GT CAPITAL
HOLDINGS INCORPORATED

Shifting to Higher Gear, Maximizing Synergies

Annual Report 2013

Metrobank TOYOTA GBP FEDERAL LAND AXA redefining / standards CHARTER PING AN

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Metrobank · TOYOTA · GBP · FEDERAL LAND · AXA redefining / standards · CHARTER PING AN

22.5 BILLION
FULL YEAR 2013 NET INCOME (IN PHP)

25.1% OWNERSHIP*

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.

4.3 BILLION
FULL YEAR 2013 NET INCOME (IN PHP)

51% OWNERSHIP*

TMP is the Philippines' dominant car company engaged in the assembly, 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 facility located at the Toyota Special Economic Zone in Santa Rosa, Laguna, where it currently assembles its top-selling Innova and Vios models.

1.9 BILLION
FULL YEAR 2013 NET INCOME (IN PHP)

51% OWNERSHIP*

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 622 megawatts. It embarked on additional power plant projects in the Visayas, to capitalize on the projected rapid power demand growth in the region.

1.2 BILLION
FULL YEAR 2013 NET INCOME (IN PHP)

25.3% OWNERSHIP*

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 unit-linked 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 Banks' branch network as a distribution channel.

1.0 BILLION
FULL YEAR 2013 NET INCOME (IN PHP)

100% OWNERSHIP*

Fed Land is a leading Philippine property developer with a historical focus on the residential segment, and has attained a four-decade 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 many years' worth of project development, most of which is highly concentrated in key cities within the boundaries of Metro Manila.

190 MILLION
FULL YEAR 2013 NET INCOME (IN PHP)

66.7% OWNERSHIP*

Charter Ping An is a leading non-life insurance company offering fire, motor car, marine cargo, personal accident, bonds, casualty, and engineering insurance solutions. Established in 1960, the company has a notable performance in providing non-life insurance coverage to corporate and individual clients. Charter Ping An is ranked second in terms of net income among Philippine non-life insurance companies as of 2012.

* GT Capital direct ownership as of 31 December 2013

Shifting to Higher Gear, Maximizing Synergies Through Strategic Acquisitions

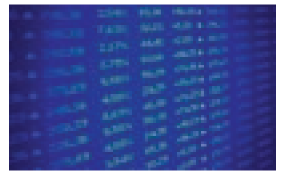
GT Capital Holdings, Inc. shifts into higher gear as it continues to expand through strategic acquisitions and consolidation of market-leading businesses in high growth sectors. These seasoned, dynamic companies contribute to maximizing the well-defined synergies within the GT Capital group. The diversified yet complimentary component companies of GT Capital sustain its growth momentum.

2013 GT Capital Milestones

10 January 2013
Php 14.3 Billion Top-Up Equity Placement
- Priced at Php 620 per share
- Increased the company's public float from 30% to 40%
- More than three times oversubscribed
- One of the largest overnight placements in the Philippines

17 January 2013
Second Tranche of Toyota Motor Philippines Corporation (TMP) Acquisition
- Acquired the remaining 15% of TMP from Metrobank for Php 4.5B
- Raised GT Capital's TMP ownership from 36% to 51%

27 February 2013
Maiden Peso Bond Issue
- Php 10B seven- and ten-year retail bonds
- PRS AAA rating (highest) from the Philippine Rating Services Corporation (PhilRatings)
- Listed on the Philippine Dealing Exchange (PDEx)



16 September 2013
Inclusion of GT Capital into the Philippine Stock Exchange Index (PSEi)

07 October 2013
Acquisition of Charter Ping An Insurance Corporation (Charter Ping An)
- Acquired 66.7% of the company for Php 1.4B
- Charter Ping An ranked 2nd in net income among non-life insurance companies in the country as of end 2012

18 December 2013
Acquisition of Toyota Manila Bay Corporation (TMBC)
- Acquired 40.7% of the company for Php 502M
- TMBC accounts for 10% of all Toyota vehicles sold in the Philippines
- Mitsui & Co., Ltd. of Japan is a strategic partner owning 40% of TMBC

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GT CAPITAL
HOLDINGS INCORPORATED

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

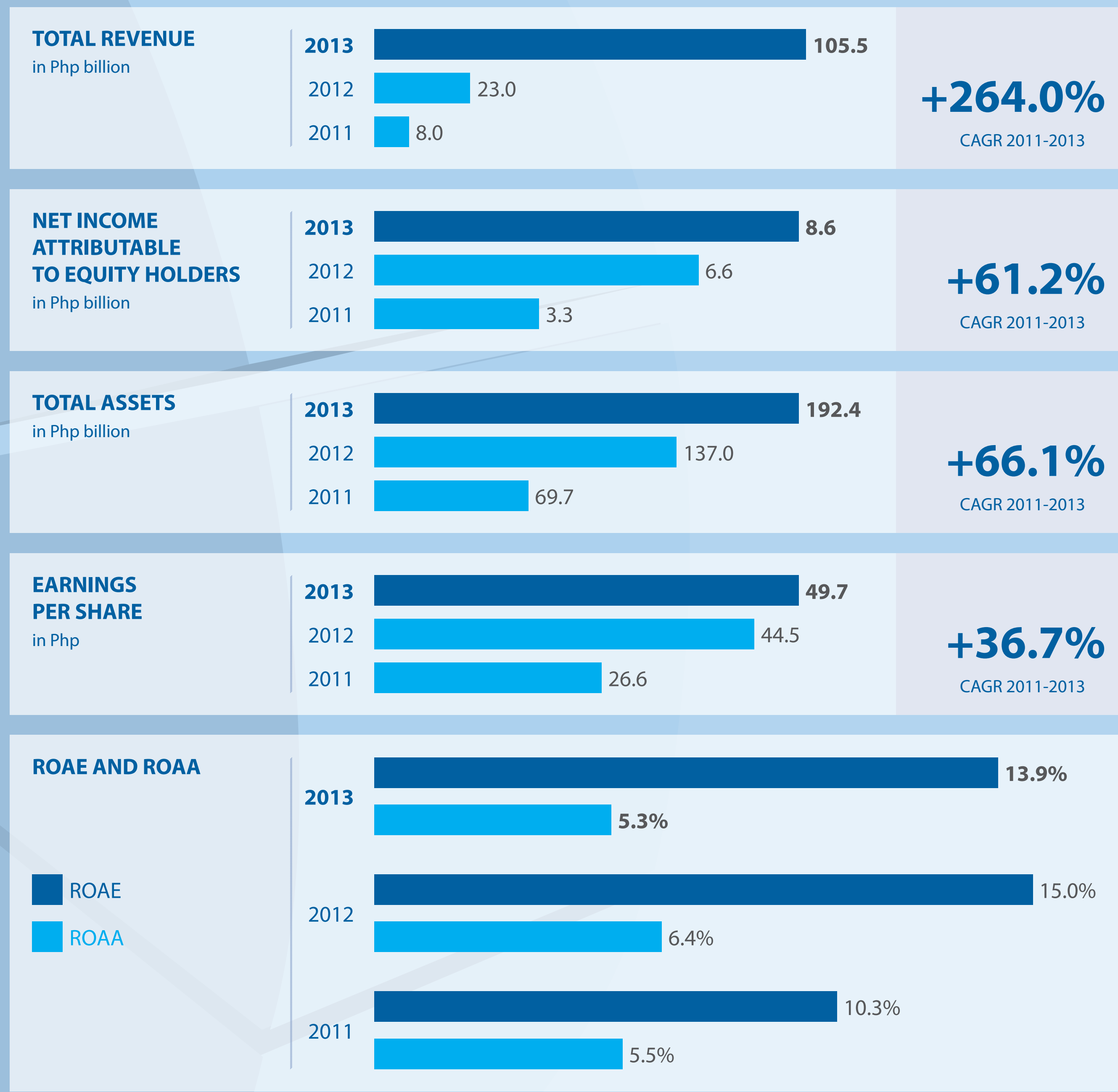
We are committed to planting the seeds today that will result in the creation of shareholder value in the future. We believe that taking a long-term and sustainable perspective is essential to creating value.

Consolidated Financial Highlights

For the year (in million Pesos)	2013	2012	2011
Revenues	**105,547**	22,978	7,965
Net Income Attributable to Equity Holders	**8,640**	6,590	3,324
At Year-End (in million Pesos)			
Total Assets	**192,360**	136,985	69,729
Total Liabilities	**99,796**	71,931	33,244
Total Equity	**92,564**	65,054	36,486
Equity Attributable to Equity Holders	**70,525**	53,760	34,281
Per Share (in Pesos)			
Earnings (basic/diluted)	**49.7**	44.5	26.6
Book Value of Common Shares	**532.4**	439.3	291.9
Liquidity/Leverage			
Current Ratio	**1.88**	1.29	1.41
Debt-to-Equity Ratio	**1.08**	1.11	0.91
Profitability (in percent)			
Return on Average Assets* (ROAA)	**5.3%**	6.4%	5.5%
Return on Average Equity** (ROAE)	**13.9%**	15.0%	10.3%

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

***Consolidated Net Income Attributable to Equity Holders divided by Average Equity Attributable to Equity Holders*



Shifting to Higher Gear

DR. GEORGE S.K. TY
Group Chairman

To Our Fellow Shareholders,

The Philippine economy once again demonstrated its resilience as it continued its growth momentum in 2013. Notwithstanding a series of natural calamities, namely the 7.2-magnitude earthquake that hit Bohol and Cebu in October and super typhoon Yolanda (Haiyan), which devastated Leyte Province and nearby areas the following month, the Philippines still expanded its gross domestic product (GDP) by a respectable 7.2%, surpassing even government's own estimate of 6.0% to 7.0%. The growth was also notably higher than those of more developed, neighboring countries.

As in previous years, consumer spending remained very robust, largely driven by record-setting remittances from intrepid overseas Filipinos amounting to USD 23.0 billion. This was matched by increased infrastructure-related government spending and higher investments during the same period. In 2013, interest rates were at historical lows, the exchange rate remained steady, inflation proved manageable, and the Philippines benefitted from an investment ratings upgrade from the three major global rating agencies.

ALFRED V. TY
Vice Chairman

ARTHUR V. TY
Chairman

CARMELO MARIA LUZA BAUTISTA
President

+359%
Growth in Revenues

"We intend to accelerate our efforts in seeking other viable businesses that could substantially contribute to our growth objectives and further enhance synergies."

With this as an enabling backdrop, your company, GT Capital Holdings, Inc. (GT Capital), performed creditably in 2013. This was achieved on the back of a collectively strong performance by the six component companies, namely Metropolitan Bank & Trust Company (Metrobank), Toyota Motor Philippines Corporation (TMP), Global Business Power Corporation (GBPC), Federal Land, Inc. (Fed Land), Philippine AXA Life Insurance Corporation (AXA Philippines), and Charter Ping An Insurance Corporation (Charter Ping An).

This translated to Php 105.5 billion in consolidated revenues for full-year 2013, an impressive 359% increase compared to that of the previous year. GT Capital's growth in revenues came mostly from the consolidation of TMP, Charter Ping An, and GBPC. Moreover, higher real estate sales from Fed Land, higher net income contributions from Metrobank and AXA Philippines, and an extraordinary gain arising from the consolidation of TMP also contributed to our revenue increase. In addition, the well-defined business synergies between the component companies were realized and helped your company attain the significant revenue expansion in 2013.

The year turned out all the more noteworthy for GT Capital when your company successfully executed several key corporate initiatives. GT Capital started 2013 with a top-up equity placement in early January. Priced at Php 620.0 per share, the exercise raised Php 14.3 billion. It was three times oversubscribed, attracting numerous foreign institutional investors. The equity placement also increased your company's public free float from 30% to 40%. It is considered as one of the largest overnight placements in the Philippines. The proceeds of the top-up, similar to that of your company's initial public offering or IPO in April 2012, were used to further consolidate the different component companies into GT Capital.

Shortly thereafter, the top-up was followed by the second tranche of our acquisition of TMP from Metrobank. Acquiring the remaining 15% held by the Bank, GT Capital increased its ownership of TMP to 51%, at a cost of Php 4.5 billion. As a result, your company was able to fully consolidate TMP starting February 2013.

It was also in February that GT Capital undertook its maiden Peso bond issue. Your company issued seven- and ten-year retail bonds amounting to Php 10.0 billion. With the highest rating of PRS AAA from the Philippine Rating Services Corporation or Philratings, and a subsequent listing on the Philippine Dealing Exchange (PDEx), the issuance was oversubscribed by both institutional and individual investors.

In October 2013, your company acquired 66.7% of Charter Ping An, a non-life insurance company, for Php 1.4 billion, thereby making it the sixth component company of GT Capital. Furthermore, in January 2014, we completed the 100% acquisition of Charter Ping An by procuring the remaining 33.3% of the company's common shares worth Php 712.0 million. Charter Ping An is ranked second in terms of net income among the leading non-life insurance companies in the country as of 2012. The acquisition also completes GT Capital's position in the underpenetrated insurance sector, as we now have both life and non-life insurance businesses.

GT Capital ended the year's consolidation efforts when in December it acquired 40.7% of a Toyota dealership, Toyota Manila Bay Corporation (TMBC), for Php 502.3 million. This was subsequently followed by further acquiring 19.3% of TMBC in March 2014, amounting to Php 237.3 million, consequently increasing our controlling stake in the dealership to 60%. TMBC was ranked number one in 2013 among Toyota dealers nationwide in terms of wholesale volume, achieving a 12% market share. TMBC sold 8,883 units from January to December 2013. With the consolidation of TMBC, your company now benefits from wholesale, retail, as well as spare parts and service margins for Toyota vehicles in the Philippines.

Adhering to best corporate governance practices, the three acquisitions that GT Capital completed in 2013, as well as those done previously, all went through a stringent fairness opinion process, and clearances from our independent Corporate Governance Committee were secured.

Aptly, two significant developments during the year further enhanced GT Capital's corporate reputation. First was its inclusion into the Philippine Stock Exchange Index or PSEi in September 2013. Your company is now part of the 30-company main index that is closely monitored by portfolio managers and many other investors across the globe. The second was when Finance Asia cited GT Capital's investor relations as one of the ten best in the Philippines in the publication's Best Companies in Asia Poll.

Beyond the encouraging performance and achievements of the GT Capital group, we also placed equal focus and importance on our corporate social responsibility (CSR) efforts, especially in light of the aforementioned major calamities that affected our country in 2013. Thus, the Metrobank Group pledged Php 55.0 million for relief and rehabilitation efforts. In addition, group employee volunteers provided relief goods to more than 20,000 families in several cities and towns in the Visayas. Other critical initiatives such as medical missions were also undertaken. We invite you to read a more detailed report on these socio-civic activities, which appears in the CSR portion of this annual report.

Looking back at and taking stock of the milestones that GT Capital achieved in 2013, we are further encouraged to sustain the momentum that we have attained by shifting to a higher gear. We intend to accelerate our efforts in seeking other viable businesses that could substantially contribute to our growth objectives and further enhance synergies. We also remain open to more strategic alliances with global partners that will allow us to form mutually beneficial, strategic, and long-term business relationships.

We will continue to enhance our component companies' respective strengths, widen their reach by tapping new opportunities for business and exploring other areas for expansion, and allow all these to contribute to the country's drive towards inclusive growth and progress.

Undoubtedly, these will only be accomplished with your firm support, which you have kindly given us these past years. We sincerely thank all of you, our dear stakeholders, for your unwavering confidence and belief in us, as we aspire to be a world-class conglomerate and a contributor to national development.

It is for you that we resolve to shift to a higher gear and perform even better than before.

(Sgd.)

DR. GEORGE S.K. TY
Group Chairman

(Sgd.)

ARTHUR V. TY
Chairman

(Sgd.)

ALFRED V. TY
Vice Chairman

Maximizing Synergies

Dear Fellow Shareholders,

In 2013, the Philippine economy further improved on its notable performance from the previous year. The solid macroeconomic fundamentals attained in 2012 became the foundation for the country's 7.2% GDP expansion in 2013. The growth in GDP, which is among the highest in Asia, became more noteworthy, as it was achieved in spite of a succession of catastrophic natural calamities towards the end of 2013.

During the period, consumer spending continued to be the key growth driver, accounting for 69.4% of the total. Investments in fixed capital and durable goods likewise started to gain traction, indicating a more balanced growth in 2013. Similarly, the services sector, driven by business process outsourcing (BPO) companies and financial services, remained the major factors of GDP expansion, with industry, particularly manufacturing, resurging once more after several years of dormancy.

Expectedly, remittances from overseas Filipinos reached a record USD 23.0 billion. The exchange rate remained stable during the year, with an annual average of Php 42.4 to USD 1.0. Full-year inflation stood at a benign 3%. Low interest rates persisted, with the benchmark 91-day Treasury Bill falling below 1%. Equities showed modest improvement as the bellwether Philippine Stock Exchange index (PSEi) ended the year with 5,889.83 points, after reaching historic highs when it breached the 7,400-level during the early months of the year.

SECTOR PERFORMANCE

Given the country's robust economic growth, the sectors in which the core businesses of your company, GT Capital Holdings, Inc. (GT Capital), operate proved equally buoyant in 2013. The banking sector realized strong profits driven by sharp demand in loans. In addition, trading gains peaked during the year, substantially adding to net income growth. The property development sector maintained its brisk sales momentum, allaying fears of a perceived asset bubble. Moreover, BPO requirements supported the increased demand for office space.

+34%
Increase in Core Net Income

Power generation benefitted from heavy energy demand in high growth, progressive areas such as the Central Visayas. Meanwhile, the increased disposable income of Filipinos fueled the sales of automobile, as well as life and non-life insurance products.

GT CAPITAL ON TRACK

Amidst this encouraging economic and business environment, we are proud to report that your company, GT Capital, met its targets and delivered strong results in 2013. We achieved this because our component companies, namely Metropolitan Bank & Trust Company (Metrobank), Toyota Motor Philippines Corporation (TMP), Global Business Power Corporation (GBPC), Federal Land, Inc. (Fed Land), Philippine AXA Life Insurance Corporation (AXA Philippines), and Charter Ping An Insurance Corporation (Charter Ping An), together contributed to GT Capital's worthy performance for the year.

Consequently, your company's 2013 consolidated net income reached Php 8.6 billion, 31% higher than the Php 6.6 billion reported in 2012. GT Capital's core net income for the period amounted to Php 7.2 billion, an increase of 34% over the previous year's Php 5.4 billion. Consolidated full-year 2013 revenues surged 359% to Php 105.5 billion from Php 23.0 billion in 2012, due largely to the consolidation of TMP, Charter Ping An, and GBPC.

GT Capital's EBITDA reached Php 19.2 billion, resulting in an EBITDA margin of 18%. Your company's balance sheet at year-end remained strong, with total assets amounting to Php 192.4 billion, up 40% from the Php 137.0 billion level in 2012. Debt to equity ratio stood at a very manageable 0.65.

COMPONENT COMPANIES DELIVER

Metrobank sustained its strong performance with a consolidated net income of Php 22.5 billion for the year, a hefty Php 7.1 billion or 46% increase from the Php 15.4 billion the Bank earned in 2012. Consequently, return on average equity improved to 17.8% in 2013 from 13.6% the previous year. The bank's net interest margin reached 3.9% for the year.

TMP maintained its dominant market share at 36% for full-year 2013. The country's leading auto company reported a record 75,587 vehicles sold, 16% higher than the 65,396 units sold the previous year. In October alone, TMP sold 7,476 vehicles, the highest number of units sold in a single month. TMP's consolidated net income grew to Php 4.3 billion in 2013, a 50% increase from the Php 2.9 billion income realized the previous year. Total revenues amounted to Php 80.0 billion, up 10% from Php 72.6 billion in 2012.

GT Capital's power generation arm, GBPC, faced difficult challenges in 2013 resulting from the 7.2-magnitude earthquake that hit Bohol and Cebu, as well as super typhoon Yolanda (Haiyan), which affected Leyte. Six municipalities in the province were practically leveled to the ground, significantly altering power consumption in the area during the last quarter of 2013. Furthermore, there was a significant decline in the Wholesale Electricity Spot Market (WESM) prices in the early months of the year, due to an unusually colder climate and a shorter dry season. As a result, the company reported a consolidated net income of Php 1.9 billion, 12.5% lower than the previous year's Php 2.2 billion. The company reported net fees of Php 16.9 billion in 2013, compared to Php 19.2 billion in 2012.

Fed Land launched five new projects in 2013, with reservation sales reaching Php P 13.9 billion. The company's core net income increased from Php 0.53 billion in 2012 to Php 1.0 billion in 2013. Total revenues amounted to Php 7.9 billion, a substantial 38% growth from 2012's Php 5.7 billion. Unit sales for the year reached 2,199.

AXA Philippines realized premium revenues amounting to Php 18.3 billion, a 49% increase from the previous year's Php 12.3 billion. The company's total sales in annualized premium equivalent (APE) grew by 31% to Php 3.6 billion. Net income, in turn, reached Php 1.2 billion, representing a 30% increase, year-on-year.

Charter Ping An posted a 21% rise in gross premium written from Php 2.9 billion in 2012 to Php 3.5 billion in 2013. Net income totaled Php 190.0 million in 2013 from Php 215.1 million in 2012, resulting from higher than normal claims due to the aforementioned string of natural calamities.

Acquired by GT Capital in December 2013, Toyota vehicle dealership Toyota Manila Bay Corporation or TMBC realized consolidated sales of Php 9.4 billion in 2013, up 19% from Php 7.9 billion in 2012. Net income grew 9% during the period to Php 110.3 million.

STRATEGIC ACQUISITIONS AND INITIATIVES

Your company's consolidation efforts, as fully detailed in the Chairmen's Message segment of this annual report, shifted to high gear in 2013. We started the year by increasing our equity in TMP from 36% to 51% in January, at a cost of Php 4.5 billion. We then acquired in October 66.7% of non-life insurer Charter Ping An, the second most profitable company in the sector, for Php 1.4 billion. This was followed later in the year when, as mentioned above, GT Capital purchased 40.7% of TMBC at a cost of Php 502.3 million. Our stakes in Charter Ping An and TMBC were eventually increased to 100% in January 2014 and to 60% in March 2014, respectively. By acquiring these seasoned, market-leading businesses, GT Capital enables them to fully benefit from the clear and strong synergies that exist between its component companies.

As a result of these acquisitions, GT Capital, as of end-2013, fully consolidated in its books Fed Land, GBPC, TMP, and Charter Ping An, while MBT, AXA Philippines, and TMBC were carried through equity accounting standards.

It was also in 2013 that GT Capital initiated an equity placement that brought in Php 14.3 billion. The oversubscribed top-up expanded your company's free

"All told, GT Capital sustained in 2013 the momentum of growth it has gained since its inception. In the coming years, your company will build on the successful initiatives it has undertaken and will endeavor to further strengthen its component companies by capitalizing on opportunities for synergy."

float to 40%. Soon thereafter, your company issued its maiden seven- and ten-year Peso retail bonds amounting to Php 10.0 billion. The issuance received the highest rating from the Philippine Rating Services Corporation (Philratings) and is listed on the Philippine Dealing Exchange (PDEx). The proceeds of both capital-raising initiatives were used to refinance short- and long-term loans, further consolidate the various GT Capital component companies, and for general corporate purposes.

Your company successfully executed two other initiatives in 2013. One was the infusion of Php 1.1 billion into Fed Land's capital stock, which the property company used to partially finance its various projects. The other was GT Capital's cash dividend payout of Php 3.0 per share, amounting to Php 522.9 million.

A major milestone for GT Capital in 2013 was its inclusion into the benchmark PSEi in September, having met the main index's stringent requirements on full market capitalization, median daily value, and free float percentage. GT Capital's share price ended the year at Php 772 per share, for an 18% appreciation from the Php 654 per share closing price during the first trading day of 2013. Your company's share price reached an all-time high of Php 899 per share in October 22, 2013.

EVOLVING FURTHER

All told, GT Capital sustained in 2013 the momentum of growth it has gained since its inception. In the coming years, your company will build on the successful initiatives it has undertaken and will endeavor to further strengthen its component companies by capitalizing on opportunities for synergy.

In banking, we intend to continue the expansion of our consumer banking services, as well as our branch network. In the auto business, we plan to aggressively market our models mix with emphasis on models that meet the requirements of an emerging, affluent segment of the Philippine population. Our new investments in Toyota dealerships and in non-life insurance will directly benefit from this segment, which is expected to drive the motorization phase of the country's economy. In property development, we will continue building master-planned communities that enhance recurring income. In life insurance, we will grow our traditional or agency business, while we increase the penetration rate of our non-life insurance company within the GT Capital group. In power generation, we continue our expansion plans with two additional power plants in the Visayas.

Clearly, your company's prospects for expansion remain very encouraging as our businesses operate in high-growth, underpenetrated sectors. Thus, we count on your valuable support as GT Capital further evolves and seeks brighter opportunities.

On behalf of our directors, management, and staff, we sincerely thank all of you, our fellow shareholders, for your trust and confidence in your company, GT Capital.

(Sgd.)

CARMELO MARIA LUZA BAUTISTA
President

Metrobank

+46%
Net Income Growth

FABIAN S. DEE
President
Metropolitan Bank
& Trust Company

On the heels of a noteworthy performance during its 50th anniversary in 2012, Metropolitan Bank & Trust Company (Metrobank) continued its growth momentum in 2013.

Metrobank reported a consolidated net income of Php 22.5 billion for 2013, a significant increase of Php 7.1 billion or 46% from the Php 15.4 billion earned the previous year. After breaching the Php 1.0 trillion level in 2012, Metrobank continued expanding its total resources to Php 1.4 trillion in 2013, a 32% increase from the previous year.

The Bank's total deposits meanwhile grew by 38% from Php 738.7 billion in 2012 to Php 1.02 trillion in 2013, likewise breaching the trillion-Peso mark. The strong growth in deposits lowered the Banks' overall funding cost, which in turn helped cushion the impact of continued pressure on asset yields. Taking advantage of the strong domestic economy, Metrobank's net loan portfolio increased by 16% to Php 611.1 billion. Demand for credit accelerated consistently across all segments.

Metrobank's non-performing loans ratio improved to 1.29% in 2013 from 1.83% in 2012. On a Basel II basis, the Bank's total capital adequacy ratio (CAR) remained well above the regulatory limit at 16.7% with Tier 1 CAR at 15.0%. Metrobank thus entered 2014 already fully compliant with the new Basel III requirements of the BSP.

Total operating income increased 35% to Php 80.4 billion. The increase was due to a hike in net interest income, which grew by 24% to Php 38.3 billion, and an improvement in non-interest income of 55% to Php 42.1 billion from Php 28.8 billion in 2012.

The growth in net interest income came largely from strong volumes and healthy margins. In turn, the increase in non-interest income was driven by healthy trading gains and the steady increase in service charges, fees, and commissions. The Bank also gained from the one-time sale of non-core assets in preparation for Basel III implementation. Asset sales for 2013 consisted of the Bank's remaining 15% stake in Toyota Motor Philippines Corporation and a 40% stake in Global Business Power Corporation through its subsidiary, First Metro Investment Corporation.

Metrobank's branch expansion efforts continued in 2013, as it opened 28 new local branches, bringing the Bank's total domestic network to 856 branches, which is the largest in the country. The Bank also has 32 foreign branches, subsidiaries, and representative offices. Metrobank installed 176 new automated teller machines (ATMs) during the year, bringing the total to almost 2,000 units.

Metrobank garnered several awards and citations in 2013. The Asian Banker lauded Metrobank as the Strongest Bank of the Year, on the back of strong profitability growth and liquidity. The Bank also received, from Moody's Investor Services, an upgrade to investment grade status.

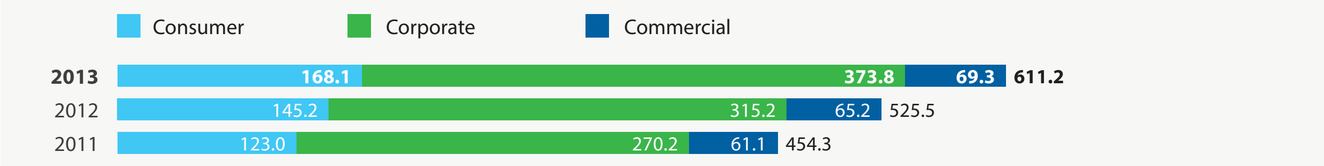
Metrobank

Financial Highlights

GT CAPITAL HOLDINGS INCORPORATED

LOAN PORTFOLIO (Total Loans in Php Billion)*

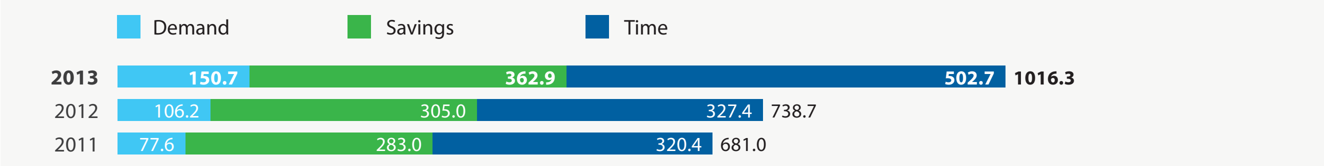
2011 - 2013 CAGR Total Loan Portfolio : 16.0%



* *Receivables from customer gross of unearned discounts and capitalized interest*

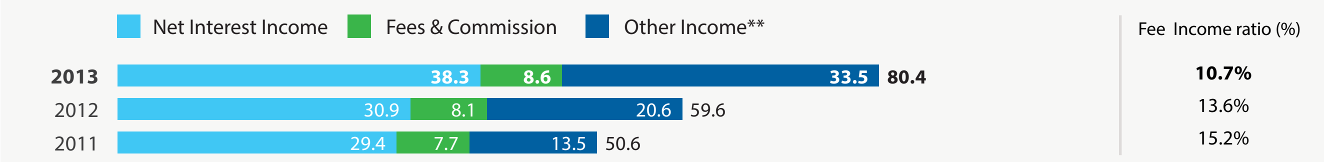
DEPOSIT GROWTH (Total Deposits in Php Billion)

2011 - 2013 CAGR Total Deposits : 22.2%



TOTAL OPERATING INCOME (In Php Billion)

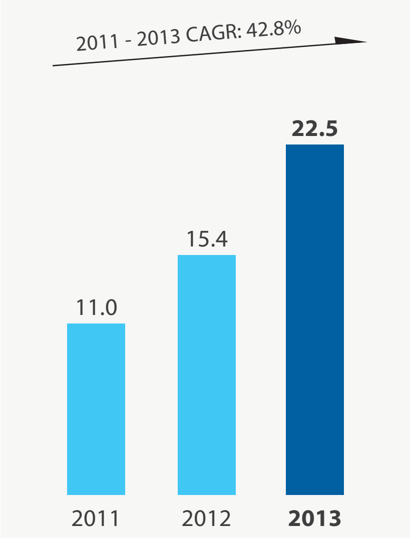
2011 - 2013 CAGR Total Operating Income : 26.1%



** *Including Share in Net Income of Associates and Joint Ventures*

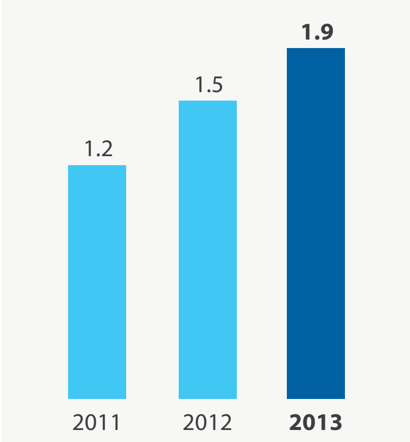
NET INCOME ATTRIBUTABLE TO PARENT COMPANY

(In Php Billion)



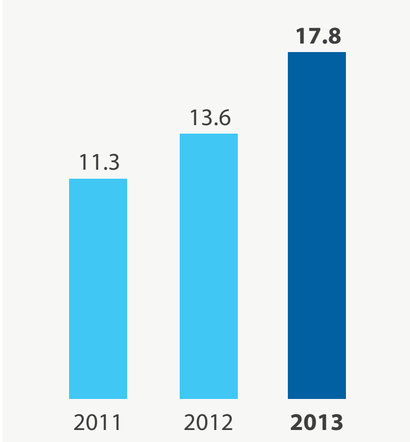
RETURN ON AVERAGE ASSETS (ROAA)

(%)



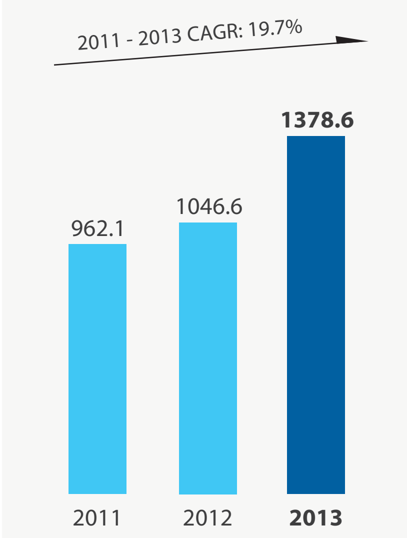
RETURN ON AVERAGE EQUITY (ROAE)

(%)



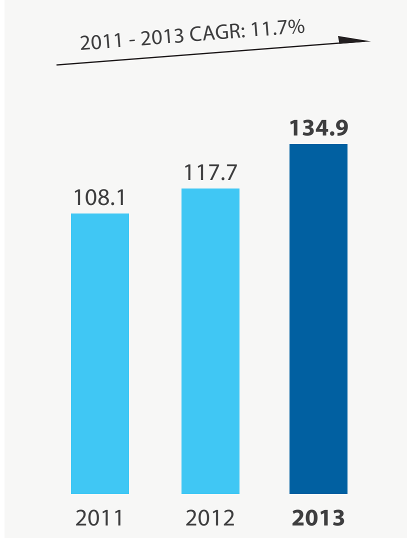
TOTAL ASSETS

(In Php Billion)



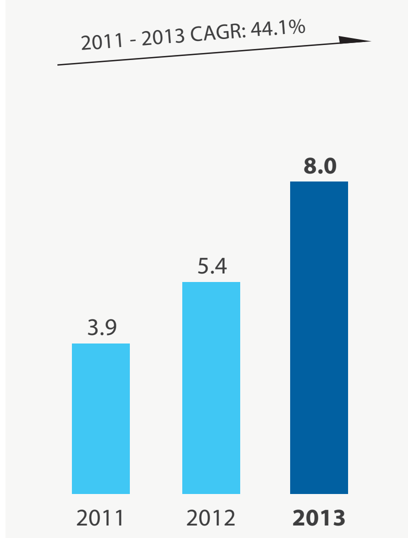
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY

(In Php Billion)



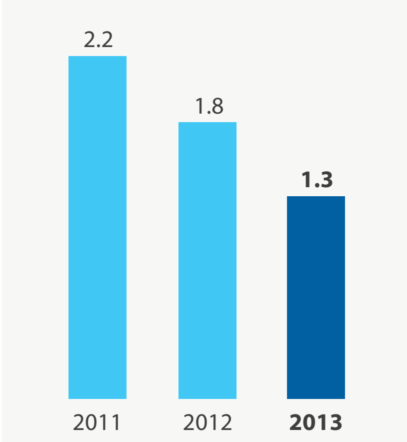
EARNINGS PER SHARE

(In Php)



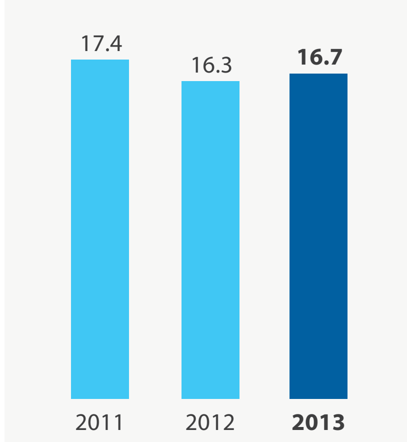
NON-PERFORMING LOANS (NPL) RATIO

(%)



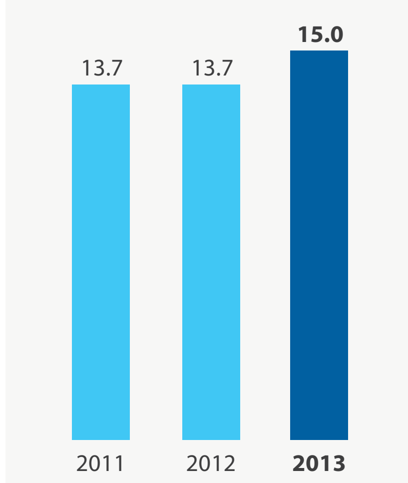
TOTAL CAPITAL ADEQUACY RATIO (CAR)

(%)



TIER 1 CAR

(%)



TOYOTA

In 2013, while celebrating its 25th founding anniversary, Toyota Motor Philippines Corporation (TMP) continued to dominate the country's automotive sector. TMP sold a record 75,587 vehicles, which is 16% higher than the 65,396 vehicles sold the previous year. This resulted in a leading overall market share of 36.3%. In addition, TMP garnered its 12th consecutive Triple Crown, an industry award given to a Philippines-based automotive company that ends the year with the most number of units sold in three categories, namely passenger car, commercial vehicle, and overall sales. In October alone, the company sold 7,476 vehicles, the highest number for a single month.

TMP's net income, in turn, grew to Php 4.3 billion from Php 2.9 billion in 2012, for an increase of 50%, year-on-year. Total revenues amounted to Php 80.0 billion, 10% higher than the Php 72.6 billion registered the previous year. Return on average equity consequently improved to 49% from 36% in 2012.

During the year, TMP launched the much-anticipated full model change Vios, with innovative features and a completely redesigned and enhanced exterior. The locally assembled Vios continued on to be the country's best-selling vehicle for the year. Moreover, for the second time in a row, the Vios was hailed as the Automobile of the Year in the Auto Focus People's Choice Awards in November. Other Toyota and Lexus models were also recognized during the event as best in their respective categories.

TMP also unveiled the all-new Rav 4, which is powered by a 2.5-liter, Dual VVT-I (Dual Variable Valve Timing-intelligent) engine, as well as the 25th Anniversary Limited Edition Innova (G variant) and the retro-styled FJ Cruiser during the World of Toyota motor show in August. The company likewise launched three new models of its luxury-class Lexus line, the IS 350 and the IS 350-F sport sedans, and the GX 460 sport utility vehicle (SUV).

TMP embarked on an aggressive network expansion program in 2013, particularly focusing on prime locations outside Metro Manila. The program commenced with the February opening of Toyota Calamba in Laguna. Toyota Mandaue South in Cebu and Toyota Marilao, the first Toyota outlet in the province of Bulacan, opened the following month.

The company followed these up with the opening of Toyota Tacloban in Leyte, the first Toyota dealership in Region VIII; Toyota Plaridel, the second outlet in Bulacan; Toyota Cordon in Isabela, the first branch in Region II; Toyota Butuan City; Toyota Camarines Sur, the first dealer outlet in Region V; Toyota Dumaguete City, the fourth branch in Region VII; and Toyota Tagum City. A total of ten new outlets opened in 2013, thereby increasing TMP's dealerships all over the country to 42 by year-end.

After only a year since its groundbreaking, the Toyota Motor Philippines School of Technology, or TMP Tech, was inaugurated. The school, located inside the Toyota Special Economic Zone in Sta. Rosa, Laguna, is envisioned to be the school of choice for technical education and to be the best source of talent for the Toyota Global Network. The school started operating in September 2013 with an inaugural batch of 155 students.

The company also received several awards and citations in 2013. TMP ranked first in the JD Power Asia Pacific's 2013 Customer Satisfaction Index (CSI) study, which measured overall satisfaction among vehicle owners. TMP was also recognized as the Most Outstanding Corporation in the Practice of Corporate Social Responsibility by the Federation of Philippine Industries in its 2013 Recognition Awards.

25 YEARS

MICHINOBU SUGATA
President
Toyota Motor Philippines Corporation

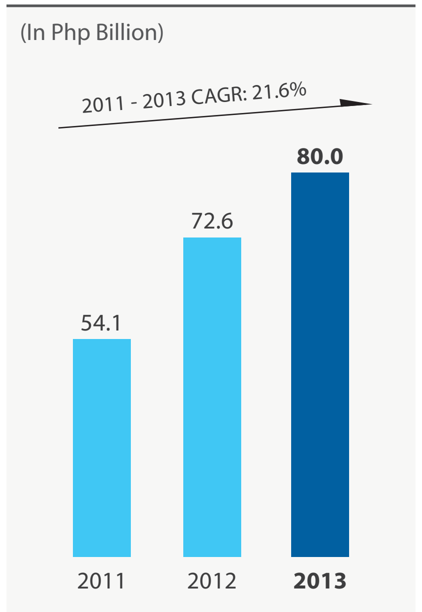
TOYOTA

Financial Highlights

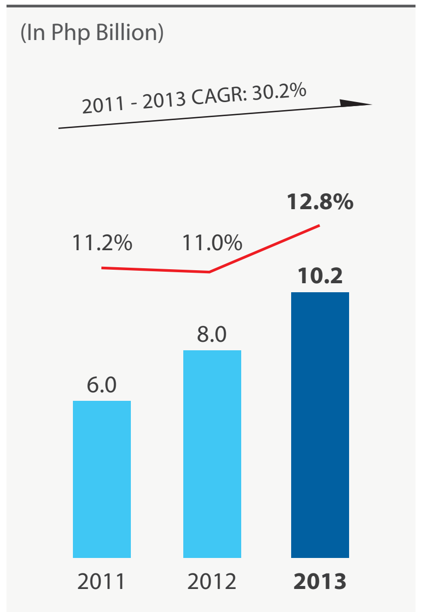
GT CAPITAL HOLDINGS INCORPORATED


Full Model Change Toyota Vios

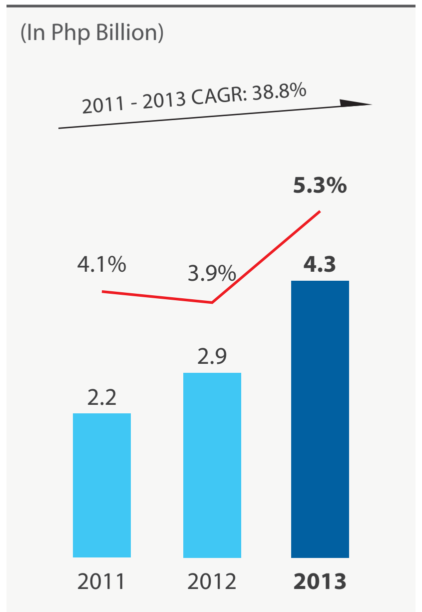
TOTAL REVENUES



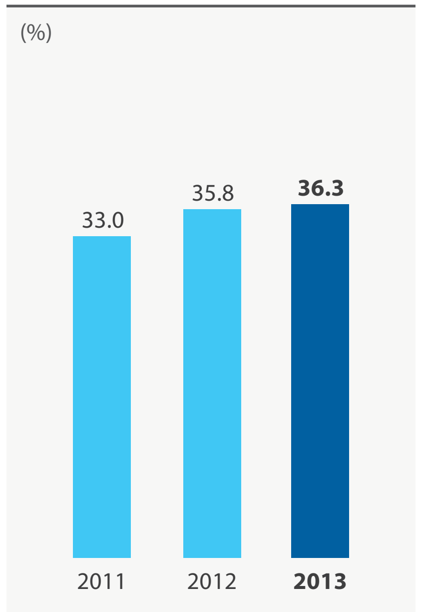
GROSS PROFIT AND GROSS PROFIT MARGIN



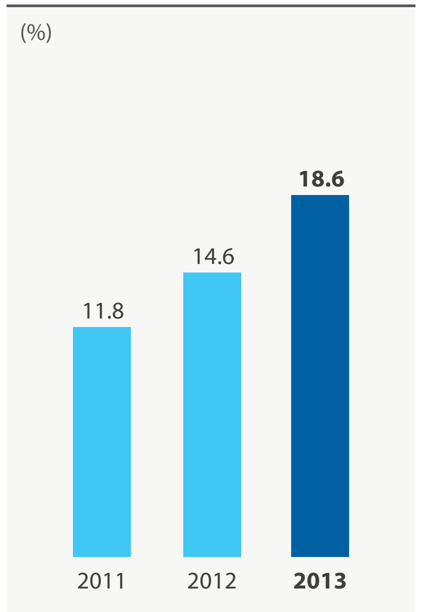
NET INCOME AND NET INCOME MARGIN



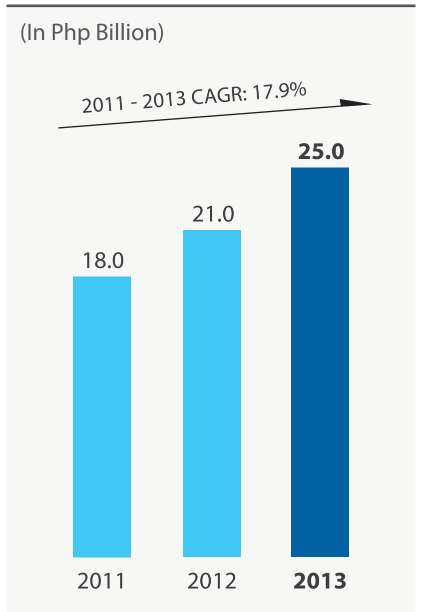
MARKET SHARE



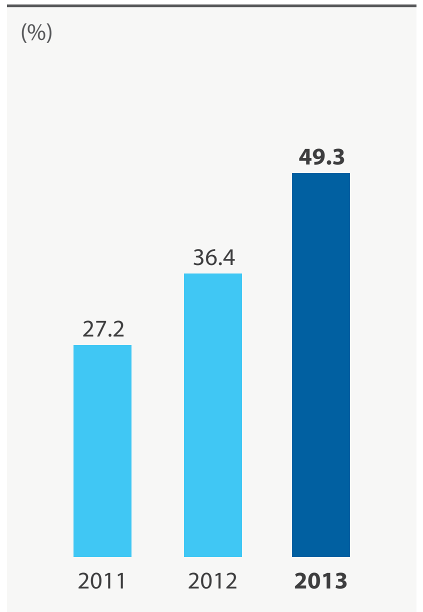
RETURN ON AVERAGE ASSETS (ROAA)



TOTAL ASSETS

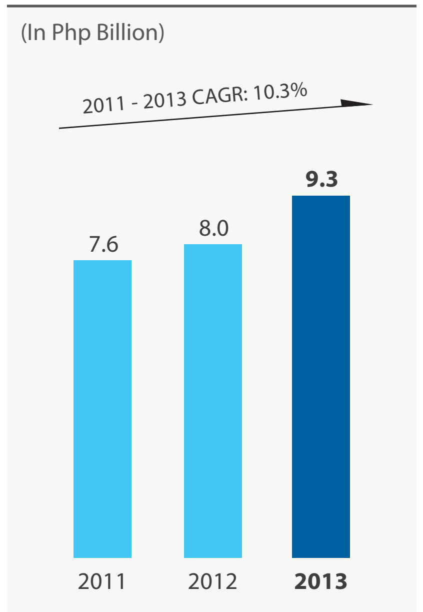


RETURN ON AVERAGE EQUITY (ROAE)



Toyota Innova

TOTAL EQUITY



GLOBAL BUSINESS POWER

The year 2013 was challenging for Global Business Power Corporation (GBPC), the leading independent power producer in the Visayas. Two devastating natural calamities struck the company's area of operations, namely the 7.2-magnitude earthquake in Bohol and super typhoon Yolanda (Haiyan) in Leyte. These events severely curtailed electricity demand from the company's customers and disrupted power distribution due to downed transmission lines in the Visayas.

Consequently, the company posted a consolidated net income of Php 1.9 billion in 2013 from the previous year's Php 2.2 billion. The decline was exacerbated by the softer Wholesale Electricity Spot Market (WESM) prices that resulted from lower peak power consumption during the earlier cold months of 2013 prior to the aforementioned calamities. GBPC's net fees for the period amounted to Php 16.9 billion from Php 19.2 billion in 2013.

Outside of these natural events, 2013 was marked with significant milestones and steady progress for GBPC. The power company entered into a strategic partnership with Orix Corporation (ORIX), one of Japan's leading integrated financial services company, and Meralco PowerGen (MGen), a subsidiary of the Philippines' largest power distribution utility. ORIX and MGen each acquired a 20% ownership stake in GBPC through a share sale agreement with First Metro Investments Corporation (First Metro). Consequently, the company's ownership is now structured as follows, GT Capital Holdings, Inc. at 51%, ORIX and MGen at 20% each, and First Metro at 9%.

The company's expansion efforts in the Visayas grid also gained further headway in 2013. GBPC subsidiary Toledo Power Company (TPC) secured a Php 7.0 billion syndicated loan facility to fund the ongoing construction of its 82-megawatt clean coal-fired power plant expansion project. Construction of the plant is on-track to be completed by end 2014. Another subsidiary, Panay Energy Development Corporation (PEDC), signed Formosa Heavy Industries Corporation of Taiwan to be the technical contractor for the company's 150-megawatt PEDC Unit 3 expansion project.

Global Energy Services Corporation, the official retail energy arm of GBPC, signed new customers to Retail Electricity Supply Agreements during the year. The new customers, cement manufacturer Taiheiyo Cement Philippines, Inc. and steel manufacturer Cathay Pacific Steel Corporation, together with resort hotel Boracay Shangri-La, will source a total of 35.3 megawatts of their energy needs from GBPC's power plants in Iloilo and Toledo.

Moreover, as testament to GBPC's commitment to efficiency and safety, two of the company's subsidiaries, Panay Power Corporation (PPC) and the previously mentioned TPC, achieved the "One Million Man Hours, Zero Accident Safety Milestone" in 2013.

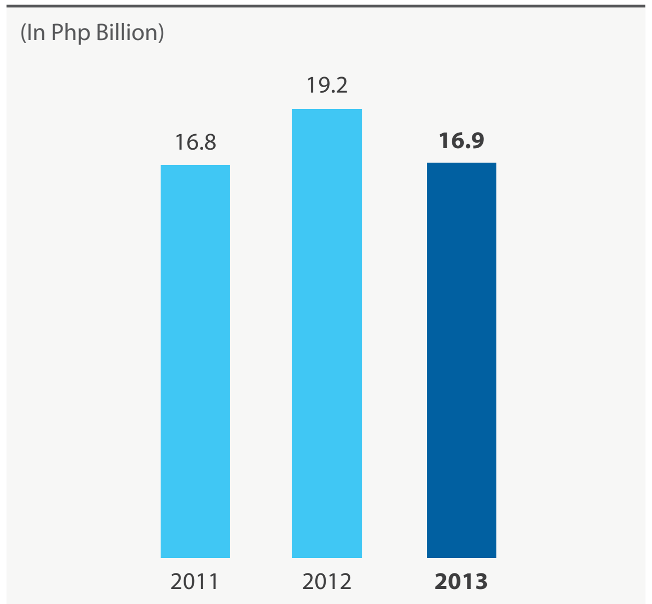
The Company currently owns nine power generation facilities in the Visayas Region and Mindoro Island, with a total installed capacity of 622 megawatts. Two of the company's subsidiaries own and operate clean coal-fired power generating assets, the 246-megawatt Cebu Energy Development Corporation plant, and the 164-megawatt Panay Energy Development Corporation plant. The rest of its power generating fleet consists of a 60-megawatt coal facility and a 40-megawatt fuel oil facility operated by TPC; 72-megawatt, 20-megawatt, 7.5-megawatt, and 5-megawatt fuel oil facilities operated by PPC; and a 7.5-megawatt fuel oil facility operated by GBH Power Resources, Inc.

FRANCISCO C. SEBASTIAN
Chairman/OIC President
Global Business
Power Corporation

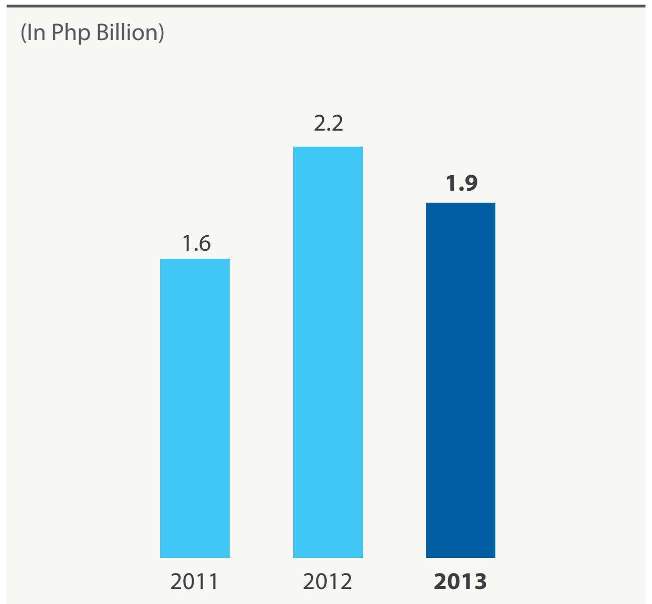
Financial Highlights

246-Megawatt Cebu Energy Development Corporation (CEDC) Power Plant in Toledo, Cebu

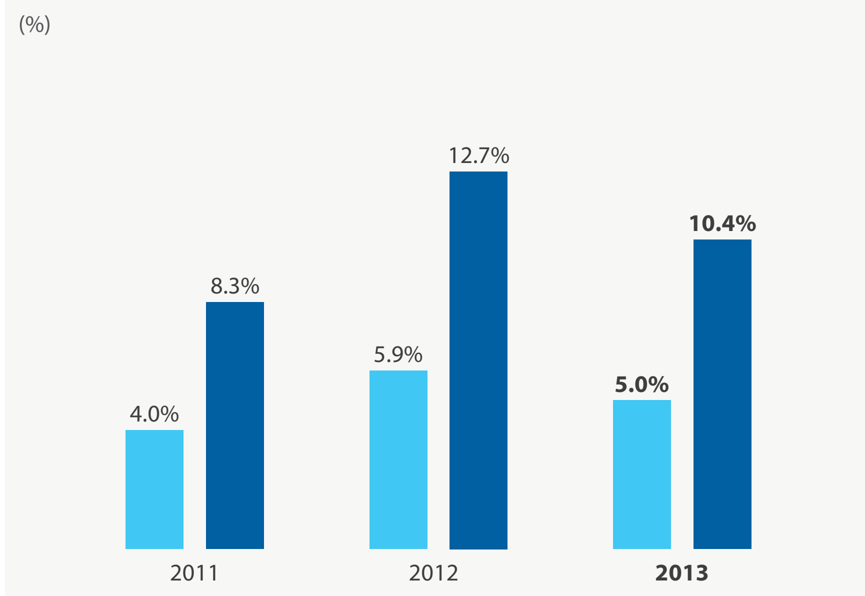
TOTAL REVENUES (NET FEES)



NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS



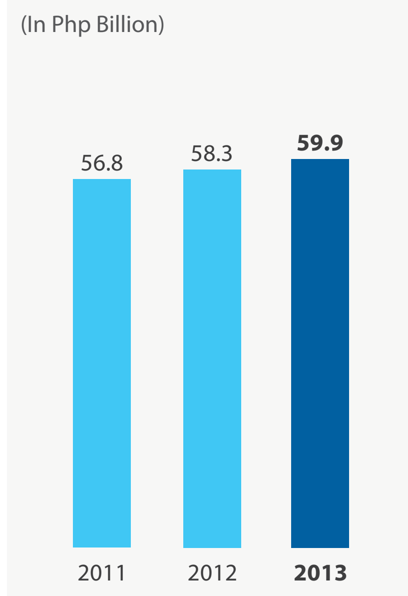
RETURN ON ASSETS* RETURN ON EQUITY**



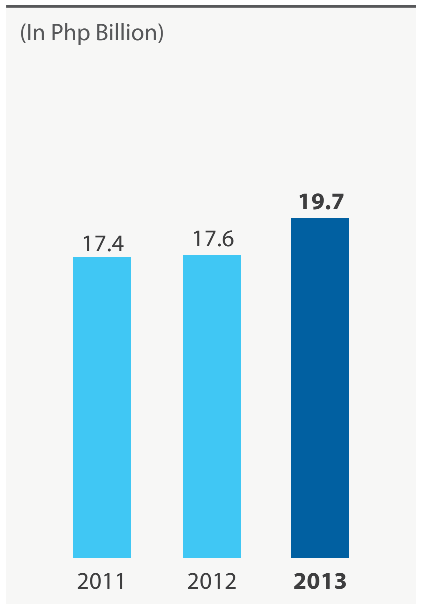
* Net Income divided by Average Total Assets

** Net Income Attributable to Equity Holders divided by Average Equity Attributable to Equity Holders

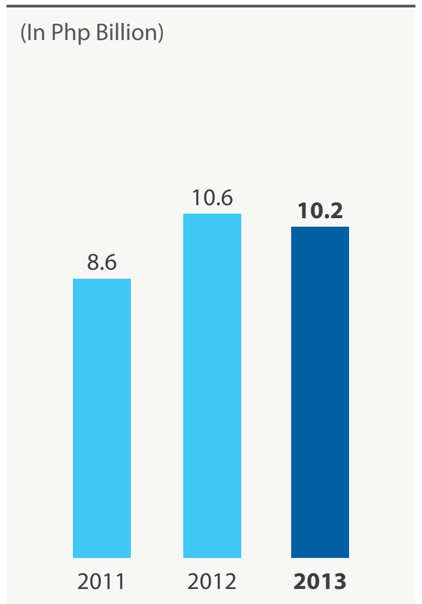
TOTAL ASSETS



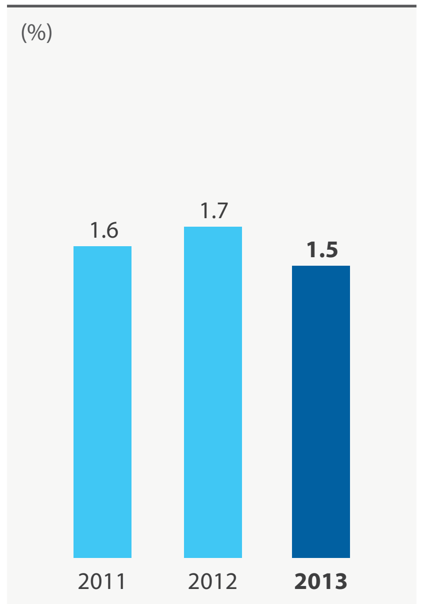
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS



CASH



DEBT-TO-EQUITY RATIO



FEDERAL LAND
GT Capital Holdings
KEEPING YOU IN MIND

+126%
Real Estate Sales Growth

Federal Land, Inc. (Fed Land) continued to deliver encouraging results in 2013, with its core net income rising to Php 1.0 billion from Php 0.53 billion in 2012. The company's total revenues amounted to Php 7.9 billion, registering a 38% improvement from the previous year's Php 5.7 billion. Rental income reached Php 631.7 million, increasing significantly by 171%. Fed Land posted a consolidated net income of Php 1.0 billion for the year, as compared to Php 2.0 billion in 2012 when an extraordinary, non-recurring revaluation gain of Php 1.4 billion was realized. The company's reservation sales amounted to Php 13.9 billion for the year, with total number of units sold at 2,199.

Fed Land launched five new projects in 2013. These comprise the two towers of the upscale Six Senses Resort located at the Metropolitan Park in Pasay City; the 20-storey Boracay Tower of Palm Beach Villas also in the Bay Area of Pasay City; the 35-story One Wilson Square in Greenhills, San Juan; and the Mahogany Tower, the two tower of the Peninsula Garden Midtown Homes in Paco, Manila.

Fed Land likewise inaugurated during the year the showroom of the Grand Hyatt Residences Manila, the branded residential component of a two-tower upscale master-planned development located at the heart of Bonifacio Global City (BGC). The second tower in the project houses the Grand Hyatt Hotel Manila. The 66-storey hotel and the 50-storey residential tower share a common podium, where retail and commercial space will be made available.

In addition, Fed Land topped off new projects in 2013. One is the first tower of the Marco Polo Residences, a luxury high-rise development in Cebu City. The two others are the office level of the new Metrobank Center and the premier class 41-storey Park West, both of which are located at the Veritown Fort, a New York-inspired township in BGC. Meanwhile, several retail tenants of Bluebay Walk, Fed Land's newest open-air lifestyle hub project near Manila Bay, opened their doors to the public during the latter part of 2013.

The company completed several projects in 2013, namely the Royal Palm Tower of Bay Garden Club and Residences at the Metropolitan Park, Pasay City; Riverview Mansion in Binondo, Manila; the Beijing Tower of The Capital Towers in Quezon City; Tower 2 of The Grand Midori in Makati City, and the Valderrama Tower of Tropicana Garden City, a 17-hectare township in Marikina City.

Aside from the seven newly completed projects, Fed Land has 30 ongoing property development initiatives in various stages of completion as of end-2013.

ALFRED V. TY
President
Federal Land, Inc.

FEDERAL LAND
GT Capital Holdings
KEEPING YOU IN MIND

Financial Highlights

GT CAPITAL
HOLDINGS INCORPORATED

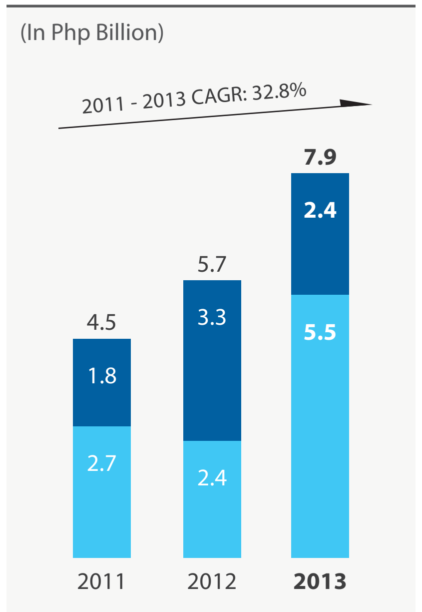
The Blue Bay Walk along Macapagal Ave., Pasay City

Veritown at the Fort, Bonifacio Global City

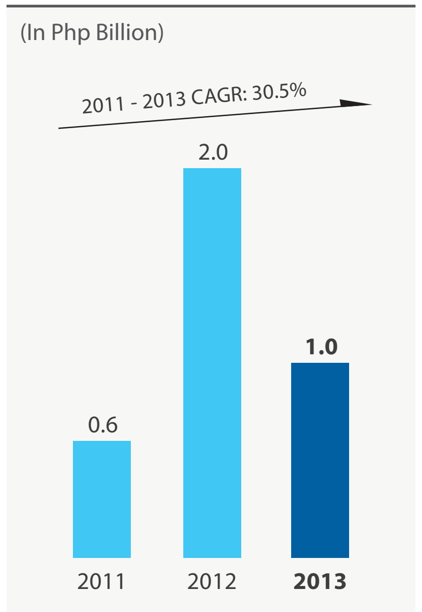
One Wilson Square along Ortigas Ave. corner Wilson St., San Juan City

TOTAL REVENUES

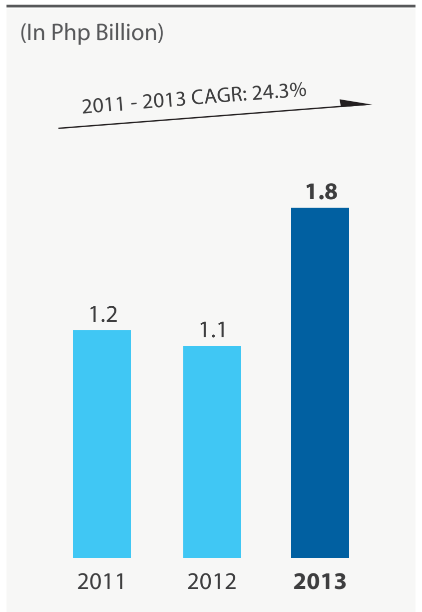
Real Estate Others



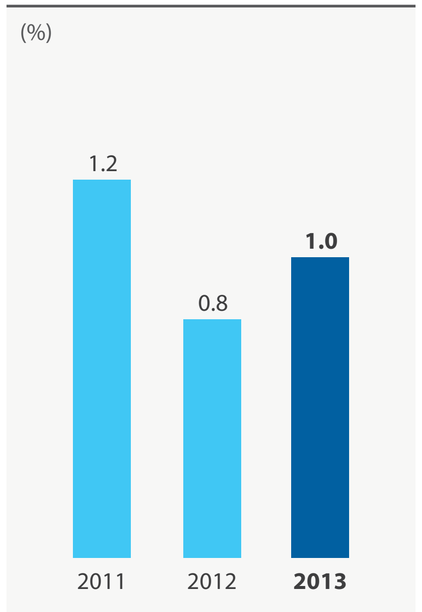
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS



GROSS PROFIT

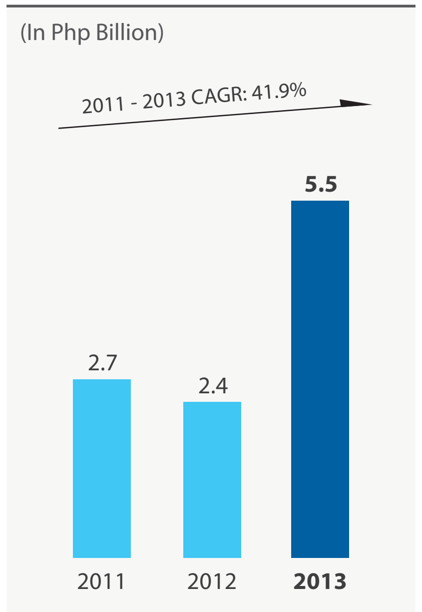


DEBT-TO-EQUITY RATIO*

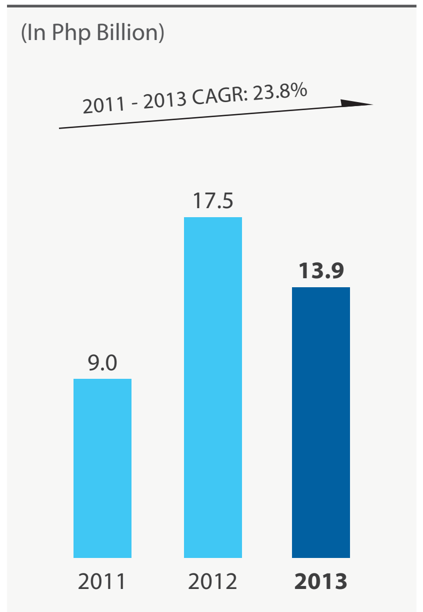


** Short-term and Long-term Loans*

REAL ESTATES SALES



RESERVATION SALES



AXA

redefining / standards

+49%
Gross Premium Growth

Philippine AXA Life Insurance Corporation (AXA Philippines) delivered impressive results in 2013, with total sales in annualized premium equivalent growing from Php 2.8 billion in 2012 to Php 3.6 billion, rising 31%. This lead to gross written premiums increasing from Php 12.3 billion to Php 18.3 billion in 2013, for a 49% increase from the previous year, and assets under management reaching a total of Php 52.5 billion. All these resulted in an increase in net income from Php 0.9 billion in 2012 to Php 1.2 billion in 2013, representing a 30% growth.

In the Philippines, AXA is the unprecedented leader in bancassurance, which the company pioneered together with the Metropolitan Bank & Trust Company (Metrobank) in 2000. In 2013, bancassurance accounted for 64% of the company's total sales, while the balance was mainly brought in by the fast growing agency channel.

AXA Philippines' agency channel is comprised of 1,800 financial advisors working from a total of 28 offices nationwide. In 2013, AXA Philippines further expanded its national footprint by opening new and upgrading existing agency offices in General Santos City, Bonifacio Global City, Ortigas, Quezon City, and Iloilo City. The agency channel was able to achieve an impressive growth of almost 50% over the previous year in new sales. Developing further this channel in both quantity and quality is high on AXA Philippines management's agenda.

620 Metrobank branches nationwide are covered by a team of 460 AXA Philippines financial executives. In the past years, the focus has been on improving their knowledge of financial planning and insurance. This resulted in significant increases in the productivity of the financial executives and allowed sales to grow by more than 40%, while maintaining approximately the same number of sales staff.

Group and employee insurance products are offered through AXA Philippines' corporate solutions team of 35 corporate solutions officers, who were able to grow the number of insured clients by 60%, exceeding the 350,000 target.

Key customer-centric initiatives launched in 2013 include Fail Proof Your Future (Fail Proof), a financial planning program that helps AXA Philippines customers secure their future. Offering protection to affected persons when their source of income comes to an abrupt end due to death or disability of the income earner, enabling them to prepare for their income after retirement, offering financial support when a serious illness strikes, or providing tools to ensure that funds are available when children start their costly education, are the key needs that have to be addressed with the right financial solutions.

True to the spirit of redefining insurance, AXA Philippines once again introduced a series of innovations in the industry, such as:

- MSwipe, a mobile payment system that allows the real-time processing of credit card payments through smartphones or tablets, enabling customers to pay their premiums more conveniently.
- myAXAbiz, a sales-force automation tool that allows AXA Philippines distributors to provide customers with what they need at a faster pace. This service is the first of its kind in the country and effectively earns for AXA Philippines the distinction of being the digital pioneers in the market.
- Group Management System (GMS), an internet-based system that enables group clients to fully manage and service their member accounts. AXA Philippines is the first and only provider in the country's group insurance market to offer online membership enrolment, eReceipting, eCertificates, eBilling, and underwriting requirements monitoring.

As testament to its success not only in the Philippines but also on the global level, Interbrand, the world's leading brand consultancy, recognized AXA as the "Best Global Insurance Brand of 2013", giving AXA the distinction of becoming the number one insurance company for the fifth consecutive year.

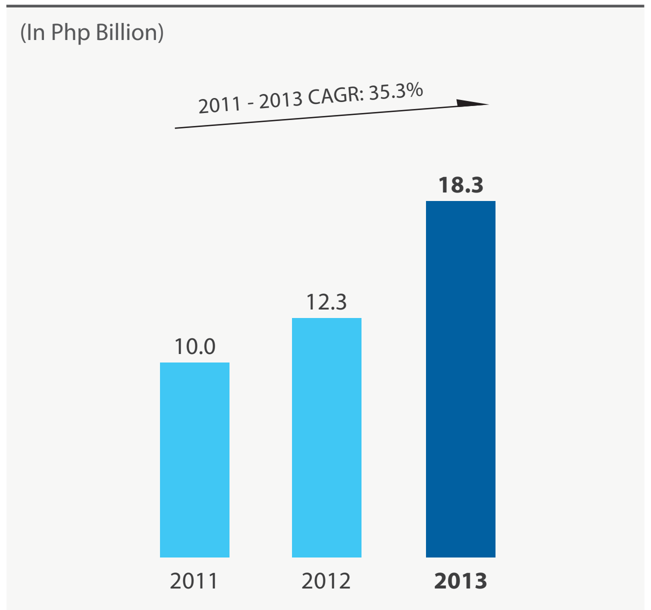
SEVERINUS P.P. HERMANS
President
Philippine AXA Life Insurance Corporation

redefining / standards

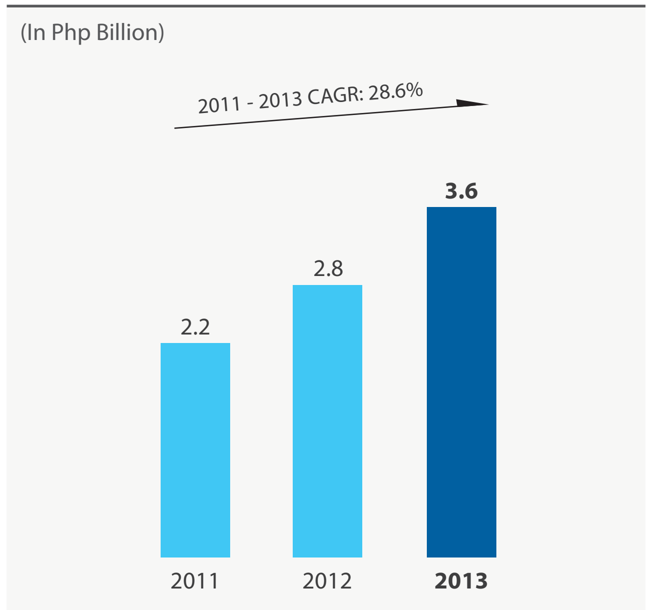
Financial Highlights

Inauguration of AXA Philippines' newly renovated branch along Quezon Avenue, Quezon City.

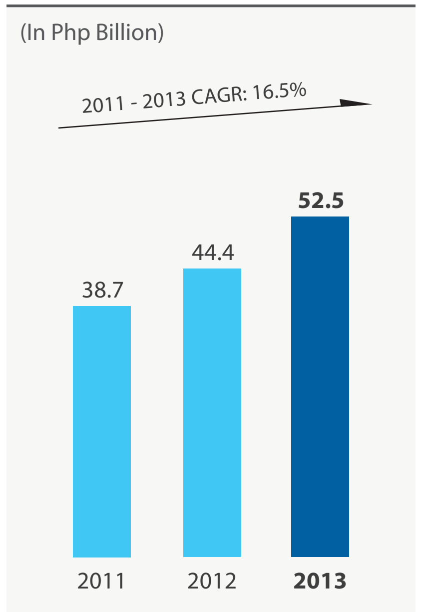
GROSS PREMIUMS



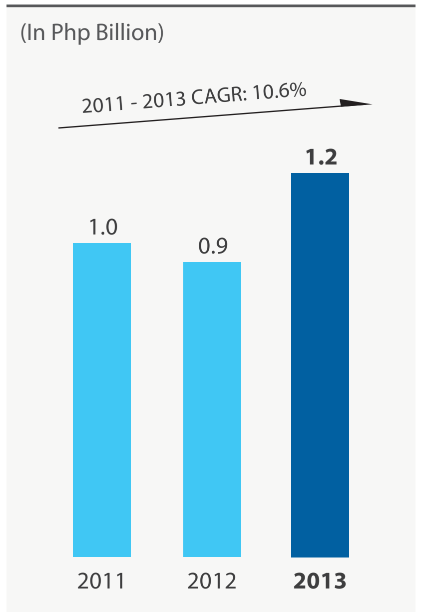
ANNUAL PREMIUM EQUIVALENT



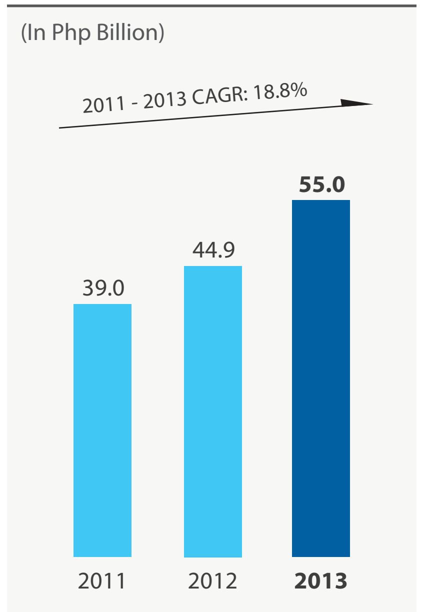
ASSETS UNDER MANAGEMENT



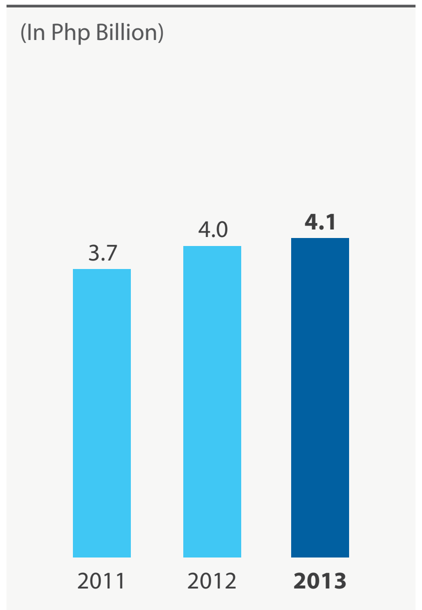
NET INCOME



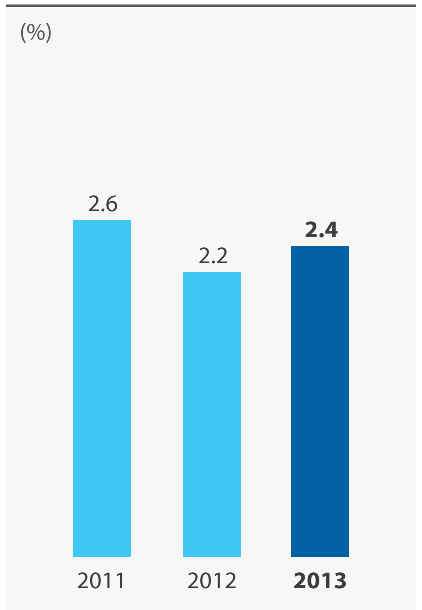
TOTAL ASSETS



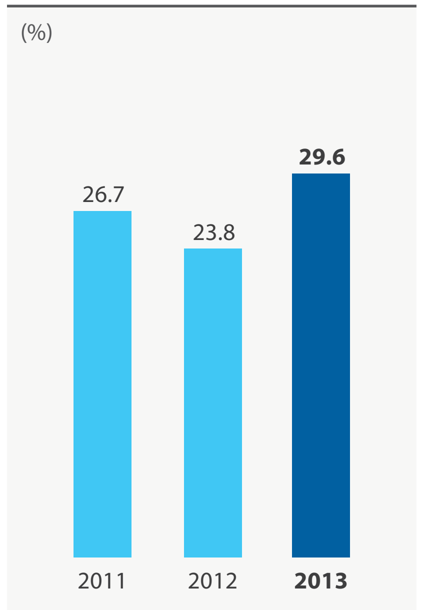
TOTAL EQUITY



RETURN ON AVERAGE ASSETS (ROAA)



RETURN ON AVERAGE EQUITY (ROAE)



+21%
Gross Premium Growth

Charter Ping An Insurance Corporation (Charter Ping An) is a non-life insurance company that offers fire, motor car, marine cargo, personal accident, bonds, casualty, and engineering insurance solutions in the Philippines.

In October 2013, GT Capital Holdings, Inc. (GT Capital) acquired 2.3 million common shares of Charter Ping An with a total transaction value of Php 1.4 billion. As of end 2013, GT Capital owned 66.7% of the insurance company. In January 2014, the remaining 33.3% of Charter Ping An was also acquired by GT Capital for Php 712.0 million. With those developments, Charter Ping An became the sixth component company in the GT Capital group.

Charter Ping An ended 2013 with gross premium written amounting to Php 3.5 billion, a 21% increase from the Php 2.9 billion the previous year. Net premiums earned amounted to Php 1.7 billion, 14% higher than the Php 1.4 billion realized in 2012. Net income amounted to Php 190.0 million during the period from Php 215.1 million in 2012, due to unusually higher insurance claims arising from the severe natural calamities that struck the Visayas in 2013.

Charter Ping An expanded its marketing network in 2013, increasing the number of licensed agents to 730, from 493 in 2012. It was also aggressive in establishing partnerships with various car dealers in the country, growing the number of partner dealers to 56 from 28 the previous year.

The company also made strides in improving its service to existing clients. For instance, the payment of insurance premiums can already be done through the company's credit card facility. This service, which is in partnership with Metrobank Card Corporation (MCC), is available at the company's Makati head office and at its Manila, Quezon City, Cebu, and Davao branches. Clients can now also easily access information on Charter Ping An's products and services through the company's newly enhanced interactive website.

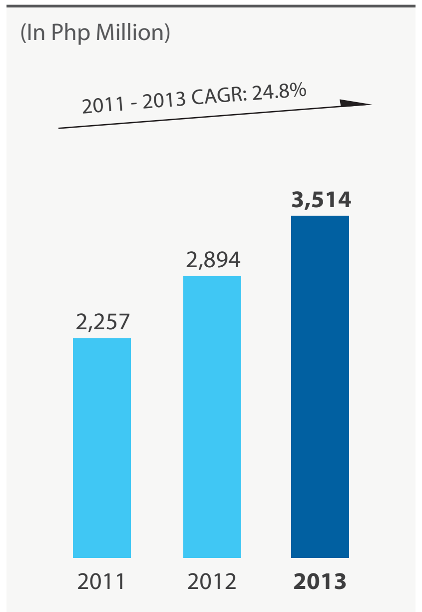
Charter Ping An was also able to establish affiliate company partnerships in 2013, with the objective of expanding its customer base and tapping into new service areas. In this regard, the company has teamed up with Philippine Savings Bank (PS Bank) to provide accident insurance for the Bank's Kiddie Savers and Teen Savers account holders. In addition, the company has collaborated with MCC to offer Metro Fraud Guard to the credit card company's cardholders. The company has also stepped up its marketing efforts, launching in 2013 a sales promo initiative called Race of the Champs.

MELECIO C. MALLILLIN
President
Charter Ping An Insurance Corporation

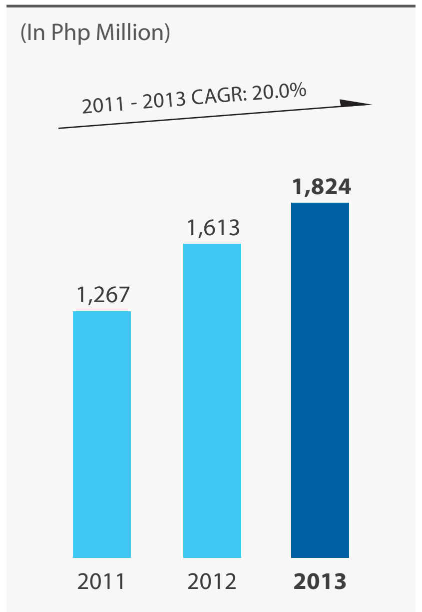
Financial Highlights

Charter Ping An key executives attend the Million Producers Night, which honors the company's top performing agents.

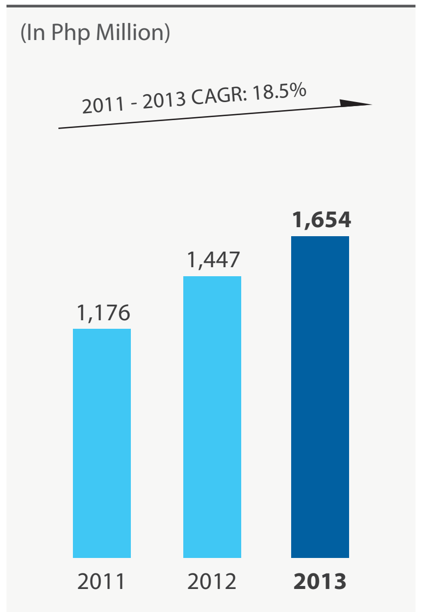
GROSS PREMIUMS WRITTEN



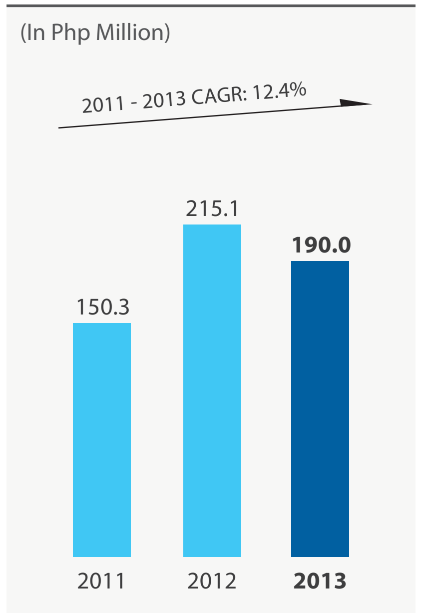
NET PREMIUMS WRITTEN



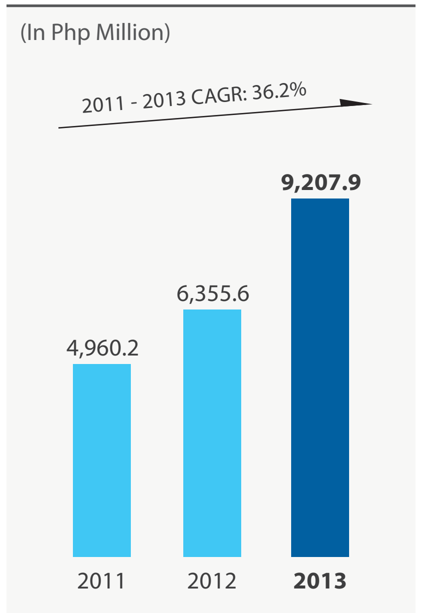
NET PREMIUMS EARNED



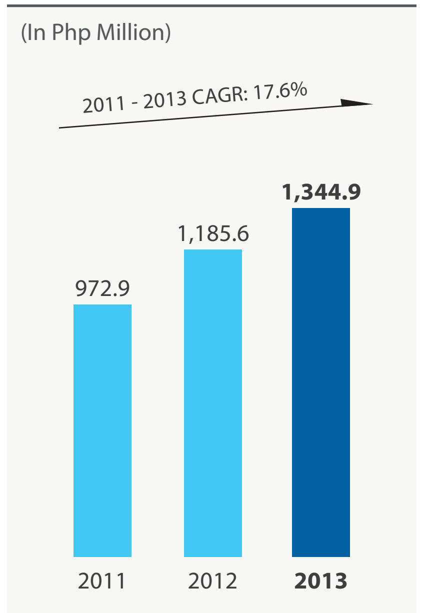
NET INCOME



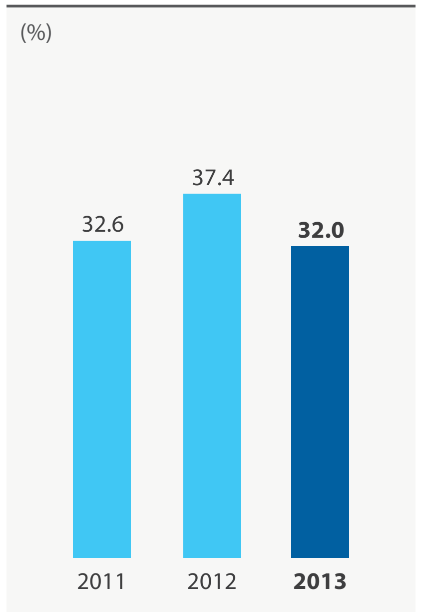
TOTAL ASSETS



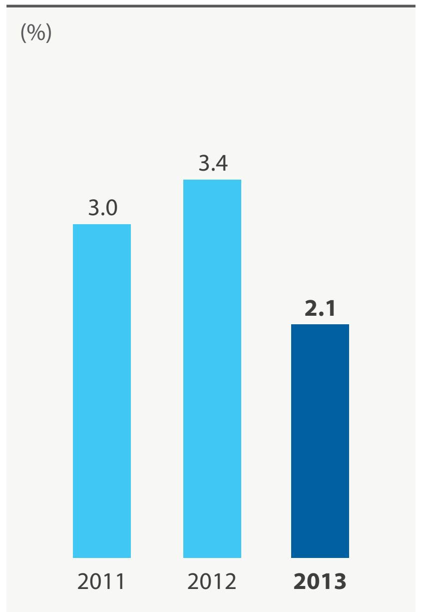
TOTAL EQUITY



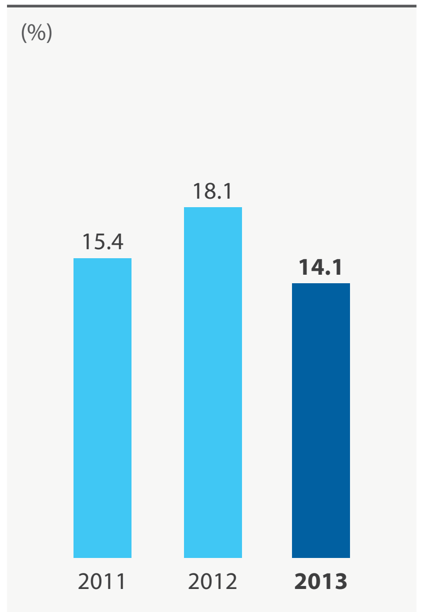
GROSS PROFIT MARGIN



RETURN ON ASSETS RATIO



RETURN ON EQUITY RATIO



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, S.A. 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 CORPORATION 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.

AUSTRALIA AND NEW ZEALAND BANKING GROUP 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 CORPORATION 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, chemicals, 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 & CO. LTD. 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 range 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 businesses, 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.

MERALCO POWERGEN CORPORATION (MGEN), a wholly-owned subsidiary of Meralco aims to develop, build, own and operate a diversified power portfolio of up to 3,000MW by 2020. Its mission is to pursue the development and construction of highly cost-competitive and reliable power plants to ensure the provision of adequate, reliable, and affordable power to customers in the Meralco franchise area and other areas. MGen signed a Share Sale and Purchase Agreement (SSPA) in October 2013 with First Metro Investment Corporation (First Metro) for the acquisition of a 20% share in Global Business Power Corporation (GBPC). The transaction was completed in the same month with the signing of a Shareholders' Agreement (SHA) with First Metro, GT Capital Holdings, Inc., ORIX Corporation of Japan, and Global Power. MGen's parent, Meralco, is the largest electricity utility in the country. With over five million customers, the company accounts for about 74% of electricity sales in Luzon or about 55% of electricity sales in the Philippines. Meralco's franchise area also accounts for 60% of the total manufacturing output in the Phils. MGen signed a Share Sale and Purchase Agreement (SSPA) in October with First Metro Investment Corporation (First Metro) for the acquisition of a 20% share in Global Business Power Corporation (Global Power). The transaction was completed in the same month with the signing of a Shareholders' Agreement (SHA) with First Metro, GT Capital Holdings, Inc., ORIX Corporation of Japan, and Global Power.

Corporate Governance Report

Corporate governance is an essential component of sound strategic business management, thus GT Capital continues to build on its existing corporate governance practices guided predominantly by the principles under the Revised Code of Corporate Governance, the ASEAN Corporate Governance Scorecard and the Corporate Governance Guidelines of the Philippine Stock Exchange (PSE). The Compliance Officer, with direct reporting responsibilities to the Chairman of the Board, ensures that GT Capital complies with its Manual on Corporate Governance (Manual).

In March 2013, GT Capital amended its Manual, incorporating ASEAN Corporate Governance Principles and Corporate Governance Guidelines of the PSE. In March 2013 and July 2013, GT Capital submitted respectively to the PSE and the Securities and Exchange Commission its Corporate Governance Guidelines Disclosure Survey and its Annual Corporate Governance Report. In October 2013, GT Capital appointed its Chief Audit Executive, Richel D. Mendoza, to begin its internal audit and risk oversight initiatives.

BOARD OF DIRECTORS AND MANAGEMENT

GT Capital's Board is responsible for fostering the long-term success of the Corporation and securing its sustained growth and competitiveness in a manner consistent with its fiduciary responsibility to act in the best interest of GT Capital and all of its stakeholders. It provides an independent check on Management in the setting of corporate policies and the accomplishment of corporate objectives.

Board Composition

GT Capital's Board is composed of nine members, elected annually by the stockholders. GT Capital values, promotes, and observes a policy on diversity in the composition of its Board. As such, the members of the Board possess diverse expertise, experience, and background in the areas of business, finance, and law.

As of December 31, 2013, three Board members are independent, more than the minimum required by law. GT Capital observes the requirements of the Manual and the rules and regulations of the Securities and Exchange Commission regarding the qualifications, nomination process and election of independent directors. An independent director is defined under the Manual 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 Manual requires the roles of the Chairman and the President to be separate, in order to foster an appropriate balance of power, increase accountability, and ensure the Board's capacity for independent decision making. Arthur V. Ty has served as the Chairman of the Board of GT Capital, while Carmelo Maria Luza Bautista has served as its President, since listing in April 2012.

Duties and Responsibilities of the Board

The duties and responsibilities of the Board under GT Capital's Manual include:

- Providing sound strategic policies and guidelines on major investments and capital expenditures.
- Periodically evaluating and monitoring the implementation of such policies, including business plans, operating budgets and Managements' overall performance.
- Identifying key risk areas and performance indicators and monitoring these factors to anticipate and prepare for possible threats to GT Capital's operational and financial viability.
- Formulating and implementing policies and procedures to ensure the integrity and transparency of related party transactions.

Board Policies on Conflicts of Interest and Insider Trading

Under the GT Capital Manual, a director may not use his position to profit or gain benefit or advantage for himself or his related interests, and must avoid situations which may compromise his impartiality. Should an actual or potential conflict of interest arise on the part of a director he should fully and immediately disclose it and decline to participate in the decision-making process.

A director is also duty bound to keep secure and confidential all non-public information he may acquire or learn by reason of his position on the Board. He should not reveal confidential information to unauthorized persons without the authority of the Board, nor trade on such information. Directors and principal officers are prohibited from dealing in GT Capital's securities from the time they receive or become aware of material non-public information and for up to two full trading days after proper disclosure to the investing public. GT Capital considers insider trading a very serious offense and shall prohibit the continued service of any director, officer, or employee who is convicted of insider trading.

Board Committees and Performance

Board meetings are held regularly and dates of the regular meetings are set at the beginning of every year. 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 seven times in 2013. The table below indicates the attendance of the directors for 2013:

Name	No. of Meetings Attended
George S.K. Ty *(Group Chairman)*	5/7
Arthur V. Ty *(Chairman)*	7/7
Alfred V. Ty *(Vice-Chairman)*	5/7
Carmelo Maria Luza Bautista *(President and Director)*	7/7
Solomon S. Cua *(Director)*	6/7
Roderico V. Puno *(Director)*	5/7
Jaime Miguel G. Belmonte *(Independent Director)*	7/7
Christopher P. Beshouri *(Independent Director)*	5/5
Wilfredo A. Paras *(Independent Director)*	5/5

The Board has established committees to assist in exercising its authority and monitoring the performance of the business. GT Capital has an Executive Committee, a Compensation Committee, a Nominations Committee, an Audit Committee, a Corporate Governance Committee, and a recently constituted Risk Oversight Committee. Each committee is governed by its respective charters, which are reviewed annually and updated if necessary. 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 shareholders' approval; 2) filling of vacancies in the Board; 3) amendment or repeal of GT Capital'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.

The Executive Committee is composed of Alfred V. Ty (Chairman), Mary Vy Ty (Vice-Chairman), Carmelo Maria Luza Bautista (Member), Solomon S. Cua (Member), and Arthur V. Ty (Adviser). The Executive Committee met once in 2013, and the meeting was attended by all its members.

Compensation Committee

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

The members of the Compensation Committee are Alfred V. Ty (Chairman), Solomon S. Cua (Member) and Jaime Miguel G. Belmonte (Member-Independent Director)

Nominations Committee

The Nominations Committee is composed of three voting directors. 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.

The members of the Committee are Roderico V. Puno (Chairman), Carmelo Maria Luza Bautista (Member), and Wilfredo A. Paras (Member-Independent Director).

Corporate Governance Report

Audit Committee

The Audit Committee consists of three directors, all of whom are non-executive directors. At least one member has accounting and finance background, as well as audit experience, and the Chairman is an independent director. 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 also has oversight functions over GT Capital's external auditor and is responsible for its appointment and the monitoring of non-audit fees paid to the external auditor.

The Audit Committee has as its members Wilfredo A. Paras (Chairman – Independent Director), Christopher P. Beshouri (Member – Independent Director), and Solomon S. Cua (Member). The Committee met five times in 2013 and has a 100% attendance record for current members.

Corporate Governance Committee

The Corporate Governance Committee is composed of three members, all of whom are independent directors. It is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles as well as the review of GT Capital's related party transactions (RPTs).

The members of the Corporate Governance Committee are Christopher P. Beshouri (Chairman), Wilfredo A. Paras (Member) and Jaime Miguel G. Belmonte (Member). The Committee met six times in 2013, and all current directors have a perfect attendance record.

Functioning as a Related Party Transactions Committee, the Corporate Governance Committee in 2013, after thorough review, approved for endorsement to the Board of Directors, the acquisition of shares in Toyota Motor Philippines Corporation, Charter Ping An Insurance Corporation and Toyota Manila Bay Corporation. Independent valuation exercises and third party fairness opinions were also obtained by GT Capital in relation to each transaction in line with corporate governance best practices. There were no RPTs in 2013 that were classified as financial assistance.

Risk Oversight Committee

The Risk Oversight Committee shall be composed of at least three members, including at least one independent director. Its Chairman shall be a non-executive director, and its members shall possess a range of expertise and adequate knowledge of the institution's risk exposures, in order for the Committee to develop appropriate strategies for addressing identified key risk areas. The Committee shall be responsible for institutionalizing and overseeing GT Capital's risk management program and monitoring the risk management policies and procedures of GT Capital's subsidiaries in relation to its own.

The members of GT Capital's Risk Oversight Committee shall be appointed during the 2014 Organizational Meeting, to be held on May 12, 2014. In the interim period, GT Capital's Audit Committee has functioned as its Risk Oversight Committee.

RISK MANAGEMENT

In keeping with the PSE's Corporate Governance Guidelines which requires the establishment of a risk management policy and the undertaking of enterprise risk management activities within an internationally acceptable framework, GT Capital's Board approved the creation of the Risk Oversight Committee, including its Charter and a Risk Management Policy. The Enterprise Risk Management initiative aims to foster the growth of shareholder value by the comprehensive review and improvement of GT Capital's management infrastructure and culture and ensuring that the relevant activities are aligned with the overall goals and strategies of GT Capital.

AUDIT AND ACCOUNTABILITY

Internal Audit

The Internal Audit function of GT Capital was formally created with the appointment of Richel D. Mendoza as its Chief Audit Executive (CAE), with the goal of providing an independent, objective assurance and consulting activity designed to add value and improve the organization's internal controls, risk management and governance processes through a systematic and disciplined approach.

To provide for independence of the internal audit group, the Internal Audit Charter provides that the CAE functionally reports to the Audit Committee and administratively to the President. The Audit Committee is responsible for the appointment and replacement of the CAE, as necessary.

Aligned with GT Capital's mission to ensure sustainable long-term profitability, to increase shareholder value and to create synergies, a risk-based audit plan was prepared and approved by the Audit Committee which shall be carried out by qualified personnel who are Certified Public Accountants, Certified Internal Auditors, and/or Certified Information Systems Auditors.

The CAE supervises the internal audit units of GT Capital's subsidiaries and provides oversight to its associates in order to evaluate conformity with the International Professional Practices Framework, including compliance with the Internal Audit Definition, Standards, and Code of Ethics.

Independent Public Accountants

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

The fees for each of the last two fiscal years for professional services rendered by the external auditor were as follows:

	For the year ended December 31	
	2012	2013
(in Php thousands)		
Audit and Audit-Related Services	1,440	1,400
Non-Audit Services	30,000	11,161
Total	31,440	12,561

Audit Services and Audit-Related 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, while Non-Audit Services in 2013 and 2012 are in relation to GT Capital's Bond Offering and Initial Public Offering, respectively. Tax consultancy services are secured from other entities other than the external auditor.

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

DISCLOSURE AND TRANSPARENCY

Ownership Structure

As of December 31, 2013, the following are the owners of GT Capital's common stock in excess of 5% of total outstanding shares:

Record Owner	No. of Shares Held	Percentage (%)
Grand Titan Capital Holdings, Inc.	103,371,110	59.306%
PCD Nominee Corp. (Non-Filipino)	57,908,960	33.224%
PCD Nominee Corp. (Filipino)	12,376,719	7.101%

No director or officer has shareholdings in GT Capital amounting to 5% or more of its outstanding capital stock. Likewise, there are no cross or pyramid shareholdings.

Content and Timing of Disclosures

As a publicly listed company, GT Capital complies with all reportorial and disclosure requirements imposed by regulatory agencies such as the Securities and Exchange Commission, the PSE and the Philippine

Corporate Governance Report

Dealing and Exchange Corporation. GT Capital strictly adheres to a policy of providing the investing public with accurate and timely disclosures through filings with these regulatory agencies as well as the posting of the information onto the GT Capital website: www.gtcapital.com.ph.

Financial Reporting

GT Capital's financial statements comply with Philippine Accounting Standards and Philippine Financial Reporting Standards and are submitted and disclosed in compliance with the applicable laws, rules and regulations.

Dividend Policy

GT Capital's dividend policy under its By-laws is to declare and pay out of the unrestricted retained earnings cash, property, or stock dividends to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine in accordance with law. Pursuant to the said policy, GT Capital paid cash dividends to its shareholders in 2011, 2012 and 2013 in the amounts of Php 500 million, Php 500.9 million and Php 522.9 million, respectively.

Disclosure of Trades of Directors and Senior Management

In addition to its policy on insider trading, GT Capital discloses the transactions of its principal stockholder (Grand Titan Capital Holdings, Inc.), directors, and principal officers involving GT Capital shares, in compliance with PSE's Revised Disclosure Rules and the Implementing Rules and Regulations of the Securities Regulation Code. Any acquisition or disposal of GT Capital shares by the aforementioned persons are reported to GT Capital on the date of the transaction for the timely submission of the appropriate reports to the PSE and the Securities and Exchange Commission.

STAKEHOLDER RELATIONS

Shareholder Meeting and Voting Procedures

Under GT Capital's Amended By-laws, the Annual Meeting of Stockholders is held on the second Monday of May. 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 conducted 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. GT Capital's Investor Relations Division aims to impart a thorough understanding of GT Capital's strategies in creating shareholder value.

The Investor Relations Division compiles and reports relevant documents and data 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, the annual stockholders' meeting, road shows, investor conferences, e-mail correspondences or telephone queries, teleconferences, the annual report, and GT Capital's website.

In 2013, GT Capital's Investor Relations Division conducted six briefings, three of which were for the company's first quarter, first half, and nine months financial and operating results. The three other briefings were regarding the company's maiden Peso retail bond issue. In addition, the Investor Relations Division held 99 one-on-one institutional investor meetings, participated in nine foreign and domestic investor road shows and conferences, completed eight international conference calls, and organized ten site visits for institutional investors to GT Capital's various component companies.

CORPORATE SOCIAL RESPONSIBILITY: *Giving back to the community*

GT Capital Holdings, Inc. (GT Capital) commits itself to the principles and practice of corporate social responsibility. It firmly believes that corporate growth and expansion must be complemented with sincere efforts to give back to the community. This is why GT Capital and its component companies are actively involved in various corporate social responsibility initiatives.

Metrobank

Metrobank Foundation
Excel. Engage. Empower.

Giving Back and Helping Out in Various Ways

The Metropolitan Bank & Trust Company (Metrobank) is proud to have for its primary corporate social responsibility and philanthropic arm the Metrobank Foundation, Inc. (MBFI). Established in 1979 by no less than Metrobank founder and Group Chairman Dr. George S.K. Ty, MBFI is actively engaged in social development projects throughout the Philippines.

In 2013, MBFI forged on with its existing programs while initiating new ones, all with the noble aim of honoring outstanding Filipinos in their respective fields and propagating a culture of excellence. The Foundation's programs on education, peace and security, and the visual arts continued to serve as venues to cite exemplary individuals.

As part of Metrobank's 51st anniversary celebration in September 2013, MBFI honored the awardees of the year's Search for Outstanding Teachers, The Outstanding Philippine Soldiers (TOPS), and the Country's Outstanding Police Officers in Service (COPS) during special ceremonies held at the Metrobank Plaza Auditorium. The awardees were all recognized for their exceptional achievements in their fields and for their service beyond the call of duty.

The Foundation, in partnership with the Probe Media Foundation, also cited three media personalities as Journalists of the Year, after a long and rigorous screening process. The Journalists of the Year award celebrates and honors distinctive Filipino journalists from print, television, radio, and online media whose excellent practice of journalism and responsible story telling has contributed to national development and has influenced and inspired their colleagues and the broader media industry over the years. The awardees are also the Foundation's fellows in journalism and will share their expertise through lectures to be held across the country.

The Metrobank Art & Design Excellence Network of Winners, or MADE-NOW, in turn, launched an outreach project dubbed Project Heart in April. The outreach project, which was created in consultation with clinical psychologist Dr. Grace Brillantes-Evangelista, is a series of interventions using art for therapy and education. The program has three components, namely Heart for Healing: Art Psycho-social Intervention for Teens, in partnership with the Autism Society of the Philippines; Heart for Self-Transformation: Art Psycho-social Intervention for Children-in-conflict-with-the-Law; and Heart for Wellness. MADE-NOW is the alumni organization of Metrobank Art & Design Excellence composed of former winners in the Foundation's painting, sculpture, interior design, and architecture competitions.

In 2013, the Philippines was struck by devastating natural calamities. The 7.2-magnitude earthquake in Bohol and Super Typhoon Yolanda or Haiyan, which hit the Visayas in the last quarter of the year brought about tragic destruction to lives and property. Realizing the urgency of the matter, the Metrobank Group with MBFI and GT Metro Foundation were quick to organize and implement initiatives to help the victims of the calamities.

The Metrobank Group pledged a consolidated Php 55.0 million donation to assist in the relief and rehabilitation efforts for families affected by Typhoon Yolanda. Approximately Php 25.0 million of this amount was allotted for relief operations in identified areas and for donations to various media organizations, local government units, and socio-civic organizations. The other half was allocated for the rehabilitation of affected infrastructure such as churches, schools, health facilities and for livelihood activities in stricken communities.

Moreover, the Helping Hands relief operations, spearheaded by the Foundation and conducted by Metrobank Group employee volunteers, was able to provide relief goods to 21,072 families in four cities and 23 towns in nine of the hardest-hit provinces in the Visayas. This includes 5,000 families that were

provided relief goods by Global Business Power Corporation, the power generation subsidiary of GT Capital Holdings, Inc.

Together with relief operations, a donation drive called I Am B.L.E.S.T. (Bringing Love and Encouragement to Students and Teachers) was conducted to uplift the morale of students and teachers who survived Typhoon Yolanda through donation of health kits, books and educational toys.

Finally, Heart for Humanity, an art psychosocial intervention for Metrobank employees from Tacloban City who endured the super typhoon, was jointly conducted by MBFI through its art and design unit and MADE-NOW. Another session was held for employees of the Foundation and GT-Metro Foundation who were deployed in different relief missions.

On another front, MBFI through its health-care affiliate, the Manila Doctors Hospital (MDH), organized medical missions in the earthquake-stricken areas of Bohol. More than 2,300 residents in six heavily damaged municipalities of Bohol were assisted by the MDH through a medical mission held in November. The MDH medical team went to the municipalities of Sagbayan, Loon, Batuan, Sevilla, Carmen, and San Isidro and provided medical consultation and treatment to the earthquake victims.

The MDH also conducted medical missions in Leyte before the year ended, coinciding with the Helping Hands relief operations, in the municipalities of Abuyog, Dulag, Palo, and Tanauan. A total of 3,599 individuals were served in these missions.

MBFI also continued with its scholarship programs in 2013, supporting the education of financially challenged but academically outstanding students. As of end-2013, the Foundation provided diverse educational support to around 500 students from first grade to the college level in select educational institutions across the country including 20 new scholars who were added for school year 2013-2014.

Fittingly, MBFI's CSR programs were given recognition by different institutions during the year. The Foundation was cited by the De La Salle University as a model of outstanding leadership in corporate sustainability and responsibility. The citation recognized the Foundation's various programs and accomplishments on the promotion of a culture of excellence and the improvement of the quality of life among Filipinos.

The Foundation also emerged as one of the most awarded institutions in the 2013 Philippine Quill Awards. Metrobank, through MBFI, was nominated for Company of the Year, with a total of eight Quill Awards. Moreover, the Foundation got four awards of excellence for its various CSR programs. The Foundation also emerged as the most lauded organization at the 49th Anvil Awards by the Public Relations Society of the Philippines (PRSP) taking home six Anvil Awards of Excellence and seven Anvil Awards of Merit.

Furthermore, Metrobank, again through MBFI, was awarded the prestigious Financial Inclusion award by The Banker, one of the world's premier banking and finance resource magazines. Metrobank was cited by the UK-based publication for its support for the financial education of, and microfinance for, overseas Filipino workers in Singapore and their families back in the Philippines. Metrobank became the first Philippine bank to receive this award.

Housing and Education for the Marginalized

TOYOTA

Toyota Motor Philippines Corporation (TMP) focused its 2013 corporate social responsibility (CSR) projects on providing housing and education for the marginalized members of society and assisting the victims of natural calamities.

The company started the year with a Volunteers' Day project in January, during which 30 volunteer employees completed the painting of 80 houses comprising Phases 1 and 2 of the Toyota-City of Santa Rosa-GK Village Project, a joint initiative of TMP, Gawad Kalinga (GK), and the city government of Santa Rosa, Laguna. The houses were turned over to the beneficiaries the following month.

Later in the year, TMP, together with its project partners conducted the final turnover ceremony for 160 completed housing units. During the event, certificates and housing unit tags were awarded to the indigent recipients.

TMP also supported a GK initiated event, the 2013 Bayani Challenge. The event's objective was to gather volunteers to build houses in GK villages located in 35 different provinces nationwide. TMP supported the event by contributing logistical support and construction materials, as well as by sponsoring several related activities.

The company also undertook other CSR projects such as the Toyota Adopt-A-Forest project, in which 31 TMP volunteers and several members of their families, held a tree-planting activity at the Makiling Botanic Gardens in Los Baños, Laguna.

In the area of education, TMP furthered its Adopt-A-School program through educational tours and student "quiz bee" competitions. Moreover, the company launched a feeding program in collaboration with Kabisig ng Kalahi. The feeding program was held in TMP's adopted school, the Pulong Sta. Cruz Elementary School in Santa Rosa, Laguna. The program was able to feed a total of 60 students in one day. TMP also took in five new scholars for the year, three from the Guzman College of Science & Technology and two from the Laguna University.

The company responded to the needs of the victims of typhoon Yolanda in the Visayas by donating three Hi-Lux pick-up trucks through Toyota Tacloban. The trucks were used for the distribution of relief goods to victims in the affected areas. TMP, together with its mother Company, Toyota Motor Corporation, and Toyota Financial Services also gave cash donations for the relief efforts. The donations were coursed through the Metrobank Foundation, Inc. TMP personnel also volunteered for repacking activities held at the Department of Social Welfare and Development relief operations center in Pasay City. Aside from these projects, TMP continued with its annual medical and dental missions, as well as with its grants during the year.

Providing More Than Just Power

GBP GLOBAL BUSINESS POWER

The corporate social responsibility (CSR) programs of Global Business Power Corporation (GBPC) have always covered three important areas, namely health, the environment, and education. The company implements CSR programs in these three areas with the general objective of making a difference in the communities where it operates.

In the area of health care, GBPC, through its subsidiaries in Cebu, Iloilo, Aklan, and Mindoro, with the help of local government units, conducted medical missions and campus vegetable gardening programs in 2013. During the GBPC organized medical missions, volunteer health workers provided essential medical care by providing free consultations and medicines, including free circumcision for young boys.

Recognizing malnutrition as one of the health issues that need to be addressed in the communities that it serves, GBPC partnered with GT Metro Foundation in bringing its Oh My Gulay program to Cebu and Iloilo. Oh My Gulay is a campus vegetable gardening program that aims to raise awareness and appreciation of the health importance of vegetables among school children. The adopted schools were provided with teaching materials, seeds, gardening tools, other planting materials, and technical training.

GBPC also actively conducts sustainable environment protection programs through its subsidiaries Panay Energy, Panay Power, Cebu Energy, Toledo Power and GBH Power, and in partnership with the DENR and local government units. GBPC regularly conducts tree-planting, reforestation, and water sanitation programs.

For education, GBPC continued with its scholarship program in 2013, supporting 424 grade school and 151 high school scholars. The company provides free school supplies and school uniforms, and assists in providing for the school's miscellaneous fees. GBPC's scholarship program aims to equip its beneficiaries with the values necessary to become productive members of society and to assume leadership roles in the future.

Aside from its regular CSR programs, GBPC also addressed the needs of calamity victims. In response to the 7.2-magnitude earthquake that hit Region VII in October 2013, GBPC distributed 1,500 relief bags to the affected families in Bohol and 1,500 relief bags to families in Cebu.

Moreover, in response to typhoon Yolanda, which hit the Visayas in the latter part of the year and which was considered the strongest typhoon to hit the country, GBPC accommodated evacuees within its plant facilities and was able to mobilize the distribution of 5,200 relief bags in Northern Iloilo, Northern Cebu, Aklan, and Capiz just a week after the super typhoon.

Re-greening the Countryside

The thrust of the corporate social responsibility (CSR) programs of Federal Land, Inc. (Fed Land) for 2013 was towards re-greening the Philippine countryside and responding to the needs of calamity victims. As one of the leading property developers in the country, Fed Land commits itself not only to providing homes and masterplanned communities in strategic locations but also to environmental sustainability.

This commitment was very much evident in 2013 when volunteers from Fed Land joined around a hundred employees from the Metrobank Group in a tree-planting activity in Mt. Makiling, Laguna. The tree-planters were able to overcome a muddy and slippery kilometer-long trail from U.P. Los Baños to a forested area where they planted over 500 tree seedlings.

The company also did its share to help victims of super typhoon Yolanda by donating Php 1.0 million for the Helping Hands relief and rehabilitation operations spearheaded by the Metrobank Foundation, Inc. The Helping Hands program was able to bring aid to such areas as Leyte, Iloilo, Capiz, Cebu, Antique, and Aklan. The program also provided assistance in Naval, Biliran; Roxas City, Capiz; Baybay City, Leyte; Tacloban City; and the municipalities of Guiuan, Hernani, Salcedo, General MacArthur, and Mercedes in Eastern Samar.

Helping Where it Matters

In 2013, Philippine AXA Life Insurance Corporation (AXA Philippines) focused its corporate social responsibility (CSR) programs on where it mattered most, and that is on helping the victims of natural calamities.

Towards this end, AXA Philippines and its employees launched a fund-raising project to gather money for donation to the victims of super typhoon Yolanda. The fund-raiser, a special movie screening of Hunger Games: Catching Fire, was able to raise Php 2.0 million through ticket-selling and matching of donations.

In addition, as of 27 November 2013, AXA employees from all over the world have donated a total of EUR210,000 or approximately Php 13.0 million. The AXA Group will be matching the amount of donations and the total will be given to CARE, AXA's NGO partner.

AXA Philippines also partnered with Metrobank Foundation, Inc. for a tree-planting activity in UP Los Baños in Laguna. More than 150 seedlings were planted during the event. Furthermore, AXA Philippines entered into an agreement with BAG943, which will provide school bags to underprivileged students in Bacolod for every bag purchase made by AXA.

Relief When it is Needed

In an effort to do its share in assisting the victims of super typhoon Yolanda, Charter Ping An Insurance Corporation selflessly redirected its intermediary and employee Christmas party budget to the purchase of urgently needed food, clothing, and other necessities. The relief goods were coursed through the 7th Marine Brigade (Reserves) of the Philippine Marine Corps for proper distribution to the victims of the typhoon.

A Gathering of Volunteers

Last 30 November 2013, GT Capital Holdings, Inc. (GT Capital) officers and employees participated in the repacking of much needed relief goods for the victims of super typhoon Yolanda (Haiyan). As early as seven o'clock in the morning, the GT Capital contingent assembled at the Villamor Air Base in Pasay City to do their share in providing assistance to those who were devastated by the severe natural calamity.

They were joined by hundreds of colleagues from Metrobank's Purple Hearts Club, Metrobank Card Corporation, Manila Doctors Hospital, Toyota Motor Philippines Corporation, and Orix Metro Leasing & Finance Corporation. In addition, GT Capital decided to forgo its annual Christmas party and instead donated the budget for the gathering to the Metrobank Foundation, Inc. for relief operations.

PASCUAL M. GARCIA III
Adviser to the Board

SOLOMON S. CUA
Director

RODERICO V. PUNO
Director

ALFRED V. TY
Vice Chairman

DR. GEORGE S.K. TY
Group Chairman

ARTHUR V. TY
Chairman

CARMELO MARIA LUZA BAUTISTA
President / Director

JAIME MIGUEL G. BELMONTE
Independent Director

CHRISTOPHER P. BESHOURI
Independent Director

WILFREDO A. PARAS
Independent Director

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

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

ALFRED V. TY has been a Vice Chairman of GT Capital 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; Chairman, Asia Pacific Top Management; Director, Global Business Power Corporation.; President, GT-Metro Foundation, Inc.; Board of Trustees, Metrobank Foundation, Inc.; Honorary Consul, Consulate of Uruguay; and Former Special Envoy of the President to China.

CARMELO MARIA LUZA BAUTISTA assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation (First Metro) in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of the Investment Banking Group of First Metro in 2009. Mr. Bautista has been in the banking and financial services sector for 36 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups, Citibank Manila; Vice President Real Estate Finance Group, Citibank N.A., Singapore branch; Vice President Structured Finance, Citibank N.A. Singapore Regional Office; Country Manager, ABN AMRO Bank Philippines; and President and CEO of the Philippine Bank of Communications. Mr. Bautista has a Masters in Business Management degree from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelors degree major in Economics from the Ateneo de Manila University.

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

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

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

CHRISTOPHER P. BESHOURI was elected as GT Capital Independent Director on May 13, 2013. He is Group President and COO of Vicsal Development (Gaisano), which has holdings in property, retail, and financial services. Prior to joining the Gaisanos, he was with McKinsey and Company for more than 15 years, where he held three distinct roles: Managing Partner for the Philippines (2005-2013), Chief of Staff of Asia (2004-2005); and Senior Consultant (1997-2004). Mr. Beshouri also worked as a Senior Financial Economist and Director at the United States Treasury from 1989 to 1997, where he focused on financial markets and banking regulation. In addition, Mr. Beshouri was an Adjunct Professor of Georgetown University, College of Business from 1996-1997, a Consultant for the West Africa Country Operations of the World Bank in 1988, a Financial Auditor of the Catholic Relief Services from 1987 to 1988, and an Analyst and Research Assistant for the Federal Reserve Bank of Atlanta from 1984 to 1986. Mr. Beshouri holds a Bachelor of Arts Degree (Dual Major in Economics and Public Policy) from the Michigan State University, and a Master of Public Affairs degree from Princeton University.

WILFREDO A. PARAS was elected as GT Capital Independent Director on May 13, 2013. He currently holds various positions in Philippine corporations, such as: Independent Director of Philex Mining Corporation (2011-present); Director of Oil Mills Goup of CIIF- Granexport Manufacturing Corporation, Cagayan de Oro Oil Mills Corporation, Iligan Coconut Oil Mills Corporation (2011-present); Member of the Board of Trustees of Dualtech Training Center (2012-present); Senior Adviser of the Association of Petrochemical Manufacturers of the Philippines (2007-present); and President of WAP Holdings, Inc. (2007-present). He also served as the Executive Vice President/Chief Operating Officer and Director of JG Summit Petrochemical Corporation; and was also the President of Union Carbide Philippines, the President/Director of Union Carbide-Indonesia, Managing Director of Union Carbide Singapore and Business Director for Union Carbide Asia-Pacific. Mr. Paras holds a Bachelor of Science (BS) degree in Industrial Pharmacy from the University of the Philippines and a Master in Business Administration (MBA) from the De la Salle University Graduate School of Business. He completed a Management Program of the University of Michigan, Ann Arbor, Michigan, USA.

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

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

CARMELO MARIA LUZA BAUTISTA assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation (First Metro) in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of the Investment Banking Group of First Metro in 2009. Mr. Bautista has been in the banking and financial services sector for 36 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups, Citibank Manila; Vice President Real Estate Finance Group, Citibank N.A., Singapore branch; Vice President Structured Finance, Citibank N.A. Singapore Regional Office; Country Manager, ABN AMRO Bank Philippines; and President and CEO of the 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 has served as GT Capital's Treasurer since its incorporation in 2007. Mrs. Ty has more than 50 years of experience in banking and general business. She currently holds the following positions: Assistant to the Group Chairman, Metrobank; Adviser, Metrobank Foundation, Inc.; Vice Chairman, Manila Medical Services, Inc.; Adviser, Manila Tytana Colleges; Treasurer, Global Business Power Corporation; Director, Grand Titan Capital Holdings, Inc.; and Chairman, Philippine Securities Corporation. Previously, Mrs. Ty held the position of Director for First Metro Investment Corporation. She earned her collegiate degree from the University of Santo Tomas.

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

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

JOCELYN Y. KHO has served as GT Capital's Assistant Corporate Secretary since June 2011. She was the Company's Controller until 2010. She concurrently serves as Controller and Assistant Corporate Secretary of Grand Titan Capital Holdings, Inc. and Global Treasure Holdings, Inc., Director and Treasurer of Global Business Holdings, Inc.; Senior Vice President/ Corporate Secretary of Federal Homes, Inc.; Director/ Corporate Secretary of Crown Central Realty Corporation; Director/Member of the Board and formerly Corporate Secrectary of Cathay International Resources, Inc. ; Excom Member, formerly Senior Vice President/Comptroller/ Assistant Corporate Secretary of Federal Land, Inc.; and 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, majoring in Accounting from the University of Santo Tomas in 1975, and is a Master of Science in Taxation candidate from Manuel L. Quezon University.

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

RICHEL D. MENDOZA
VP/Chief Audit Executive

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

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

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

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

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

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

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

FABIAN S. DEE

MICHINOBU SUGATA

FRANCISCO C. SEBASTIAN

ALFRED V. TY

SEVERINUS P.P. HERMANS

MELECIO C. MALLILLIN

FABIAN S. DEE is the 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. He 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, he continued to be the Chairman of Metrobank Card Corporation, a postion 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 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 Toyota Motor Corporation's Asia Division as a Project Manager. After this time he moved to Toyota Motor Thailand as Executive Managing Coordinator for three years, then on to Toyota Motor Asia Pacific in Singapore as Senior Vice President for one year, where he was responsible for Marketing 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 US.

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.

ALFRED V. TY has been the Vice Chairman of GT Capital since February 14, 2012 and has served as a Director of the Company since 2007. He is also concurrently 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.

SEVERINUS P.P. HERMANS became President of AXA Philippines in February 2009, after a successful career of almost 20 years in ING, for which he held several Board Member and senior executive positions in the Netherlands, the Philippines, Hong Kong, Malaysia, and Poland. Currently, Mr. Hermans is also an executive Board Member of AXA Philippines. He completed 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.

MELECIO C. MALLILLIN was appointed President of Charter Ping An Insurance Corporation in February 2010. He started working as an organization analyst at the Personnel Department of San Miguel Corporation in 1973. He began his career in the insurance industry as a Management Trainee at the Ayala Group of Companies in 1975. Thereafter, his first line function was as a Sales Assistant at the FGU Insurance Corporation in 1976. Rising from the ranks, he became Assistant Vice President in 1983. After his stint with Ayala Corporation, he held various executive positions in other insurance companies such as Senior Vice President of Provident Insurance Corporation (now Mapfre Insular), Country Manager of Switzerland General Insurance Co., Ltd., Executive Vice President & COO of Paramount Insurance Corporation, President of Equitable Insurance Corporation, and President & Chief Executive Officer of PNB General Insurance Corporation.

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

CONTROLLERSHIP
(Left to Right): Maribeth D. Guevarra (Treasury and Finance Officer), Reyna Rose P. Manon-og (AVP/Head, Accounting and Financial Control), and Farrah Lyra Q. De Ala (Accounting Manager). Not in photo: Ma. Rayza R. Escatron (Accounting Officer)

AUDIT
Richel D. Mendoza
(VP/Chief Audit Executive)

CORPORATE PLANNING AND BUSINESS DEVELOPMENT
(Left to Right): Mhark A. Serato (OIC Corporate Planning), Francisco H. Suarez, Jr. (SVP/CFO), Regina S. Aseron (Analyst) and Blaine C. Ocampo Tan (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): Atty. Renee Lynn C. Miciano (Senior Legal and Compliance Officer), Atty. Joselito V. Banaag (VP/Head, Legal and Compliance) and Israel H. De Leon (Paralegal)

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

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

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

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

(Sgd.)

Arthur V. Ty
Chairman of the Board

(Sgd.)

Carmelo Maria L. Bautista
President

(Sgd.)

Francisco H. Suarez, Jr.
Chief Financial Officer

March 11, 2014

SUBSCRIBED AND SWORN to before me on MAR 25 2014, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

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

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Series of 2014

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2014
ROLL NO. 41359 / APPOINTMENT NO. M-270
IBP NO. 913735 / PTR. NO. 3674214
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

Independent Auditors' Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

(Sgd.)

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225181, January 2, 2014, Makati City

March 11, 2014

Consolidated Statements of Financial Position

	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱27,166,888,452**	₱11,553,288,498	₱454,421,565
Short-term investments (Note 4)	**1,466,463,867**	–	–
Receivables (Note 5)	**12,450,904,615**	6,504,694,886	3,933,792,763
Reinsurance assets (Note 16)	**4,965,577,810**	–	–
Inventories (Note 6)	**20,813,304,994**	12,275,078,957	11,338,367,323
Due from related parties (Note 27)	**849,398,310**	489,042,589	938,859,224
Prepayments and other current assets (Note 7)	**5,969,225,750**	5,999,839,002	1,905,301,342
Total Current Assets	**73,681,763,798**	36,821,943,932	18,570,742,217
Noncurrent Assets			
Receivables (Note 5)	**4,928,548,716**	3,159,140,836	1,114,943,862
Investments in associates and joint ventures (Note 8)	**40,559,463,758**	42,788,987,730	37,680,110,739
Investment properties (Note 9)	**8,328,668,533**	7,815,576,971	5,227,423,530
Available-for-sale investments (Note 10)	**3,110,796,243**	1,060,087,293	9,921,760
Property and equipment (Note 11)	**41,163,427,981**	33,661,228,629	396,367,203
Deposits (Note 12)	**–**	2,085,000,000	4,085,000,000
Goodwill and intangible assets (Note 13)	**18,275,016,054**	8,715,210,721	8,498,083
Long-term cash investments (Note 27)	**–**	–	2,440,084,378
Deferred tax assets (Note 29)	**1,109,171,386**	330,684,499	102,917,367
Other noncurrent assets (Note 14)	**1,202,989,799**	547,194,483	93,473,604
Total Noncurrent Assets	**118,678,082,470**	100,163,111,162	51,158,740,526
	₱192,359,846,268	₱136,985,055,094	₱69,729,482,743
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Note 15)	**₱20,836,977,405**	₱7,376,718,844	₱4,573,419,840
Insurance contract liabilities (Note 16)	**6,683,585,120**	–	–
Short-term debt (Note 17)	**1,744,000,000**	9,138,300,000	7,648,700,000
Current portion of long-term debt (Note 17)	**3,364,221,245**	7,426,958,699	–
Current portion of liabilities on purchased properties (Notes 20 and 27)	**783,028,773**	–	–
Customers' deposits (Note 18)	**1,844,221,010**	974,327,489	457,625,624
Dividends payable (Note 27)	**1,966,038,000**	1,948,727,265	244,000
Due to related parties (Note 27)	**188,385,414**	191,264,721	403,598,150
Income tax payable	**876,006,220**	25,793,451	–
Other current liabilities (Note 19)	**906,669,981**	1,370,244,207	57,884,393
Total Current Liabilities	**39,193,133,168**	28,452,334,676	13,141,472,007
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 17)	**40,584,387,751**	39,187,769,092	19,600,000,000
Bonds payable (Note 17)	**9,883,088,308**	–	–
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**3,537,347,350**	2,580,574,771	–
Pension liability (Note 28)	**1,703,632,361**	532,611,273	358,610,428
Deferred tax liabilities (Note 29)	**3,251,740,846**	935,506,710	80,613,144
Other noncurrent liabilities (Note 21)	**1,642,761,605**	242,566,372	62,932,335
Total Noncurrent Liabilities	**60,602,958,221**	43,479,028,218	20,102,155,907
	99,796,091,389	71,931,362,894	33,243,627,914
Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock (Note 22)	**1,743,000,000**	1,580,000,000	1,250,000,000
Additional paid-in capital (Note 22)	**46,694,658,660**	36,752,473,660	23,071,664,419
Treasury shares (Note 22)	**(6,125,000)**	–	–
Retained earnings (Note 22)	**21,801,822,521**	13,684,536,407	7,595,668,454
Net unrealized gain (loss) on available-for-sale investments (Note 10)	**80,294,836**	(6,606,601)	–
Net unrealized loss on remeasurements of defined benefit plans	**(216,180,970)**	(57,332,052)	(79,839,700)
Equity in net unrealized gain on available-for-sale investments of associates	**4,687,958**	2,954,074,141	2,544,293,006
Equity in translation adjustments of associates	**417,142,069**	36,424,322	261,158,822
Equity in net unrealized loss on remeasurements of defined benefit plans of associates	**(722,918,846)**	(502,969,032)	(362,408,777)
Other equity adjustments (Note 22)	**729,053,992**	(681,066,182)	–
	70,525,435,220	53,759,534,663	34,280,536,224
Non-controlling interests (Note 22)	**22,038,319,659**	11,294,157,537	2,205,318,605
Total Equity	**92,563,754,879**	65,053,692,200	36,485,854,829
	₱192,359,846,268	₱136,985,055,094	₱69,729,482,743

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Treasury Shares (Note 22)	Retained Earnings (Note 22)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 10)	Net Unrealized Gain (Loss) on Remeasurements of Defined Benefit Plans (Note 2)	Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates (Note 8)	Equity in Net Unrealized Loss on Remeasure-ments of Defined Benefit Plans of Associates (Note 2)	Equity in Translation Adjustments of Associates (Note 8)	Other Equity Adjustments (Note 22)	Total	Attributable to Non-controlling Interests (Note 22)	Total Equity
Balance at January 1, 2013	**₱1,580,000,000**	**₱36,752,473,660**	**₱–**	**₱13,855,815,763**	**(₱6,606,601)**	**₱–**	**₱2,954,074,141**	**₱–**	**₱36,424,322**	**(₱681,066,182)**	**₱54,491,115,103**	**₱11,373,072,694**	**₱65,864,187,797**
Effect of changes in accounting policy (Note 2)	**–**	**–**	**–**	**(171,279,356)**	**–**	**(57,332,052)**	**–**	**(502,969,032)**	**–**	**–**	**(731,580,440)**	**(78,915,157)**	**(810,495,597)**
Balance at January 1, 2013, as restated	**1,580,000,000**	**36,752,473,660**	**–**	**13,684,536,407**	**(6,606,601)**	**(57,332,052)**	**2,954,074,141**	**(502,969,032)**	**36,424,322**	**(681,066,182)**	**53,759,534,663**	**11,294,157,537**	**65,053,692,200**
Issuance of capital stock (Note 22)	**163,000,000**	**9,942,185,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,105,185,000**	**959,350,239**	**11,064,535,239**
Effect of business combination (Note 31)	**–**	**–**	**(6,125,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**2,591,176**	**(3,533,824)**	**7,222,853,016**	**7,219,319,192**
Dividends declared (Note 22)	**–**	**–**	**–**	**(522,900,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**(522,900,000)**	**–**	**(522,900,000)**
Sale of indirect interest in a subsidiary (Note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,407,528,998**	**1,407,528,998**	**2,156,827,165**	**3,564,356,163**
Dividends paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,456,348,554)**	**(3,456,348,554)**
Total comprehensive income	**–**	**–**	**–**	**8,640,186,114**	**86,901,437**	**(158,848,918)**	**(2,949,386,183)**	**(219,949,814)**	**380,717,747**	**–**	**5,779,620,383**	**3,861,480,256**	**9,641,100,639**
Balance at December 31, 2013	**₱1,743,000,000**	**₱46,694,658,660**	**(₱6,125,000)**	**₱21,801,822,521**	**₱80,294,836**	**(₱216,180,970)**	**₱4,687,958**	**(₱722,918,846)**	**₱417,142,069**	**₱729,053,992**	**₱70,525,435,220**	**₱22,038,319,659**	**₱92,563,754,879**
Balance at January 1, 2012	₱1,250,000,000	₱23,071,664,419	₱–	₱7,801,755,408	₱–	₱–	₱2,544,293,006	₱–	₱261,158,822	₱–	₱34,928,871,655	₱2,220,763,173	₱37,149,634,828
Effect of changes in accounting policy (Note 2)	–	–	–	(206,086,954)	–	(79,839,700)	–	(362,408,777)	–	–	(648,335,431)	(15,444,568)	(663,779,999)
Balance at January 1, 2012, as restated	1,250,000,000	23,071,664,419	–	7,595,668,454	–	(79,839,700)	2,544,293,006	(362,408,777)	261,158,822	–	34,280,536,224	2,205,318,605	36,485,854,829
Issuance of capital stock (Note 22)	330,000,000	13,680,809,241	–	–	–	–	–	–	–	–	14,010,809,241	639,809,982	14,650,619,223
Effect of business combination (Note 31)	–	–	–	–	–	–	(68,620,040)	–	–	–	(68,620,040)	15,238,649,131	15,170,029,091
Acquisition of non-controlling interest (Note 31)	–	–	–	–	–	–	–	–	–	(681,066,182)	(681,066,182)	(5,235,856,759)	(5,916,922,941)
Dividends declared (Note 22)	–	–	–	(500,860,000)	–	–	–	–	–	–	(500,860,000)	–	(500,860,000)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(3,545,093,065)	(3,545,093,065)
Total comprehensive income	–	–	–	6,589,727,953	(6,606,601)	22,507,648	478,401,175	(140,560,255)	(224,734,500)	–	6,718,735,420	1,991,329,643	8,710,065,063
Balance at December 31, 2012	₱1,580,000,000	₱36,752,473,660	₱–	₱13,684,536,407	(₱6,606,601)	(₱57,332,052)	₱2,954,074,141	(₱502,969,032)	₱36,424,322	(₱681,066,182)	₱53,759,534,663	₱11,294,157,537	₱65,053,692,200
Balance at January 1, 2011	₱1,250,000,000	₱23,071,664,419	₱–	₱5,377,356,029	₱–	₱–	(₱218,240,464)	₱–	₱128,087,325	₱–	₱29,608,867,309	₱2,211,452,667	₱31,820,319,976
Effect of changes in accounting policy (Note 2)	–	–	–	(206,086,954)	–	(79,839,700)	–	(362,408,777)	–	–	(648,335,431)	(15,444,568)	(663,779,999)
Balance at January 1, 2011, as restated	1,250,000,000	23,071,664,419	–	5,171,269,075	–	(79,839,700)	(218,240,464)	(362,408,777)	128,087,325	–	28,960,531,878	2,196,008,099	31,156,539,977
Consideration transferred on acquisition of a subsidiary under common control (Note 22)	–	–	–	(336,000,000)	–	–	–	–	–	–	(336,000,000)	(84,000,000)	(420,000,000)
Dividends declared (Note 22)	–	–	–	(564,000,000)	–	–	–	–	–	–	(564,000,000)	–	(564,000,000)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(36,000,000)	(36,000,000)
Total comprehensive income	–	–	–	3,324,399,379	–	–	2,762,533,470	–	133,071,497	–	6,220,004,346	129,310,506	6,349,314,852
Balance at December 31, 2011	₱1,250,000,000	₱23,071,664,419	₱–	₱7,595,668,454	₱–	(₱79,839,700)	₱2,544,293,006	(₱362,408,777)	₱261,158,822	₱–	₱34,280,536,224	₱2,205,318,605	₱36,485,854,829

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱14,333,920,597**	₱8,934,961,314	₱3,602,489,020
Adjustments for:			
Equity in net income of associates and joint ventures (Note 8)	**(3,587,810,207)**	(3,902,096,175)	(3,567,873,099)
Interest expense (Note 17)	**3,462,323,309**	1,749,782,179	989,749,556
Depreciation and amortization (Note 11)	**2,857,274,685**	1,629,115,327	71,352,576
Gain from loss of control in a subsidiary (Note 8)	**–**	(1,448,398,924)	–
Interest income (Note 23)	**(1,429,029,216)**	(866,431,011)	(598,227,699)
Gain on bargain purchase (Note 31)	**–**	(427,530,654)	–
Pension expense (Note 28)	**329,461,750**	105,727,646	16,621,998
Loss from initial recognition of financial asset (Note 27)	**275,000**	94,224,170	–
Loss (gain) on revaluation of previously held interest (Note 31)	**(2,046,209,717)**	53,949,714	–
Dividend income (Note 23)	**(77,277,481)**	–	–
Gain on disposal of property and equipment (Note 11)	**(15,998,480)**	(8,316,148)	(302,584)
Gain on sale of available-for-sale investments (Note 10)	**(8,522,850)**	–	–
Provision for impairment losses (Note 26)	**44,467,476**	–	–
Unrealized foreign exchange losses (Note 26)	**42,309,137**	7,113,039	193,784
Operating income before changes in working capital	**13,905,184,003**	5,922,100,477	514,003,552
Decrease (increase) in:			
Short-term investments	**(1,466,463,867)**	–	–
Receivables	**(3,567,427,696)**	1,230,216,844	(4,203,893,169)
Reinsurance assets	**(1,264,065,439)**	–	–
Inventories	**(1,241,257,020)**	3,002,358	(3,228,592,505)
Due from related parties	**(360,355,721)**	877,422,046	(380,714,964)
Prepayments and other current assets	**912,622,867**	(4,058,602,627)	(282,455,718)
Increase (decrease) in:			
Accounts and other payables	**3,247,434,285**	(581,033,757)	2,632,476,447
Insurance contract liabilities	**1,356,875,814**	–	–
Customers' deposits	**868,420,502**	516,701,865	40,164,351
Due to related parties	**(2,879,307)**	(212,333,429)	–
Other current liabilities	**(558,335,421)**	693,497,586	34,076,298
Cash provided by (used in) operations	**11,829,753,000**	4,390,971,363	(4,874,935,708)
Dividends paid (Note 22)	**(2,972,214,411)**	(2,550,817,000)	(600,000,000)
Interest paid	**(4,035,343,587)**	(1,468,593,272)	(1,087,246,900)
Income tax paid	**(1,031,375,223)**	(383,256,129)	(14,553,856)
Interest received	**1,498,796,846**	749,895,600	907,573,247
Dividends received	**833,163,900**	157,156,316	1,495,803,180
Contributions to pension plan assets (Note 28)	**(108,214,980)**	–	(12,959,089)
Net cash provided by (used in) operating activities	**6,014,565,545**	895,356,878	(4,186,319,126)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Settlement of deposits (Note 12)	**2,085,000,000**	2,000,000,000	–
Disposal of property and equipment	**160,733,099**	50,915,037	475,003
Sale of available-for-sale investments	**62,977,803**	–	–
Settlement of long-term cash investments (Note 27)	**–**	2,440,084,378	–
Additions to:			
Investments in associates and joint ventures (Note 8)	**(502,243,750)**	(4,500,000,965)	(2,624,660,409)
Investment properties (Note 9)	**(143,738,791)**	(2,968,258,325)	(57,705,511)
Property and equipment (Note 11)	**(7,025,386,058)**	(1,152,938,297)	(18,540,327)
Available-for-sale investments	**690,297,705**	–	–
Intangible assets (Note 13)	**(9,201,020)**	(10,727,484)	–
Deposits (Note 12)	**–**	–	(4,085,000,000)
Long-term cash investments (Note 27)	**–**	–	(2,440,084,378)
Acquisition of subsidiary, net of cash acquired (Note 31)	**2,677,274,289**	7,903,548,151	(420,000,000)
Redemption of non-controlling interests in consolidated subsidiaries (Notes 22 and 31)	**–**	(5,916,922,941)	–
Decrease (increase) in other noncurrent assets	**(200,078,395)**	1,529,235,323	(24,329,670)
Refund of advances	**–**	–	602,879,241
Net cash used in investing activities	**(2,204,365,118)**	(625,065,123)	(9,066,966,051)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of capital stock (Note 22)	**10,105,185,000**	–	–
Issuance of bonds payable	**9,894,756,979**	–	–
Loan availments	**7,340,500,000**	–	19,305,000,000
Proceeds from initial public offering (Note 22)	**–**	14,010,809,241	–
Payment of loans payable	**(18,047,447,689)**	(5,755,695,795)	(8,238,491,076)
Increase (decrease) in:			
Liabilities on purchased properties	**1,739,801,352**	2,580,574,771	(516,846,000)
Due to related parties	**–**	–	83,026,536
Other noncurrent liabilities	**858,005,716**	–	10,269,220
Non-controlling interests	**(45,092,694)**	–	–
Net cash provided by financing activities	**11,845,708,664**	10,835,688,217	10,642,958,680
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(42,309,137)**	(7,113,039)	(193,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,613,599,954**	11,098,866,933	(2,610,520,281)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11,553,288,498**	454,421,565	3,064,941,846
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱27,166,888,452**	₱11,553,288,498	₱454,421,565

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.

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

Group Activities
The Parent Company, Federal Land, Inc. (Fed Land) and Subsidiaries (Fed Land Group), Charter Ping An Insurance Corporation (Charter Ping An or Ping An), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group) and Global Business Power Corporation (GBPC) and Subsidiaries (GBPC Group) are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group (real estate business), Charter Ping An (non-life insurance business), Toyota Group (automotive business) and GBPC Group (power generation business), is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

The principal business interests of the Fed Land Group are real estate development and leasing and selling properties and acting as a marketing agent for and in behalf of any real estate development company or companies. The Fed Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

GBPC was registered with the Philippine SEC on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities. As discussed in Note 31, the Group acquired effective control of GBPC on April 30, 2012. The acquisition of control over GBPC was accounted for as a business combination achieved in stages and the details of the said transaction are discussed in Note 31.

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

Toyota Group is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of motor vehicles including vehicle parts, accessories and instruments.

Charter Ping An is engaged in the business of nonlife insurance which includes fire, motor car, marine hull, marine cargo, personal accident insurance and other products that are permitted to be sold by a nonlife insurance company in the Philippines.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis except for available-for-sale (AFS) investments which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

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

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

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

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

Notes to Consolidated Financial Statements

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

As of December 31, 2013, the Parent Company has effective ownership over Charter Ping An of 74.97% (66.67% direct interest and 8.30% indirect interest). The Parent Company's indirect interest comes from its direct investment in MBTC, which has direct interest in FMIC. FMIC, in turn, owns the remaining 33.33% ownership interest over Charter Ping An as of December 31, 2013 (Note 31).

Fed Land's Subsidiaries

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

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

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

GBPC's Subsidiaries

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

Toyota's Subsidiaries

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies except for Charter Ping An which uses the revaluation method in accounting for its condominium units included as part of 'Property and equipment' account in the consolidated statement of financial position. The carrying values of the condominium units are adjusted to eliminate the effect of revaluation and to recognize the related accumulated depreciation based on the original acquisition cost to align the measurement with the Group's accounting policy. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. NCI are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations Involving Entities Under Common Control
A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

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

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

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

When evaluating whether an acquisition has commercial substance, the Group considers the following factors, among others:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as NCI or other third parties; and
- whether or not the transaction is conducted at fair value.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed and included in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the consolidated financial statements of the Group at the acquisition date.

In a business combination achieved in stages, the Group remeasures its previously-held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the consolidated statements of income. Any recognized changes in the value of its equity interest in the acquiree previously recognized in other comprehensive income are recognized by the Group in profit or loss, as if the previously-held equity interest are disposed of.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in the consolidated statements of income or as changes to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

Notes to Consolidated Financial Statements

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired.

If after reassessment, the fair value of the net assets acquired exceeds the consideration transferred, the amount recognized for any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, the difference is recognized immediately in the consolidated statements of income as 'Gain on bargain purchase'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in the consolidated statements of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Change in Ownership without Loss of Control
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

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

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

PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose the information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32.

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

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

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

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

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

PAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (Amendments)
The Group applied amendments to PAS 1 and changed the grouping of items presented in the consolidated statement of comprehensive income either between:

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

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

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

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

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

	December 31, 2012		
	As previously reported	Effect of retrospective application of PAS 19R	As restated
Statement of Financial Position			
Assets			
Investments in associates and joint ventures	₱43,363,689,238	(₱574,701,508)	₱42,788,987,730
Deferred tax assets	238,369,925	92,314,574	330,684,499
Liabilities and Equity			
Pension liability	204,502,610	328,108,663	532,611,273
Retained earnings	13,855,815,763	(171,279,356)	13,684,536,407
Net unrealized loss on remeasurement of defined benefit plan	–	(57,332,052)	(57,332,052)
Equity in net unrealized loss on remeasurement of defined benefit plans of associates	–	(502,969,032)	(502,969,032)
Non-controlling interests	11,373,072,694	(78,915,157)	11,294,157,537
Statement of Income			
Equity in net income of associates and joint ventures	3,903,830,555	(1,734,380)	3,902,096,175
General and administrative expenses	3,583,829,706	(24,808,779)	3,559,020,927
Provision for income tax	298,282,930	(10,632,334)	287,650,596
Net income attributable to NCI	2,058,683,630	(1,100,865)	2,057,582,765
Other Comprehensive Income			
Net unrealized loss on remeasurement of defined benefit plan	–	(39,862,076)	(39,862,076)
Equity in net unrealized gain on remeasurement of defined benefit plan of associates	–	140,560,255	140,560,255
Equity in net unrealized loss on remeasurement of defined benefit plan attributable to NCI	–	(62,369,724)	(62,369,724)

	January 1, 2012		
	As previously reported	Effect of retrospective application of PAS 19R	As restated
Statement of Financial Position			
Assets			
Investments in associates and joint ventures	₱38,112,517,612	(₱432,406,873)	₱37,680,110,739
Deferred tax assets	3,791,675	99,125,692	102,917,367
Liabilities and Equity			
Pension liability	28,111,610	330,498,818	358,610,428
Retained earnings	7,801,755,408	(206,086,954)	7,595,668,454
Net unrealized loss on remeasurement of defined benefit plan	–	(79,839,700)	(79,839,700)
Equity in net unrealized loss on remeasurement of defined benefit plans of associates	–	(362,408,777)	(362,408,777)
Non-controlling interests	2,220,763,173	(15,444,568)	2,205,318,605

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

PAS 1, *Presentation of Financial Statements – Clarification of the requirements for comparative information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. However, management assessed that presentation of supporting notes for the third balance sheet is relevant for the users of the financial statements. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

Improvements to PFRSs (2009-2011 cycle)

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

Significant Accounting Policies

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

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

Fair Value Measurement
The Group measures financial instruments, such as AFS investments, at fair value at each consolidated statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

As of December 31, 2013 and 2012, the Group has no financial assets and financial liabilities at FVPL and HTM investments. The Group's financial instruments include loans and receivables, AFS investments and other financial liabilities.

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

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

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

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to the accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', 'Deposits', 'Cash and cash equivalents' and 'Long-term cash investment'.

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

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS investments pertain to quoted and unquoted equity securities and other debt instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of income. Dividends on AFS equity instruments are recognized in the consolidated statement of income when the entity's right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the statement of income as 'Interest income' using the effective interest rate method.

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

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

This accounting policy applies primarily to the Group's "Accounts and other payables", "Long-term debt", "Liabilities on purchased properties", "Due to related parties" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable). The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

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

Notes to Consolidated Financial Statements

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income continues to be recognized based on the original EIR of the asset.

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the investee companies and the Group's share on movements in the investee's OCI are recognized directly in OCI in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the consolidated statement of income and consolidated statement of comprehensive income. The aggregate of the Group's equity in net income of associates and joint ventures is shown on the face of the consolidated statement of income as part of operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate and joint venture.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Software Costs
Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.
Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

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

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

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

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

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

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

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

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The recoverable amount cannot exceed the carrying amount that

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would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent to initial recognition, these costs are amortized on a straight line basis using twenty-fourth (24th) method over the life of the contract except for the marine cargo where commissions from the last two months of the year are recognized as expense in the following year. Amortization is charged against consolidated statement of income. The unamortized acquisition costs are shown as "Deferred acquisition costs" are presented under Prepayments and Other Current Assets in the assets section of the statement of financial position.

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

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Acquisition of Non-controlling Interest in a Subsidiary</u>
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

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

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

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

<u>Pension Costs</u>
The Parent Company and its subsidiaries have funded, noncontributory defined benefit retirement plans, administered by trustees, covering their permanent employees.

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

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

Defined benefit costs comprise the following:
a. service cost
b. net interest on the net defined benefit liability or asset
c. remeasurements of net defined benefit liability or asset

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

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

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

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

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

<u>Income Tax</u>
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.

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

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

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

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

<u>Borrowing Costs</u>
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.

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

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

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

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

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective 2014

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- Philippine Interpretation 21, *Levies* (Philippine Interpretation 21)
  Philippine Interpretation 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Philippine Interpretation 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that Philippine Interpretation 21 will have material financial impact in future financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Notes to Consolidated Financial Statements

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact to the Group as it has not applied PFRS 3 to any of its joint arrangements, which are investments in joint ventures.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO.

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

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

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

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

3. MANAGEMENT'S JUDGMENTS AND USE OF ESTIMATES

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

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

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

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

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

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

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:
- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

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

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

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

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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

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

Determining whether an arrangement contains a lease
The PPAs and EPPAs qualify as a lease on the basis that the Group sells all its output to the specified counterparties as per their respective agreements. The agreements 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 the Group. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to the specified counterparties are recorded as revenue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimating impairment of AFS investments
The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee company to provide dividends.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and Cash Equivalents
This account consists of:

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

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

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

5. RECEIVABLES

This account consists of:

	2013	2012
Trade receivables	**₱8,032,978,324**	₱4,548,367,765
Installment contracts receivables	**5,819,661,101**	3,925,822,347
Insurance receivables	**1,622,829,840**	–
Loans receivable	**719,934,106**	742,819,163
Accrued rent and commission income	**335,682,637**	148,605,645
Dividends receivable	**240,000,000**	–
Nontrade receivables	**198,940,565**	–
Others	**432,967,030**	302,838,226
	17,402,993,603	9,668,453,146
Less allowance for credit losses	**23,540,272**	4,617,424
	₱17,379,453,331	₱9,663,835,722

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

	2013	2012
Current portion	**₱12,450,904,615**	₱6,504,694,886
Noncurrent portion	**4,928,548,716**	3,159,140,836
	₱17,379,453,331	₱9,663,835,722

Noncurrent receivables consist of:

	2013	2012
Trade receivables	**₱674,164,980**	₱738,478,778
Installment contracts receivables	**3,534,449,630**	1,677,842,895
Loans receivable	**719,934,106**	742,819,163
	₱4,928,548,716	₱3,159,140,836

Trade Receivables
The details of trade receivables follow:

	2013	2012
Current:		
Power	**₱3,723,957,882**	₱3,809,888,987
Automotive	**3,634,855,462**	–
	7,358,813,344	3,809,888,987
Noncurrent:		
Power	**674,164,980**	738,478,778
Balance at end of year	**₱8,032,978,324**	₱4,548,367,765

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

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

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

The details of installment contracts receivables follow:

	2013	2012
Installment contracts receivables	₱6,683,498,838	₱4,417,915,379
Less unearned interest income	863,837,737	492,093,032
	5,819,661,101	3,925,822,347
Less noncurrent portion	3,534,449,630	1,677,842,895
Current portion	₱2,285,211,471	₱2,247,979,452

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

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

	2013	2012
Balance at beginning of year	₱492,093,032	₱424,136,862
Additions	1,120,891,300	347,402,107
Accretion (Note 23)	(749,146,595)	(279,445,937)
Balance at end of year	₱863,837,737	₱492,093,032

Insurance Receivables
The details of insurance receivable follow:

	2013
Premiums receivable and agents' balances	₱921,004,162
Reinsurance recoverable on paid losses	617,226,869
Bonds recoverable on paid losses	30,702,317
Due from ceding companies	51,004,663
Funds held by ceding companies	2,891,829
	₱1,622,829,840

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

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

	2013	2012
Real estate	₱618,547,138	₱610,775,830
Power	101,386,968	132,043,333
Balance at end of year	₱719,934,106	₱742,819,163

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

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

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

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

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

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

Allowance for Credit Losses
Movements in the allowance for credit losses on receivables are as follows:

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

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

6. INVENTORIES

This account consists of:

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

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

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

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

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

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

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

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

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

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

7. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

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

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

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

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

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

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

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

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

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

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

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

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

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This account consists of:

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

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

	2013	2012 (As restated - Note 2)
Cost		
Balance at beginning of year	**₱26,691,517,245**	₱24,548,058,026
Acquisitions/additional investments during the year	**4,537,085,322**	4,562,500,965
Unrealized upstream gain on sale of Toyota	**–**	(854,486,289)
Attributable to indirect interest - business combination		
Previously held interest	**(14,944,346)**	(188,645,412)
Additional indirect interest	**–**	(1,375,910,045)
Sale of indirect interest	**3,564,356,163**	–
Effect of business combination achieved in stages	**(9,654,189,037)**	–
Balance at end of year	**25,123,825,347**	26,691,517,245
Accumulated equity in net income		
Balance at beginning of year	**14,132,466,033**	10,153,975,071
Attributable to indirect interest - business combination	**(79,082,449)**	(555,948,211)
Equity in net income for the year	**4,043,232,848**	4,534,439,174
Unrealized upstream gain on sale of Toyota	**(863,773,221)**	–
Effect of business combination achieved in stages	**(2,916,331,936)**	–
Balance at end of year	**14,316,511,275**	14,132,466,034
Dividends received		
Balance at beginning of year	**(4,498,007,592)**	(3,309,024,409)
Dividends received during the year	**(755,886,419)**	(1,188,983,184)
Effect of business combination achieved in stages	**2,028,033,022**	–
Balance at end of year	**(3,225,860,989)**	(4,498,007,593)
Accumulated equity in other comprehensive income		
Balance at beginning of year	**2,487,529,431**	2,443,043,051
Equity in other comprehensive income (loss) for the year	**(738,740,864)**	113,106,420
Reversal of accumulated equity in other comprehensive income of previously held interest to profit or loss	**(8,634,834)**	(68,620,040)
Realized gain from sale of AFS investments of associates	**(2,026,061,414)**	–
Elimination of equity take up of indirect interest	**2,962,073**	–
Effect of business combination achieved in stages	**(13,888,335)**	–
Balance at end of year	**(296,833,943)**	2,487,529,431
	₱35,917,641,690	₱38,813,505,117

Notes to Consolidated Financial Statements

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

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

	2013	2012
Cost		
Balance at beginning of year	**₱3,636,401,083**	₱330,000,000
Acquisitions/additional investments	**502,243,750**	3,306,401,083
Balance at end of year	**4,138,644,833**	3,636,401,083
Accumulated equity in net income		
Balance at beginning of year	**339,081,530**	116,938,240
Equity in net income for the year	**408,350,580**	222,143,290
Balance at end of year	**747,432,110**	339,081,530
Dividends declared during the year	**(240,000,000)**	–
Accumulated equity in other comprehensive income	**(4,254,875)**	–
	₱4,641,822,068	₱3,975,482,613

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

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

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

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

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

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

Investment in BLRDC

Fed Land and Morano Holdings Corporation Omnibus Agreement

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

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

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

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

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

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

Investment in MBTC

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

Investment in TMPC

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

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

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

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

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

Fair Value of Investment in Associates and Joint Ventures

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

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

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

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

Proportion of equity interests held by non-controlling interests

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

Carrying value of material non-controlling interests

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

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

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

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

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

Limitation on dividend declaration of subsidiaries and associates

Ping An, Phil AXA

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

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

MBTC

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

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

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

9. INVESTMENT PROPERTIES

The composition and rollforward analysis of this account follow:

	December 31, 2013 Land and Improvements	Building and Improvements	Total
Cost			
At January 1	**₱4,884,012,384**	**₱3,052,135,164**	**₱7,936,147,548**
Effect of business combination	**2,298,668,751**	**109,523,022**	**2,408,191,773**
Additions	**–**	**143,738,791**	**143,738,791**
Transfers (Note 6)	**(2,386,079,033)**	**620,732,926**	**(1,765,346,107)**
At December 31	**4,796,602,102**	**3,926,129,903**	**8,722,732,005**
(Forward)			

	December 31, 2013 Land and Improvements	Building and Improvements	Total
Accumulated Depreciation			
At January 1	**₱–**	**₱120,570,577**	**₱120,570,577**
Effect of business combination	**61,713,968**	**101,732,698**	**163,446,666**
Depreciation (Note 11)	**–**	**110,046,229**	**110,046,229**
At December 31	**61,713,968**	**332,349,504**	**394,063,472**
Net Book Value at December 31	**₱4,734,888,134**	**₱3,593,780,399**	**₱8,328,668,533**

	December 31, 2012 Land and Improvements	Buildings and Improvements	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

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

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

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

The aggregate fair value of the Group's investment properties amounted to ₱13.1 billion and ₱10.87 billion as of December 31, 2013 and 2012, respectively. The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in February 2012.

10. AVAILABLE-FOR-SALE INVESTMENTS

This account consists of:

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

Unquoted AFS investments are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value. Unquoted AFS investments in Toyota Autoparts Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounted to ₱470.27 million as of December 31, 2013. Also included in the balance are AFS investments of Fed Land and Charter Ping An amounting to ₱9.94 million and ₱0.06 million, respectively.

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

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

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

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

	2012		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	₱–	₱–	₱–
Net changes shown in other comprehensive income			
Fair value changes on AFS investments	(6,606,601)	(3,883,398)	(10,489,999)
Balance at end of year	(₱6,606,601)	(₱3,883,398)	(₱10,489,999)

11. PROPERTY AND EQUIPMENT

The composition and rollforward analysis of this account follow:

	2013											
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Machinery, Tools and Equipment**	**Land and Building**	**Boilers and Powerhouse**	**Turbine Generations and Desox System**	**Building and Land Improvements**	**Electrical Distribution System**	**Other Property and Equipment**	**Construction in Progress**	**Total**
Cost												
At January 1	**₱48,867,374**	**₱112,810,917**	**₱494,438,287**	**₱2,634,682,810**	**₱175,145,134**	**₱11,661,088,901**	**₱9,877,136,313**	**₱4,179,564,803**	**₱3,168,273,800**	**₱2,221,304,306**	**₱564,892,115**	**₱35,138,204,760**
Effect of business combination	**205,459,032**	**59,449,421**	**13,805,644**	**279,214,470**	**1,398,469,052**	**–**	**–**	**764,517,969**	**–**	**113,827,529**	**199,755,087**	**3,034,498,204**
Additions	**63,925,576**	**54,105,938**	**14,839,327**	**16,987,177**	**56,446,739**	**126,433,092**	**69,891,143**	**189,550,071**	**19,412,585**	**63,916,515**	**6,349,877,895**	**7,025,386,058**
Disposals and reclassifications	**16,039,195**	**46,931,540**	**(13,624,398)**	**121,335,814**	**3,000,000**	**(116,403,628)**	**(16,634,125)**	**20,098,576**	**–**	**632,802,659**	**(1,151,175,349)**	**(457,629,716)**
At December 31	**334,291,177**	**273,297,816**	**509,458,860**	**3,052,220,271**	**1,633,060,925**	**11,671,118,365**	**9,930,393,331**	**5,153,731,419**	**3,187,686,385**	**3,031,851,009**	**5,963,349,748**	**44,740,459,306**
Accumulated Depreciation and Amortization												
At January 1	**26,783,347**	**92,930,356**	**252,454,364**	**28,230,621**	**10,171,328**	**737,258,193**	**127,227,870**	**80,742,221**	**73,912,104**	**47,265,727**	**–**	**1,476,976,131**
Depreciation and amortization (Note 26)	**125,360,140**	**39,589,966**	**34,852,024**	**127,554,317**	**4,229,606**	**1,089,745,609**	**256,487,354**	**186,725,842**	**113,549,628**	**283,752,460**	**–**	**2,261,846,946**
Disposals and reclassifications	**(56,040,134)**	**14,942,767**	**(9,771,722)**	**(13,241,858)**	**–**	**(61,574,782)**	**(15,487,517)**	**(15,245,008)**	**–**	**(5,373,498)**	**–**	**(161,791,752)**
At December 31	**96,103,353**	**147,463,089**	**277,534,666**	**142,543,080**	**14,400,934**	**1,765,429,020**	**368,227,707**	**252,223,055**	**187,461,732**	**325,644,689**	**–**	**3,577,031,325**
Net Book Value at December 31	**₱238,187,824**	**₱125,834,727**	**₱231,924,194**	**₱2,909,677,191**	**₱1,618,659,991**	**₱9,905,689,345**	**₱9,562,165,624**	**₱4,901,508,364**	**₱3,000,224,653**	**₱2,706,206,320**	**₱5,963,349,748**	**₱41,163,427,981**

	2012											
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction in Progress	Total
Cost												
At January 1	₱23,180,879	₱96,082,953	₱481,884,677	₱14,144,983	₱117,545,133	₱–	₱–	₱–	₱–	₱–	₱1,479,330	₱734,317,955
Effect of business combination	548,859	1,426,629	3,274,258	2,605,924,754	57,120,517	11,503,097,858	9,877,136,313	3,665,756,045	3,168,273,800	2,189,527,989	420,215,013	33,492,302,035
Additions	27,036,851	15,376,665	14,337,193	30,093,946	479,484	157,991,043	–	513,808,758	–	114,293,633	279,520,724	1,152,938,297
Disposals and reclassifications	(1,899,215)	(75,330)	(5,057,841)	(15,480,873)	–	–	–	–	–	(82,517,316)	(136,322,952)	(241,353,527)
At December 31	48,867,374	112,810,917	494,438,287	2,634,682,810	175,145,134	11,661,088,901	9,877,136,313	4,179,564,803	3,168,273,800	2,221,304,306	564,892,115	35,138,204,760
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 26)	15,306,360	8,788,956	35,825,754	18,144,922	5,228,486	815,569,530	138,967,385	98,746,879	73,912,104	83,458,416	–	1,293,948,792
Disposals and reclassifications	(4,134,829)	(355,616)	(5,974,236)	(210,533)	–	(78,311,337)	(11,739,515)	(18,004,658)	–	(36,192,689)	–	(154,923,413)
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	₱164,973,806	₱10,923,830,708	₱9,749,908,443	₱4,098,822,582	₱3,094,361,696	₱2,174,038,579	₱564,892,115	₱33,661,228,629

The power plant complex of PPC and TPC, and the whole property and equipment of CEDC and PEDC, with aggregate carrying value of ₱37.17 billion and ₱33.99 billion as of December 31, 2013 and 2012, respectively, have been mortgaged/pledged as security for their long-term debt (Note 17).

Construction-in-progress pertains to the accumulated cost incurred for the Toledo Project Expansion which was started in 2012 and is expected to be completed in 2015.

Gain on disposal of property and equipment amounted to ₱16.00 million, ₱8.32 million and nil in 2013, 2012 and 2011, respectively (Note 23).

Details of depreciation and amortization follow:

	2013	2012	2011
Property and equipment	**₱2,261,846,946**	₱1,293,948,792	₱52,888,668
Intangible assets (Note 13)	**485,381,510**	323,376,065	6,945,468
Investment properties (Note 9)	**110,046,229**	11,790,470	11,518,440
	₱2,857,274,685	₱1,629,115,327	₱71,352,576

Breakdown of depreciation and amortization in the consolidated statement of income follows:

	2013	2012	2011
Power plant operation and maintenance expenses (Note 24)	**₱1,678,551,135**	₱1,255,133,738	₱–
Cost of goods manufactured	**234,483,648**	–	–
General and administrative expenses (Note 26)	**944,239,902**	373,981,589	71,352,576
	₱2,857,274,685	₱1,629,115,327	₱71,352,576

Notes to Consolidated Financial Statements

12. DEPOSITS

In 2011, the Group entered into an option agreement with its various affiliates for the exclusive rights for three years either (a) to purchase the property, (b) to purchase shares of stock of the third party which own the property, (c) to develop the property as developer in a joint venture with a third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties.

In 2012, option agreements with Kabayan Realty Corporation, Titan Resources Corporation and Hill Realty and Development amounting to ₱500.00 million, ₱1.00 billion and ₱500.00 million, respectively were terminated and settled in cash. Outstanding option deposits amounting to nil and ₱2.09 billion as of December 31, 2013 and 2012, respectively. These deposits carried a 7.34% interest in 2013, 2012 and 2011. Interest income recognized amounted to ₱263.85 million, ₱257.74 million and ₱337.71 million in 2013, 2012 and 2011, respectively (Note 23).

13. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

	2013	2012
Power purchase agreements - net (Note 31)	**₱8,199,068,543**	₱8,676,723,532
Goodwill (Note 31)	**6,175,311,202**	24,201,028
Customer relationship (Note 31)	**3,883,238,361**	–
Software costs - net	**15,814,615**	14,286,161
Franchise - net	**1,583,333**	–
	₱18,275,016,054	₱8,715,210,721

Goodwill

Goodwill mainly comprises the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Goodwill in relation to acquisitions has been attributed to the following CGUs:

	2013				2012	
	Toyota	**Ping An**	**THC**	**Total**	**THC**	**Total**
Cost						
Balance at beginning of year	**₱–**	**₱–**	**₱24,201,028**	**₱24,201,028**	₱–	₱–
Additions through business combinations	**5,596,956,193**	**554,153,981**	**–**	**6,151,110,174**	24,201,028	24,201,028
Balance at end of year	**₱5,596,956,193**	**₱554,153,981**	**₱24,201,028**	**₱6,175,311,202**	₱24,201,028	₱24,201,028

Toyota

The recoverable amount of Toyota CGU was based on value in use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections in 2013 is 17.39%. Cash flows beyond the four-year period are extrapolated using a steady growth rate of 1.00%. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2013. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

The calculations of value in use for the Toyota CGU are most sensitive to the following assumptions:

- Budgeted gross margins - Gross margins are based on vehicle models mix per dealer and the foreign exchange movements between the Philippine Peso versus the United States (US) Dollar and the Japanese Yen versus the US Dollar.
- Growth rate - The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate for the global automotive industry.
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value in use of Toyota, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Ping An

As of December 31, 2013, goodwill arising from the acquisition of Ping An was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the said acquisition (Note 31).

THC

On September 25, 2012, GBPC acquired 60.00% interest in THC from Yorktown Properties, Inc.

The fair values of the net assets of THC including its wholly owned subsidiary, TCITRC, as of acquisition date, are as follows:

Current assets	₱90,212,519
Current liabilities	(409,039,220)
Noncurrent assets	316,386,650
Noncurrent liabilities	(38,094,996)
Total	(40,535,047)
At 60%	(24,321,028)
Consideration paid	120,000
Goodwill	(₱24,201,028)

Consideration:

Cash acquired	₱24,569,910
Paid	(120,000)
Net cash acquired	₱24,449,910

Power Purchase Agreements

Power purchase agreements pertain to the EPPA with certain electric cooperatives. The EPPAs were accounted for as intangible assets as GBPC has the right to charge the electric cooperatives for the electricity to be generated and delivered by GBPC.

The rollforward analysis of the Group's power purchase agreements is as follows:

	2013	2012
January 1	**₱8,676,723,532**	₱–
Fair value on business combination date (Note 31)	**–**	8,995,160,191
Amortization (Note 11)	**(477,654,989)**	(318,436,659)
Net Book Value	**₱8,199,068,543**	₱8,676,723,532

Customer Relationship

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

The recoverable amount of the customer relationship of the Group was based on value in use calculations using earnings projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to earnings projections in 2013 is 17.39%. Cash flows beyond the four-year period are extrapolated using a steady growth rate of 1.00%. The carrying value of the customer relationship amounted to ₱3.90 billion as of December 31, 2013. No impairment loss was recognized for the customer relationship arising from acquisition of Toyota.

The calculations of value in use for the customer relationship are most sensitive to the following assumptions:

- Attrition Rate- Sales to key customers for the four-year period are computed by taking into account a 5% attrition rate or 95% retention rate.
- % EBIT margin on key customers – A 7% EBIT margin was used in projecting the net operating profit on sales to key customers for the four-year period.
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value in use of Toyota's customer relationship, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Software Cost

The Group's software costs pertain to software cost and licenses.

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

	2013	2012
Cost		
Balance at beginning of year	**₱48,048,186**	₱37,320,702
Additions	**7,501,020**	10,727,484
Effect of business combination	**142,609**	–
Reclassification	**2,599,326**	–
	58,291,141	48,048,186
Accumulated Amortization		
Balance at beginning of year	**33,762,025**	28,895,316
Amortization (Note 11)	**7,609,854**	4,866,709
Reclassification	**1,104,647**	–
	42,476,526	33,762,025
Net Book Value	**₱15,814,615**	₱14,286,161

Franchise
Franchise fee pertains to the Fed Land Group's operating rights for its fast food stores with estimated useful lives of three (3) to five (5) years.

The amortization of the franchise fee amounting to ₱0.12 million, ₱0.07 million and ₱0.07 million in 2013, 2012 and 2011, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).

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

	2013	2012
Cost		
Balance at beginning of year	₱800,000	₱800,000
Additions	1,700,000	–
	2,500,000	800,000
Accumulated Amortization		
Balance at beginning of year	800,000	727,303
Amortization (Note 11)	116,667	72,697
	916,667	800,000
Net Book Value	₱1,583,333	₱–

Details of amortization of intangible assets follow (Note 11):

	2013	2012	2011
Power purchase agreements	₱477,654,989	₱318,436,659	₱–
Software cost	7,609,854	4,866,709	6,872,741
Franchise	116,667	72,697	72,727
	₱485,381,510	₱323,376,065	₱6,945,468

14. OTHER NONCURRENT ASSETS

This account consists of:

	2013	2012
Rental and other deposits	₱511,712,824	₱210,830,845
Advances to contractors	300,318,756	–
Deferred input VAT	297,304,581	34,364,891
Deposit for future acquisition of land	–	279,400,720
Others	93,653,638	22,598,027
	₱1,202,989,799	₱547,194,483

Rental and other deposits include deposits for the leased offices of the Group and deposits for the initial set-up of the services rendered by public utility companies. Rental deposits are to be applied on the last month's rent of the lease contract.

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

15. ACCOUNTS AND OTHER PAYABLES

This account consists of:

	2013	2012
Trade payables	₱7,590,142,735	₱3,993,882,998
Telegraphic transfers and drafts and acceptances payable	4,493,193,586	–
Accrued expenses	3,698,807,355	1,203,694,170
Deferred output tax	2,454,049,984	1,373,645,486
Retentions payable	500,417,643	294,632,748
Accrued interest payable	389,752,174	346,055,359
Accrued commissions	367,772,684	42,917,890
Insurance payable	296,242,243	–
Others	1,046,599,001	121,890,193
	₱20,836,977,405	₱7,376,718,844

The details of trade payables are as follows:

	2013	2012
Automotive	₱3,493,615,820	₱–
Real estate	2,566,768,429	3,061,700,963
Power	1,268,902,322	932,182,035
Insurance	254,494,500	–
Others	6,361,664	–
	₱7,590,142,735	₱3,993,882,998

Trade payables of automotive pertain to the purchase of raw materials, spare parts and vehicles which are non-interest bearing and are normally settled on one (1) to thirty (30) day term.

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

Trade payables for power pertain to billing received from suppliers of fuels.

Telegraphic transfers and drafts and acceptance payable pertain to the liabilities of Toyota Group arising from importations of materials, spare parts and/or vehicles. These payables are normally settled after a thirty (30) day term.

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

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

Accrued interest payables are normally settled within a fifteen (15) to sixty (60) day term.

Retentions payable represent a portion of construction cost withheld by the Fed Land Group and paid to the contractors upon completion of the project.

Accrued commissions are settled within one year.

Others include refunds from cancelled sales from Fed Land and other government-related payables which are non-interest bearing and are normally settled within one (1) year. These also include insurance premiums payable and other non-interest bearing payables which are all due within one (1) year.

16. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as of December 31, 2013 may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Provision for claims reported and loss adjustment expenses	₱4,880,806,880	₱4,202,944,603	₱677,862,277
Provision for IBNR	43,005,989	19,437,256	23,568,733
Total claims reported and IBNR	4,923,812,869	4,222,381,859	701,431,010
Provision for unearned premiums	1,759,772,251	743,195,951	1,016,576,300
Total insurance contract liabilities	₱6,683,585,120	₱4,965,577,810	₱1,718,007,310

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	₱2,756,746,169	₱2,193,590,449	₱563,155,720
Claims incurred during the year	3,434,886,806	2,670,480,016	764,406,790
Increase (decrease) in IBNR	408,135	18,797,206	(18,389,071)
Claims paid during the year	(1,268,228,241)	(660,485,812)	(607,742,429)
At December 31	₱4,923,812,869	₱4,222,381,859	₱701,431,010

Provision for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	₱1,495,239,517	₱648,447,981	₱846,791,536
New policies written during the year	3,513,871,960	1,690,294,716	1,823,577,244
Premiums earned during the year	(3,249,339,226)	(1,595,546,746)	(1,653,792,480)
At December 31	₱1,759,772,251	₱743,195,951	₱1,016,576,300

In addition, reinsurance assets consist of the following:

Reinsurance recoverable on unpaid losses	₱4,222,381,859
Deferred reinsurance premiums	743,195,951
	₱4,965,577,810

Notes to Consolidated Financial Statements

17. SHORT-TERM DEBT, LONG-TERM DEBT AND BONDS PAYABLE

This account consists of:

	2013	2012
Loans payable		
Affiliated loans:		
Loans from local banks	**₱3,040,500,000**	₱17,975,921,094
Corporate notes	**233,900,704**	–
Non-affiliated loans:		
Loans from local banks	**30,818,208,292**	26,177,106,697
Corporate notes	**11,600,000,000**	11,600,000,000
	45,692,608,996	55,753,027,791
Less: Short term loans from banks		
Affiliated	**–**	2,841,300,000
Non-affiliated	**1,744,000,000**	6,297,000,000
Loans payable - current portion		
Affiliated	**–**	1,395,187,517
Non-affiliated	**3,364,221,245**	6,031,771,182
	5,108,221,245	16,565,258,699
	₱40,584,387,751	₱39,187,769,092

Bonds Payable - Parent Company
On February 13, 2013, the Parent Company issued ₱10.00 billion worth of seven (7)-year and ten (10)-year bonds due on February 27, 2020 and February 27, 2023, respectively, with an interest rate of 4.84% and 5.09% respectively. Gross proceeds amounted to ₱10.00 billion and net proceeds amounted to ₱9.90 billion, net of deferred financing cost incurred amounting to ₱100.00 million.

The net proceeds was utilized for general corporate requirements which include, but shall not be limited to the following (amounts in millions):

Funding of various equity calls	
Toledo plant, to be completed within 2014	₱1,900
Panay plant, to be completed within 2016	3,900
Refinancing of corporate notes due on November 25, 2013	4,200
	₱10,000

The bonds were listed on February 27, 2013. Total interest expense incurred in 2013 on bonds payable amounted to ₱430.01 million, including amortization of deferred financing cost amounting to ₱8.33 million.

The bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio below 2.3 to 1.0. As of December 31, 2013, the Parent Company has complied with its bond covenants.

Loans from local banks have interest rates ranging from 3.09% to 9.50% lump sum with maturity within one year and interest payable quarterly in arrears.

Short-term Loans and Corporate Notes - Parent Company
As of December 31, 2013, the Parent Company had outstanding peso-denominated loans to affiliated and non-affiliated banks amounting to ₱0.30 billion and ₱0.50 billion, respectively. These loans were obtained in 2013 and carry an annual interest rate of 2.60% and 2.25% for both affiliated and non-affiliated bank loans, respectively. Both loans will mature in 2014.

As of December 31, 2012, the Parent Company had an outstanding notes facility (the "Notes") of ₱5.00 billion from various lenders acquired in 2010. ₱4.20 billion of these Notes matured in 2013 and the remaining ₱0.80 billion will mature in 2015. As of December 31, 2012 the Parent Company also had outstanding short-term and long term bank loans amounting to ₱7.55 billion and ₱2.80 billion, respectively. All these loans were subsequently prepaid by the Parent Company in 2013.

As of December 31, 2013 and 2012, the Parent Company had complied with its loan covenants.

Corporate notes - Fed Land
On March 18, 2011, Fed Land entered into a Notes Facility Agreement (Notes) with FMIC, MBTC - Trust Banking Group. as the 'Notes Facility Agent' and various non-affiliated institutions as 'Note Holders' whereby Fed Land issued ₱6.60 billion worth of fixed rate notes outstanding to finance projects, working capital and for general corporate purposes. The Notes are payable in five years with interest rate based on the latest PDST-F plus a spread of 85 basis points and gross receipts tax.

The agreements covering the above mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization.

On June 24, 2013, the BOD of Fed Land authorized the issuance of ₱3.00 billion up to ₱5.00 billion fixed rate notes (the "Notes"), subject to oversubscription option. On July 5, 2013, Fed Land issued ₱4.00 billion Notes carrying a 5.57% interest rate maturing on July 5, 2020 and ₱1.00 billion Notes carrying a 6.27% interest rate maturing on July 5, 2023. The Notes were used to partially finance various ongoing projects.

As of December 31, 2013 and 2012, Fed Land had complied with its loan covenants. Interest expenses incurred in 2013 and 2012 amounted to ₱565.49 million and ₱216.31 million, respectively.

Loans from local banks - non-affiliated Fed Land
In 2011, Fed Land's loans payable pertains to unsecured peso-denominated short term borrowings from a local bank with floating interest rate at 1.5% spread over the benchmark 90-day PDST-R2 and gross receipts tax. The interest rates ranges from 2.89% to 7.00% in 2011.

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

a) Unsecured loan amounting to ₱200.00 million with an effective interest of 4.38% and will mature on March 31, 2013.
b) Peso-denominated loans amounting to ₱1.24 million which carries interest at three (3) months PDSTF rate plus 2.00% per annum. These loans have a maturity of twelve months and are renewable for a period of twelve months or less. Fed Land secured these loans by entering into a Mortgage Trust Indenture with MBTC.
c) Unsecured loan amounting to ₱150.00 million which bears interest of 6.75% per annum subject to quarterly re-pricing. The loan will mature on January 28, 2013.

In 2013, Fed Land obtained an additional unsecured loan from a non-affiliated bank amounting to ₱100.00 million with an interest rate of 3.55%. Subsequently, said loan was fully paid on July 2013.

Loans from an affiliated local bank
In 2011, Fed Land obtained partially and fully secured peso-denominated loans with an aggregate amount of ₱2.00 billion from MBTC with interest at prevailing market rate of 7.10% with spread of 85-100 basis points, payable in lump sum after five (5) years. These loans are secured by Phil Exim Guarantee under a Mortgage Participation Certificate. In 2013, an additional loan amounting to ₱300.00 million was availed from the same affiliated bank at a prevailing interest rate of 3.5%. Subsequently, said loan was fully paid on July 8, 2013.

As of December 31, 2013 and 2012, Fed Land had complied with its loan covenants.

Loans payable - GBPC
As of December 31, 2013 and 2012, GBPC's loans payable are from the following entities:

	2013	2012
CEDC	**₱13,963,309,687**	₱15,547,801,856
PEDC	**12,975,217,639**	14,258,268,556
PPC	**696,180,966**	1,208,657,368
TPC	**2,350,000,000**	–
	29,984,708,292	31,014,727,780
Less current portion	**3,319,157,705**	3,226,958,699
	₱26,665,550,587	₱27,787,769,081

CEDC, PEDC and TPC
On June 18, 2009, CEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱16.00 billion to partially finance the construction of its power plant. The agreement includes Project Loan Facility Agreement, Project Accounts Agreement, Mortgage Agreement, Pledge Agreement and Assignment Agreement.

On February 26, 2010, PEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱14.00 billion to partially finance the on-going construction of the Panay Expansion Project. The agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

On March 7, 2013, TPC entered into an Omnibus Agreement (the Agreement) with various lenders in the aggregate principal amount of up to ₱7.00 billion (the Facility) to partially finance the on-going construction of the expansion project. The Agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

According to the agreements entered by CEDC and PEDC, CEDC and PEDC are required to meet certain financial ratios, such as debt-to-equity ratio and core equity ratio. As of December 31, 2013 and 2012, CEDC, PEDC and TPC have complied with all the required financial ratios.

Interest expense incurred in connection with the loans amounted to ₱1.40 billion and ₱1.50 billion in 2013 and 2012, respectively, for CEDC and ₱1.23 billion and ₱1.33 billion in 2013 and 2012, respectively, for PEDC. Interest expense capitalized as part of construction cost amounted to ₱47.97 million for TPC.

CEDC, PEDC and TPC's loans are secured by (i) a real estate mortgage on all present and future assets, including the parcels of land where their power plants are located owned by THC, a related party, (ii) chattel mortgage on all present and future movable properties, (iii) pledge agreement on the shares of Global Formosa and Abovant in CEDC and shares of PPHC in PEDC, and shareholder advances and subordinated loans, if any, (iv) assignment agreement on CEDC's and PEDC's future revenues and (v) grantee rights of TPC for special use agreement in protected areas no. 2008-003 issued by the DENR - regional office no. VII on March 18, 2009. The chattel mortgage shall cover to the extent of principal amount of ₱100.00 million, for CEDC and PEDC, respectively.

The total carrying value of the property, plant and equipment pledged as collateral for the above-mentioned loans amounted to ₱37.17 billion and ₱33.99 billion as of December 31, 2013 and 2012, respectively (Note 11).

As of December 31, 2013 and 2012, the movement of the deferred financing cost is as follows:

	2013	2012
Balance at beginning of year	**₱353,382,475**	₱351,148,361
Amortization	**(42,509,541)**	(36,620,329)
Balance at end of year	**₱310,872,934**	₱314,528,032

Among others, the agreements prohibit CEDC, PEDC and TPC to amend or modify its charter documents if any such amendment or modification would have a material adverse effect; assign or otherwise transfer, terminate, amend, or grant any waiver or forbearance or exercise any election under any material provision of the agreements or project document; make any prepayment, whether voluntary or involuntary, or repurchase of any long-term debt or make any repayment of any such long-term debt other than those allowed in the agreements unless, in any such case, it shall at the option of any lender contemporaneously make a proportionate prepayment or repayment of the principal amount then outstanding of the Lender's outstanding participation in the loan. The agreements also prohibit CEDC, PEDC and TPC to acquire by lease any property or equipment, or to acquire rights-of-way to any property, which may have a material adverse effect; enter into contract of indebtedness except those permitted under the agreement such as indebtedness incurred in the ordinary course of business; and form or have any subsidiaries, advances or investments and issue preferred shares, unless certain conditions are complied with. Moreover, CEDC, PEDC and TPC are prohibited from entering into contract of merger or consolidation unless CEDC, PEDC and TPC are the surviving entities and after giving effect to such event, no event of default will result), selling, leasing or disposing all or any of its property (unless in the ordinary course of the business) where such conveyance, sale or lease would have a material adverse effect to CEDC, PEDC and TPC.

Events of default include, among others, failure to pay when due the principal or interest due and any other amount payable under the Agreement; revocation, withdrawal, or modification of any government approval required to be obtained by CEDC, PEDC and TPC in a manner which would have a material adverse effect; Global Formosa and Abovant, and PPHC cease to maintain 51.00% of CEDC and PEDC, respectively, or cease to maintain management control over CEDC, PEDC and TPC, respectively; and failure to comply with the required financial ratios.

If any of the events of default occurs and is continuing, the trustee or the facility agent, as the case maybe, shall immediately give CEDC, PEDC and TPC written notice of such fact and inform the lenders. Without prejudice to the cure periods allowed under the Agreement, and upon written request by the majority lenders, the Facility Agent shall take one or more of the following actions:

i. declare the principal of, and all accrued interest on, payable with respect to the loan under the Facility to be, and the same shall thereupon become, immediately due and payable without any further notice and without any presentment, demand or protest; and/or

ii. declare any undrawn portion of the Facility to be terminated, whereupon such portion of the Facility shall be forthwith terminated.

The Group is in compliance with the loan covenants as of December 31, 2013 and 2012.

PPC
MBTC Loans
On November 6, 2009, PPC entered into a ₱300.00 million, Seven (7)-Year Term Loan Agreement with MBTC. Proceeds from the loan were used to settle the BDO loan in 2009. This loan bears interest at the 3-month T-bill rate published in PDST-F plus 2.00% spread and is covered by a Mortgage Trust Indenture. PPC's power plant is mortgaged for the aforementioned obligations.

As of December 31, 2013 and 2012, a portion of the long-term loan amounting to ₱42.86 million which will mature within one (1) year from the reporting date, is presented as current liability.

Interest charged to operations related to this loan amounted to ₱3.83 million and ₱7.90 million in 2013 and 2012, respectively.

On August 24, 2006, PPC entered into a ₱1.20 billion, Ten (10)-Year Term Loan Agreement with MBTC, for its general corporate requirements. This loan is covered by a Mortgage Trust Indenture. In March 2007, Section 1.01 of the ₱1.20 billion, 10-Year Term Loan Agreement was amended increasing loan facility from ₱1.20 billion to ₱1.36 billion and changing the reference rate from MART1 rate to PDST-F rate.

As of December 31, 2013 and 2012, a portion of the long-term loan amounting to ₱153.85 million which will mature within one (1) year from the reporting date, are presented as current liability.

Interest charged to operations related to this loan amounted to ₱14.77 million and ₱28.67 million in 2013 and 2012, respectively.

In accordance with the loan agreements with MBTC, PPC is restricted from performing certain corporate acts without the prior consent or approval of MBTC, the more significant of which relate to entering into merger or consolidation (where PPC is not the surviving entity), declaring dividends to stockholders, acting as guarantor or surety of obligation and acquiring treasury stock. PPC is also required to maintain certain financial ratios.

As of December 31, 2013 and 2012, PPC has complied with the required financial ratios.

TPC
FMIC Loans
The FMIC loan agreements consist of ten (10)-year promissory notes. The proceeds of these peso-denominated loans were used to fund the construction of the power plant. PPC's power plant is mortgaged for the aforementioned obligations.

The loan agreements provide events that constitute an event of default. The terms indicated that if any other obligations of PPC are not paid when due or a default in the performance or observance of any instrument or agreement, FMIC may consequently declare the commitment to be terminated and declare all unpaid amounts to be due and payable without presentment, demand, protest or further notice of any kind. PPC is also required to maintain certain financial ratios.

Of the ₱865.00 million principal loans from FMIC, ₱350.00 million was secured by way of pledge or mortgage of any asset or property of the Corporation. The ₱515.00 million balance was secured by a chattel mortgage.

As of December 31, 2013 and 2012, PPC met the required debt-to-equity and current ratio requirements of the loan agreements.

Current portion of the loans as of December 31, 2013 and 2012, presented as current liability, amounted ₱200.85 million and ₱173.00 million, respectively. Total interest charged to operations related to these loans amounted to ₱21.34 million and ₱33.81 million in 2013 and 2012, respectively.

Loans Payable- TMPC
As of December 31, 2013, this account consists of unsecured long-term debt to the following:

TAPI	₱74,812,217
Others	159,088,487
	₱233,900,704

The loan from TAPI bears fixed interest rate at 4.2% per annum. This loan is for a period of five (5) years up to February 26, 2016 which is automatically renewed upon maturity for another period of five (5) to ten (10) years (Note 27).

The other long-term unsecured interest-bearing loans consist of a 2.7% interest-bearing ten (10)-year term loan which will mature on September 28, 2015 and a 2.7% interest-bearing ten (10)-year term loan which will mature on October 23, 2016. These loans are automatically renewed upon maturity for another period of ten (10) years.

The loan covenants restrict the Group from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. Interest expense on these loans amounted to ₱7.8 million in 2013 and 2012, respectively.

18. CUSTOMERS' DEPOSITS

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before it enters into a sale transaction. In relation to this, the customers' deposits represent payment from buyers which have not reached the minimum required percentage. When the revenue recognition criteria are met, sales are recognized and these deposits and down payments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the repossessed value of deposit less charges and penalties incurred will be refunded to the buyer.

This account also includes excess of collections over the recognized receivables based on percentage of completion. As of December 31, 2013 and 2012, the balance of this account amounted to ₱1.84 billion and ₱974.33 million, respectively.

19. OTHER CURRENT LIABILITIES

This account consists of:

	2013	2012
Due to holders of non-controlling interest (Note 27)	**₱378,463,322**	₱378,463,322
VAT payable	**250,358,476**	635,607,708
Withholding taxes payable	**225,449,595**	326,915,450
Deferred reinsurance commission	**36,163,708**	–
Unearned income	**3,380,613**	3,380,613
Others	**12,854,267**	25,877,114
	₱906,669,981	₱1,370,244,207

The amount due to holders of non-controlling interest pertains to advances of CEDC from Abovant Holdings, Inc. which owns 44.00% of CEDC. Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one (1) year.

20. LIABILITIES ON PURCHASED PROPERTIES

Liabilities on purchased properties are payables to various real estate property sellers. Under the terms of the agreements executed by Fed Land covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to Fed Land only upon full payment of the real estate loans.

In 2013, various parcels of land were acquired by Fed Land for a total consideration aggregating ₱2.57 billion. The outstanding obligation pertaining to these transactions amounted to ₱1.70 billion as of December 31, 2013.

In 2012, Fed Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in thirteen (13) years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2013 and 2012 amounted to ₱2.62 billion and ₱2.58 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱4.32 billion and ₱2.58 billion as of December 31, 2013 and 2012, respectively.

21. OTHER NONCURRENT LIABILITIES

This account consists of:

	2013	2012
Provisions	**₱1,325,728,442**	₱–
Decommissioning liability	**192,660,472**	183,491,180
Refundable and other deposits	**114,017,770**	47,968,977
Finance lease obligation - net of discount amounting to ₱127.70 million in 2013 and 2012	**10,354,921**	11,106,215
	₱1,642,761,605	₱242,566,372

Provisions consist of:

	2013
Claims and assessments	₱666,701,662
Product warranties	288,752,780
Corporate social responsibility (CSR) activities	370,274,000
	₱1,325,728,442

PPC, PEDC, CEDC, TPC and GPRI have legal obligations to decommission or dismantle their power plant assets at the end of their useful lives. In this regard, PPC, PEDC, CEDC, TPC and GPRI established their respective provisions to recognize estimated decommissioning liability.

Changes in the decommissioning liability are as follows:

	2013	2012
Balance at beginning of year	**₱183,491,180**	₱–
Effect of business combination	**–**	61,656,006
Provisions during the year	**1,600,132**	113,753,507
Accretion expense for the year	**7,569,160**	8,081,667
Balance at end of year	**₱192,660,472**	₱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 five (5) to ten (10) years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied for the unpaid rentals upon termination of the lease contract.

22. EQUITY

Capital stock and additional paid-in capital
As of December 31, 2013 and 2012, the paid-up capital consists of the following:

	2013	2012
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding	**₱1,743,000,000**	₱1,580,000,000
Additional paid-in capital	**46,694,658,660**	36,752,473,660
	₱48,437,658,660	₱38,332,473,660

The movements in the issued and outstanding common stock follow:

	2013		2012	
	Number of shares	**Amount**	Number of shares	Amount
Balance at beginning of year	**158,000,000**	**₱1,580,000,000**	125,000,000	₱1,250,000,000
Issuance of shares of stocks	**16,300,000**	**163,000,000**	33,000,000	330,000,000
Balance at end of year	**174,300,000**	**₱1,743,000,000**	158,000,000	₱1,580,000,000

On January 10, 2013, the Parent Company conducted an overnight equity placement wherein Grand Titan sold 23,027,000 shares of the Parent Company to institutional investors at a price of ₱620.00 per share. Subsequently, Grand Titan subscribed to 16,300,000 million new shares of the Parent Company at the same price.

The placement raised ₱10.11 billion of primary proceeds for the Parent Company and reduced Grand Titan's ownership interest in the Parent Company from 69.68% in 2012 to 59.30% in 2013.

Movements in additional paid-in capital in 2013 follows:

Balance at beginning of year		₱36,752,473,660
Amount in excess of par value of shares issued in the private placement		
Number of shares issued	16,300,000	
Offer Price	₱620	
Total proceeds from share issuance	₱10,106,000,000	
Less par value of shares issued	163,000,000	9,943,000,000
Amount of expenses charged to equity		(815,000)
Balance at end of year		₱46,694,658,660

On April 20, 2012, the Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange raising gross proceeds amounting to ₱15.02 billion based on the primary offering of 33,000,000 new common shares at an offer price of ₱455.00 per share. Total proceeds raised by the Parent Company amounted to ₱13.86 billion, net of direct transaction costs of ₱1.17 billion.

Movements in additional paid-in capital in 2012 follows:

Balance 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 2012, IPO related expenses amounting to ₱165.18 million were charged directly to 'General and administrative expenses' account in the consolidated statement of income (Note 26).

As of December 31, 2013 and 2012, the total number of stockholders of the Parent Company is 74 and 37, respectively.

In a special stockholders' meeting held on October 26, 2012, the stockholders of the Parent Company approved the amendment to Article VII of the Articles of Incorporation whereby the stockholders of the Parent Company shall be denied pre-emptive right to the issue or disposition of any class of share of the Parent Company. The amendment was previously approved by the BOD of the Parent Company on September 7, 2012.

Retained earnings
Details of the Parent Company's dividend distributions out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
August 12, 2013	₱3.00	₱522.90	September 10, 2013	October 2, 2013
September 12, 2012	3.17	500.86	September 28, 2012	October 22, 2012
August 5, 2011	4.00	500.00	August 31, 2011	September 9, 2011
April 8, 2010	2.00	250.00	March 25, 2010	April 15, 2010
October 12, 2010	2.00	250.00	October 31, 2010	November 22, 2010

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2013 and 2012.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Total amount (in millions)	Record date	Payment date
Fed Land	February 18, 2013	₱100.00	December 31, 2012	March 20, 2013
	December 23, 2011	180.00	November 30, 2011	December 23, 2011
GBPC	December 2, 2013	2,000.00	October 31, 2013	June 30, 2014
	December 17, 2012	2,870.00	December 3, 2012	March 31, 2013
	August 11, 2012	1,050.00	July 31, 2012	August 31, 2012
Toyota	April 11, 2013	2,994.11	December 31, 2012	April 12, 2013

Treasury shares
Treasury shares of the Group pertain to 10,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱6.13 million.

Other equity adjustments

GBPC

On June 27, 2013, First Metro Investment Corporation (FMIC), the investment banking arm of MBTC, concluded a Share Sale and Purchase Agreement with Orix Corporation (ORIX) covering the sale of 200.00 million shares of GBPC owned by FMIC to ORIX at a price of ₱7.15 billion. Subsequently on October 22, 2013, FMIC and Meralco PowerGen Corporation (MGen) signed a Shareholders' Agreement to complete the sale of an additional 200.00 million shares of GBPC from FMIC to MGen for a total consideration of ₱7.15 billion. The transactions reduced the Parent Company's indirect ownership over GBPC from 12.23% to 2.27%.

The disposals were accounted as equity transactions in the consolidated financial statements since the Parent Company did not lose control over GBPC even after the sale of the indirect interests. The Group recognized other equity adjustments totaling ₱1.41 billion, presented under equity attributable to equity holders of the Parent Company in the consolidated statement of financial position, representing the excess of the considerations received over the carrying amount of the indirect interests sold.

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC from 34.41% to 39.00% (Note 31). This also resulted in the recognition of negative equity adjustment amounting to ₱54.78 million representing the excess of cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC from 39.00% to 50.89%. This acquisition resulted to a negative equity adjustment amounting to ₱112.93 million representing the excess of the cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

Fed Land

On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80.00% to 100.00%. As of May 3, 2012, the carrying amount of the 20.00% non-controlling interest in Fed Land amounted to ₱2.20 billion. The acquisition of 20.00% of Fed Land also resulted in the recognition of a negative equity adjustment amounting to ₱513.36 million representing the excess of cost consideration over the carrying amount of non-controlling interest (Notes 2 and 31).

Effect of uniting of interest on HLRC and CRDC

The net effect of uniting of interest on the acquisition of HLRC and CRDC amounted to ₱104.26 million as of December 31, 2011. This represents the difference between the Fed Land's aggregate consideration transferred on the acquisition and the respective HLRC and CRDC's equity as of December 31, 2010 attributable to parent and to non-controlling interest as of the time of the combination (Note 31).

The aggregate cost of investment of ₱420.00 million is presented as a reduction to the net assets pooled to the Group's financial statements at the time of combination for the year ended December 31, 2011.

Non-controlling interests

The following table presents the rollforward of non-controlling interests:

	2013	2012
Beginning balance	**₱11,294,157,537**	₱2,205,318,605
Total comprehensive income:		
Net income	**3,890,464,362**	2,057,582,765
Other comprehensive income	**(28,984,106)**	(66,253,122)
Issuance of capital stock	**959,350,239**	639,809,982
Cash dividends paid to non-controlling interests	**(3,456,348,554)**	(3,545,093,065)
Effect of business combination (Note 31)	**7,222,853,016**	15,238,649,131
Acquisition of non-controlling interests in consolidated subsidiaries	**–**	(5,235,856,759)
Sale of indirect interest in a subsidiary	**2,156,827,165**	–
	₱22,038,319,659	₱11,294,157,537

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2013 and 2012.

The Parent Company considers total equity as its capital amounting to ₱52.83 billion and ₱40.71 billion as of December 31, 2013 and 2012, respectively.

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

23. INTEREST AND OTHER INCOME

Interest Income

This account consists of:

	2013	2012	2011
Interest income on:			
Installment contract receivable (Note 5)	**₱749,146,595**	₱279,445,937	₱195,924,132
Short-term investments (Note 4)	**310,626,708**	–	–
Deposit (Note 12)	**263,850,062**	257,736,632	337,707,830
Cash and cash equivalents (Note 4)	**92,743,951**	325,248,088	64,595,737
AFS debt instruments	**12,613,367**	–	–
Others	**48,533**	4,000,354	–
	₱1,429,029,216	₱866,431,011	₱598,227,699

Interest on deposit represents reimbursement of interest expense incurred by Fed Land from option money granted to affiliates (Notes 12 and 27).

Other Income

This account consists of:

	2013	2012	2011
Real estate forfeitures, charges and penalties	**₱123,201,267**	₱88,118,947	₱92,926,119
Management fee (Note 27)	**85,211,246**	41,142,177	36,834,278
Dividend income	**77,277,481**	23,304,907	25,200
Recovery from insurance	**38,008,663**	–	–
Refund of rental payments	**21,228,274**	–	–
Gain on sale of fixed asset	**15,998,480**	8,316,148	–
Gain on sale of shares	**8,522,850**	–	2,304,422
Other underwriting income	**7,658,264**	–	–
Disposal of defective units	**7,074,435**	–	–
Membership fees	**2,172,316**	–	–
Reimbursement from a contractor	**–**	16,903,454	–
Processing fee	**–**	10,052,364	–
Others	**151,288,740**	74,612,801	56,455,173
	₱537,642,016	₱262,450,798	₱188,545,192

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee pertains to services rendered by Fed Land in the administration of different projects related to the joint venture (Note 27).

Other underwriting income pertains to the fronting fees earned by the Charter Ping An for fronting arrangements made during the year with several agencies and intermediaries.

Others include charges from tenants of Fed Land pertaining to electricity and other utilities; these were recorded by Fed Land as other income upon receipt of the payments from the tenants.

24. POWER PLANT OPERATION AND MAINTENANCE EXPENSES

This account consists of:

	2013	2012
Power plant operations expenses	**₱7,836,783,183**	₱4,855,731,852
Repairs and maintenance	**540,907,411**	1,304,733,409
Purchased power	**567,745,347**	550,584,212
	₱8,945,435,941	₱6,711,049,473

Notes to Consolidated Financial Statements

25. COST OF GOODS MANUFACTURED AND COST OF GOODS AND SERVICES SOLD

Cost of goods manufactured consists of:

	2013
Raw materials, beginning	₱567,478,665
Purchases	17,531,617,445
Total materials available for production	18,099,096,110
Less: Raw materials, end	528,430,068
Raw materials placed in process	17,570,666,042
Direct labor	229,166,773
Manufacturing overhead	1,980,663,593
Total cost of goods placed in process	19,780,496,408
Work-in-process, beginning	79,583,854
Total Cost of goods in process	19,860,080,262
Less: Work-in-process, ending	53,027,159
Total cost of goods manufactured	19,807,053,103
Finished goods, beginning	252,177,779
Total goods available for sale/transfer	20,059,230,882
Less: Finished goods, ending	42,685,755
Other transfers	30,444,994
	₱19,986,100,133

Cost of goods and services sold consists of:

	2013	2012	2011
Beginning inventory			
Automotive	**₱4,340,087,864**	₱–	₱–
Gasoline, retail and petroleum products	**9,786,694**	8,367,927	10,014,263
Food	**2,351,541**	2,160,335	1,990,935
	4,352,226,099	10,528,262	12,005,198
Add: Net purchases	**43,419,704,745**	642,162,033	665,201,705
Total inventories available for sale	**47,771,930,844**	652,690,295	677,206,903
Less: Ending inventory (Note 6)			
Automotive	**2,899,063,311**	–	–
Gasoline, retail and petroleum products	**7,940,644**	9,786,694	8,367,927
Food	**1,310,005**	2,351,541	2,160,335
	44,863,616,884	640,552,060	666,678,641
Cost adjustments	**(20,203,084)**	–	–
Internal and other transfers	**(142,500,998)**	–	–
Direct labor	**18,856,187**	16,173,326	15,196,150
Overhead (Note 30)	**749,690,677**	24,185,460	27,851,792
	₱45,469,459,666	₱680,910,846	₱709,726,583

Overhead includes rent expense and common usage and service area charges.

26. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	2013	2012 (As restated - Note 2)	2011
Advertising and promotions	**₱2,167,375,730**	₱165,656,540	₱102,547,029
Salaries, wages and employee benefits (Notes 27 and 28)	**1,838,461,064**	956,203,320	231,469,966
Taxes and licenses	**1,086,336,724**	502,873,719	137,666,355
Depreciation and amortization (Note 11)	**944,239,902**	373,981,589	71,352,576
Commissions	**480,685,180**	189,703,924	168,976,570
Outside services	**344,401,523**	91,369,952	54,291,761
Administrative and management fees	**336,429,533**	248,497,988	54,236,786
Light, water and other utilities	**256,713,734**	101,664,069	77,958,384
Delivery and Handling	**212,067,754**	–	–
Repairs and maintenance	**198,128,553**	69,575,384	13,080,654
Professional fees	**194,519,779**	173,760,643	102,053,104
Insurance	**182,788,839**	111,422,840	1,827,228
Provisions for claims and assessments	**168,366,015**	–	–
Transportation and travel	**121,320,096**	45,834,907	7,678,012
Office supplies	**69,824,602**	26,589,448	12,197,808
Entertainment, amusement and recreation	**66,470,881**	51,924,135	18,014,503
Participation fee	**59,659,478**	–	–
(Forward)			

	2013	2012 (As restated - Note 2)	2011
Rent	**₱52,084,746**	₱52,366,000	₱18,338,131
Unrealized foreign exchange loss	**42,309,137**	7,113,039	193,784
Communications	**41,284,806**	10,850,899	232,332
Provisions for inventory obsolescence (Note 7)	**26,912,531**	–	–
Provision for credit losses (Note 5)	**22,557,768**	849,036	879,708
Dealer's incentive, support and promotions	**17,396,388**	–	–
Royalty and service fees	**13,582,752**	5,865,917	5,600,385
IPO - related expenses (Note 22)	**–**	165,183,396	–
Loss from initial recognition of financial asset	**275,000**	94,224,170	–
Others	**449,518,579**	113,510,012	31,151,972
	₱9,393,711,094	₱3,559,020,927	₱1,109,747,048

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, jointly controlled entities, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

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

As of December 31, 2013 and 2012, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The following table shows the related party transactions included in the consolidated financial statements.

	December 31, 2013		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Subsidiaries			
Due from related parties	**₱300,000,000**		Non-interest bearing; due and demandable
Other current assets	**861,123**	**₱861,123**	Receivable from subsidy of expenses; non-interest bearing; due and demandable
Associates			
Cash and cash equivalents	**8,545,042,319**	**15,952,344,446**	Savings, current and time deposit account with annual interest ranging 0.5% to 5%; Unsecured; no impairment
Interest income	**124,126,178**		Interest income from cash and cash equivalents
Rental deposits	**12,226,933**		Guarantee Deposit on Properties
Due from related parties	**4,523,347**		Receivable on sale of property; unremitted collections
Investments in associates and joint ventures	**502,243,750**	**23,578,612,738**	Purchase of additional investment in associate
AFS equity securities		**29,843,988**	Unsecured; no impairment
Accrued expense	**51,866**	**51,866**	Retainer's fee of an associate as stock and transfer agent and group life insurance premium of an associate
Accrued interest payable	**1,776,667**	**1,776,667**	Accrued interest on loans with an annual interest ranging from 2.60% to 10.35% per annum
Loans payable	**8,293,073,727**	**300,000,000**	Short term loans from an associate at 2.6-3.5% per annum; secured
Interest income	**287,445,669**		Interest bearing at prevailing market rate; due and demandable; unsecured, no impairment
Dividend income	**263,107**		Dividend income from investments in Metrobank
Management fee income	**58,807,050**		Management fee earned from MBTC and FMIC
Interest expense	**83,058,611**		Interest bearing at prevailing market rate; due and demandable
Miscellaneous expense	**1,344,866**		Retaineers fees and trust fees incurred
Jointly controlled entities			
Dividend receivable	**240,000,000**	**240,000,000**	Dividend receivable from FLOC
Accounts payable	**6,961,000**	**6,961,000**	Payable to TMBC 30 to 60 days, non-interest-bearing

(Forward)

Notes to Consolidated Financial Statements

	December 31, 2013		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Other related parties			
Cash and cash equivalents	**₱326,595,093**		Interest bearing at prevailing market rate; due and demandable; Unsecured with no impairment.
Interest income	**5,066,377**		Interest income from cash and cash equivalents
Due from related parties	**24,661,448**	**₱845,695,500**	Non-interest bearing; due and demandable
Deposits	**805,354**		With interest of 7.34%; option agreement will expire on December 31, 2013; Unsecured with no impairment.
AFS debt securities		**29,704,509**	7 years, 5.68% to 5.75%; 10 years, 7.1875%; Unsecured; no impairment
Interest income	**1,729,316**		Interest income from AFS securities
Accrued expense	**17,790,333**	**45,000**	Telemarketing Charges with Metrobank Card Corporation
Loans payable	**1,037,320,579**	**2,000,000,000**	With interest ranging from 3.75% to 4%; Payable in 2015
Interest expense	**76,799,829**		Interest expense from loans payable
Due to related parties		**188,385,414**	Non-interest bearing; due and demandable
Liabilities on purchased properties	**2,570,937,500**	**4,320,376,123**	Unsecured with interest rate of 3.15% payable on 2022; no impairment.
Interest expense	**117,206,668**		Interest expense on purchased properties
Dividend income	**982,200,000**		Dividend income earned from FMIC and ORIX
Miscellaneous expense	**59,693,036**		Participation fee paid to the ultimate parent company in the private placement exercise
Key management personnel			
Rent income	**310,982**		Income from employees for car plans
Salaries and employee benefits	**68,948,180**		Salaries and benefits to employees
Director's fee	**11,795,000**		Per diems and bonuses to directors

	December 31, 2012		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
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	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

(Forward)

	December 31, 2012		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
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 (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

Details of the transactions with affiliates are as follows:

Land for development

In 2012, Fed Land purchased (a) parcel of land located at Reclamation Area, Central Business Park 1-A, Pasay City at a total consideration of ₱234.66 million from WTCC, (b) parcel of land located at Taguig City for a total consideration of ₱785.52 million from MBTC (c) parcel of land located at Pasay City for a total consideration of ₱541.35 million from TRC. These parcels of land were acquired at their fair market value at the time of acquisition.

Operating advances

Due from and to related parties consist mostly of operating advances which are noninterest-bearing and due and demandable.

Long-term cash investment

On April 13, 2011, Fed Land invested long-term cash investments with a local bank to secure a loan obtained by an affiliate amounting to ₱2.44 billion. Fed Land recognized interest income from the assigned long-term cash investment amounting to ₱40.08 million in 2011.

In 2012, the said long-term cash investment was terminated and used to fully settle Fed Land's short-term loans.

Long-term loans receivable

In 2012, Fed Land entered into a loan agreement with Cathay International Resources Corp. (Borrower). Fed Land agrees to lend to the Borrower a total amount of ₱705.00 million with nominal interest rate of 3.15% annually. This loan will mature on the tenth year anniversary from the date of the execution of the agreement. The outstanding balance of long-term loans receivable as of December 31, 2012 amounted to ₱610.78 million.

The interest expense from day 1 difference recorded under "General and administrative expenses" in the consolidated statement of income amounted to ₱94.22 million.

Deposits

Parent Company

In October 22, 2012, the Parent Company and MBTC entered into MOU related to the acquisition of MBTC's 30.00% ownership interest in TMPC. Pursuant to the MOU, an option payment amounting to ₱20.00 million was given by the Parent Company to MBTC for the exclusive option to acquire the shares under the second tranche.

Fed Land
In 2011, Fed Land entered into an option agreement with its various affiliates (Grantor), whereby the Grantor grants and gives Fed Land the exclusive rights, for a period of three years to either (a) purchase the Property, (b) purchase the shares of stock of the Grantor which owns the Property, (c) to develop the property as Developer in joint venture with the Grantor's affiliates or (d) to undertake combination of any of the foregoing, as may be agreed upon the parties. The Group has outstanding deposits amounting to nil and ₱2.09 billion with 7.34% interest in 2013 and 2012, respectively.

In addition, the Grantor will reimburse Fed Land for its interest expense, borrowing cost and related expenses incurred in obtaining the option money. The Group recognized interest income amounting to ₱263.85 million and ₱257.74 million in 2013 and 2012, respectively.

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 3.75% to 4.50% per annum in 2011 and 6.52% to 6.78% per annum in 2010 and 2009, respectively.

Management fee
Management fee amounting to ₱70.18 million, ₱41.14 million and ₱36.83 million in 2013, 2012 and 2011, respectively, pertains to the income received from a joint venture of Fed Land with Fed Land Orix Corporation (FLOC) and MBTC (Note 23).

Lease agreements
In 2011, Fed Land also leased its mall to some of its associates and affiliates. The lease term ranged from 5 to 10 years. The rental income on these leases amounted to ₱10.03 million and ₱8.57 million for 2011 and 2010, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2013, 2012 and 2011 follow:

	2013	2012	2011
Short-term employee benefits	**₱111,560,155**	₱195,072,227	₱58,406,499
Post employment benefits	**49,782,006**	7,607,244	3,469,682
	₱161,342,161	₱202,679,471	₱61,876,181

Transactions with the Group Retirement Funds
The retirement funds of the subsidiaries' employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2013 and 2012 amounted to ₱1.10 billion and ₱98.70 million, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2013 and 2012:

	December 31, 2013		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Associate			
Savings deposit		**₱276,533**	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		**14,100,000**	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		**7,101,096**	Unsecured with no impairment
Interest income	**₱219,568**		Income earned from savings deposit
Gain on sale of shares	**1,370,769**		Income from sale of shares
Mark-to-market gain	**287,396**		Gain from mark-to-market of shares
Parent Company			
Investment in equity securities	**–**	**5,087,480**	Unsecured with no impairment
Gain on sale	**2,877,808**		Income from sale of shares
Mark-to-market gain	**310,175**		Gain from mark-to-market of shares

	December 31, 2012		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Associate			
Savings deposit		₱69,884	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		6,030,000	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		734,400	Unsecured with no impairment
Interest income	₱112,032		Income earned from savings deposit
Gain on sale of shares	9,672		Income from sale of shares
Mark-to-market gain	67,396		Gain from mark-to-market of shares

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

28. PENSION PLAN

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made at least every one to three years.

Principal actuarial assumptions used to determine pension obligations follow:

		January 1, 2013		
		Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2013**	**3.50%**	**6.25%**	**5.65%**
Power	**-do-**	**5.00%**	**8.00%**	**4.66% - 6.14%**
Non-life insurance	**-do-**	**7.00%**	**10.00%**	**4.99%**
Automotive	**-do-**	**9.00%**	**5.00%-7.00%**	**4.90%-6.11%**
Financial	**-do-**	**–**	**8%**	**5.43%**

		January 1, 2012		
		Actuarial Assumptions		
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2012	6.00%	5.00%-8.00%	5.26%-6.24%
Power	-do-	6.00%	10.00%	5.35% - 6.12%
Financial	-do-	–	8%	5.89%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Notes to Consolidated Financial Statements

The net pension liability and asset recognized in the Group's statements of financial position are as follows:

	2013													
				Net benefit cost				Remeasurements in other comprehensive income						
	January 1, 2013	Effect of business combination	Balance after business combination	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2013
Present value of defined benefit obligation	**₱631,313,168**	**₱2,157,293,976**	**₱2,788,607,144**	**₱227,983,529**	**₱146,203,647**	**₱374,187,176**	**(₱72,836,781)**	**₱–**	**₱4,751,767**	**(₱94,712,871)**	**(₱183,216,067)**	**(₱273,178,171)**	**₱–**	**₱2,816,779,368**
Fair value of plan assets	**(98,701,895)**	**(873,565,502)**	**(972,267,397)**	**–**	**(44,725,426)**	**(44,725,426)**	**20,163,736**	**(8,102,940)**	**–**	**–**	**–**	**(8,102,940)**	**(108,214,980)**	**(1,113,147,007)**
Net defined benefit liability	**₱532,611,273**	**₱1,283,728,474**	**₱1,816,339,747**	**₱227,983,529**	**₱101,478,221**	**₱329,461,750**	**(₱52,673,045)**	**(₱8,102,940)**	**₱4,751,767**	**(₱94,712,871)**	**(₱183,216,067)**	**(₱281,281,111)**	**(₱108,214,980)**	**₱1,703,632,361**

	2012											
		Net benefit cost				Remeasurements in other comprehensive income						
	January 1, 2012	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2012
Present value of defined benefit obligation	₱566,356,367	₱71,118,800	₱35,853,035	₱106,971,835	(₱16,489,496)	₱–	(₱8,827,101)	(₱13,415,900)	(₱3,282,537)	(₱25,525,538)	₱–	₱631,313,168
Fair value of plan assets	(90,728,412)	–	(1,244,189)	(1,244,189)	7,607,244	(14,336,538)	–	–	–	(14,336,538)	–	(98,701,895)
Net defined benefit liability	₱475,627,955	₱71,118,800	₱34,608,846	₱105,727,646	(₱8,882,252)	(₱14,336,538)	(₱8,827,101)	(₱13,415,900)	(₱3,282,537)	(₱39,862,076)	₱–	₱532,611,273

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	2013	2012
Cash and cash equivalents	**₱74,857,144**	₱4,749,087
Investment in government securities	**693,457,738**	75,060,979
Investment in equity securities	**162,728,547**	8,840,166
Investment in debt and other securities	**63,800,661**	3,878,895
Investment in mutual funds	**15,241,230**	–
Receivables	**7,851,213**	301,462
Others	**95,210,474**	5,871,306
	₱1,113,147,007	₱98,701,895

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	December 31, 2013	
	Possible Fluctuations	**Increase (Decrease)**
Discount rates	**+1%**	**(₱489,919,722)**
	-1%	**607,053,371**
Turnover rate	**+1%**	**(34,624,950)**
	-1%	**38,705,250**
Future salary increase rate	**+1%**	**599,310,655**
	-1%	**(490,661,296)**

The Group expects to contribute ₱105.85 million to its defined benefit pension plan in 2014.

The average duration of the defined benefit retirement liability at the end of the reporting period is 17.87 years for the Group.

29. INCOME TAXES

Provision for income tax account consists of:

	2013	2012 (As restated - Note 2)	2011
Current	**₱1,736,415,071**	₱120,152,710	₱59,934,300
Deferred	**17,579,768**	144,923,530	76,273,791
Final	**49,275,282**	22,574,356	12,571,044
	₱1,803,270,121	₱287,650,596	₱148,779,135

The components of the Group's deferred taxes as of December 31, 2013 and 2012 are as follow:

Net deferred tax asset:

	2013	2012 (As restated - Note 2)
Deferred tax asset on:		
Retirement benefit obligation	**₱485,285,082**	₱124,108,933
Warranties payable and other provisions	**269,892,617**	17,258,550
Allowance for probable losses	**229,086,607**	1,835,950
Capitalized commissioning income	**115,734,529**	91,880,136
NOLCO	**97,235,999**	112,574,052
Decommissioning liability	**57,798,142**	32,616,214
Unearned premiums	**42,523,751**	–
Accrued expenses	**40,316,088**	20,076,902
Allowance for impairment losses	**39,970,139**	674,073
Others	**40,527,930**	9,838,740
	1,418,370,884	410,863,550
Deferred tax liability on:		
Costs of generation capitalized during construction	**90,013,982**	–
Deferred financing cost	**69,834,890**	58,084,306
Deferred acquisition costs	**64,912,883**	–
Dismantling costs	**36,125,990**	22,094,745
Fair value adjustment on acquisition - by Parent	**33,707,943**	–
Others	**14,603,810**	–
	309,199,498	80,179,051
Net deferred tax asset	**₱1,109,171,386**	₱330,684,499

Notes to Consolidated Financial Statements

Net deferred liability:

	2013	2012 (As restated - Note 2)
Deferred tax asset on:		
Fair value adjustment on acquisition - by Parent	**₱34,087,631**	₱–
Retirement benefit obligation	**32,109,122**	31,368,525
Unamortized discount on receivables	**26,061,686**	34,541,983
Deferred gross profit	**10,974,011**	–
NOLCO	**102,179**	101,033,995
Others	**13,414,146**	67,565,437
	116,748,775	234,509,940
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent	**2,850,921,020**	560,826,095
Fair value adjustment on acquisition - by subsidiaries	**226,373,419**	246,058,064
Deferred financing cost	**154,611,358**	169,592,581
Earned interest income	**61,457,003**	23,198,482
Capitalized net income	**11,738,793**	66,335,015
Deferred gross profit	**–**	49,256,057
Others	**63,388,028**	54,750,356
	3,368,489,621	1,170,016,650
Net deferred tax liability	**₱3,251,740,846**	₱935,506,710

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

As of December 31, 2013, 2012 and 2011, the Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2013	₱1,052,769,050	₱–	₱1,052,769,050	2016
2012	968,338,310	–	968,338,310	2015
2011	632,568,376	–	632,568,376	2014
2010	331,942,224	331,942,224	–	2013
	₱2,985,617,960	₱331,942,224	₱2,653,675,736	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2013	₱217,786	₱–	₱217,786	2016
2012	446,800	–	446,800	2015
2011	17,559	–	17,559	2014
2010	1,587,387	1,587,387	–	2013
	₱2,269,532	₱1,587,387	₱682,145	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2013	2012 (As restated)	2011
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Interest income subjected to final tax	**(0.22)**	(0.18)	(0.57)
Nondeductible interest and other expenses	**(3.51)**	(0.03)	0.23
Change in unrecognized deferred tax asset	**2.50**	–	5.56
Nontaxable income	**(16.19)**	(26.57)	(31.09)
	12.58%	3.22%	4.13%

Board of Investments (BOI) Incentives of Fed Land

On various dates in 2009 and 2008, the BOI issued Certificates of Registration as a New Developer of Mass Housing Project for its two (2) real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three (3) to four (4) years. The projects namely: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012. The projects namely: The Capital Towers-Beijing, Marquinton Gardens Terraces-Toledo, Oriental Gardens-Lilac and Peninsula Garden Midtown Homes-Tower A are entitled to ITH in years 2009 to 2013. Oriental Garden Heights - A, B and C in 2010 to 2014 and Marquinton Garden Terraces - Valderrama Tower in 2010 to 2013.

30. LEASE COMMITMENT

The Group as a lessee

The Group is a party under various lease agreements including the lease of premises occupied by the head office, land leased for the Group's mall and gasoline station as well as office space leased for the Group's branches. Lease terms under these agreements range from 1 to 10 years. These lease agreements also include rent of parking space for a lease term of three years. The Group's rentals incurred on the lease for its mall and gasoline stations are presented as 'Overhead' and included in the cost of goods and services sold account, amounting to ₱30.97 million, ₱24.19 million and ₱27.85 million in 2013, 2012 and 2011, respectively (Note 25).

As of December 31, 2013 and 2012, the future minimum rental payments are as follows:

	2013	2012
Within one year	**₱39,201,598**	₱42,170,417
After one year but not more than five years	**98,891,027**	92,897,086
	₱138,092,625	₱135,067,503

The Group as a lessor

Fed Land leases its mall to different parties as well as Toyota Motors which leases its land through non-cancellable leases to various counterparties. The lease term ranges from 5 to 10 years. The Group's rental income on these leases amounted to ₱592.04 million, ₱233.44 million, and ₱238.00 million in 2013, 2012 and 2011, respectively (Note 9).

As of December 31, 2013 and 2012, the future minimum receipts from these lease commitments are as follows:

	2013	2012
Within one year	**₱527,362,863**	₱487,926,149
After one year but not more than five years	**1,202,054,987**	1,256,010,629
More than five years	**254,680,118**	75,908,411
	₱1,984,097,968	₱1,819,845,189

31. BUSINESS COMBINATIONS

2013

Acquisition of Toyota

On January 17, 2013, the Parent Company and MBTC executed a Deed of Absolute Sale for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC as provided in the MOU for a total consideration of ₱4.54 billion. This represented an additional 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%.

The acquisition of Toyota was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's 36.00% direct ownership interest over Toyota was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer, FTI Consulting, Inc., to conduct a purchase price allocation. The Group elected to measure the non-controlling interest in Toyota at the proportionate share of the non-controlling interest in the fair value of the identifiable net assets of Toyota, amounting to ₱6.88 billion.

As of January 31, 2013, the fair values of the identifiable assets and liabilities of Toyota were finalized as follows:

Assets	
Cash and cash equivalents	₱8,581,503,619
Receivables	2,384,910,913
Inventories	5,256,937,104
AFS investments	560,349,347
Prepayments and other current assets	657,124,867
Property, plant and equipment	3,168,629,863
Investment properties	2,251,349,832
Deferred tax assets	421,764,219
Other non-current assets	337,258,975
Intangible assets - customer relationship (Note 13)	3,883,238,361
	27,503,067,100
Liabilities	
Accounts payable and accrued expenses	10,873,614,987
Loans payable	290,000,000
Income tax payable	51,952,821
Long-term debt	229,481,790
Deferred tax liability	2,232,084,208
	13,677,133,806
Total identifiable net assets at fair value	₱13,825,933,294

Notes to Consolidated Financial Statements

The gross contractual amount of receivable acquired amounted to ₱2.44 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱6,879,802,794
Fair value of previously held interest	8,006,101,371
Cash consideration	4,536,985,322
	₱19,422,889,487

The fair value of the previously held interest of ₱1,435.33 per share was based on the valuation of a third party valuer. The Company recognized gain on the revaluation of the previously held interest amounting to ₱1.99 billion and is reported under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱5.60 billion computed as follows:

Total consideration transferred	₱19,422,889,487
Less: Fair value of identifiable net assets including intangible assets	13,825,933,294
Goodwill	₱5,596,956,193

Goodwill arising from the acquisition of Toyota Group is allocated entirely to the operations of Toyota. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Toyota Group has contributed gross revenues totaling ₱75.13 billion and net income amounting to ₱3.94 billion to the Group. If the business combination with Toyota has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱111.04 billion and ₱8.67 billion, respectively.

Acquisition of Charter Ping An
On October 10, 2013, GT Capital acquired 2,334,434 common shares of Ping An from Ty family investment holding companies at a fixed price of ₱614.3 per share for a total of ₱1.4 billion. The acquisition represented 66.7% of the non-life insurance firm's outstanding capital stock. The Parent Company has effective ownership over Ping An of 74.97% (66.67% direct holdings and 8.30% indirect ownership). The Parent Company's 8.30% indirect ownership came from its 25.11% direct interest in MBTC which has 99.23% direct interest in FMIC. FMIC, in turn, has 33.33% direct interest in Ping An.

On June 19, 2012 and April 23, 2013, the BOD and the stockholders of Ping An approved the amendment of the Articles of Incorporation for the purpose of increasing the authorized capital stock and the declaration of 1.62 million stock dividends equivalent to ₱162.50 million. On October 18, 2013, the Securities and Exchange Commission approved the application for the increase in Ping An's authorized capital stock from ₱350.00 million to ₱1.00 billion consisting of 10.00 million common shares with par value of ₱100.00 per share. The ₱162.50 million stock dividend equivalent to 1.62 million common shares represented the minimum 25.00% subscribed and paid-up capital for the above-mentioned increase in authorized capital stock.

The acquisition of Ping An was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over Ping An through its associate MBTC which owns 99.23% of FMIC which in turn owns 33.33% of Ping An before the business combination date was regarded as the previously held interest and remeasured at fair value. The accounting for the business combination was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. The Group elected to measure the non-controlling interest in Ping An at the proportionate share of the non-controlling interest in the identifiable net assets of Ping An.

As of October 1, 2013, the provisional fair values of the identifiable assets and liabilities of Ping An is as follows:

Assets	
Cash and cash equivalents	₱52,376,512
Short-term investments	874,410,676
Receivables	1,615,879,399
Reinsurance assets	3,701,512,371
Deferred acquisition cost	221,204,997
Prepayments and other current assets	25,589,459
AFS investments	1,208,433,444
Property, plant and equipment	195,469,447
Other non-current assets	18,736,582
	7,913,612,887
Liabilities	
Accounts payable and accrued expenses	618,336,186
Insurance contract liabilities	5,326,709,306
Insurance payable	373,629,735
Deferred reinsurance commission	44,005,499
Income tax payable	43,944,818
Other current liabilities	68,066,431
Pension liability	29,707,977
Deferred tax liability	38,535,272
	6,542,935,224
Total identifiable net assets at fair value	₱1,370,677,663

Total contractual amount of receivables amounted to ₱1.64 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱343,050,222
Fair value of previously held interest	162,160,900
Cash consideration	1,419,620,522
	₱1,924,831,644

Based on preliminary valuation, the fair value of the previously held interest is ₱557.84 per share. The Parent Company recognized a gain on the revaluation of the previously held interest amounting to ₱59.5 million reported under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱554.15 million computed as follows:

Total consideration transferred	₱1,924,831,644
Less: Fair value of identifiable net assets	1,370,677,663
Goodwill	₱554,153,981

None of the goodwill is expected to be deductible for income tax purposes. Goodwill arising from the acquisition of Charter Ping An is allocated to the operations of Charter Ping An.

From the date of acquisition, Charter Ping An has contributed gross revenues totaling ₱547.84 million and net income amounting to ₱34.58 million to the Group. If the business combination with Charter Ping An has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱106.70 billion and ₱8.76 billion, respectively.

Common Control Business Combination
On February 18, 2013, the BOD approved the merger of Federal Land with its two subsidiaries namely: Fedsales Marketing, Inc. and Omni-Orient Marketing Network, Inc. wherein Federal Land will be the surviving entity and the two (2) subsidiaries will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on November 29, 2013.

As a result of the merger, non-controlling interest amounting to ₱2.59 million arising from the previous consolidation of OOMNI in Fed Land was reversed and reflected as part of 'Other equity adjustment' account in the consolidated statement of financial position.

Also on May 8, 2013, the BOD of HLRDC, SHDC and HLPDC approved the merger of the three (3) entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on October 21, 2013.

2012
Acquisition of GBPC
As of December 31, 2011, the Parent Company had an indirect interest of 7.61% over GBPC through its investment in MBTC-FMIC. The Parent Company also had deposits for future subscription (DFS) amounting to ₱3.40 billion while FMIC had DFS to GBPC amounting to ₱5.59 billion.

On December 9, 2011, as part of the Parent Company's plan to acquire control over GBPC, the Parent Company and GBPC entered into a Subscription Agreement which provided that of the planned increase of ₱760.00 million in GBPC's authorized capital stock, the Parent Company shall subscribe to and purchase, and GBPC agrees to issue and sell, 117,067,800 shares with par value of ₱100.00 per share, for a total consideration of ₱3.40 billion.

On January 16, 2012, the SEC approved the application for the increase in authorized capital stock and reduction in the par value of common shares of GBPC from ₱100.00 per share to ₱1.00 per share. Upon approval of the increase, the Parent Company's DFS in GBPC was converted into 117,067,800 common shares representing interest of 21.04% in GBPC while FMIC's DFS was converted to 195,058,600 common shares representing interest of 35.06% in GBPC and a corresponding increase of 4.48% in the Parent Company's indirect interest over GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with a third party to acquire and transfer 35,504,900 and 38,863,000 common shares of GBPC, respectively, with the third party as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.24 billion and ₱1.36 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37% interest over GBPC.

The Parent Company acquired an additional 11.89% direct interest over GBPC for a total direct interest of 50.89%.

The acquisition of GBPC was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over GBPC through its associate MBTC which owns 98.06% of FMIC which in turn owns 38.09% of GBPC before the business combination date was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer, FTI Consulting, Inc., to conduct a purchase price allocation. The fair value of the identifiable assets and liabilities was finalized in April 2013. The Group elected to measure the non-controlling interest in GBPC at the proportionate share of the non-controlling interest in the identifiable net assets of GBPC.

As of April 30, 2013, the fair values of the identifiable assets and liabilities of GBPC were finalized as follows:

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.

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 without loss of control and are accounted for as equity transactions. Total negative other equity adjustments recognized from these acquisitions amounted to ₱681.07 million (Note 22).

32. FAIR VALUE MEASUREMENT

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and Other current assets (short-term cash investments)

The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities these instruments.

Receivables

The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 12.00% as of December 31, 2013 and 2012. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

Due from and to related parties

The carrying amounts approximate fair values due to short term in nature. Related party receivables and payables are due and demandable.

AFS investments unquoted

These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

AFS investments quoted

Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date.

Accounts and other payables

The fair values of accounts and other payables and loans payable approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable

Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. The interest rates used ranged from 3.75% to 7.10% for the year ended December 31, 2013 and 2012.

Liabilities on purchased properties

Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred on December 20, 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

		2013			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Loans and receivables					
Installment contracts receivable	**₱5,819,661,101**	**₱–**	**₱–**	**₱7,690,378,192**	**₱7,690,378,192**
AFS investments					
Government securities	**480,269,424**	**–**	**480,269,424**	**–**	**480,269,424**
Quoted debt securities	**1,153,068,021**	**1,153,068,021**	**–**	**–**	**1,153,068,021**
Quoted equity securities	**1,505,540,179**	**1,505,540,179**	**–**	**–**	**1,505,540,179**
Total Financial Assets	**₱8,958,538,725**	**₱2,658,608,200**	**₱480,269,424**	**₱–**	**₱10,829,255,816**
Non-Financial Assets					
Investment properties	**₱8,328,668,533**	**₱–**	**₱–**	**₱7,690,378,192**	**₱7,690,378,192**
Financial Liabilities					
Loans payable	**₱45,692,608,996**	**₱–**	**₱47,609,127,777**	**₱–**	**₱47,609,127,777**
Bonds payable	**9,903,088,308**	**–**	**9,994,354,200**	**–**	**9,994,354,200**
Total Financial Liabilities	**₱55,595,697,304**	**₱–**	**₱57,603,481,977**	**₱–**	**₱57,603,481,977**

		2012			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables					
Installment contracts receivable	₱3,925,822,347	₱–	₱–	₱3,925,822,347	₱3,925,822,347
AFS investments					
Government securities	9,921,760	–	9,921,760	–	9,921,760
Quoted equity securities	1,050,165,533	1,050,165,533	–	–	1,050,165,533
Total Financial Assets	₱4,985,909,640	₱1,050,165,533	₱9,921,760	₱3,925,822,347	₱4,985,909,640
Non-Financial Assets					
Investment properties	₱8,328,668,533	₱–	₱–	₱13,121,349,832	₱13,121,349,832
Financial Liabilities					
Loans payable	₱55,753,027,791	₱–	₱60,456,580,305	₱–	₱60,456,580,305

As of December 31, 2013 and 2012, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in February 2012.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach and Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques	
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.
Significant Unobservable Inputs	
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

33. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group's principal financial instruments comprise cash and cash equivalents, receivables, due from related parties, AFS investments, accounts and other payable, due to/from related parties, and loans payable.

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

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

The use of financial derivative instruments (if any) is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

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

Credit Risk

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

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

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of post dated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

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

As of December 31, 2013 and 2012, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium units collateral is greater than the carrying value of the installment contracts receivable.

As of December 31, 2011, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable and loans receivable. The maximum exposure to credit risk of the installment contracts receivable is nil since the fair value of the condominium units collateral is greater than the carrying value of the installment contracts receivable. The maximum exposure to credit risk of the loans receivable amounted to ₱1.24 billion since ₱1.36 billion of the loans receivable was secured by the shares of GBPC with fair value amounting to ₱1.47 billion.

b. *Credit quality per class of financial assets*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment-based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

AFS investments - quoted AFS investments is based on the quoted market bid prices at the close of business on the reporting date while the unquoted financial assets are unrated.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2013						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	**Medium Grade**	**Low Grade**	**Total**			
Cash and cash equivalents* (Note 4)	**₱27,161,145,896**	**₱–**	**₱–**	**₱27,161,145,896**	**₱–**	**₱–**	**₱27,161,145,896**
Short-term Investments	**1,466,463,867**	**–**	**–**	**1,466,463,867**	**–**	**–**	**1,466,463,867**
Receivables (Note 5)							
Trade receivables	**7,412,130,179**			**7,412,130,179**	**610,924,329**	**9,923,816**	**8,032,978,324**
Installment contracts receivable	**2,301,427,513**	**2,412,942,503**	**628,024,445**	**5,342,394,461**	**475,615,793**	**1,650,847**	**5,819,661,101**
Insurance receivables	**1,622,829,840**	**–**	**–**	**1,622,829,840**	**–**	**–**	**1,622,829,840**
Accrued rent and commission income	**335,682,637**	**–**	**–**	**335,682,637**	**–**	**–**	**335,682,637**
Loans receivable	**719,934,106**	**–**	**–**	**719,934,106**	**–**	**–**	**719,934,106**
Dividends receivable	**240,000,000**	**–**	**–**	**240,000,000**	**–**	**–**	**240,000,000**
Nontrade receivables	**198,940,565**			**198,940,565**			**198,940,565**
Others	**309,890,868**	**15,183,102**	**835,903**	**325,909,873**	**77,028,664**	**30,028,493**	**432,967,030**
Due from related parties (Note 27)	**849,398,310**	**–**	**–**	**849,398,310**	**–**	**–**	**849,398,310**
AFS investments (Note 10)							
Equity securities							
Quoted	**1,497,970,179**	**–**	**–**	**1,497,970,179**	**–**	**–**	**1,497,970,179**
Unquoted	**480,269,424**	**–**	**–**	**480,269,424**	**–**	**–**	**480,269,424**
Quoted debt securities	**1,132,556,640**	**–**	**–**	**1,132,556,640**	**–**	**–**	**1,132,556,640**
	₱45,728,640,024	**₱2,428,125,605**	**₱628,860,348**	**₱48,785,625,977**	**₱1,163,568,786**	**₱41,603,156**	**₱49,990,797,919**

**Excludes cash on hand amounting to ₱5,742,556*

	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)	₱11,546,836,848	₱–	₱–	₱11,546,836,848	₱–	₱–	₱11,546,836,848
Receivables (Note 5)							
Trade receivables	2,855,506,580	918,642,474	–	3,774,149,054	774,218,711	–	4,548,367,765
Installment contracts receivable	3,532,379,328	–	–	3,532,379,328	393,443,019	–	3,925,822,347
Loans receivable	742,819,163	–	–	742,819,163	–	–	742,819,163
Accrued rent and commission income	148,605,645			148,605,645			148,605,645
Others	298,220,802	–	–	298,220,802	–	4,617,424	302,838,226
Due from related parties (Note 27)	489,042,589	–	–	489,042,589	–	–	489,042,589
AFS investments (Note 10)							
Quoted	1,050,165,533	–	–	1,050,165,533	–	–	1,050,165,533
Unquoted	9,921,760	–	–	9,921,760	–	–	9,921,760
	₱20,673,498,248	₱918,642,474	₱–	₱21,592,140,722	₱1,167,661,730	₱4,617,424	₱22,764,419,876

**Excludes cash on hand amounting to ₱6,451,650*

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2013								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	Total
Cash and cash equivalents (Note 4)	₱27,166,888,452	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱27,166,888,452
Short-term investment	1,466,463,867	–	–	–	–	–	–	–	1,466,463,867
Receivables (Note 5)									
Trade receivable	7,521,518,936	209,793,262	108,323,500	3,326,557	181,297,997	6,474,437	509,215,753	2,243,635	8,032,978,324
Installment contracts receivable	5,342,394,460	96,681,907	52,542,331	61,146,857	27,909,477	237,335,220	475,615,792	1,650,849	5,819,661,101
Insurance Receivables	1,051,504,220	92,906,206	39,502,507	41,582,476	359,865,628	–	533,856,817	37,468,803	1,622,829,840
Loans receivable	719,934,106	–	–	–	–	–	–	–	719,934,106
Dividend receivable	240,000,000	–	–	–	–	–	–	–	240,000,000
Accrued rent and commission income	335,682,637	–	–	–	–	–	–	–	335,682,637
Non-trade receivable	198,940,565	–	–	–	–	–	–	–	198,940,565
Others	413,486,694	738,053	1,440,010	1,269,083	13,717,989	2,315,201	19,480,336	–	432,967,030
Due from related parties (Note 27)	849,398,310	–	–	–	–	–	–	–	849,398,310
AFS investments (Note 10)									
Equity securities									
Quoted	1,497,970,179	–	–	–	–	–	–	–	1,497,970,179
Unquoted	480,269,424	–	–	–	–	–	–	–	480,269,424
Quoted debt securities	1,124,248,174	–	–	–	–	–	–	8,308,466	1,132,556,640
	₱48,408,700,024	₱400,119,428	₱201,808,348	₱107,324,973	₱582,791,091	₱246,124,858	₱1,538,168,698	₱49,671,753	₱49,996,540,475

	December 31, 2012								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	Total
Cash and cash equivalents (Note 4)	₱11,553,288,498	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱11,553,288,498
Receivables (Note 5)									
Trade receivable	3,774,149,054	273,650,902	111,349,644	78,761,201	304,074,602	6,382,362	774,218,711	–	4,548,367,765
Installment contracts receivable	3,532,379,328	75,835,456	39,504,499	40,690,797	44,921,009	192,491,258	393,443,019	–	3,925,822,347
Loans receivable	742,819,163	–	–	–	–	–	–	–	742,819,163
Accrued rent and commission income	148,605,645	–	–	–	–	–	–	–	148,605,645
Others	298,220,802	–	–	–	–	–	–	4,617,424	302,838,226
Due from related parties (Note 27)	489,042,589	–	–	–	–	–	–	–	489,042,589
AFS investments (Note 10)									
Quoted	1,050,165,533	–	–	–	–	–	–	–	1,050,165,533
Unquoted	9,921,760	–	–	–	–	–	–	–	9,921,760
	₱21,598,592,372	₱349,486,358	₱150,854,143	₱119,451,998	₱348,995,611	₱198,873,620	₱1,167,661,730	₱4,617,424	₱22,770,871,526

Liquidity risk

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2013 < 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱28,416,018,465	₱–	₱–	₱28,416,018,465
Short-term investments (Note 4)	2,016,387,817	–	–	2,016,387,817
Receivables (Note 5)				
Trade receivable	8,032,978,324	–	–	8,032,978,324
Installment contracts receivable	2,771,155,157	3,859,481,354	52,862,327	6,683,498,838
Insurance receivables	1,622,829,840	–	–	1,622,829,840
Loans receivable	30,091,649	156,598,649	804,630,064	991,320,362
Dividends receivable	240,000,000	–	–	240,000,000
Accrued commission income	335,682,637	–	–	335,682,637
Nontrade receivables	198,940,565	–	–	198,940,565
Others	432,967,030	–	–	432,967,030
Due from related parties (Note 27)	849,398,310	–	–	849,398,310
AFS investments (Note 10)				
Equity Securities				
Quoted	–	–	1,497,970,179	1,497,970,179
Unquoted	–	–	480,269,424	480,269,424
Debt	31,074,450	285,979,794	836,013,777	1,153,068,021
Total undiscounted financial assets	₱44,977,524,244	₱4,302,059,797	₱3,671,745,771	₱52,951,329,812
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	₱7,590,142,735	₱–	₱–	₱7,590,142,735
Telegraphic Transfers and drafts and acceptance payable	5,819,661,101	–	–	5,819,661,101
Accrued expenses	3,698,807,355	–	–	3,698,807,355
Deferred output tax	2,454,049,984	–	–	2,454,049,984
Retentions payable	500,417,643	–	–	500,417,643
Accrued interest	389,752,174	–	–	389,752,174
Accrued commission	367,772,684	–	–	367,772,684
Insurance payable	296,242,243	–	–	296,242,243
Others	1,046,599,001	–	–	1,046,599,001
Loans payable (Note 17)	1,092,492,332	36,613,052,569	17,335,750,224	55,041,295,125
Bonds payable (Note 17)	489,175,200	1,956,700,800	11,268,212,840	13,714,088,840
Due to related parties (Note 27)	188,385,414	–	–	188,385,414
Liabilities on purchased properties	–	1,486,916,469	3,873,645,362	5,360,561,831
Total undiscounted financial liabilities	₱23,933,497,866	₱40,056,669,838	₱32,477,608,426	₱96,467,776,130
Liquidity Gap	₱21,044,026,378	(₱35,754,610,041)	(₱28,805,862,655)	(₱43,516,446,318)

**Excludes cash on hand amounting to ₱5,742,556*

	December 31, 2012 < 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱11,561,739,415	₱–	₱–	₱11,561,739,415
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 rent and commission income	148,605,645	–	–	148,605,645
Others	140,815,196	–	–	140,815,196
Due from related parties (Note 27)	489,042,589	–	–	489,042,589
AFS investments (Note 10)				
Quoted	–	–	1,050,165,533	1,050,165,533
Unquoted	–	–	9,921,760	9,921,760
Total undiscounted financial assets	₱18,567,758,304	₱3,023,527,791	₱1,922,208,927	₱23,513,495,022
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	₱3,986,382,998	₱7,500,000	₱–	₱3,993,882,998
Deferred output tax	1,373,645,486	–	–	1,373,645,486
Accrued expenses	1,203,694,170	–	–	1,203,694,170
Accrued interest	346,055,359	–	–	346,055,359
Retentions payable	294,632,748	–	–	294,632,748
Accrued commission	42,917,890	–	–	42,917,890
Others	119,030,223	2,859,970	–	121,890,193
Dividends payable	1,948,727,265	–	–	1,948,727,265
Loans payable (Note 17)	18,668,326,386	32,742,778,554	19,349,562,698	70,760,667,638
Due to related parties (Note 27)	191,264,721	–	–	191,264,721
Liabilities on purchased properties	–	888,140,064	2,313,741,028	3,201,881,092
Total undiscounted financial liabilities	₱28,174,677,246	₱33,641,278,588	₱21,663,303,726	₱83,479,259,560
Liquidity Gap	(₱9,606,918,942)	(₱30,617,750,797)	(₱19,741,094,799)	(₱59,965,764,538)

**Excludes cash on hand amounting to ₱6,451,650*

Notes to Consolidated Financial Statements

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US$8.55 million and JP¥3.24 million as of December 31, 2013 and US$6.24 million and nil as of December 31, 2012. Short-term investments denominated in foreign currency amounted to US$27.31 million and JP¥76.00 million as of December 31, 2013 and nil as of December 31, 2012.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱44.40 to US$1.00 and ₱41.05 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.42 to JP¥1.00 and nil, the Philippine peso-Japan Yen exchange rates as at December 31, 2013 and 2012, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2013 and 2012. There is no other impact on the Group's equity other than those already affecting the statements of comprehensive income.

		Increase (Decrease) in Income Before Tax		
Reasonably Possible Change		**2013**	2012	2011
US$	**₱1.00**	**(₱2,510,102,063)**	₱6,236,619	₱7,207
	(1.00)	**2,510,102,063**	(6,236,619)	(7,207)
JP¥	**1.00**	**(1,853,268)**	–	–
	(1.00)	**1,853,268**	–	–

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

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

	Increase (decrease) in income before tax		
Reasonably Possible Changes in Interest Rates	**2013**	2012	2011
100 basis points (bps)	**(₱155,702,489)**	(₱174,197,246)	(₱817,461,000)
100 bps	**155,702,489**	174,197,246	817,461,000

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

Equity price risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2013	**Increase by 23.31%**	**₱79,769,658**
	Decrease by 23.31%	**(79,769,658)**
2012	Increase by 14.01%	97,559,778
	Decrease by 14.01%	(97,559,778)

34. BASIC/DILUTED EARNINGS PER SHARE

The basic/diluted earnings per share amounts for the years ended December 31, 2013 and 2012 were computed as follows:

	2013	2012 (As restated - Note 2)	2011
Net income attributable to Parent Company	**₱8,640,186,114**	₱6,589,727,953	₱3,324,399,379
Weighted average number of shares	**173,853,425**	148,081,967	125,000,000
	₱49.70	₱44.50	₱26.60

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

35. OPERATING SEGMENTS

Segment Information
For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Power is engaged mainly in the generation and distribution of electricity; and
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;

Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Segment Assets
Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group (amounts in thousands) as of and for the years ended December 31, 2013, 2012 and 2011:

	December 31, 2013					
	Real Estate	**Financial Institution**	**Automotive Operations**	**Power***	**Others**	**Total**
Revenue	**₱5,359,112**	**₱504,585**	**₱74,358,719**	**₱16,944,069**	**₱–**	**₱97,166,485**
Other income	**1,042,486**	**43,263**	**109,054**	**100,182**	**2,069,099**	**3,364,084**
Equity in net income of associates and joint ventures	**410,249**	**3,058,216**	**119,345**	**–**	**–**	**3,587,810**
	6,811,847	**3,606,064**	**74,587,118**	**17,044,251**	**2,069,099**	**104,118,379**
Cost of goods and services sold	**619,600**	**–**	**44,849,860**	**–**	**–**	**45,469,460**
Cost of goods manufactured	**–**	**–**	**19,986,100**	**–**	**–**	**19,986,100**
Cost of real estate sales	**3,666,932**	**–**	**–**	**–**	**–**	**3,666,932**
Power plant operation and maintenance	**–**	**–**	**–**	**8,945,436**	**–**	**8,945,436**
Net insurance benefits	**–**	**289,525**	**–**	**–**	**–**	**289,525**
General and administrative expenses	**1,732,919**	**235,939**	**4,282,206**	**2,842,079**	**300,568**	**9,393,711**
	6,019,451	**525,464**	**69,118,166**	**11,787,515**	**300,568**	**87,751,164**
Earnings before interest and taxes	**792,396**	**3,080,600**	**5,468,952**	**5,256,736**	**1,768,531**	**16,367,215**
Depreciation and amortization	**164,248**	**5,785**	**190,432**	**2,492,320**	**4,489**	**2,857,274**
EBITDA	**956,644**	**3,086,385**	**5,659,384**	**7,749,056**	**1,773,020**	**19,224,489**
Interest income	**1,043,592**	**16,252**	**177,061**	**133,561**	**58,563**	**1,429,029**
Interest expense	**(620,928)**	**(420)**	**(87,282)**	**(2,153,906)**	**(599,787)**	**(3,462,323)**
Depreciation and amortization	**(164,248)**	**(5,785)**	**(190,432)**	**(2,492,320)**	**(4,489)**	**(2,857,274)**
Pretax income	**1,215,060**	**3,096,432**	**5,558,731**	**3,236,391**	**1,227,307**	**14,333,921**
Provision for income tax	**203,969**	**3,640**	**1,506,595**	**77,353**	**11,713**	**1,803,270**
Net income	**₱1,011,091**	**₱3,092,792**	**₱4,052,136**	**₱3,159,038**	**₱1,215,594**	**₱12,530,651**
Segment assets	**₱27,310,535**	**₱8,239,989**	**₱29,179,086**	**₱50,586,094**	**₱77,044,142**	**₱192,359,846**
Segment liabilities	**₱24,655,375**	**₱ 7,897,017**	**₱ 17,957,456**	**₱ 38,519,309**	**₱10,766,934**	**₱99,796,091**

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱196.97 million*

Notes to Consolidated Financial Statements

	December 31, 2012 (As restated - Note 2)					
	Real Estate	Financial Institution	Automotive Operations	Power*	Others	Total
Revenue	₱2,861,738	₱–	₱–	₱12,845,110	₱–	₱15,706,848
Other income	2,058,724	–	–	69,879	373,765	2,502,368
Equity in net income of associates and joint ventures	225,651	3,045,293	631,152	–	–	3,902,096
	5,146,113	3,045,293	631,152	12,914,989	373,765	22,111,312
Cost of real estate sales	1,342,018	–	–	–	–	1,342,018
Cost of goods and services sold	680,911	–	–	–	–	680,911
Power plant operation and maintenance	–	–	–	6,711,049	–	6,711,049
General and administrative expense	1,323,984	–	–	1,958,632	276,406	3,559,022
	3,346,913	–	–	8,669,681	276,406	12,293,000
Earnings before interest and taxes	1,799,200	3,045,293	631,152	4,245,308	97,359	9,818,312
Depreciation and amortization	67,898	–	–	1,559,179	2,039	1,629,116
EBITDA	1,867,098	3,045,293	631,152	5,804,487	99,398	11,447,428
Interest income	576,922	–	–	212,631	76,878	866,431
Interest expense	(326,942)	–	–	(825,487)	(597,352)	(1,749,781)
Depreciation and amortization	(67,898)	–	–	(1,559,179)	(2,039)	(1,629,116)
Pretax income	2,049,180	3,045,293	631,152	3,632,452	(423,115)	8,934,962
Provision for income tax	60,939	–	–	211,337	15,375	287,651
Net income	₱1,988,241	₱3,045,293	₱631,152	₱3,421,115	(₱438,490)	₱8,647,311
Segment assets	₱19,817,046	₱33,420,735	₱5,901,464	₱53,513,011	₱24,332,799	₱136,985,055
Segment liabilities	₱11,805,462	₱–	₱–	₱34,982,606	₱25,143,295	₱71,931,363

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱353.11 million*

	December 31, 2011 (As restated - Note 2)					
	Real Estate	Financial Institution	Automotive Operations	Power	Others	Total
Revenue	₱3,276,862	₱–	₱–	₱–	₱–	₱3,276,862
Other income	15,955	–	–	–	506,563	522,518
Equity in net income of associates and joint ventures	87,552	3,018,484	461,837	–	–	3,567,873
	3,380,369	3,018,484	461,837	–	506,563	7,367,253
Cost of real estate sales	1,553,768	–	–	–	–	1,553,768
Cost of goods and services sold	709,727	–	–	–	–	709,727
General and administrative expense	574,498	–	–	–	535,248	1,109,746
	2,837,993	–	–	–	535,248	3,373,241
Earnings before interest and taxes	542,376	3,018,484	461,837	–	(28,685)	3,994,012
Depreciation and amortization	29,346	–	–	–	42,006	71,352
EBITDA	571,722	3,018,484	461,837	–	13,321	4,065,364
Interest income	591,314	–	–	–	6,914	598,228
Interest expense	(432,809)				(556,941)	(989,750)
Depreciation and amortization	(29,346)	–	–	–	(42,006)	(71,352)
Pretax income	700,881	3,018,484	461,837	–	(578,712)	3,602,490
Provision for income tax	138,339	–	–	–	10,440	148,779
Net income	₱562,542	₱3,018,484	₱461,837	₱–	(₱589,512)	₱3,453,711
Segment assets	₱28,953,681	₱32,196,747	₱2,071,712	₱3,397,121	₱3,110,222	₱69,729,483
Segment liabilities	₱18,299,016	₱–	₱–	₱–	₱14,944,612	₱33,243,628

Geographical Information

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2013
Domestic	₱95,441,206,420
Foreign	10,106,201,620
	₱105,547,408,040

In 2012 and 2011, all of the Group's consolidated revenues to external customers are derived from the domestic market.

36. CONTINGENCIES

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

In order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱901.82 million and ₱868.17 million as of December 31, 2013 and 2012, respectively.

37. EVENTS AFTER THE REPORTING DATE

Equity call from GBPC

On January 7, 2014 and February 26, 2014, the Parent Company disbursed funds totaling ₱681.67 million representing its pro rata share in response to capital calls from GBPC upon its stockholders to support the Project Panay Energy Development Corporation Unit 3 Expansion Project.

Acquisition of Charter Ping An shares from FMIC

On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An. The Parent Company purchased an additional 1.7 million common shares of Charter Ping An from FMIC for a total consideration of ₱712.00 million. The acquisition represents the remaining 33.33% of the non-life insurance firm's outstanding capital stock.

Acquisition of TMBC shares from FMIC

On March 4, 2014 the Parent Company acquired 48.12 million common shares of TMBC owned by FMIC for a total purchase price of ₱237.26 million. The acquisition represents 19.25% of TMBC's outstanding capital stock and raised the Parent Company's ownership interest in TMBC to 60.00%.

Declaration of Cash Dividends of the Parent Company

On March 11, 2014, the BOD of the Parent Company approved the declaration of cash dividends of ₱3.00 per share to all stockholders of record as of April 8, 2014 which shall be payable on May 2, 2014.

Appropriation of Retained Earnings of the Parent Company

On March 11, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱3.00 billion. The appropriation is earmarked for the following:

Project Name	Timeline	Amount
Equity call from GBPC for plant expansions	2014	₱2.00 billion
Acquisition of investments	2014-2015	1.00 billion
		₱3.00 billion

38. APPROVAL FOR THE RELEASE OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Company were approved and authorized for issue by the Company's BOD on March 11, 2014.

Notes to Consolidated Financial Statements

39. NOTES TO CASH FLOWS STATEMENTS

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

	2013	2012	2011
Transfers from investment property to inventories (Note 6)	**₱1,765,346,107**	₱368,314,414	₱117,980,714
Transfers from property and equipment to inventories (Note 6)	**–**	855,240	–
Borrowing cost capitalized to inventories (Note 6)	**299,265,598**	332,926,798	141,978,879
Conversion of deposit for future stock subscription (Note 8)	**–**	3,397,120,759	–
Indirect interest included in the consideration for the business combination:			
Fair value of previously held interest (Note 31)	**8,168,271,296**	690,643,951	–
Additional indirect interest (Note 8)	**–**	1,375,910,045	–
Fair value of net assets acquired from business combinations (Note 31):			
Assets			
Receivables	**4,000,790,312**	3,935,964,042	–
Inventories	**5,256,937,104**	895,882,766	–
Reinsurance assets	**3,701,512,371**	–	–
Prepayments and other current assets	**903,919,323**	1,212,354,008	–
Due from related parties	**–**	427,605,411	–
Available-for-sale investments	**2,643,193,467**	–	–
Investment properties	**2,251,349,832**	–	–
Property, plant and equipment	**3,364,099,310**	33,492,302,035	–
Investments in associates and joint ventures	**–**	3,077,687,617	–
Intangible assets	**10,034,348,535**	8,995,160,191	–
Deferred tax assets	**421,764,219**	–	–
Other non-current assets	**356,077,960**	–	–
Liabilities			
Accounts payable and accrued expenses	**11,865,580,908**	3,103,143,854	–
Other current liabilities	**207,969,569**	–	–
Long-term debt	**229,481,790**	34,260,023,586	–
Other noncurrent liabilities	**(29,707,977)**	854,225,652	–
Deferred tax liability - from fair value change	**2,270,619,482**	593,256,587	–

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