		
Affiliated	**2,841,300,000**	–
Non-affiliated	**6,297,000,000**	–
Loans payable - current portion		
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
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 ₱600.00 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 ₱40.71 billion and ₱24.95 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)	**₱325,248,088**	₱64,595,737	₱9,807,371
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**	–	–
	₱866,431,011	₱598,227,699	₱184,374,971

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	**₱88,118,947**	₱92,926,119	₱72,115,558
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
	₱262,450,798	₱188,545,192	₱123,121,743

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	₱4,855,731,852
Repairs and maintenance	1,304,733,409
Purchased power	550,584,212
	₱6,711,049,473

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	**₱8,367,927**	₱10,014,263	₱5,620,580
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
	₱680,910,846	₱709,726,583	₱584,566,497

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.

	December 31, 2012		
Category	**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

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2012		
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
Loans payable	**(141,289,916)**	**1,691,072,542**	Secured, interest bearing loans, which bears annual interest ranging 10.27% to 10.35%, based on a three month 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 impairmet.
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

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2011		
Associates			
Cash in bank	₱57,246,904	₱71,856,648	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 - ₱8.16 billion and unsecured - ₱0.93 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

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2011		
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 Companys'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
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		
	Real estate	**Power**	**Total**
Current service cost	**₱11,148,400**	**₱64,670,947**	**₱75,819,347**
Interest cost on benefit obligation	**6,090,156**	**26,424,152**	**32,514,308**
Net actuarial gains recognized	**1,758,786**	**16,597,838**	**18,356,624**
Expected return on plan assets	**(1,962,444)**	**(4,066,222)**	**(6,028,666)**
Total pension expense	**₱17,034,898**	**₱103,626,715**	**₱120,661,613**

	2011	2010
	Real estate	Real estate
Current service cost	₱9,137,003	₱6,027,767
Interest cost on benefit obligation	6,899,167	5,333,901
Net actuarial gains recognized	1,688,974	56,030
Expected return on plan assets	(1,103,146)	(2,049,310)
Total pension expense	₱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**	–
MCIT	**10,431,564**	432,073
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	**₱935,506,710**	₱80,613,144

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	**₱878,923,484**	**₱–**	**₱878,923,484**	**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
	₱1,891,615,981	₱48,181,897	₱1,843,434,084	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2012	**₱446,800**	**₱–**	**₱446,800**	**2015**
2011	17,559	–	17,559	2014
2010	1,587,387	–	1,587,387	2013
2009	1,707,384	1,707,384	–	2012
	₱3,759,130	₱1,707,384	₱2,051,746	

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				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	**Medium Grade**	**Low Grade**	**Total**			
Cash and cash equivalents (Note 4)	**₱11,553,288,498**	**₱–**	**₱–**	**₱11,553,288,498**	**₱–**	**₱–**	**₱11,553,288,498**
Receivables (Note 5)							
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**	**–**	**4,617,424**	**140,815,196**
Due from related parties (Note 26)	**489,042,589**	**–**	**–**	**489,042,589**	**–**	**–**	**489,042,589**
AFS investments (Note 10)							
Quoted	**1,050,165,533**	**–**	**–**	**1,050,165,533**	**–**	**–**	**1,050,165,533**
Unquoted	**9,921,760**	**–**	**–**	**9,921,760**	**–**	**–**	**9,921,760**
	₱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				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents (Note 4)	₱454,421,565	₱–	₱–	₱454,421,565	₱–	₱–	₱454,421,565
Receivables (Note 5)							
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						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents (Note 4)	₱11,553,288,498	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱11,553,288,498
Receivables (Note 5)									
Trade receivable	3,861,952,461	273,650,902	111,349,644	78,761,201	304,074,602	6,382,362	774,218,711	–	4,636,171,172
Installment contracts receivable	3,532,379,328	75,835,456	39,504,499	40,690,797	44,921,009	192,491,258	393,443,019	–	3,925,822,347
Loans receivable	742,819,163	–	–	–	–	–	–	–	742,819,163
Accrued 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	136,197,772	–	–	–	–	–	–	4,617,424	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
	₱21,598,592,372	₱349,486,358	₱150,854,143	₱119,451,998	₱348,995,611	₱198,873,620	₱1,167,661,730	₱4,617,424	₱22,770,871,526

December 31, 2011

	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents (Note 4)	₱454,421,565	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱454,421,565
Receivables (Note 5)									
Trade receivables	145,645,903	10,194,950	5,146,173	4,002,196	4,257,716	9,569,636	33,170,671	–	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	219,780,889	–	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	–	–	–	–	–	–	3,768,388	80,994,925
Due from related parties (Note 26)	938,859,224	–	–	–	–	–	–	–	938,859,224
Long-term cash investments	2,440,084,378	–	–	–	–	–	–	–	2,440,084,378
AFS investments - unquoted (Note 10)	9,921,760	–	–	–	–	–	–	–	9,921,760
	₱8,639,071,992	₱42,142,548	₱10,522,820	₱14,585,576	₱20,655,833	₱165,044,783	₱252,951,560	₱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

	< 1 year	> 1 to < 5 years	> 5 years	Total
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.

	Increase (decrease) in income before tax		
Php appreciates (depreciates)	**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).

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

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2012	**Increase by 14.01%**	**₱97,559,778**
	Decrease by 14.01%	**(97,559,778)**

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	₱4,687,203	₱–	₱–	₱12,914,989	₱427,531	₱18,029,723
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
	5,146,113	3,047,027	631,152	12,914,989	427,715	22,166,996
Cost of sales and services	2,022,929	–	–	–	–	2,022,929
Power plant operation and maintenance (before depreciation)	–	–	–	5,455,915	–	5,455,915
General and administrative expense (before depreciation and amortization)	1,256,086	–	–	1,733,346	274,366	3,263,798
	3,279,015	–	–	7,189,261	274,366	10,742,642
EBITDA	1,867,098	3,047,027	631,152	5,725,728	153,349	11,424,354
Other income (expenses)						
Finance income	576,922	–	–	212,631	76,878	866,431
Finance cost	(326,942)	–	–	(825,487)	(597,352)	(1,749,781)
Depreciation and amortization	(67,898)	–	–	(1,559,179)	(2,039)	(1,629,116)
Pretax income	2,049,180	3,047,027	631,152	3,553,693	(369,164)	8,911,888
Provision for income tax	60,939	–	–	221,969	15,376	298,284
Income before income from discontinued operations	1,988,241	3,047,027	631,152	3,331,724	(384,540)	8,613,604
Post-tax income from discontinued operations	–	–	–	–	–	–
	₱1,988,241	₱3,047,027	₱631,152	₱3,331,724	(₱384,540)	₱8,613,604
Segment Assets	₱19,817,046	₱33,420,735	₱5,901,464	₱53,513,011	₱24,815,186	₱137,467,442
Segment Liabilities	₱11,805,462	₱–	₱–	₱38,936,817	₱20,860,975	₱71,603,254

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
	3,380,369	3,018,484	461,837	–	1,040,195	7,900,885
Cost of sales and services	1,553,768	–	–	–	709,726	2,263,494
General and administrative expense (before depreciation and amortization)	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	₱28,953,681	₱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
	2,376,419	2,173,023	734,701	843,685	6,127,828
Cost of sales and services	1,364,808	–	–	584,566	1,949,374
General and administrative expense (before depreciation and amortization)	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
	₱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**	–	–