Notice of Annual Stockholders' Meeting
May 11, 2015 at 2:30 p.m.
Metrobank Auditorium, Second Floor Metrobank Plaza
Sen. Gil Puyat Avenue, Makati City

To all Stockholders:

Please take notice that the 2015 annual stockholders' meeting of GT Capital Holdings, Inc. will be held on May 11, 2014 at 2:30 p.m. at the Metrobank Auditorium, Second Floor Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. Registration shall begin at 2:00 p.m. The agenda of the meeting is set forth below:

A G E N D A

1. Call to order
2. Certification of notice and quorum
3. Approval of minutes of regular meeting of stockholders held on May 12, 2014
4. Annual Report for the Year 2014
5. General ratification of the acts of the Board of Directors, Executive Committee and Management from the date of the last annual stockholders' meeting up to the date of this meeting
6. Appointment of external auditor
7. Amendment to Articles of Incorporation of the Corporation to create Perpetual Preferred Shares
8. Election of directors for 2015 – 2016
9. Adjournment

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on April 15, 2015 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you are requested to accomplish the attached proxy form and return the same to the office of the Secretary at 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City 1227 on or before 5:00 p.m. on April 30, 2015.

For your convenience in registering your attendance, please bring some form of identification with a photograph, such as a passport, driver's license, or company I.D.

Makati City, March 25, 2015.

BY THE ORDER OF THE BOARD OF DIRECTORS

ANTONIO V. VIRAY
Corporate Secretary
GT CAPITAL HOLDINGS, INC.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [X] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **GT CAPITAL HOLDINGS, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

4. SEC Identification Number: **CS200711792**

5. BIR Tax Identification Code **006-806-867**

6. Address of principal office: **43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines** Postal Code: **1227**

7. Registrant's telephone number, including area code: **(632) 836-4500**

8. Date, time and place of the meeting of security holders: **May 11, 2015 at 2:30 p.m., to be held at the Metrobank Auditorium, Second Floor Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 15, 2015**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC (information on number of shares and amount of debt is applicable only to corporate registrants):

    a) Shares of Stock

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	**174,300,000**
Amount of Debt Outstanding	**Php21,794,719,662.00**

    b) Debt securities: Php22 Billion Bonds

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ___X______ No __________

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    The Philippine Stock Exchange, Inc. for common shares and Philippine Dealing & Exchange, Corp. for corporate retail bonds

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) The Annual Stockholders' Meeting of GT Capital Holdings, Inc. ("GT Capital" or the "Company") is scheduled to be held on May 11, 2015 at 2:30 p.m. at the Metrobank Auditorium, Second Floor Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. The complete mailing address of the principal office of the registrant is 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa Street, Makati City, Metro Manila, Philippines 1227.

(b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 13, 2015.

Statement that proxies are not solicited

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.

Voting Securities

The record date for purposes of determining the stockholders entitled to vote is April 15, 2015. The total number of shares outstanding and entitled to vote in the stockholders' meeting 348,600,000 shares composed of 174,300,000 Common Shares and 174,300,000 Voting Preferred Shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Corporation Code.

Item 2. **Dissenters' Right of Appraisal**

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
(c) In case of merger or consolidation.

A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

(a) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver on his appraisal right;
(b) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86), the fair value thereof; and
(c) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

(a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director in the Company has given written notice that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) As of April 15, 2015, the total number of shares outstanding and entitled to vote in the stockholders' meeting are as follows:
   i. 174,300,000 Common Shares
   ii. 174,300,000 Voting preferred shares

   Each class of shares is entitled to one vote per share.

(b) The record date for determining the stockholders entitled to notice and to vote is April 15, 2015.

(c) All stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote, whether Common or Voting Preferred, and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made under a statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

   In the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 24 of the Corporation Code of the Philippines.

(c) Security Ownership of Certain Record and Beneficial Owners as of March 15, 2015:

   As of March 15, 2015, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Grand Titan Capital Holdings, Inc. 4th Floor Metrobank Plaza, Sen. Gil Puyat Ave., Makati City	Same as the Record Owner **Arthur Vy Ty** is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	94,656,110	54.306%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients [1]	Foreign	58,799,205	33.734%
Common	PCD Nominee Corp. (Filipino)	Various Clients [1]	Filipino	11,886,055	11.611%

(1) The number of shares held by PCD Nominee Corp. (Filipino and Non-Filipino) is comprised of various clients who are the beneficial owners of GT Capital Shares which are lodged with the Philippine Depository & Trust Corp.

Security Ownership of Management as of March 15, 2015

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/(I) indirect	Citizenship	Percent of Class
Common	Dr. George S. K. Ty	200,000 (D)	Filipino	0.115%
Common	Arthur Vy Ty	100,000 (D) 2,100 (I)	Filipino	0.057% 0.001%
Common	Alfred Vy Ty	100,000 (D) 2,100 (I)	Filipino	0.057% 0.001%
Common	Mary Vy Ty	99,000 (D)	Filipino	0.057%
Common	Anjanette T. Dy Buncio	40,000 (D) 2,100 (I)	Filipino	0.023% 0.001%
Common	Solomon S. Cua	1,000 (D) 20,000 (I)	Filipino	0.001% 0.011%
Common	Carmelo Maria Luza Bautista	1,000 (D) 10,000 (I)	Filipino	0.001% 0.006%
Common	Francisco H. Suarez, Jr.	5,000 (I)	Filipino	0.003%
Common	Jocelyn Y. Kho	2,200 (I)	Filipino	0.001%
Common	Margaret T. Cham	2,100 (I)	Filipino	0.001%
Common	Roderico V. Puno	1,000 (D)	Filipino	0.001%
Common	Jaime Miguel G. Belmonte	1,000 (D)	Filipino	0.001%
Common	Christopher P. Beshouri	1,000 (D)	American	0.001%
Common	Wilfredo A. Paras	1,000 (D)	Filipino	0.001%
Common	Joselito V. Banaag	900 (I)	Filipino	0.001%
Common	Alesandra T. Ty	700 (I)	Filipino	0.000%
Common	Francisco C. Sebastian	100 (D)	Filipino	0.000%
Common	David T. Go	100 (D)	Filipino	0.000%
Common	Antonio V. Viray	0	Filipino	0.000%
Common	Jose B. Crisol, Jr.	0	Filipino	0.000%
Common	Susan E. Cornelio	0	Filipino	0.000%
Common	Richel D. Mendoza	0	Filipino	0.000%
Common	Reyna Rose P. Manon-Og	0	Filipino	0.000%
Common	Elsie D. Paras	0	Filipino	0.000%

Total		545,200 (D) 47,200 (I) 592,400 (D) and (I)		0.3399%

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

(e) **Change in Control**

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

Item 5. **Directors and Executive Officers of the Registrant**

(a) The incumbent Directors and Executive Officers of the Company are as follows:

Board of Directors

Office	Name	Age	Citizenship
Group Chairman	Dr. George S.K. Ty	82	Filipino
Chairman	Francisco C. Sebastian	60	Filipino
Co-Vice Chairman	Arthur Vy Ty	48	Filipino
Co-Vice Chairman	Alfred Vy Ty	47	Filipino
Director/President	Carmelo Maria Luza Bautista	57	Filipino
Director	Roderico V. Puno	51	Filipino
Director	Solomon S. Cua	59	Filipino
Director	David T. Go	61	Filipino
Independent Director	Jaime Miguel G. Belmonte	51	Filipino
Independent Director	Christopher P. Beshouri	52	American
Independent Director	Wilfredo A. Paras	68	Filipino

The business experience of the members of the Board for the last five (5) years is as follows:

Dr. George S.K. Ty 82 years old, Filipino, served as GT Capital Holdings, Inc.'s Chairman of the Board since its inception in July 2007 until July 11, 2012. He is the current Group Chairman of GT Capital Holdings, Inc. 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.

Francisco C. Sebastian 60 years old, Filipino, has served as director of GT Capital since May 2014. He has been the Chairman of GT Capital since June 2014. He has also served as Chairman of Global Business Power Corporation since 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.

Arthur Vy Ty 48 years old, Filipino, served as the Company's Vice Chairman since its inception in July 2007 before assuming the Chairmanship in 2012 up to June 2014. He is currently the Co-Vice Chairman of GT Capital. 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 Vy Ty 47 years old, Filipino, has been a Co-Vice Chairman of the Company since February 14, 2012 and has served as a Director of the Company since 2007. He is also the current President of Federal Land Inc. and the Vice-Chairman of Toyota Motor Phils. Corp. 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 57 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation 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 its Investment Banking Group 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 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 59 years old, Filipino, has been serving as Director of GT Capital Holdings, Inc. since July 11, 2012. With more than 20 years of experience in general management, banking and finance, Mr. Cua holds several other positions in other companies, among which are as Director of First Metro Investment Corporation (since 2001) and Chairman of Philippine AXA Life Insurance Corporation (since 2010). 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; and Director of Metropolitan Bank (China) (since 2014). Prior to his stint in First Metro Investment Corporation, Mr. Cua served as Undersecretary of Finance from 1998 to 2000. 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.

Roderico V. Puno 51 years old, Filipino, has been a director of the Company since August 5, 2011 and is a Senior Partner of Puno & Puno Law Offices. He earned his Bachelor of Arts Major in Political Science from the Ateneo de Manila University in 1985, his Bachelor of Laws degree from the same University in 1989, and his Masters of Law from Northwestern University in Chicago. He is a widely recognized expert in energy law and also specializes in general corporate law, banking and project finance, real estate, utilities regulation, securities and infrastructure. He is currently Corporate Secretary of Atlas Consolidated and Mining and Development Corporation, First Philippine Industrial Park and Rustan Supercenters, Inc.; Assistant Corporate Secretary of Metropolitan Bank & Trust Company. He served as Vice-President- Head of Legal, General Counsel and Corporate Secretary for First Generation Corporation and Vice President Legal for First Philippine Holdings Corporation, concurrently.

Dr. David T. Go 61 years old, Filipino, has been a Director of GT Capital since May 2014. He acquired his Doctor of Philosophy Degree (International Relations) from New York University in 1982. He currently serves as Director, Senior Executive Vice President and Treasurer of Toyota Motor Philippines Corporation. He is also the Vice Chairman of Toyota Autoparts Phils, Inc.; Board Adviser and Treasurer of Toyota Financial Services Phils. Corporation; President of Toyota Motor Philippines Foundation, Inc.; Trustee of Toyota Savings and Loan Association; Chairman of Toyota San Fernando, Inc., Toyota Makati, Inc. and Toyota Manila Bay, Inc.; Director and Chairman of the Executive Committee of Toyota Cubao, Inc.; Director of Lexus Manila, Inc. and Metropolitan Bank (China), Ltd.; and President of Toyota Motor Phils. School of Technology, Inc.

Jaime Miguel G. Belmonte* 51 years old, Filipino, was elected as Independent Director of GT Capital on 11 July 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* 52 years old, American, was elected as Independent Director of GT Capital on 14 May 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, Chris was with McKinsey and Company for more than 15 years, where he held 3 distinct roles: Managing Partner of 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 degree in Master of Public Affairs from Princeton University.

Wilfredo A. Paras* 68 years old, Filipino, was elected as Independent Director of GT Capital on 14 May 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); 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 degree in Bachelor of Science (BS) 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 finished a Management Program of the University of Michigan, Ann Arbor, Michigan, USA.

** Independent director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule. The Company's By-laws were amended for this purpose and such amendment was approved by the SEC on January 13, 2012. A discussion on the guidelines and procedures for Nomination and Election of Independent Directors is set forth in Annex "A" of this Information Statement.*

Nominee Directors

As of the date of this report, the nominees for independent directors are Messrs. Jaime Miguel G. Belmonte, Christopher P. Beshouri and Wilfredo A. Paras. They were nominated by Francisco H. Suarez, Jr., Joselito V. Banaag and Carmelo Maria Luza Bautista, respectively. The nominees for independent directors are not related either by consanguinity or affinity to the persons who nominated them.

Based on Section 2.1.4 of GT Capital's Manual on Corporate Governance, the stockholders must elect at least two (2) independent directors as defined by existing laws and regulations.

Aside from the above nominees for independent directors, the other nominees for directors are Messrs. George S.K. Ty, Arthur Vy Ty, Alfred Vy Ty, Carmelo Maria Luza Bautista, Solomon S. Cua, Roderico V. Puno, David T. Go and Francisco C. Sebastian.

The nominees are all incumbent directors of GT Capital. The experience and qualifications of these nominees are as follows:

Period of Directorship

Name	Date First Elected
Francisco C. Sebastian	May 12, 2014*
Dr. George S.K. Ty	June 3, 2011
Arthur Vy Ty	June 3, 2011
Alfred Vy Ty	February 14, 2012
Carmelo Maria Luza Bautista	August 5, 2011
Roderico V. Puno	August 5, 2011
Solomon S. Cua	June 3, 2011
David T. Go	May 12, 2014*
Jaime Miguel G. Belmonte	December 2, 2011
Christopher P. Beshouri	May 14, 2013
Wilfredo A. Paras	May 14, 2013

*Effective May 30, 2014

Executive Officers

Name	Office	Age	Citizenship
Carmelo Maria Luza Bautista	President	57	Filipino
Francisco H. Suarez, Jr.	SVP/Chief Financial Officer	55	Filipino
Mary Vy Ty	Treasurer	74	Filipino
Anjanette T. Dy Buncio	Assistant Treasurer	46	Filipino
Alesandra T. Ty	Assistant Treasurer	35	Filipino
Antonio V. Viray	Corporate Secretary	75	Filipino
Margaret T. Cham	Assistant Corporate Secretary	47	Filipino
Jocelyn Y. Kho	Assistant Corporate Secretary	60	Filipino
Joselito V. Banaag	VP/Head, Legal and Compliance	44	Filipino
Jose B. Crisol, Jr.	VP/Head, Investor Relations and Corporate Communications	48	Filipino
Susan E. Cornelio	VP/Head, Human Resources and Administration	43	Filipino
Richel D. Mendoza	VP/Chief Audit Executive	43	Filipino
Reyna Rose P. Manon-Og	VP/Head, Accounting and Financial Control	33	Filipino
Elsie D. Paras	VP/Head, Deputy Chief Finance Officer	42	Filipino

Francisco H. Suarez, Jr. 55 years old, Filipino, has served as GT Capital's Chief Financial Officer since February 16, 2012. He brings to the Company over 30 years of experience in the fields of investment banking and corporate finance. He served as Chief Financial Officer of ATR KimEng Capital Partners, Inc., PSi Technologies, Inc. and SPi Technologies; and assumed various positions in Asian Alliance Investment Corp., Metrobank, International Corporate Bank, Far East Bank and Trust Company and National Economic Development Authority. He earned his Bachelor of Arts in Applied Economics from De La Salle University in 1981; and is a candidate for a Masters in Business Administration degree at the Ateneo Graduate School of Business.

Mary Vy Ty 74 years old, Filipino, has served as the Company's Treasurer since its incorporation in 2007. She was appointed as Board Advisor in June 2014. 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.

Antonio V. Viray 75 years old, Filipino, joined the Company as Assistant Corporate Secretary and became Corporate Secretary in 2009. He was formerly the Senior Vice-President, General Counsel and Assistant Corporate Secretary of 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 Global 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.

Margaret Ty Cham 46 years old, Filipino, has served as GT Capital's Assistant Corporate Secretary since May 2013. She is also a Director and Assistant Vice President of PSBank; Director of Orix Metro Leasing Corporation and Federal Land, Inc.; President of Glam Holdings Corporation and Glamore Holdings Corporation; Vice President of Great Mark Resources Corporation; Vice President and Corporate Secretary of Norberto and Tytana Ty Foundation; Vice President, Corporate Secretary, and member of the Board of Trustees of GT Metro Foundation; Corporate Secretary of the Metrobank Foundation; Vice President of Global Treasure Holdings, Inc.; and Vice President of Grand Titan Holdings, Inc. She obtained her Bachelor of Science in Humanities degree from the De La Salle University.

Jocelyn Y. Kho 59 years old, Filipino, has served as the Company's Assistant Corporate Secretary since June 2011 and formerly 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.; Chairman and President of MBT-Management Consultancy, Inc.;. She served as Vice President under the Office of the Assistant to the Group Chairman of MBT from 1978 to 2009. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975., Master of Science in Taxation (lack Thesis) from MLQ University

Anjanette Ty Dy Buncio 46 years old, Filipino, has served as the Assistant Treasurer of GT Capital Holdings, Inc. since 2007. She holds several other positions in other companies among which are as 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.

Alesandra T. Ty 34 years old, Filipino, was appointed Assistant Treasurer of GT Capital Holdings on 14 February 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 44 years old, Filipino, joined the Company on January 2, 2012 as Head of its Legal and Compliance Division. Prior to this, he served as General Counsel of the Philippine Stock Exchange and concurrently, as Chief Legal Counsel of the Securities Clearing Corporation of the Philippines. He was also Officer in Charge of the Exchange's Issuer Regulation Division. Previous employments include assuming various positions in SGV & Co., Cayetano Sebastian Ata Dado and Cruz Law Offices, PNOC Exploration Corporation and Padilla Jimenez Kintanar & 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.

Jose B. Crisol, Jr. 48 years old, Filipino, 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.

Susan E. Cornelio 43 years old, Filipino, 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 degree of Bachelor of Science 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.

Richel D. Mendoza 43 years old, Filipino, joined the company on October 1, 2013 as its Chief Audit Executive. She served as Board Director of the Institute of Internal Auditors (IIA) Philippines from 2004-2012 prior to her appointment as its Chief Operating Officer in 2012. Richel 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 and Co. Richel has a Masters in Business Administration degree from De La Salle University Graduate School of Business and a Bachelor of Science degree in Business Administration Major in Accounting from University of the East, Magna Cum Laude. Richel 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 33 years old, Filipino, was appointed the Company's controller in 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.

Elsie D. Paras 42 years old, Filipino, serves as GT Capital's Vice President and Deputy Chief Finance Officer. She was appointed to the position on January 5, 2015. Prior to joining the company, she served as Finance Manager and Deputy CFO of SIA Engineering Philippines. Before this, she was a Manager for Strategic Consulting for Jones Lang La Salle MENA. Her other employments include: Business Development Manager for Robinsons Corporation and Manager for Ayala Land, Inc., among others. She attained her Masters in Business Administration, Major in Finance from the Asian Institute of Management in 2001. She was also a participant in the International Exchange Student Program of HEC School of Management of France. She also graduated with honors from the University of the Philippines with a Bachelor's of Science Degree in Business Economics.

Period of Officership

Name	Office	Period Held
Carmelo Maria Luza Bautista	President	2011-Present
Francisco H. Suarez, Jr.	SVP/Chief Financial Officer	2012-Present
Mary Vy Ty	Treasurer	2007-Present
Anjanette T. Dy Buncio	Assistant Treasurer	2007-Present
Alesandra T. Ty	Assistant Treasurer	2012-Present
Antonio V. Viray	Corporate Secretary	2009-Present
Margaret T. Cham	Assistant Corporate Secretary	2013-Present
Jocelyn Y. Kho	Assistant Corporate Secretary	2011-Present
Joselito V. Banaag	VP/Head, Legal and Compliance	2012-Present
Jose B. Crisol, Jr.	VP/Head, Investor Relations and Corporate Communications	2012-Present
Susan E. Cornelio	VP/Head, Human Resources	2012-Present
Richel D. Mendoza	VP/Chief Audit Executive	2013-Present
Reyna Rose P. Manon-Og	VP/Controller and Head, Accounting and Financial Control	2011-Present
Elsie D. Paras	VP/Deputy Chief Financial Officer	2015-Present

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The same set of directors will be nominated in the coming regular annual stockholders' meeting. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations as well as the Company's By-laws.

Nomination of Independent Directors shall be conducted by the Nomination Committee prior to the stockholders' meeting. The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of independent directors and which list shall contain all the information about these nominees. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting. In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nomination Committee; otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

(b) Significant Employees

The Company does not believe that its business is dependent on the services of any particular employee.

Directorships in Other Reporting Companies and Subsidiaries

The following are directorships held by Directors and Executive Officers in other reporting (listed) companies and subsidiaries of the Corporation during the last five years:

Name of Corporation	Position
George S.K. Ty	
Toyota Motor Philippines …………………………………………………………………	Chairman/Director
Francisco C. Sebastian	
Global Business Power Corporation …………………………………………………..	Chairman/Director
Metropolitan Bank & Trust Company …………………………………………………	Vice Chairman/Director
Arthur Vy Ty	
Metropolitan Bank & Trust Company………………………………………………	Chairman/Director
Philippine Savings Bank ………………………………………………………………….	Vice Chairman/Director
Alfred Vy Ty	
Toyota Motor Philippines …………………………………………………………………	Vice-Chairman/Director
Federal Land, Inc. …………………………………………………………………………	President/Director
Global Business Power Corporation …………………………………………………	Director
Philippine Long Distance Telephone Company………………………………	Director
Roderico V. Puno	
Global Business Power Corporation …………………………………………………	Director
Solomon S. Cua	
Philippine AXA Life Insurance Corporation ………………………………………	Chairman/Director
Philippine Racing Club, Inc. ………………………………………………………………	Vice-Chairman/Director
David T. Go	
Toyota Manila Bay, Inc. …………………………………………………………………………	Chairman/Director
Toyota Cubao, Inc. ………………………………………………………………………………..	Chairman/Director
Wilfredo A. Paras	
Philex Mining Corporation ………………………………………………………………………	Director
Antonio V. Viray	
Metropolitan Bank & Trust Corporation …………………………………………………	Director

Margaret T. Cham
Philippine Savings Bank ……………………………………………………………………… Vice-Chairman

Board Committees:

The members of the Executive Committee are:
Arthur Vy Ty - Chairman
Alfred V. Ty - Vice-Chairman
Francisco C. Sebastian - Member
Carmelo Maria Luza Bautista - Member
Solomon S. Cua - Member
Mary V. Ty - Adviser

The members of the Audit and Risk Management Committee are:
Wilfredo A. Paras - Chairman
Christopher P. Beshouri - Member
David T. Go - Member

The members of the Compensation Committee are:
Alfred Vy Ty - Chairman
Solomon S. Cua - Member
Jaime Miguel G. Belmonte - Member

The members of the Nominations Committee are:
Wilfredo A. Paras - Chairman
Carmelo Maria Luza Bautista - Member
Jaime Miguel G. Belmonte - Member

The members of the Corporate Governance Committee are:
Christopher P. Beshouri - Chairman
Wilfredo A. Paras - Member
Jaime Miguel G. Belmonte - Member

The Nomination Committee created by the Board under its Corporate Governance Manual nominated the following for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

Dr. George S. K. Ty

Arthur Vy Ty

Alfred Vy Ty

Carmelo Maria Luza Bautista

Roderico V. Puno

Solomon S. Cua

Jaime Miguel G. Belmonte

Christopher P. Beshouri

Wilfredo A. Paras

David T. Go

Francisco C. Sebastian

The Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The same provision has been incorporated in the Amended By-Laws of the Company.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The same set of directors will be nominated in the coming regular annual stockholders' meeting.

The following will be nominated as officers at the Organizational meeting of the Board of Directors:

Office	Name
Group Chairman	Dr. George S. K. Ty
Chairman	Francisco C. Sebastian
Co-Vice Chairman	Arthur Vy Ty
Co-Vice Chairman	Alfred Vy Ty
Director and President	Carmelo Maria Luza Bautista
Adviser	Pascual M. Garcia III
Adviser	Antonio S. Abacan
Adviser	Peter B. Favila
Treasurer and Adviser	Mary Vy Ty
Assistant Treasurer	Anjanette T. Dy Buncio
Assistant Treasurer	Alesandra T. Ty
Corporate Secretary	Antonio V. Viray
Assistant Corporate Secretary	Margaret T. Cham
Assistant Corporate Secretary	Jocelyn Y. Kho
Chief Financial Officer	Francisco H. Suarez, Jr.
Head, Legal and Compliance	Joselito V. Banaag
Head, Investor Relations and Corporate Communications	Jose B. Crisol, Jr.
Head, Human Resources	Susan E. Cornelio
Chief Audit Executive	Richel D. Mendoza
Controller and Head, Accounting and Financial Control	Reyna Rose P. Manon-Og
Deputy Chief Financial Officer	Elsie D. Paras

(c) Family Relationships

Mary Vy Ty is the wife of Dr. George S.K. Ty. Arthur Vy Ty, Alfred Vy Ty, Anjanette T. Dy Buncio and Alesandra T. Ty are the children of Dr. George SK Ty and Mary Vy Ty. Margaret T. Cham is the daughter of Dr. George S.K. Ty. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 27 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

(e) Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

(1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or

self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and

(5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 6. **Compensation of Executive Officers**

Summary compensation table

The following table identifies the Company's President and four most highly-compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2013, 2014 and 2015. The amounts (in P millions) set forth in the table below have been prepared based on what the Company paid its executive officers in 2012 and 2013, and what the Company expects to pay in 2014.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Named Executive Officers*...................................	2013	18.65	4.660	-
	2014	22.345	14.455	-
	2015**	24.11	15.38	-
All other Officers as a Group	2013	7.16	1.791	–
	2014	13.94	4.47	-
	2015**	14.85	7.46	-

**Named executive officers include: Carmelo Maria Luza Bautista (President), Francisco H. Suarez, Jr. (Chief Financial Officer), Joselito V. Banaag (Head, Legal and Compliance), Jose B. Crisol, Jr. (Head, Investor Relations and Corporate Communications), and Elsie D. Paras (Deputy Chief Finance Officer).*
*** Figures for the year 2015 are estimates.*

Employment contracts between the Company and named executive officers

The Company has no special employment contracts with its executive officers.

Warrants and options outstanding

There are no outstanding warrants or options held by the CEO, executive officers, and all officers and directors as a group.

Stock option plan

The Company has no employee stock option plan.

Item 7. **Independent Public Accountants**

Sycip, Gorres, Velayo & Company is the external auditor for the calendar year 2014. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Company engaged Ms. Vicky Lee Salas of SGV & Co. for the examination of the Company's financial statements for 2014. 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 aggregate fees billed for each of the last two fiscal years for audit and audit-related professional services rendered by the external auditor were P14.2 Million and P9.5 Million for 2013 and 2014, respectively. The audit fees for 2013 amounted to P1.7 Million while audit fees for 2014 amounted to P1.8 Million. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and review of annual income tax returns. SGV also rendered other audit-related professional services in 2013 and 2014 relating to the Company's Bond Offering. There were no non-audit services rendered by SGV & Co. in 2014. Tax consultancy services were 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 Board of Directors and stockholders approve the Audit Committee's recommendation.

Item 8. **Compensation Plans**

Not applicable.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

Not applicable.

Item 10. **Modification or Exchange of Securities**

Not applicable.

Item 11. **Financial and Other Information**

Not applicable.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

Not applicable.

Item 13. **Acquisition or Disposition of Property**

Not applicable.

Item 14. **Restatement of Accounts**

Not applicable.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The following are to be submitted for approval during the stockholders' meeting:

(a) Minutes of the special meeting of stockholders held on January 9, 2015.

The following was the agenda of the said meeting:

- Call to order
- Certification of notice and quorum
- Approval of the minutes of the annual meeting of stockholders held on May 12, 2014
- Amendment to Articles of Incorporation
- Adjournment

(b) Annual Report for the Year 2014

(c) General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting (May 12, 2014) up to the date of this meeting (May 11, 2015).

There are no other matters that would require approval of the stockholders other than as stated in Item 17 and 18.

Item 16. **Matters Not Required to be Submitted**

Not applicable.

Item 17. **Amendment of Charter, By-laws or Other Documents**

At a regular meeting of the Board of Directors on March 13, 2015, the Board approved the following proposed amendment of Article SEVENTH of GT Capital 's Amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares) as follows:

SEVENTH: That the authorized capital stock of the Corporation is Five Billion Pesos (P5,000,000,000.00) in lawful money of the Philippines, divided into Two Hundred Ninety Eight Million, Two Hundred Fifty Seven Thousand (298,257,000) Common Shares with a par value of Ten Pesos (P10.00) per share, Twenty Million (20,000,000) Perpetual Preferred Shares with a par value of One Hundred Pesos (P100.00) per share and One Hundred Seventy Four Million Three Hundred Thousand (174,300,000) Voting Preferred Shares with a par value of Ten Centavos (P0.10) per share.

The Perpetual Preferred Shares of stock shall be non-voting, non-convertible, cumulative and non-participating; Provided, that no share shall be issued below par value. Perpetual Preferred shares may be issued from time to time in one or more series as the Board of Directors may determine, and authority is hereby expressly granted to the Board of Directors to establish and designate each particular series of Perpetual Preferred Shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate, issue price and other terms and conditions for such shares beyond those stated in these Articles of Incorporation.

The Perpetual Preferred Shares shall have the following features, rights and privileges:

a. The Issue Value and Dividend Rate shall be determined by the Board of Directors at the time of the issuance thereof;
b. The Perpetual Preferred Shares shall be entitled to the payment of current as well as any accrued or unpaid dividends before any dividends can be paid to the holders of Common Shares. No dividend shall be declared or paid on the Common Shares unless the full accumulated dividends on all the Perpetual Preferred Shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Corporation;
c. The holders of Perpetual Preferred Shares shall have preference over holders of Common Shares in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary;
d. The Perpetual Preferred Shares shall not be entitled to vote, except in those cases specifically provided by law;
e. The Perpetual Preferred Shares shall be non-participating in any other further dividends beyond that specifically payable thereon;
f. The Perpetual Preferred Shares shall be non-convertible to common shares or Voting Preferred Shares;
g. The Perpetual Preferred Shares shall be redeemable at the option of the Corporation under such terms that the Board may approve at the time of the issuance thereof;
h. The Perpetual Preferred Shares shall have no pre-emptive rights to any issue of shares, common or preferred; and
i. Other features, rights and privileges as determined by the Board of Directors.

xxx"

Rationale: The amendment will provide GT Capital Holdings, Inc. with more flexibility to undertake future capital-raising exercises.

Item 18. **Other Proposed Action**

The following are to be presented for approval during the stockholders' meeting:

(a) Appointment of external auditor; and

(b) Election of directors for 2015-2016

Item 19. **Voting Procedures**

a. Election of Directors

As stated in Section 2 of Article III of the Company's By-Laws, "The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified."

Section 24 of The Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock… entitled to vote".

b. Appointment of External Auditor

As stated in Section 1 of Article VII of the Company's By-Laws, "At the regular stockholders' meeting the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation." The stockholders representing the majority of the subscribed capital stock approves the appointment of the external auditor.

Methods by which votes will be counted

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote of any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.

The external auditor of the Company, SGV & Co., will validate the ballots when voting is done by secret ballot. Likewise, SGV & Co. will count the number of hands raised when voting by show of hands is done.

N.B. UPON WRITTEN REQUEST OF A STOCKHOLDER, GT CAPITAL HOLDINGS, INC. SHALL PROVIDE, FREE OF CHARGE, A COPY OF ITS 2014 ANNUAL REPORT (SEC FORM 17-A). THE REQUEST SHOULD BE ADDRESSED TO THE ATTENTION OF FRANCISCO H. SUAREZ, JR., CHIEF FINANCIAL OFFICER, 43RD FLOOR, GT TOWER INTERNATIONAL, AYALA AVENUE CORNER H. V. DELA COSTA ST., MAKATI CITY 1227.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 25, 2015.

By:

FRANCISCO H. SUAREZ, JR.
Chief Financial Officer

MANAGEMENT REPORT

A.i Consolidated Audited Financial Statements

The Company's consolidated financial statements for the year ended December 31, 2014 are incorporated herein by reference.

A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosures.

A.iii Management's Discussion and Analysis or Plan of Operation
CALENDAR YEAR ENDED DECEMBER 31, 2014 VERSUS YEAR ENDED DECEMBER 31, 2013

GT Capital Consolidated Statement of Income	Audited Year Ended December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2014**	2013	**Amount**	**Percentage**
REVENUE				
Automotive operations	**108,816**	74,359	34,457	46%
Net fees	**18,973**	16,944	2,029	12%
Real estate sales	**5,841**	4,702	1,139	24%
Interest income on real estate sales	**1,157**	749	408	54%
Equity in net income of associates and joint ventures	**3,420**	3,588	(168)	(5%)
Net premium earned	**1,751**	505	1,246	247%
Sale of goods and services	**603**	657	(54)	(8%)
Rent income	**764**	592	172	29%
Interest income on deposits and investments	**439**	680	(241)	(35%)
Commission income	**213**	188	25	13%
Gain from previously held interest	**-**	2,046	(2,046)	(100%)
Other income	**1,146**	537	609	113%
	143,123	**105,547**	**37,576**	**36%**
COSTS AND EXPENSES				
Cost of goods and services sold	**70,597**	45,469	25,128	55%
Cost of goods manufactured	**24,213**	19,986	4,227	21%
General and administrative expenses	**11,495**	9,281	2,214	24%
Power plant operation and maintenance expenses	**10,328**	8,945	1,383	15%
Cost of real estate sales	**4,334**	3,667	667	18%
Interest expense	**3,241**	3,462	(221)	(6%)
Net insurance benefits and claims	**784**	290	494	170%
Cost of rental	**270**	113	157	139%
	125,262	**91,213**	**34,049**	**37%**
INCOME BEFORE INCOME TAX	**17,861**	**14,334**	**3,527**	**25%**
PROVISION FOR INCOME TAX	**2,710**	1,803	907	50%
NET INCOME	**15,151**	**12,531**	**2,620**	**21%**
Attributable to:				
Equity holders of the Parent Company	**9,153**	8,640	**513**	**6%**
Non-controlling interest	**5,998**	3,891	2,107	54%
	15,151	**12,531**	**2,620**	**21%**

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company grew by 6% from Php8.6 billion in 2013 to Php9.2 billion in 2014. The increase was principally due to the 36% improvement in consolidated revenues from Php105.5 billion in 2013 to Php143.1 billion in 2014.

The revenue growth came from the following component companies: (1) auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Cubao, Inc. ("TCI") as combined sales increased from Php74.4

billion to Php108.8 billion accounting for 76% of total revenue; (2)) net fees from Global Business Power Corporation ("GBPC") which increased from Php16.9 billion to Php19.0 billion accounting for 13% of total revenue; (3) higher real estate sales and interest income on real estate sales from Federal Land, Inc. ("Fed Land") which grew by 28% from Php5.5 billion to Php7.0 billion; and (4) net premium earned from Charter Ping An Insurance Corporation (CPAIC) which more than tripled from Php505 million to Php1.8 billion.

Core net income attributable to equity holders of the Parent Company grew by 38% from Php6.6 billion to Php9.1 billion after excluding the Php2.0 billion non-recurring income realized from the re-measurement of GT Capital's 36% previously-held interest in TMP following GT Capital's acquisition of control of TMP in 2013.

Fed Land, GBPC, TMP, CPAIC and TCI are consolidated in the financial statements of the Company. The other component companies Metropolitan Bank and Trust Company ("Metrobank" or "MBTC"), Philippine AXA Life Insurance Corporation ("AXA Philippines"), Toyota Manila Bay Corporation ("TMBC"), and Toyota Financial Services Philippines Corporation ("TFSPC") are accounted for through equity accounting.

Of the nine (9) component companies, TMP, GBP, Fed Land and TMBC posted double digit growths in their respective net income, while AXA Philippines reported a single digit growth in net income for the year. Metrobank, CPAIC, TCI and TFSPC reported declines in their respective net income for the year.

Auto sales rose by 46% from Php74.4 billion to Php108.8 billion due to continued strong demand for the all new Vios, new models mix – Corolla Altis, Wigo, and Yaris, sales volume increments across all other models, aggressive sales and promotions, and continued expansion in the dealer outlets from 42 to 45.

Net fees increased by 12% from Php16.9 billion to Php19.0 billion primarily due to new power purchase contracts with bilateral customers, additional Wholesale Electricity and Spot Market (WESM) compensation collected, and testing / commissioning of Toledo Power's Unit 1A.

Real estate sales and interest income on real estate sales rose by 28% from Php5.5 billion to Php7.0 billion driven by sales contributions from ongoing high-end and middle market development projects situated in Pasay City, Escolta, Manila, Cebu, Bonifacio Global City, and Marikina City.

Equity in net income of associates and joint ventures, was 5% lower from Php3.6 billion in 2013 to Php3.4 billion in 2014 as the increase in AXA Philippines net income and Metrobank's core net income, excluding gains from the sale of a foreclosed asset to Fed Land and sale of non-financial assets to GT Capital, was offset by a decline in Fed Land's investment in jointly-controlled entities as the turnover for the Grand Midori residential condominium project located in Legaspi Village, Makati City was completed in 2014.

Net premium earned from CPAIC comprising gross premiums on non-life insurance contracts, net of reinsurer's share, more than tripled from Php0.5 billion to Php1.8 billion due to the full year consolidation of CPAIC in 2014.

Sale of goods and services, consisting of the sale of petroleum products on a wholesale and retail basis, at the Blue Wave malls situated in Pasay City and Marikina City, decreased by 8% from Php657 million to Php603 million due to lower fuel sales arising from a series of fuel price increases and decreases during the year.

Rent income from Fed Land grew by 29% from Php592 million to Php764 million due to annual price escalations and the full year impact of Blue Bay Walk retail and commercial operations.

Interest income on deposits and investments declined by 35% from Php680 million to Php439 million due to a decline in placement rates earned on money market investments and termination of Fed Land's option agreement in 2013 which previously allowed Fed Land to earn interest income.

Commission income increased by 13% from Php188 million to Php213 million due to commissions contributed by CPAIC from its reinsurance business.

Gain from previously held interest represent non-recurring income earned following GT Capital's acquisition of majority control of TMP in 2013.

Other income grew by 113% from Php537 million to Php1.1 billion with Fed Land contributing Php575 million comprising real estate forfeitures, management fees and other income, TMP contributing Php331 million from ancillary income, gain on sale of fixed assets, dividend income and other income. The remaining balance of Php240 million came from TCI (Php98 million), GBPC (Php85 million) and CPAIC (Php57 million).

Consolidated costs and expenses increased by 37% from Php91.2 billion to Php125.3 billion. TMP contributed Php95.1 billion comprising cost of goods sold for manufacturing and trading activities, general and administrative expenses and interest expenses. GBPC contributed Php15.6 billion comprising power plant operations and maintenance, general and administrative expenses and interest expenses. Fed Land contributed Php7.4 billion consisting of cost of real estate sales, cost of goods sold, general and administrative expenses and interest expenses. TCI contributed Php4.3 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses. CPAIC accounted for Php1.9 billion, which consisted of general and administrative expenses and net insurance benefits and claims. GT Capital Parent Company accounted for Php1.0 billion representing interest expenses and general and administrative expenses.

Cost of goods and services sold increased by 55% from Php45.5 billion to Php70.6 billion with TMP's and TCI's completely built-up units and spare parts accounting for Php70.1 billion and the balance of Php0.5 billion from Fed Land's petroleum service station business.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP grew by 21% from Php20.0 billion in the previous year to Php24 billion.

General and administrative expenses rose by 24% from Php9.3 billion to Php11.5 billion. TMP accounted for Php4.8 billion comprising advertising and sales promotion expenses, salaries, taxes and licenses and delivery and handling. GBPC contributed Php3.3 billion representing salaries, taxes and licenses, other general and administrative expenses, amortization of intangible assets-power purchase agreements, outside services and provision for impairment losses. Fed Land contributed Php1.8 billion comprising salaries, commissions, taxes and licenses, advertising expenses and other general and administrative expenses. CPAIC accounted for Php1.1 billion consisting of commissions and salaries. GT Capital contributed Php234 million principally salaries, taxes and licenses. The remaining balance of Php210 million came from TCI's salaries, advertising and promotions, commission and utilities expenses.

Power plant operations and maintenance expenses consisting of purchased power and repairs and maintenance from the power generation companies of GBPC increased by 15% from Php8.9 billion to Php10.3 billion mainly due to the increase in energy sales and purchased power expenses.

Cost of real estate sales increased by 18% from Php3.7 billion to Php4.3 billion arising from the increase in real estate sales.

Interest expense declined by 6% from Php3.5 billion to Php3.2 billion with GBPC, GT Capital, Fed Land, TMP and TCI accounting for Php1.8 billion, Php0.8 billion, Php0.5 billion, Php99 million and Php17 million, respectively.

Net insurance benefits and claims more than doubled from Php290 million to Php784 million, representing benefits and claims paid to policyholders.

Cost of rental more than doubled from Php113 million to Php270 million representing direct costs incurred by Fed Land in its leasing business.

Provision for income tax increased by 50% from Php1.8 billion to Php2.7 billion mainly increases in taxable income from TMP and Fed Land.

Consolidated net income attributable to equity holders of the Parent Company increased by 6% from Php8.6 billion in 2013 to Php9.2 billion in 2014.

GT Capital Consolidated Statement of Financial Position	Audited December 31		Increase (Decrease)	
(In Million Php, except for percentages)	**2014**	**2013**	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**29,702**	27,167	2,535	9%
Short-term investments	**1,309**	1,467	(158)	(11%)
Receivables	**16,223**	12,450	3,773	30%
Reinsurance assets	**3,879**	4,966	(1,087)	(22%)
Inventories	**31,426**	20,813	10,613	51%
Due from related parties	**171**	850	(679)	(80%)
Prepayments and other current assets	**5,468**	5,969	(501)	(8%)
Total Current Assets	**88,178**	**73,682**	14,496	20%
Noncurrent Assets				
Noncurrent receivables	**4,897**	4,929	(32)	(1%)
Available-for-sale investments	**4,127**	3,111	1,016	33%
Investments in associates and joint ventures	**47,451**	40,559	6,892	17%
Investment properties	**8,643**	8,329	314	4%
Property and equipment	**44,801**	41,163	3,638	9%
Goodwill and intangible assets	**17,806**	18,275	(469)	(3%)
Deferred tax asset	**1,726**	1,109	617	56%
Other noncurrent assets	**634**	1,203	(569)	(47%)
Total Noncurrent Assets	**130,085**	**118,678**	11,407	10%
TOTAL ASSETS	**218,263**	**192,360**	25,903	13%

	Audited December 31		Increase (Decrease)	
	2014	**2013**	**Amount**	**Percentage**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**19,280**	20,837	(1,557)	(7%)
Insurance contract liabilities	**5,665**	6,684	(1,019)	(15%)
Short term debt	**2,267**	1,744	523	30%
Current portion of long term debt	**3,141**	3,364	(223)	(7%)
Current portion of liabilities on purchased properties	**783**	783	-	-
Customers' deposits	**2,549**	1,844	705	38%
Dividends payable	**2,034**	1,966	68	3%
Due to related parties	**176**	188	(12)	(6%)
Income tax payable	**476**	876	(400)	(46%)
Other current liabilities	**882**	907	(25)	(3%)
Total Current Liabilities	**37,253**	**39,193**	(1,940)	(5%)
Noncurrent Liabilities				
Long term debt	**42,118**	40,584	1,534	4%
Bonds payable	**21,775**	9,883	11,892	120%
Liabilities on purchased properties	**2,729**	3,537	(808)	(23%)
Pension liability	**2,261**	1,704	557	33%
Deferred tax liability	**3,532**	3,252	280	9%
Other noncurrent liabilities	**2,653**	1,643	1,010	61%
Total Noncurrent Liabilities	**75,068**	**60,603**	14,465	24%
	112,321	**99,796**	12,525	13%
Equity				
Equity attributable to equity holders of GT Capital Holdings, Inc.				
Capital stock	**1,743**	1,743	-	-
Additional paid-in capital	**46,695**	46,695	-	-
Treasury shares	**(2)**	(6)	4	(67%)
Retained earnings	**30,431**	21,802	8,629	40%
Other comprehensive income	**(103)**	(437)	334	76%
Other equity adjustment	**583**	729	(146)	(20%)
	79,347	**70,526**	8,821	13%
Non-controlling interests	**26,595**	**22,038**	4,557	21%
Total Equity	**105,942**	**92,564**	13,378	14%
TOTAL LIABILITIES AND EQUITY	**218,263**	**192,360**	25,903	13%

The major changes in the balance sheet items of the Company from December 31, 2013 to December 31, 2014 are as follows:

Total assets of the Group increased by 13% or Php25.9 billion from Php192.4 billion as of December 31, 2013 to Php218.3 billion as of December 31, 2014. Total liabilities increased by 13% or Php12.5 billion from Php99.8 billion to Php112.3 billion while total equity rose by 14% or Php13.4 billion from Php92.6 billion to Php105.9 billion.

Cash and cash equivalents increased by Php2.5 billion reaching Php29.7 billion with GBPC, TMP, Fed Land, CPAIC and GT Capital accounting for Php15.6 billion, Php11.3 billion , Php1.7 billion, Php0.6 billion and Php0.5 billion, respectively.

Short-term investments amounted to Php1.3 billion mainly short-term placements of TMP.

Receivables increased by 30% from Php12.5 billion to Php16.2 billion with Fed Land, TMP and GBPC contributing Php5.4 billion, Php4.5 billion and Php3.6 billion, respectively, representing installment contract receivables, trade receivables with maximum 30 days credit terms, and outstanding billings for energy fees and pass-through fuel costs arising from the delivery of power. CPAIC and TCI contributed Php2.1 billion and Php681 million, respectively, representing premiums receivable and trade receivables.

Reinsurance assets representing balances due from reinsurance companies declined by 22% from Php5.0 billion to Php3.9 billion due to settlement of claims reinsured to reinsurers.

Inventories increased by 51% from Php20.8 billion to Php31.4 billion with Fed Land and GBPC contributing Php25.4 billion and Php1.0 billion, respectively, comprising Fed Land's condominium units for sale and land for development and GBPC's coal and spare parts and supplies. TMP and TCI also contributed Php4.8 billion and P0.2 billion consisting of completely-built-up units, completely-knocked down units and spare parts.

Due from related parties decreased by 80% from Php850 million to Php171 million due to collections received from the various subsidiaries of Fed Land.

Prepayments and other current assets decreased by 8% from Php6.0 billion to Php5.5 billion primarily the application of creditable withholding tax against income tax due and the application of input tax against output tax.

Available-for-sale investments increased by 33% from Php3.1 billion to Php4.1 billion comprising mark-to-market gains recognized by GBPC, CPAIC, and TMP.

Investments in associates and joint ventures increased by 17% from Php40.6 billion to Php47.5 billion due to acquisition of a 40% direct equity in TFSPC amounting to Php2.4 billion, acquisition of additional 19.25% of TMBC for a total purchase price of Php237 million, and share in net income of Php5.5 billion, net of cash dividends received from associates and joint ventures of Php1.2 billion, and share in other comprehensive loss of Php0.5 million.

Property and equipment grew by 9% from Php41.2 billion to Php44.8 billion mainly due to the completion of GBPC's Toledo Power plant expansion.

Deferred tax assets increased by 56% from Php1.1 billion to Php1.7 billion composed of TMP, (Php663 million), representing accrued retirement benefits, provision for claims and assessments and warranty payable; GT Capital, (Php627 million), comprising unrealized gain on sale of properties by Metrobank to Fed Land, and GBPC, (Php383 million), representing provision for retirement benefits and unrealized foreign exchange losses.

Other noncurrent assets decreased by 47% from Php1.2 billion to Php634 million mainly due to application of GBPC's advances to contractors against billings of contractors for Toledo Power's plant expansion.

Accounts and other payables decreased by 7% from Php20.8 billion to Php19.3 billion mainly the settlement of the Group's outstanding payables from previous year.

Insurance contract liabilities representing provisions for claims reported and loss adjustments incurred but not yet reported losses and unearned premiums decreased by 15% from Php6.7 billion to Php5.7 billion due to settlement of claims relating to 2013 catastrophes.

Short-term debt increased by Php523 million from Php1.7 billion to Php2.3 billion due to the inclusion of TCI's short term loans (Php635M), additional loan availments from TMP dealer subsidiaries for working capital requirements (Php577M) and additional loan availments of Fed Land subsidiaries (Php180M) offset by loan payments made by GT Capital and GBPC amounting to Php800 million and Php69 million respectively.

Current portion of long-term debt decreased by 7% from Php3.4 billion to Php3.1 billion due to loan principal payments made by GBPC.

Customers' deposits increased by 38% from Php1.8 billion to Php2.5 billion due to increase in reservation sales from new Fed Land projects.

Due to related parties current declined by 6% from Php188 million to Php176 million due to payments made by Fed Land to Metrobank.

Income tax payable declined by 46% from Php876 million to Php476 million due to income tax payments by GT Capital's subsidiaries.

Pension liability rose by 33% from Php1.7 billion to Php2.3 billion, of which TMP, GBPC, CPAIC, TCI, and Fed Land accounted for Php1.2 billion, Php771 million, Php111 million, Php98 million and Php77 million, respectively.

Bonds payable more than doubled from Php9.9 billion to Php21.8 billion due to issuance by GT Capital of Php12.0 billion in retail bonds, net of financing expenses.

Liabilities on purchased properties, net of current portion, declined by 23% from Php3.5 billion to Php2.7 billion due to payment by Fed Land.

Deferred tax liability increased by 9% from Php3.3 billion to Php3.5 billion mainly recognition of deferred tax effect of excess of realized gross profit on real estate sales.

Other noncurrent liabilities increased by 61% from Php1.6 billion to Php2.7 billion primarily due to the increase in Fed Land's retention payable to contractors for ongoing projects and the recognition of provisions relating to TMP's claims and assessments, product warranties and corporate social responsibility activities.

Treasury shares declined from Php6 million to Php2 million representing CPAIC's investment in shares of stock of GT Capital.

Retained earnings increased by 40% from Php21.8 billion to Php30.4 billion due to the Php9.2 billion net income earned for the period, net of Php0.5 billion cash dividends declared.

Other comprehensive income improved by 76% from a deficit of Php437 million to a deficit Php103 million due to mark-to-market gains recognized on AFS investments of subsidiaries and associates.

Other equity adjustments decreased by 20% from Php729 million to Php583 million arising from the following transactions: (1) GT Capital's acquisition of an additional 33.33% direct equity stake in CPAIC, (negative Php375.67 million); (2) GT Capital's sale of a 40% direct equity stake of TCI to Mitsui, (Php194.0 million); (3) GT Capital's acquisition of an additional 0.26% of TCI by GT Capital, (negative Php0.42 million); (4) GT Capital change in direct ownership in GBPC after FMIC waiver and partial waiver of its pre-emptive rights on its subscription to Panay Energy's equity call, (Php60.52 million); and (5) increase in GT Capital's direct equity stake in TCI after subscription to new primary common shares, (negative Php24.80 million).

Non-controlling interests increased from Php22 billion to Php26.6 billion representing the net effect of: (1) Php6.0 billion net income attributable to non-controlling interest for the year; (2) Php2.2 billion increase in non-controlling interest in GBPC arising from the equity call contribution to the Panay Energy Plant Expansion Project; (3) Php532 million increase in non-controlling interest in Panay Power Holdings arising from the equity call contribution to the Panay Energy Plant Expansion Project; (4) Php427 million other comprehensive income attributable to non-controlling interest; (5) Php105 million additional non-controlling interest relating to the sale of a 40% direct equity stake of TCI to Mitsui; (6) Php4.3 billion representing reversal of non-controlling interest relating to the cash dividends declared by TMP; and (7) Php336 million representing reversal of non-controlling interest arising from GT Capital's acquisition of the remaining 33.33% direct equity stake in CPAIC.

Key Performance Indicators

The following are the key performance indicators of the Company for the years end December 31, 2014, 2013 and 2012.

	In Million Pesos, except for percentages		
Income Statement	**December 31, 2012**	**December 31, 2013**	**December 31, 2014**
Total Revenues	22,978	105,547	143,123
Net Income attributable to GT Capital Holdings	6,589	8,640	9,153
Balance Sheet			
Total Assets	136,985	192,360	218,263
Total Liabilities	71,931	99,796	112,321
Equity attributable to GT Capital Holdings, Inc.	53,760	70,526	79,347
Return on Equity *	15.0%	13.9%	12.2%

Net income attributable to GT Capital divided by the average equity where average equity is the sum of equity attributable to GT Capital at the beginning and end of the year divided by 2.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

Financial Soundness Indicators

(Amounts in millions except %)	2013	2014
Liquidity Ratio		
Current ratio	1.88	2.37
Current assets	₱73,682	₱88,178
Current liabilities	39,193	37,253
Solvency Ratio		
Total liabilities to total equity ratio	1.08	1.06
Total liabilities	99,796	112,321
Total equity	92,564	105,942
Debit to equity ratio	0.54	0.69
Total debt	59,895	72,813
Total equity	92,564	105,942
Asset to Equity Ratio		
Asset equity ratio	2.73	2.75
Total assets	192,360	218,263
Equity attributable to Parent Company	70,526	79,347
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	5.14	6.02
Earnings before interest and taxes (EBIT)	17,797	19,506
Interest expense	3,462	3,241
Profitability Ratio		
Return on average assets	5.25%	4.46%
Net income attributable to Parent Company	8,640	9,153
Average assets	164,672	205,311
Return on Average Equity	13.90%	12.21%
Net income attributable to Parent Company	8,640	9,153
Average equity attributable to Parent Company	62,142	74,936
Income before income tax	14,334	17,861
Interest expense, net of interest income	2,033	1,645
EBIT	16,367	19,506

*computed as EBIT/Interest Expense

Key Performance Indicators / Financial Performance of Component Companies

Metrobank

The following are the major performance measures used by Metrobank for 2012, 2013 and 2014.

	In Million Pesos, except for percentages		
	2012	**2013**	**2014**
Net income attributable to equity holders	15,399	22,488	20,113
Average total assets	1,004,360	1,212,606	1,491,555
Average shareholders' equity (attributable to equity holders)	112,899	126,310	142,508
Return on Average Assets	1.5%	1.9%	1.3%
Return on Average Equity	13.6%	17.8%	14.1%
Average shareholders' equity as a percentage of average total assets	11.2%	10.4%	9.6%

	2012	**2013**	**2014**
Dividend Payout Ratio	13.7%	9.4%	13.6%
Cost to average assets	5.0%	4.8%	3.8%
Tier 1 Capital Adequacy ratio	13.7%	15.0%	12.1%
Tier 2 Capital Adequacy ratio	2.6%	1.7%	
Total Capital Adequacy ratio	16.3%	16.7%	16.0%
Non Performing Loans ratio	1.8%	1.3%	1.0%
Non Performing Loans coverage	116.8%	164.1%	165.2%

Notes:

(1) **Dividend payout ratio is the ratio of cash dividends to net income after tax (excluding non-controlling interest).**
(2) **Cost to average assets is the ratio of operating expenses (including interest expenses but excluding depreciation and amortization) to average total assets.**
(3) **Capital adequacy ratios as of December 31, 2014 were computed based on Basel III standards, while capital adequacy ratios as of December 31, 2012 and 2013 were computed based on Basel II standards. The common equity Tier 1 capital adequacy ratio is not applicable under Basel II standards.**
(4) **Net non-performing loans ratio is the ratio of net non-performing loans divided by total loans – excluding interbank loans.**
(5) **Non performing loans coverage is the ratio of allowance for credit loan losses to total non performing loans.**

Metrobank registered a consolidated net income attributable to equity holders of Php20.1 billion in 2014, an 11% decline from 2013 which included non-recurring gains realized from net securities and trading gains and the sale of non-financial assets.

Net interest income grew by 20% from Php38.3 billion to Php45.8 billion due to growth in the middle market, small-and-medium scale enterprises and consumer loans. Non-interest income, however, dropped by 28% from Php40.7 billion to Php29.1 billion arising from lower net trading and securities gains which was not offset by increases in miscellaneous income, service charges, fees and commissions, leasing and trust operations. Miscellaneous income consisted of sale of foreclosed assets and gains on sale of investments in an associate and a non-current asset. Non performing loans (NPL) ratio dropped from 1.3% in 2013 to 1.0% while NPL coverage increased from 164.1% to 165.2%.

Total resources reached a record Php1.6 trillion, a 16% increase from Php1.4 trillion in the previous year. The improvement came from the 16% expansion in total deposits to Php1.2 trillion resulting in a 24% growth in net loans and receivables to Php759.5 million. Last year, Metrobank opened 64 branches to increase its domestic presence to 920 branches, the largest in the industry. This network is supplemented by 2,100 ATMs nationwide.

As of December 31, 2014, Metrobank had a capital adequacy ratio ("CAR") of 16% and common equity tier 1 ("CET1") of 12.1%, both ratios are well above the Bangko Sentral ng Pilipinas requirement of 10% and 8.5%, respectively.

Federal Land

The following are the major performance measures used by Fed Land for 2012, 2013 and 2014.

	In Million Pesos, except for ratios		
	2012	**2013**	**2014**
Real Estate Sales *	2,410.4	5,451.5	6,997.9
Revenues	4,274.6	7,895.7	9,375.2
Net income attributable to equity holders	1,985.2	1,004.3	1,486.4
Total assets	34,637.5	43,231.1	53,325.6
Total liabilities	18,080.9	24,664.3	25,379.0
Total equity	16,556.6	18,566.8	27,946.6
Current ratio	2.7x	3.9x	4.7x
Total Liabilities to equity ratio	1.1x	1.3x	0.9x

- Includes interest income on real estate sales

Fed Land recorded total revenue of Php9.4 billion in 2014, 19% higher from Php7.9 billion in 2013. The revenue improvement came from: (1) real estate sales and interest income on real estate sales which rose by 28% from Php5.5 billion to Php7.0 billion driven by increased sales recognized from ongoing high-end and middle market development projects situated in Pasay City, Quezon City, Escolta, Manila, Cebu, Bonifacio Global City and Marikina City; and (2) rent income which grew by 22% from Php632 million to Php769 million owing to annual price escalation and the full year impact of Blue Bay Walk retail/commercial complex. As a result of the revenue growth, net income attributable to shareholders increased by 48% from Php1.0 billion to Php1.5 billion. For 2014, Fed Land launched four (4) new vertical residential condominium projects namely Time Square West (Vertitown, Fort Bonifacio), Marco Polo Residences Oceanview (Cebu), Six Senses Resort 4 (Macapagal, Pasay City) and Palm Beach Villa 2 (Macapagal, Pasay City).

Global Business Power

The following are the major performance measures used by GBPC for 2012, 2013 and 2014.

	In Million Pesos, except for ratios		
	2012	**2013**	**2014**
Net Fees*	19,180.5	16,944.1	18,973.4
Net income attributable to equity holders	2,215.2	1,937.1	2,284.4
Total assets	58,303.0	59,770.3	68,433.4
Total liabilities	36,803.0	36,051.1	38,657.8
Total equity	21,500.0	23,719.2	29,775.6
Current ratio	1.7x	1.6x	2.0x
Total Liabilities to equity ratio	1.7x	1.5x	1.3x

*comprising energy fees realized by the operating companies as provided for in their respective Power Purchase Agreements with their respective customers, net of adjustments,

GBPC's net fees grew by 13% from Php16.9 billion in 2013 to Php19.0 billion in 2014 arising from the 15% increase in kilowatt hour sales from 3.1 billion kilowatt hours to 3.6 billion kilowatt hours.

As a result, net income attributable to shareholders increased by 18% from Php1.9 billion in 2013 to Php2.3 billion in 2014.

Toledo Power's Unit 1A, 82-megawatt coal fired plant, commenced commercial operations on December 2013. Panay Energy's Unit 3, began the construction of its 150-megawatt coal-fired plant in June, 2014. At present, the construction of the plant is on schedule for start of commercial operations within the third quarter of 2016.

Toyota Motor Philippines

The following are the major performance measures used by TMP for 2012, 2013 and 2014.

	In Million Pesos, except for ratios		
	2012	**2013**	**2014**
Sales	72,560.0	80,676.6	104,886.9
Gross Profit	7,993.2	10,256.6	14,628.9
Operating Profit	3,718.2	5,719.1	9,859.1
Net income attributable to Parent	2,808.8	4,219.0	7,210.0
Total assets	21,035.9	23,750.0	26,706.7
Total liabilities	12,982.7	14,464.1	14,779.7
Total equity	8,053.2	9,285.9	11,927.0
Total Liabilities to Equity ratio	1.6x	1.6x	1.2x

TMP exhibited a 30% growth in consolidated sales from Php80.7 billion in 2013 to Php104.9 billion in 2014. TMP also includes four (4) dealer outlets namely: Toyota Makati, Toyota San Fernando in Pampanga, Toyota Plaridel, in Bulacan, and Lexus Manila in Bonifacio Global City,

In 2014, TMP exhibited record sales reaching 106,110 units, a 40% jump from that of previous year. With this feat, TMP earned its 13th Triple Crown award which means number 1 in passenger car sales, number 1 in commercial vehicle sales and number 1 in overall sales, respectively. Overall market share further grew from 35.8% in 2012 to 36.3% in 2013 and 39.4% in 2014.

The sales improvement was attributed to the launching of the all new Vios in July 2013, new model introductions in 2014 for the Corolla Altis, Wigo, and Yaris, volume increments across all models, aggressive sales and promotions across the dealership network spanning 45 branches nationwide.

The sales growth, managed cost efficiencies, and favorable foreign exchange rates resulted in improvements in gross profit margins from 12.7% to 14.0%, operating profit margins from 7.1% to 9.4% and net profit margins from 5.2% to 6.9%, respectively. Consolidated net income grew by 71% from Php4.2 billion in 2013 to Php7.2 billion in 2014.

AXA Philippines

The following are the major performance measures used by AXA Philippines for 2012, 2013 and 2014.

	In Million Pesos		
	2012	**2013**	**2014**
Gross Premiums	12,312.0	18,320.0	18,404.5
Net insurance benefits and claims	1,316.5	6,451.8	7,121.4
Total expenses	3,532.7	9,229.9	10,203.5
Net income after tax	915.4	1,184.0	1,223.9
Total Assets	44,850.9	54,951.3	68,007.2

AXA Philippines generated a 16% increase in new business expressed in Annualized Premium Equivalent of Php4 billion in 2014 due to new health and protection products. However, single premium products declined by 9.2% resulting in a relatively flat growth in gross premiums. Asset management fees and unrealized gain from equities income grew from Php615 million and Php10 million in 2013 to Php785 million and Php110 million in 2014, respectively. AXA Philippines net income level was relatively flat from Php1.1 billion in 2013 to Php1.2 billion in 2014.

Charter Ping An

The following are the major performance measures used by CPAIC for 2012, 2013 and 2014.

	In Million Pesos		
	2012	**2013**	**2014**
Gross Premium Written	2,893.7	3,513.9	4,002.5
Net Premium Written	1,613.2	1,823.6	1,912.1
Gross Underwriting Contribution	540.9	529.6	478.9
Net Income	215.1	190.0	105.0
Total Assets	6,355.6	9,211.3	8,493.0

CPAIC registered a 14% growth in gross premium written from Php3.5 billion in 2013 to Php4 billion in 2014. Motor car and property /fire, and personal accident were the major revenue drivers accounting for a combined 66% of gross premiums. CPAIC incurred higher reinsurance costs and claims and losses due to typhoons in 2013 and 2014 thereby resulting in a reduction in gross underwriting contribution. As a result net income dropped from Php190 million in 2013 to Php105 million in 2014.

Toyota Manila Bay

The following are the major performance measures used by TMBC for 2012, 2013 and 2014.

	In Million Pesos		
	2012	**2013**	**2014**
Net Sales	7,945.0	9,440.7	11,268.1
Gross Profit	587.7	653.1	772.6
Net Income	101.7	110.3	129.8
Total Assets	1,726.0	1,934.1	2,370.0
Total Liabilities	1,308.4	1,402.8	1,720.5
Total Equity	417.6	531.3	649.5

TMBC's consolidated sales which also include Toyota Jose Abad Santos, Manila and Toyota Dasmarinas, Cavite dealer outlets grew by 19% from Php9.4 billion in 2013 to Php11.3 billion in 2014 translating to a penetration rate of 11% among Toyota dealers in 2014. Net income grew by 18% from Php110.3 million in 2013 to Php129.8 million in 2014.

Toyota Cubao, Inc.

The following are the major performance measures used by TCI for 2012, 2013 and 2014.

	In Million Pesos		
	2012*	**2013***	**2014***
Net Sales	4,316.6	4,254,3	5,304.6
Gross Profit	283.1	288.8	322.9
Net Income	202.8	171.0	14.5
Total Assets	1,076.9	1,096.8	1,337.9
Total Liabilities	1,031.7	885.3	1,079.8
Total Equity	45.2	211.5	258.1

- Parent Company Only

TCI consolidated sales which also include Toyota Marikina grew by 25% from Php4.3 billion in 2013 to Php5.3 billion in 2014 translating to a penetration rate of 5% among Toyota dealers in 2014. Core and non-core net income dropped from Php171 million in 2013 to Php14.5 million in 2014 as TCI realized a Php158.1 million non-recurring gain from the sale of its direct equity stake in TMBC to GT Capital in 2013. Excluding this, TCI's core net income actually grew by 12% from Php12.9 million in 2013 to Php14.5 million in 2014.

In June 2014, Mitsui & Co., Ltd. acquired 40% of TCI.

Toyota Financial Services Corporation

The following are the major performance measures used by TFSPC for 2012, 2013 and 2014.

	In Million Pesos		
	2012	**2013**	**2014**
Finance Revenue	1,551.2	1,704.6	2,234.7
Net Operating Profit	607.2	901.1	952.1
Net Income	197.0	436.7	398.0
Finance Receivable	15,419.3	20,301.8	28,357.0
Total Assets	22,361.4	29,577.4	39,424.8
Total Equity	2,399.7	2,725.6	3,842.7

TFSPH recorded a 33% growth in gross interest income from Php1.8 billion in 2013 to Php2.4 billion in 2014 as financial lease bookings increased by 44.5% from 15,300 units in 2013 to 22,107 units in 2014. Loans receivable expanded by 29% to Php33 billion. Net income, however, dropped by 9% from Php436.7 million to Php398.0 million as provision for losses rose to Php382 million in 2014 as the company implemented a conservative receivables provision policy.

For 2015, TFSPH will shift its receivables provision policy from aging to risk-based effective March.

Except for (ii), (iv) and (vii), the Company does not know of:

(i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely in the Company's liquidity increasing or decreasing in any material way;
(ii) Any events that would trigger direct or contingent financial obligation (including contingent obligation) that is material to the Company, including any default or acceleration of an obligation except those disclosed in the notes to the financial statements;
(iii) Any material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
(iv) Any material commitments for capital expenditures, their purpose and sources of funds for such expenditures;

The GT Capital Group's 2015 capital expenditures ("capex") budget is presented as follows:

Component Company	2015 Capex (In Billion Pesos)	Nature	Source of Funding
Metrobank	3.00	Branch expansion and ATM network and enhancement of IT systems	Internally generated funds
Fed Land	15.00	Ongoing vertical residential condominium projects, retail and commercial developments and land acquisitions	Internally generated funds, end-user financing from banks, preferred shares and debt
GBPC	20.50	Phase II expansion of Panay Energy Unit 3 (Php15.5 billion); and Bio Mass (Php5 billion)	Debt and Equity
TMP	2.76	Dealership software, new car models, new dealer outlet, building expansion, Takt time improvement, and plant rehabilitation	Internally generated funds
AXA Philippines	0.12	Replacement capital expenditures and office renovation	Internally generated funds
Charter Ping An	.05	Enhancement of IT systems and office renovation	Internally generated funds
TMBC	0.209	Dasmarinas expansion, and Abad Santos parking structure	Debt and equity
TCI	0.307	Cubao renovation and	Debt and equity

		Marikina relocation	
TFSPH	0.10	Enhancement of IT systems	Internally generated funds
GT Capital – Parent	8.032	Participation in the Metrobank stock rights offering	Debt
Total	**50.078**		

(v) Any known trends, events or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;

(vi) Any significant elements of income or loss that did not arise from the Company's continuing operations;

(vii) The causes of any material change from period to period including vertical and horizontal analysis of any material item, the causes of material changes are discussed in the MD & A; and

(viii) Any seasonal aspects that had a material effect on financial condition or results of operation of the Company.

CALENDAR YEAR ENDED DECEMBER 31, 2013 COMPARED TO YEAR ENDED DECEMBER 31, 2012

RESULTS OF OPERATIONS

GT Capital Consolidated Income Statement	Audited Year-End December 31		Increase (Decrease)	
(In Million Php, except for percentages)	2013	2012	Amount	Percentage
REVENUE				
Automotive operations	**74,359**	-	74,359	100%
Net fees	**16,944**	12,845	4,099	32%
Real estate sales	**4,702**	2,131	2,571	121%
Interest income on real estate sales	**749**	283	466	165%
Equity in net income of associates and joint venture	**3,588**	3,902	(314)	(8%)
Net premiums earned	**505**	-	505	100%
Gain (loss) on previously held interest	**2,046**	(54)	2,100	3,889%
Gain from loss of control of subsidiary	**-**	1,448	(1,448)	(100%)
Gain on bargain purchase	**-**	428	(428)	(100%)
Interest income on deposits and investments	**680**	583	97	17%
Sale of goods and services	**657**	731	(74)	(10%)
Rent income	**592**	233	359	154%
Commission income	**188**	185	3	2%
Other income	**537**	263	274	104%
	105,547	**22,978**	82,569	359%
COSTS AND EXPENSES				
Cost of goods and services sold	**45,469**	681	44,788	6,577%
Cost of goods manufactured	**19,986**	-	19,986	100%
Cost of real estate sales	**3,667**	1,342	2,325	173%
Power plant operation and maintenance expenses	**8,945**	6,711	2,234	33%
General and administrative expenses	**9,394**	3,559	5,835	164%
Interest expense	**3,462**	1,750	1,712	98%
Net insurance benefits and claims	**290**	-	290	100%
	91,213	**14,043**	**77,170**	550%
INCOME BEFORE INCOME TAX	**14,334**	**8,935**	**5,399**	60%
PROVISION FOR INCOME TAX	**1,803**	288	1,515	526%
NET INCOME	**12,531**	**8,647**	3,884	45%
Attributable to:				
Equity holders of the Parent Company	**8,640**	**6,589**	2,051	31%
Non-controlling interest	**3,891**	2,058	1,833	89%
	12,531	**8,647**	3,884	45%

GT Capital reported a consolidated net income attributable to Equity holders of the Parent Company of Php8.6 billion for the year ended December 31, 2013, representing a 31% growth over the Php6.6 billion recorded in the previous year. The increase was principally due to the 359% improvement in consolidated revenues which grew to Php105.5 billion from Php23.0 billion a year ago.

The major contributors to revenue growth were: (1) TMP effective February 1, 2013 as revenue from automotive operations amounted to Php74.4 billion accounting for 70% of total revenue; (2)

consolidation of GBP effective May 1, 2012 as net fees amounted to Php16.9 billion accounting for 16% of total revenue; (3) higher real estate sales and interest income on real estate sales from Federal Land, Inc. Fed Land amounting to Php5.5 billion; (4) equity in net income from associates MBT, AXA Philippines and the jointly controlled entities of Fed Land amounting to Php3.6 billion; (5) non-recurring income of Php2.0 billion realized from the consolidation of TMP; and (6) consolidation of CPAIC as net premiums earned amounted to Php0.5 billion.

Excluding TMP's non-recurring income of Php2.0 billion and adding back one-time taxes and other non-recurring expenses of Php669 million, GT Capital's core net income attributable to shareholders amounted to Php7.2 billion, representing a 34% increase from Php5.4 billion of the previous year. The Php2.0 billion TMP non-recurring income was a gain from previously-held interest when GT Capital achieved majority control of TMP effective February 1, 2013 following the acquisition of an additional 15% direct equity stake in TMP thereby increasing its direct equity interest from 36% to 51%.

In 2013, GT Capital invested in two (2) new component companies namely: (1) CPAIC – acquisition of a 66.7% direct equity stake effective October 10; and (2) TMBC – acquisition of a 40.7% direct equity stake effective December 18.

Fed Land, GBP, TMP and CPAIC are consolidated in the financial statements of the Company. The other component companies namely Metrobank, AXA Philippines and TMBC are reflected through equity accounting.

Of the seven (7) component companies, Metrobank, Fed Land, TMP, AXA Philippines, and TMBC posted double digit growth in net income. GBP and CPAIC, on the other hand, reported lower net income performances.

GBP posted a lower net income owing to soft coal and diesel prices which dropped by 15% and 8%, year-on-year, respectively and lower WESM prices, resulting in a 36% decline in WESM margins. Other contributory factors include the impact of Typhoon Yolanda, which affected GBP's bilateral customers thereby resulting in a temporary reduction in power demand as well as contract revisions for some off takers from power purchase agreements to energy conversion agreements. CPAIC, likewise, registered a drop in its net income due to higher-than-normal claims and losses arising from the series of natural calamities that occurred in the second half of 2013.

Equity in net income of associates and joint ventures amounted to Php3.6 billion in 2013 or 8% lower than the Php3.9 billion recorded in 2012, as the net income growth of AXA Philippines and the jointly-controlled entities of Fed Land was offset by the Php529 million decrease in TMP's net income contribution. This decline was due to GT Capital's additional 15% increase in equity stake in TMP resulting in a line-by-line consolidation in GT Capital effective February 1. In addition, MBT's net income contribution excluded the one-time gain on asset sales, as the sale of MBT's stake in TMP to GT Capital involved a sale of an associate to the parent company, while the disposals by FMIC, which is majority-owned by MBT, of its 40% equity stake in GBP to Orix Corporation of Japan and Meralco PowerGen Corporation did not result in a loss of control by the Parent Company in GBP.

Revenue from automotive operations comprising the sale of locally assembled and imported vehicles contributed Php74.4 billion in revenues.

Net fees from GBP comprising energy fees for the power supplied by the generation companies contributed Php16.9 billion in revenues, representing a 32% increase from Php12.8 billion in 2012.

Real estate sales and interest income on real estate sales more than doubled year-on-year to Php5.5 billion from Php2.4 billion, driven by sales contributions from ongoing high-end and middle-market development projects situated in Pasay City, Quezon City, Escolta, Manila, Cebu, Bonifacio Global City, and Marikina City.

Net premiums earned from CPAIC comprising gross earned premiums on non-life insurance contracts, net of reinsurer's share, contributed Php0.5 billion in revenues.

Gain on revaluation of previously-held interest amounted to Php2.0 billion as GT Capital achieved effective control of TMP effective February 1, 2013 following the purchase of an additional 15% direct equity interest thereby increasing GT Capital's direct equity stake from 36% to 51%.

Rent income, mainly from the GT Tower International office building, the Blue Wave malls, and other Fed Land projects, more than doubled to Php592 million from Php233 million. The GT Tower International office building was close to 100% occupied as of year-end 2013, as it contributed Php360 million to rent income.

Interest income from deposits and investment securities increased by 17% or Php97 million to Php680 million from Php583 million mainly due to the interest income contribution from TMP.

Sale of goods and services, consisting of the sale of petroleum products, on a wholesale and retail basis, at the Blue Wave malls in the Bay Area, Pasay City and Marikina City, declined by 10% or Php74 million to Php657 million from Php731 million due to lower fuel sales arising from the successive price increases and rollbacks implemented throughout the year.

Other income grew by 104% to Php537 million from Php263 million composed of: (1) Php109 million in dividend income, gain on sale of fixed assets and other income from TMP; (2) Php285 million real estate forfeitures, interest income from in-house financing and loans receivable, management fees and other income from Fed Land; (3) Php100 million in dividend income, recovery from insurance, sale of scrap and sludge oil, management fees and other income from GBP; (4) Php18 million consisting of gain on sale of shares of stock and other income from CPAIC and (5) remaining balance of Php25 million principally came from realization to profit and loss of the equity in other comprehensive income from investment in TMP.

Consolidated costs and expenses grew more than six times to Php91.2 billion in 2013 from Php14.0 billion in the previous year. TMP contributed Php69.1 billion comprising cost of goods sold for manufacturing and trading activities, general and administrative expenses and interest expenses. GBP contributed Php13.9 billion comprising power plant operations and maintenance, general and administrative expenses and interest expenses. Fed Land contributed Php6.7 billion consisting of cost of real estate sales, cost of goods sold, general and administrative expenses and interest expenses. CPAIC contributed Php525.5 million consisting of net insurance benefits and claims and general and administrative expenses. GT Capital Parent Company accounted for the balance of Php907 million, a major portion of which were interest expenses and general and administrative expenses.

Cost of real estate sales increased by 173% to Php3.7 billion from Php1.3 billion due to an increase in real estate sales.

Cost of goods and services sold increased by 66.8 times to Php45.5 billion from Php681 million with TMP's completely built-up units and spare parts accounting for Php44.8 billion and the balance from Fed Land's petroleum service station business.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP amounted to Php20.0 billion.

Power plant operations and maintenance expenses from the power generation companies of GBP grew by 33% to Php8.9 billion from Php6.7 billion in 2012.

General and administrative expenses rose 2.6 times to Php9.4 billion from Php3.6 billion composed of: (1) TMP, Php4.3 billion, comprising largely of advertising and sales promotion expenses, salaries, taxes and licenses and delivery and handling expenses; (2) GBP, Php2.8 billion, representing salaries, taxes and licenses, amortization of intangible assets, administration and management fees and insurance expenses; (3) Fed Land , Php1.7 billion, composed of salaries and wages, employee benefits, commissions, taxes and licenses and advertising and promotions; (4) GT Capital, Php0.3 billion, principally fees and expenses incurred in the equity private placement and its maiden retail bond issue; and CPAIC, Php0.2 billion, composed of commission expenses and salaries and wages.

Interest expenses increased by 98% or Php1.7 billion to Php3.5 billion from Php1.7 billion with GBP contributing Php2.2 billion, Fed Land with Php621 million, GT Capital with Php600 million and TMP with Php83 million.

Net insurance benefits and claims amounted to Php290 million representing benefits and claims paid to policyholders, including changes in the valuation of insurance contract liabilities and internal and external claims handling costs directly related to the processing and settlement of claims.

Provision for income tax increased 6.3 times to Php1.8 billion from Php288 million with TMP and Fed Land contributing Php1.5 billion and Php0.2 billion, respectively and the remaining balance from GT Capital, GBP and CPAIC.

Consolidated net income attributable to Equity holders of the Parent Company grew by 31% to Php8.6 billion in 2013 from Php6.6 billion in the previous year.

GT Capital Consolidated Statement of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Php, except for percentages)	**2013**	2012	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**27,167**	**11,553**	15,614	135%
Short-term investments	**1,467**	**-**	**1,467**	100%
Receivables	**12,450**	**6,505**	5,945	91%
Reinsurance assets	**4,966**	**-**	4,966	100%
Inventories	**20,813**	**12,275**	8,538	70%
Due from related parties	**850**	**489**	361	74%
Prepayments and other current assets	**5,969**	**6,000**	(31)	(1%)
Total Current Assets	**73,682**	**36,822**	**36,860**	100%
Noncurrent Assets				
Noncurrent receivables	**4,929**	**3,159**	1,770	56%
Available-for-sale investments	**3,111**	**1,060**	2,051	193%
Investments and advances	**40,559**	**42,789**	(2,230)	(5%)
Investment properties	**8,329**	**7,816**	513	7%
Property and equipment	**41,163**	**33,661**	7,502	22%
Deposits	**-**	**2,085**	(2,085)	(100%)
Goodwill and intangible assets	**18,275**	**8,715**	9,560	110%
Deferred tax asset	**1,109**	**331**	778	235%
Other noncurrent assets	**1,203**	**547**	656	120%
Total Noncurrent Assets	**118,678**	**100,163**	**18,515**	18%
TOTAL ASSETS	**192,360**	**136,985**	**55,375**	**40%**

	Audited December 31		Increase (Decrease)	
	2013	**2012**	**Amount**	**Percentage**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**20,837**	**7,377**	13,460	182%
Insurance contract liabilities	**6,684**	**-**	6,684	100%
Current portion of liabilities on purchased properties	**783**	**-**	783	100%
Short-term debt	**1,744**	**9,138**	(7,394)	(81%)
Current portion of long-term debt	**3,364**	**7,427**	(4,063)	(55%)
Customers' deposits	**1,844**	**974**	870	89%
Dividends payable	**1,966**	**1,949**	17	1%
Due to related parties	**188**	**191**	(3)	(2%)
Income tax payable	**876**	**26**	850	3,269%
Other current liabilities	**907**	**1,370**	(463)	(34%)
Total Current Liabilities	**39,193**	**28,452**	**10,741**	38%
Noncurrent Liabilities				
Long-term debt –net of current portion	**40,584**	**39,188**	1,396	4%
Bonds payable	**9,883**	**-**	9,883	100%
Liabilities on purchased properties-noncurrent	**3,537**	**2,581**	956	37%
Pension liability	**1,704**	**532**	1,172	220%
Deferred tax liability	**3,252**	**935**	2,317	248%
Other noncurrent liabilities	**1,643**	**243**	1,400	576%
Total Noncurrent Liabilities	**60,603**	**43,479**	**17,124**	39%
	99,796	**71,931**	**27,865**	39%
Equity				
Equity attributable to equity holders of GT Capital Holdings, Inc.				
Capital stock	**1,743**	1,580	163	10%
Additional paid-in capital	**46,695**	36,753	9,942	27%
Treasury shares	**(6)**	-	(6)	(100%)
Retained earnings	**21,802**	13,685	8,117	59%
Other comprehensive income	**(437)**	2,423	(2,860)	(118%)
Other equity adjustment	**729**	(681)	1,410	207%
	70,526	53,760	16,766	31%
Non-controlling interests	**22,038**	11,294	10,744	95%
Total Equity	**92,564**	65,054	27,510	42%
TOTAL LIABILITIES AND EQUITY	**192,360**	136,985	55,375	40%

The major changes in the balance sheet items of GT Capital from December 31, 2012 to December 31, 2013 are as follows:

Total assets of the Group increased by 40% or Php55.4 billion from Php137.0 billion as of December 31, 2012 to Php192.4 billion as of December 31, 2013 as TMP was consolidated to GT Capital's financials effective February 1, 2013. Total liabilities increased by 39% or Php27.9 billion from Php71.9 billion to Php99.8 billion while total equity rose by 42% or Php27.5 billion from Php65.1 billion to Php92.6 billion.

Cash and cash equivalents increased by Php15.6 billion reaching Php27.2 billion with TMP, GBP, Fed Land, CPAIC and GT Capital accounting for Php10.3 billion, Php10.2 billion , Php5.7 billion, Php0.8 billion and Php0.2 billion, respectively.

Short-term investments amounted to Php1.5 billion representing short-term placements of TMP (Php1.3 billion) and GBP (Php0.2 billion) with terms of more than 90 days.

Receivables, current portion increased by 91% to Php12.5 billion from Php6.5 billion with TMP and GBP contributing Php3.9 billion and Php3.8 billion, respectively, representing trade receivables with maximum 30 days credit terms, and outstanding billings for energy fees and passed-through fuel costs arising from the delivery of power and Fed Land contributing Php3.1 billion, majority of which are installment contract receivables. CPAIC contributed Php1.7 billion, mostly unpaid premiums receivable from policy holders and intermediaries due within one year.

Reinsurance assets amounted to Php5.0 billion representing balances due from reinsurance companies as a result of ceding CPAIC's insurance risk in the normal course of business.

Inventories increased by 70% or Php8.5 billion to Php20.8 billion from Php12.3 billion in the past year with Fed Land, comprising condominium units for sale and land for development, TMP, mostly finished completely-built-up and completely-knocked down units and GBPC, representing coal and spare parts and supplies accounted for Php16.1 billion, Php3.6 billion, and Php1.1 billion, respectively.

Prepayments and other current assets declined by 1% or Php30.6 million to Php6.0 billion primarily due to the decrease in GBP's input tax arising from higher output tax collection versus input tax claimed during the period and liquidation of advances related to the Toledo, Cebu plant expansion partially offset by deferred acquisition cost from CPAIC amounting to Php231.4 million composed of deferred commissions and other acquisition costs incurred to the extent that they are recoverable out of future margins.

Noncurrent receivables from Fed Land unit buyers who opted for long term payment arrangements, Php4.2 billion, and from various GBP electric cooperatives, Php778 million, rose by 56% or Php1.8 billion to Php4.9 billion from Php3.2 billion.

Available-for-sale investments from CPAIC, Php1.3 billion, GBP, Php1.3 billion, and TMP Php0.5 billion, more than doubled to Php3.1 billion from Php1.1 billion.

Investments in associates and joint ventures declined by 5% or Php2.2 billion to Php40.6 billion due to the consolidation of TMP.

Investment properties rose by 7% or Php513 million to Php8.3 billion from Php7.8 billion with Fed Land and TMP accounting for Php6.1 billion and Php2.2 billion, respectively.

Property and equipment grew by 22% or Php7.5 billion to Php41.2 billion mainly due to the consolidation of the fixed assets of TMP.

Deposits declined by Php2.1 billion due to the termination of the option agreement and returned deposits from Fed Land.

Goodwill and intangible assets increased by Php9.6 billion to Php18.3 billion mainly due to the recognition of Php5.6 billion goodwill from the acquisition of effective control of TMP, Php0.5 billion goodwill from provisional accounting arising from the acquisition of effective control of CPAIC and the recognition of intangible assets from TMP representing customer relationships with its dealers amounting Php3.9 billion partially offset by Php0.4 billion amortization expenses from power purchase agreements of GBP's operating subsidiaries.

Deferred tax assets mostly accrued retirement benefits, provision for claims and assessments and warranty payable from TMP of Php775 million and provision for retirement benefits and unrealized foreign exchange losses from GBP of Php311 million reached Php1.1 billion.

Other noncurrent assets more than doubled to Php1.2 billion primarily owing to the deposit of TMP to purchase land and recognition of non-current input tax.

Accounts and other payables more than doubled to Php20.8 billion from Php7.4 billion with TMP, GBP, Fed Land and CPAIC accounting for Php11.3 billion, Php4.3 billion, Php4.1 billion and Php1.0 billion, respectively. Accounts payable also include insurance payable amounting to Php296 million representing premium due to reinsurers and ceding companies as a result of CPAIC ceding a portion of its insurance risk to reinsurers.

Accrued expenses amounted to Php3.7 billion. These are composed of TMP dealers incentives, support and promotions (Php1.1 billion); TPC plant expansion and projected related expenses (Php730.0 million); GBP plant related expenses (Php401.2 million); payroll and other employee benefits (Php326.9 million); Utilities and services (Php304.8 million); TMP royalty and technical assistance fees (Php263.1 million); importation costs (Php174.7 million); professional fees (Php78.7 million); regulatory fees (Php77.0 million); freight, handling and transportation (Php63.7 million); and other accrued expenses (Php190.7 million).

Insurance contract liabilities amounted to Php6.7 billion representing provisions for claims reported and loss adjustments incurred but not yet reported losses and unearned premiums.

Current portion of liabilities on purchased properties, from Fed Land amounted to Php0.8 billion representing the portion due in 2014 from the acquisition of GT Tower and three (3) parcels of land located in Macapagal Avenue, Pasay City.

Short-term debt decreased by Php7.4 billion to Php1.7 billion from Php9.1 billion due to loan payments, net of new loan availments.

Current portion of long-term debt decreased by 55% to Php3.4 billion from Php7.4 billion in 2012 due to debt refinancing implemented by GT Capital and Fed Land and scheduled loan payments of GBP and GT Capital.

Customers' deposits increased by 89% or Php870 million to Php1.8 billion due to the increase in reservation sales for new Fed Land projects launched in 2013.

Income tax payable grew by 34 times to Php876 million from Php26 million, of which Php825 million and Php41 million came from TMP and CPAIC and the remaining Php10 million came from GBP and Fed Land.

Other current liabilities declined to Php907 million from Php1.4 billion in 2012, of which Php0.7 billion represented advances from holders of non-controlling interest and uncollected output VAT from energy sales generated from the bilateral customers of GBP while the balance of Php0.2 billion were withholding taxes payable of Fed Land, GBP and TMP. This also includes deferred reinsurance commission amounting to Php36 million, representing commissions related to the unexpired periods of the policies at end of the reporting period.

Long-term debt, net of current portion, increased by Php1.4 billion to Php40.6 billion due to Fed Land's issuance of Php5 billion corporate notes offset by the scheduled loan payments of GBP.

Bonds payable from GT Capital Parent amounted to Php9.9 billion, net of deferred financing cost. The bonds were secured in February 2013 to partially finance the various equity calls of GBP and to refinance the Company's existing long-term and short-term loans.

Liabilities on purchased properties – net of current portion from Fed Land increased by 37% or Php0.9 billion to Php3.5 billion from Php2.6 billion mainly from the acquisition of three (3) parcels of land located in Macapagal Avenue, Pasay City.

Pension liability amounted to Php1.7 billion of which TMP, GBP, CPAIC, Fed Land and GT Capital accounted for Php1.1 billion, Php429 million, Php103 million, Php88 million and Php12 million, respectively.

Deferred tax liability more than tripled to Php3.3 billion from Php0.9 billion due to the recognition of deferred tax liability arising from fair value increase in identifiable assets of TMP from the purchase price allocation.

Other noncurrent liability increased by 6.8x to Php1.6 billion from Php243 million in 2012 representing TMP's provision for claims and assessments, product warranties and corporate social responsibility activities.

Capital stock increased by Php163 million representing new shares issued by the Company from the equity private placement last January 2013.

Additional paid-in capital increased by 27% or Php9.9 billion, representing the equity private placement proceeds received.

Retained earnings increased by 59% or Php8.1 billion principally due to the Php8.6 billion consolidated net income attributable to equity holders of GT Capital realized for the year, net of the Php0.5 billion cash dividends declared in September.

Other equity adjustments increased by 207% or Php1.4 billion to Php729 million from a Php681 million deficit as a result of the sale by FMIC of its 40% equity stake to ORIX Corporation of Japan and Meralco PowerGen. Other equity adjustment is the difference between the consideration and the value of the non-controlling interests sold.

Treasury shares of Php6 million represent shares of stock investment in GT Capital by CPAIC.

Other comprehensive income decreased by 118% or Php2.9 billion to Php0.4 million other comprehensive loss from a gain of Php2.4 billion due to marked-to-market loses recognized on AFS investments amounting to Php2.9 billion and the balance due to loss on re-measurement of retirement liabilities.

Equity before non-controlling interest grew by 31% or Php16.8 billion to Php70.5 billion coming from the increase in capital stock, Php0.2 billion, additional paid-in-capital, Php9.9 billion, net income realized for the period, net of cash dividends declared , Php8.1 billion, and increase in other equity adjustments, Php1.4 billion, partially offset by a decrease in other comprehensive income, Php2.8 billion.

Non-controlling interest increased by Php10.7 billion to Php22.0 billion mainly due to the recognition of the Php6.9 billion non-controlling interest upon consolidation of TMP and Php3.9 billion net income attributable to non-controlling interest for the period.

LIQUIDITY AND CAPITAL RESOURCES

In 2012, 2013 and 2014, GT Capital's principal source of liquidity was cash dividends received from the investee companies and loans. As of December 31, 2014, GT Capital's cash and cash equivalents reached Php27.2 billion.

The following table sets forth selected information from GT Capital's statement of cash flows for the periods indicated.

	In Million Pesos		
	2012	2013	2014
Net cash provided by (used in) operating activities	895.4	6,014.6	(4,586.9)
Net cash provided by (used in) investing activities	(625.1)	(2,204.4)	(9,486.1)
Net cash provided by (used in) financing activities	10,835.7	11,845.7	16,609.6
Effects of exchange rate changes on cash and cash equivalents	(7.1)	(42.3)	(1.1)
Net increase (decrease) in cash and cash equivalents	11,098.9	15,613.6	2,535.5
Cash and cash equivalents at the beginning of the period	454.4	11,553.3	27,166.9
Cash and cash equivalents at end of the period	11,553.3	27,166.9	29,702.4

Cash flows from operating activities

Cash flow from (used in) operating activities amounted to Php895.4 million in 2012, Php6.0 billion in 2013 and (Php4.6 billion) in 2014. In 2012, operating cash amounted to Php5.9 billion which was used to increase prepayments and other current assets by Php4.1 billion, partially settle accounts and other payables by Php581 million and partially pay due to related parties by Php212.3 million. In 2013, operating cash amounted to Php13.9 billion which was used to increase receivables by Php3.6 billion, inventories by Php1.2 billion, short-term investments by Php1.5 billion and reinsurance assets by Php1.3 billion and partially settle other current liabilities by Php558.3 million. In 2014, operating cash amounted to Php19.7 billion which was used to increase receivables by Php1.8 billion and real estate inventory by Php12.5 billion.

Cash flows used in investing activities

Cash flows from (used in) investing activities amounted to (Php625.1 million) in 2012, (Php2.2 billion) in 2013 and (Php9.5 billion) in 2014. In 2012, cash flows used in investing activities went to increase investment in associates and joint ventures by Php4.5 billion, investment properties by Php3 billion, and property and equipment by Php1.2 billion. In 2013, cash flows used in investing activities went to increase property and equipment by Php7.0 billion, available-for-sale investments by Php690 million and investment in associates and joint ventures by Php502.2 million. In 2014, cash flows used in investing activities went to increase property and equipment by Php6.7 billion and investment in associates and jointly controlled entities by Php3.0 billion.

Cash flows from financing activities

Cash flows from financing activities amounted to Php10.8 billion in 2012, Php11.8 billion in 2013 and Php16.6 billion in 2011. In 2012, cash flows from financing activities came from the initial public offering proceeds of Php14 billion which was used to partially settle Php5.8 billion in outstanding loans. In 2013, cash flows from financing activities came from a top up equity private placement of Php10.1 billion, Php9.9 billion in retail bonds and Php7.3 billion in new loans which was used to partially settle Php18.0 billion in outstanding loans. In 2014, cash flows from financing activities came from issuance of bonds payable of Php11.9 billion and loan availments of Php7.7 billion, share of holders of non-controlling interest in the equity calls of Php2.7 billion, offset by loan payments of Php5.8 billion.

A.iv Brief Description of the General Nature and Scope of the Company's Business and Its Subsidiaries

GT Capital is a major Philippine conglomerate with interests in market-leading businesses across banking, property development, power generation, automotive assembly, importation, distribution, dealership and financing; and life and non-life insurance. The Company is the primary vehicle for the holding and management of the diversified business interests of the Ty family in the Philippines. GT Capital's business management, investment decisions, and future business development are and will be firmly anchored on its corporate values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation.

The Company's portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy in general, and from domestic consumption in particular. GT Capital's current portfolio comprises directly-held interests in the following component companies:

- Banking – GT Capital conducts banking services through its 25.1% interest in Metropolitan Bank & Trust company ("MBT" or "Metrobank"), a universal bank that offers corporate and commercial banking products and services throughout the Philippines. Metrobank has been listed on the Philippine Stock Exchange since 1981. The Metrobank Group's corporate banking services consists of banking services provided to corporate customers (generally recognized by Metrobank as the top 1,000 Philippine companies, multinational companies, and government-owned and controlled companies). The Metrobank Group's commercial banking services focus on small and medium enterprises.

- Property development – GT Capital engages in property development business through its 100.0% interest in fully-consolidated subsidiary Federal Land, Inc. ("Fed Land" or "Federal Land"). Fed Land primarily focuses on the development of high-rise, vertical residential condominium projects, as well as on master-planned communities that offer residential, retail, office, and commercial space. It caters mainly to the upper mid-end market segment with projects in key, strategic urban communities.

- Power generation – GT Capital conducts its power generation business through its 51.3% direct ownership in holding company Global Business Power Corporation ("GBP" or "Global Business Power"). GBPC, through its operating subsidiaries, is a leading independent power generation producer in the Visayas region, with a combined gross dependable capacity of 707 megawatts (MW).

- Automotive assembly, importation, distribution, dealership and financing – GT Capital primarily conducts its automotive business through its 51.0% interest in Toyota Motor Philippines ("TMP"). TMP is engaged in the manufacture, importation, and wholesale distribution of Toyota brand motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and through exports. TMP is also engaged in the distribution of Lexus brand motor vehicles in the Philippines.

GT Capital conducts its automotive dealership business through its 60.0% interest in Toyota Manila Bay Corporation ("TMBC" or "Toyota Manila Bay") and 52.0% interest in Toyota Cubao, Inc. ("TCI" or "Toyota Cubao"). TMBC and TCI sell Toyota motor vehicles in Luzon, particularly in Metro Manila. They also offer motor vehicle parts and accessories, and provide after-sales services to Toyota motor vehicles.

GT Capital provides financing for the acquisition of Toyota motor vehicles through its 40% interest in Toyota Financial Services Philippines Corporation ("TFSPH"). TFSPH offers loans and leasing arrangements to its retail and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles.

- Life Insurance – GT Capital conducts its life insurance business through its 25.3% interest in Philippine AXA Life Insurance Corporation ("AXA" or "AXA Philippines"), which offers personal and group life insurance products in the country, including investment-linked insurance products. AXA distributes its products through a multi-channel distribution network comprised of agents, bancassurance (through Metrobank), corporate solutions and direct marketing/telemarketing.

- Non-life Insurance – GT Capital offers non-life insurance products to the local market through its 100.0% interest in Charter Ping An Insurance Corporation ("CPA" or "Charter Ping An"). Through its various products, CPA provides insurance coverage that include fire or property, marine, motor car, personal accident, bonds, other casualty, and engineering insurance, among others.

A.v Company's Directors and Executive Officers

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company's directors and executive officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

A.vi Market Price, Shareholder and Dividend Information

Market Information

The Company's shares of stock are traded in the Philippine Stock Exchange.

As of March 13, 2015, the closing price of the Company's shares of stock was PhP1,330.00/share.

The high and low sales prices for each period since the listing of the common shares are as follows:

	2012	
(In Php)	High	Low
2nd Quarter (April 20 to June 30)	520.00	455.40
3rd Quarter (July 1 to Sept 30)	565.00	499.00
4TH Quarter (Oct 1 to Dec 31)	690.00	521.00
	2013	
1st Quarter (Jan 1 to March 31)	805.00	631.00
2nd Quarter (April 1 to June 30)	880.00	718.00
3rd Quarter (July 1 to Sept 30)	870.50	690.00
4TH Quarter (Oct 1 to Dec 31)	884.50	734.00

	2014	
1st Quarter (Jan 1 to Mar 31)	850.00	718.00
2nd Quarter (April 1 to June 30)	890.00	785.00
3rd Quarter (July 1 to Sept 30)	1,060.00	853.00
4th Quarter (Oct 1 to Dec 31)	1,148.00	1,004.00
	2015	
1st Quarter (Jan 1 to Mar 15)	1,340.00	1,040.00

Shareholder and Dividend Information:

The top 20 stockholders as of March 15, 2015 are as follows:

NAME OF STOCKHOLDER	NO. OF SHARES *	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1. GRAND TITAN CAPITAL HOLDINGS, INC.	94,656,110	54.306
2. PCD NOMINEE (NON-FILIPINO)	58,799,205	33.734
3. PCD NOMINEE (FILIPINO)	20,237,393	11.611
4. TY, GEORGE SIAO KIAN	200,000	00.115
5. TY, ARTHUR VY	100,000	00.057
_FRED VY	100,000	00.057
6. TY, MARY VY	99,000	00.057
7. DE CASTRO, SALUD D.	30,000	00.017
8. CENTURY SAVINGS BANK, CORP.	10,000	00.006
9. CHUA CO KIONG, WILLIAM N.	6,500	00.004
10. CHAN, ASUNCION C.	6,000	00.003
11. GOTIANSE, PAUL LEE	5,000	00.003
TING, ELIZABETH H.	5,000	00.003
12. CHOI, ANITA C.	4,000	00.002
13. MAR, PETER OR ANNABELLE MAR	3,000	00.002
14. BAGUYO, DENNIS G.	2,250	00.001
15. CHOI, DAVIS C.	2,000	00.001
CHOI, DENNIS C.	2,000	00.001
CHOI, DIANA C.	2,000	00.001
CROSLO HOLDINGS, CORP.	2,000	00.001
16. SYCIP, WASHINGTON Z.	1,800	00.001
17. PATERNO, ROBERTO L.	1,100	00.001
18. ANG, GERRY	1,000	00.001
BAUTISTA, MARIA CARMELO LUZA	1,000	00.001
BELMONTE, MIGUEL	1,000	00.001
BENGSON, MANUEL QUINTOS	1,000	00.001
BESHOURI, CHRISTOPHER P.	1,000	00.001
CHUA CO KIONG, CELY Y.	1,000	00.001
CHUA CO KIONG, WILLIAM N. &/OR	1,000	00.001
CUA, SOLOMON	1,000	00.001
PARAS, WILFREDO A.	1,000	00.001
PUNO, RODERICO	1,000	00.001
VALENCIA, RENATO C.	1,000	00.001
19. MEDIACOM EQUITIES, INC.	640	00.000
20. CHAM, MARGARET T. ITF INIGO	500	00.000
CHAM, MARGARET T. ITF MARGARIT	500	00.000
CHAM, MARGARET T. ITF PAOLO	500	00.000
CHUA, ALEXANDER GABRIEL TY ITF	500	00.000
CHUA, ALEXANDER GAGRIEL TY ITF	500	00.000
CHUA, JEANNE FRANCES T. ITF	500	00.000
CHUA, KENNETH GABRIEL TY ITF	500	00.000

CHUA KENNETH GABRIEL TY ITF	500	00.000
DY BUNCIO, ANJANETTE TY ITF	500	00.000
DY BUNCIO, ANJANETTE TY ITF	500	00.000
DY BUNCIO, ANJANETTE TY ITF	500	00.000
ESTEBAN, LINDA	500	00.000
KAWPENG, CHRISTOPER C.	500	00.000
KAWPENG, DANIEL C.	500	00.000
KAWPENG, DAVID C.	500	00.000
KAWPENG, EDWIN C.	500	00.000
KAWPENG, TOMAS C.	500	00.000
TY ALESANDRA VY ITF	500	00.000
TY, ALFRED VY ITF ANDREI	500	00.000
TY, ALFRED VY ITF ARYANE	500	00.000
TY ALFRED VY ITF AUGUSTO	500	00.000
TY ARTHUR VY ITF ALISA	500	00.000
TY ARTHUR VY ITF ANDREW RYAN	500	00.000
TY, ARTHUR VY ITF ARIC JUSTIN	500	00.000

* Fully subscribed and paid up

The Corporation's dividend policy under its bylaws 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, the Corporation paid cash dividends to its shareholders in 2012, 2013 and 2014 in the amounts of Php500.9 million, Php522.9 million and Php522.9, respectively. On March 13, 2015, the Board of Directors of the Corporation approved the declaration of a cash dividend in the amount of Php522.9 million payable to its common stockholders of record as of April 17, 2015, payable on or before May 4, 2015.

A.vii Corporate Governance

The Company adopted its Manual on Corporate Governance (the "Governance Manual") on December 2, 2011. The policy of corporate governance is based on the Governance Manual. The Governance Manual lays down the principles of good corporate governance in the entire organization. The Governance Manual provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance, to foster long-term success and to secure the Company's sustained competitiveness in a manner consistent with its fiduciary responsibility.

The Company's By-laws and Manual on Corporate Governance (the "Governance Manual") provide that the Board shall have at least two independent directors. The Company espouses the definition of independence pursuant to the Securities Regulation Code. The Company considers as an independent director one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of GT Capital Holdings.

The Governance Manual embodies the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Governance Manual further provides for the rights of all shareholders and the protection of the interests of minority stockholders. Commission of any violation of the Governance Manual is punishable by a penalty ranging from reprimand to dismissal, depending on the frequency of commission as well as the gravity thereof.

The Board has constituted six committees to effectively oversee the Company's operations: (i) the Executive Committee (ii) the Audit Committee; (iii) the Nominations Committee; (iv) the Compensation Committee; (v) the Corporate Governance Committee; and (vi) the Risk Oversight Committee.

A.viii Undertaking to provide without charge a copy of the Company's Annual Report

The Company will provide without charge a copy of the Company's Annual Report on SEC Form 17-A to its stockholders upon receipt of a written request addressed to Mr. Francisco H. Suarez, Jr., Senior Vice President and Chief Financial Officer at 43rd Floor, GT Tower International, Ayala Avenue corner H. V. Dela Costa St., 1227 Makati City, Metro Manila, Philippines.

GT CAPITAL
HOLDINGS, INCORPORATED

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, 2014 and 2013, 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 for the years ended December 31, 2014 and 2013 have examined the parent company and consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Signature: ______________________________
Francisco C. Sebastian, Chairman of the Board

Signature: ______________________________
Carmelo Maria L. Bautista, President

Signature: ______________________________
Francisco H. Suarez Jr., Chief Finance Officer

March 13, 2015

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN to before me on MAR 18 2015, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Francisco C. Sebastian	TIN No. 163-762-954
Carmelo Maria L. Bautista	TIN No. 106-903-668
Francisco H. Suarez, Jr.	TIN No. 126-817-465

BLISSELDA G. DE AUSTRIA-RECIO
Commission No. M – 15
Notary Public for Makati City
Until December 31, 2016
8th Floor, GT Tower International
6813 Ayala Avenue 1227 Makati City
Roll No. 55633; MCLE Compliance No. IV-0019551
PTR No. 4753488/01-06-14;Makati City
IBP No. 0984775/01-07-2015; Makati City

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SERIES OF 2015

GT Capital Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and for the Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.

We have audited the accompanying consolidated financial statements of GT Capital Holdings, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 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, 2014, 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 subsidiaries as at December 31, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

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. 4751290, January 5, 2015, Makati City

March 13, 2015

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

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱29,702,403,992**	₱27,166,888,452
Short-term investments (Note 4)	**1,308,977,823**	1,466,463,867
Receivables (Note 5)	**16,222,612,447**	12,450,904,615
Reinsurance assets (Note 16)	**3,879,399,977**	4,965,577,810
Inventories (Note 6)	**31,426,388,818**	20,813,304,994
Due from related parties (Note 27)	**170,629,476**	849,398,310
Prepayments and other current assets (Note 7)	**5,468,288,896**	5,969,225,750
Total Current Assets	**88,178,701,429**	73,681,763,798
Noncurrent Assets		
Receivables (Note 5)	**4,896,966,340**	4,928,548,716
Investments in associates and jointly controlled entities (Note 8)	**47,451,418,711**	40,559,463,758
Investment properties (Note 9)	**8,642,628,922**	8,328,668,533
Available-for-sale investments (Note 10)	**4,126,880,131**	3,110,796,243
Property and equipment (Note 11)	**44,800,727,933**	41,163,427,981
Goodwill and intangible assets (Note 13)	**17,805,560,939**	18,275,016,054
Deferred tax assets (Note 29)	**1,726,175,505**	1,109,171,386
Other noncurrent assets (Note 14)	**634,065,630**	1,202,989,799
Total Noncurrent Assets	**130,084,424,111**	118,678,082,470
	₱218,263,125,540	₱192,359,846,268

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 15)	**₱19,279,966,498**	₱20,836,977,405
Insurance contract liabilities (Note 16)	**5,665,033,403**	6,683,585,120
Short-term debt (Note 17)	**2,347,000,000**	1,744,000,000
Current portion of long-term debt (Note 17)	**3,060,558,380**	3,364,221,245
Current portion of liabilities on purchased properties (Notes 20 and 27)	**783,028,773**	783,028,773
Customers' deposits (Note 18)	**2,549,222,602**	1,844,221,010
Dividends payable (Note 27)	**2,034,256,000**	1,966,038,000
Due to related parties (Note 27)	**176,045,423**	188,385,414
Income tax payable	**475,809,606**	876,006,220
Other current liabilities (Note 19)	**881,680,596**	906,669,981
Total Current Liabilities	**37,252,601,281**	39,193,133,168
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 17)	**₱42,117,518,167**	₱40,584,387,751
Bonds payable (Note 17)	**21,774,719,662**	9,883,088,308
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**2,728,830,324**	3,537,347,350
Pension liability (Note 28)	**2,260,951,566**	1,703,632,361
Deferred tax liabilities (Note 29)	**3,532,153,823**	3,251,740,846
Other noncurrent liabilities (Note 21)	**2,654,446,638**	1,642,761,605
Total Noncurrent Liabilities	**75,068,620,180**	60,602,958,221
	112,321,221,461	99,796,091,389

(Forward)

	December 31	
	2014	2013
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock (Note 22)	**₱1,743,000,000**	₱1,743,000,000
Additional paid-in capital (Note 22)	**46,694,658,660**	46,694,658,660
Treasury shares (Note 22)	**(2,275,000)**	(6,125,000)
Retained earnings (Note 22)	**30,431,550,483**	21,801,822,521
Net unrealized gain on available-for-sale investments (Note 10)	**618,360,689**	80,294,836
Net unrealized loss on remeasurements of defined benefit plans	**(419,273,541)**	(216,180,970)
Equity in net unrealized gain (loss) on available-for-sale investments of associates	**(78,201,771)**	4,687,958
Equity in translation adjustments of associates	**391,456,226**	417,142,069
Equity in net unrealized loss on remeasurements of defined benefit plans of associates	**(614,849,501)**	(722,918,846)
Other equity adjustments (Note 22)	**582,646,105**	729,053,992
	79,347,072,350	70,525,435,220
Non-controlling interests (Note 22)	**26,594,831,729**	22,038,319,659
Total Equity	**105,941,904,079**	92,563,754,879
	₱218,263,125,540	₱192,359,846,268

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Automotive operations	**₱108,816,378,011**	₱74,358,719,420	₱–
Net fees (Note 35)	**18,973,393,331**	16,944,068,872	12,845,109,991
Real estate sales	**5,840,510,876**	4,702,395,088	2,131,002,354
Equity in net income of associates and jointly controlled entities (Note 8)	**3,420,496,386**	3,587,810,207	3,902,096,175
Net premium earned	**1,751,355,937**	504,585,414	–
Interest income (Note 23)	**1,596,647,415**	1,429,029,216	866,431,011
Rent income (Notes 9 and 30)	**764,486,511**	592,043,715	233,443,132
Sale of goods and services	**603,001,321**	656,716,866	730,736,289
Commission income	**212,550,537**	188,187,509	184,493,366
Gain (loss) on revaluation of previously held interest (Note 31)	–	2,046,209,717	(53,949,714)
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)	**1,144,467,913**	537,642,016	262,450,798
	143,123,288,238	105,547,408,040	22,977,742,980
COSTS AND EXPENSES			
Cost of goods and services sold (Note 25)	**70,596,786,954**	45,469,459,666	680,910,846
Cost of goods manufactured (Note 25)	**24,213,432,167**	19,986,100,133	–
Cost of rental (Note 30)	**270,091,940**	113,149,475	5,744,033
General and administrative expenses (Note 26)	**11,494,777,384**	9,280,561,619	3,553,276,894
Power plant operation and maintenance expenses (Note 24)	**10,327,712,446**	8,945,435,941	6,711,049,473
Cost of real estate sales (Note 6)	**4,333,871,992**	3,666,932,487	1,342,018,241
Interest expense (Note 17)	**3,240,637,751**	3,462,323,310	1,749,782,179
Net insurance benefits and claims	**784,238,933**	289,524,812	–
	125,261,549,567	91,213,487,443	14,042,781,666
INCOME BEFORE INCOME TAX	**17,861,738,671**	14,333,920,597	8,934,961,314
PROVISION FOR INCOME TAX (Note 29)	**2,710,596,943**	1,803,270,121	287,650,596
NET INCOME	**₱15,151,141,728**	₱12,530,650,476	₱8,647,310,718
ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱9,152,612,962**	₱8,640,186,114	₱6,589,727,953
Non-controlling interests	**5,998,528,766**	3,890,464,362	2,057,582,765
	₱15,151,141,728	₱12,530,650,476	₱8,647,310,718
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)	**₱52.51**	₱49.70	₱44.50

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱15,151,141,728**	₱12,530,650,476	₱8,647,310,718
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)	**981,108,053**	180,349,522	(10,489,999)
Equity in other comprehensive income of associates (Note 8):			
Changes in fair value of available-for-sale investments	**(82,889,729)**	(2,949,386,183)	478,401,175
Translation adjustments	**(25,685,843)**	380,717,747	(224,734,500)
	872,532,481	(2,388,318,914)	243,176,676
Items that may not be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans	**(313,375,964)**	(401,830,157)	(56,945,823)
Equity in remeasurement of defined benefit plans of associates	**154,384,777**	(314,214,019)	(200,800,364)
Income tax effect	**47,697,356**	214,813,253	77,323,856
	(111,293,831)	(501,230,923)	(180,422,331)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**761,238,650**	(2,889,549,837)	62,754,345
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱15,912,380,378**	₱9,641,100,639	₱8,710,065,063
ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱9,487,080,017**	₱5,779,620,383	₱6,718,735,420
Non-controlling interests	**6,425,300,361**	3,861,480,256	1,991,329,643
	₱15,912,380,378	₱9,641,100,639	₱8,710,065,063

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

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 28)	Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates (Note 8)	Equity in Translation Adjustments of Associates (Note 8)	Equity in Net Unrealized Loss on Remeasurements of Defined Benefit Plans of Associates (Note 28)	Other Equity Adjustments (Note 22)	Total	Attributable to Non-controlling Interests (Note 22)	Total Equity
Balance at January 1, 2014	**₱1,743,000,000**	**₱46,694,658,660**	**(₱6,125,000)**	**₱21,801,822,521**	**₱80,294,836**	**(₱216,180,970)**	**₱4,687,958**	**₱417,142,069**	**(₱722,918,846)**	**₱729,053,992**	**₱70,525,435,220**	**₱22,038,319,659**	**₱92,563,754,879**
Effect of business combination (Notes 22 and 31)	–	–	–	–	–	–	–	–	–	**35,307,138**	**35,307,138**	**42,175,650**	**77,482,788**
Acquisition of non-controlling interest (Notes 22 and 31)	–	–	–	–	–	–	–	–	–	**(375,666,382)**	**(375,666,382)**	**(372,637,016)**	**(748,303,398)**
Dividends declared (Note 22)	–	–	–	**(522,885,000)**	–	–	–	–	–	–	**(522,885,000)**	–	**(522,885,000)**
Sale of direct interest in a subsidiary (Note 22)	–	–	–	–	–	–	–	–	–	**193,951,357**	**193,951,357**	**104,761,043**	**298,712,400**
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	**(4,320,412,474)**	**(4,320,412,474)**
Effect of equity call	–	–	–	–	–	–	–	–	–	–	–	**2,145,416,806**	**2,145,416,806**
Acquisition of treasury shares	–	–	**3,850,000**	–	–	–	–	–	–	–	**3,850,000**	–	**3,850,000**
Non-controlling interest on deposit for future stock subscription	–	–	–	–	–	–	–	–	–	–	–	**531,907,700**	**531,907,700**
Total comprehensive income	–	–	–	**9,152,612,962**	**538,065,853**	**(203,092,571)**	**(82,889,729)**	**(25,685,843)**	**108,069,345**	–	**9,487,080,017**	**6,425,300,361**	**15,912,380,378**
Balance at December 31, 2014	**₱1,743,000,000**	**₱46,694,658,660**	**(₱2,275,000)**	**₱30,431,550,483**	**₱618,360,689**	**(₱419,273,541)**	**(₱78,201,771)**	**₱391,456,226**	**(₱614,849,501)**	**₱582,646,105**	**₱79,347,072,350**	**₱26,594,831,729**	**₱105,941,904,079**
Balance at January 1, 2013	₱1,580,000,000	₱36,752,473,660	₱–	₱13,684,536,407	(₱6,606,601)	(₱57,332,052)	₱2,954,074,141	₱36,424,322	(₱502,969,032)	(₱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)	380,717,747	(219,949,814)	–	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	₱417,142,069	(₱722,918,846)	₱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	₱–	₱7,595,668,454	₱–	(₱79,839,700)	₱2,544,293,006	₱261,158,822	(₱362,408,777)	₱–	₱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	(224,734,500)	(140,560,255)	–	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	₱36,424,322	(₱502,969,032)	(₱681,066,182)	₱53,759,534,663	₱11,294,157,537	₱65,053,692,200

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱17,861,738,671**	₱14,333,920,597	₱8,934,961,314
Adjustments for:			
Equity in net income of associates and jointly controlled entities (Note 8)	**(3,420,496,386)**	(3,587,810,207)	(3,902,096,175)
Interest expense (Note 17)	**3,240,637,751**	3,462,323,309	1,749,782,179
Depreciation and amortization (Note 11)	**3,203,076,123**	2,857,274,685	1,629,115,327
Gain from loss of control in a subsidiary (Note 8)	**–**	–	(1,448,398,924)
Interest income (Note 23)	**(1,596,647,415)**	(1,429,029,216)	(866,431,011)
Gain on bargain purchase (Note 31)	**–**	–	(427,530,654)
Pension expense (Note 28)	**337,009,887**	329,461,750	105,727,646
Loss from initial recognition of financial asset (Notes 26 and 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)	**(53,379,614)**	(77,277,481)	–
Gain on disposal of property and equipment (Notes 11 and 23)	**(90,170,461)**	(15,998,480)	(8,316,148)
Gain on sale of available-for-sale investments (Notes 10 and 23)	**(11,719,110)**	(8,522,850)	–
Provision for doubtful accounts (Note 26)	**195,221,699**	44,467,476	–
Loss on impairment of AFS (Note 26)	**10,219,296**	–	–
Unrealized foreign exchange losses (Note 26)	**1,106,204**	42,309,137	7,113,039
Operating income before changes in working capital	**19,676,596,645**	13,905,184,003	5,922,100,477
Decrease (increase) in:			
Short-term investments	**157,486,044**	(1,466,463,867)	–
Receivables	**(1,793,807,708)**	(3,567,427,696)	1,230,216,844
Reinsurance assets	**1,086,177,833**	(1,264,065,439)	–
Inventories	**(12,544,562,218)**	(1,241,257,020)	3,002,358
Due from related parties	**274,475,218**	(360,355,721)	877,422,046
Prepayments and other current assets	**602,445,853**	912,622,867	(4,058,602,627)
Increase (decrease) in:			
Accounts and other payables	**(891,290,864)**	3,247,434,285	(581,033,757)
Insurance contract liabilities	**(1,018,551,718)**	1,356,875,814	–
Customers' deposits	**705,001,592**	868,420,502	516,701,865
Due to related parties	**(12,339,991)**	(2,879,307)	(212,333,429)
Other current liabilities	**(1,732,347,398)**	(558,335,421)	693,497,586
Cash provided by operations	**4,509,283,288**	11,829,753,000	4,390,971,363
Dividends paid (Note 22)	**(4,775,079,474)**	(2,972,214,411)	(2,550,817,000)
Interest paid	**(2,955,450,666)**	(4,035,343,587)	(1,468,593,272)
Income tax paid	**(2,832,193,988)**	(1,031,375,223)	(383,256,129)
Interest received	**1,541,988,610**	1,498,796,846	749,895,600
Dividends received	**53,379,614**	833,163,900	157,156,316
Contributions to pension plan assets (Note 28)	**(128,837,564)**	(108,214,980)	–
Net cash provided by (used in) operating activities	**(4,586,910,180)**	6,014,565,545	895,356,878

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of property and equipment	**₱674,898,990**	₱160,733,099	₱50,915,037
Sale of available-for-sale investments	**565,512,917**	62,977,803	–
Settlement of deposits (Note 12)	**–**	2,085,000,000	2,000,000,000
Settlement of long-term cash investments (Note 27)	**–**	–	2,440,084,378
Additions to:			
Investments in associates and jointly controlled entities (Note 8)	**(3,031,440,108)**	(502,243,750)	(4,500,000,965)
Investment properties (Note 9)	**(87,139,476)**	(143,738,791)	(2,968,258,325)
Property and equipment (Note 11)	**(6,663,495,390)**	(7,025,386,058)	(1,152,938,297)
Available-for-sale investments	**(594,427,916)**	690,297,705	–
Intangible assets (Note 13)	**(11,966,724)**	(9,201,020)	(10,727,484)
Acquisition of subsidiary, net of cash acquired (Note 31)	**(281,560,366)**	2,677,274,289	7,903,548,151
Redemption of non-controlling interests in consolidated subsidiaries (Notes 22 and 31)	**–**	–	(5,916,922,941)
Decrease (increase) in other noncurrent assets	**(56,437,284)**	(200,078,395)	1,529,235,323
Net cash used in investing activities	**(9,486,055,357)**	(2,204,365,118)	(625,065,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of bonds payable	**11,875,378,311**	9,894,756,979	–
Loan availments	**7,659,598,455**	7,340,500,000	–
Issuance of capital stock (Note 22)	**–**	10,105,185,000	–
Proceeds from initial public offering (Note 22)	**–**	–	14,010,809,241
Payment of loans payable	**(5,800,381,750)**	(18,047,447,689)	(5,755,695,795)
Increase (decrease) in:			
Liabilities on purchased properties	**(808,517,026)**	1,739,801,352	2,580,574,771
Other noncurrent liabilities	**1,006,184,785**	858,005,716	–
Non-controlling interests (Note 22)	**2,677,324,506**	(45,092,694)	–
Net cash provided by financing activities	**16,609,587,281**	11,845,708,664	10,835,688,217
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,106,204)**	(42,309,137)	(7,113,039)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,535,515,540**	15,613,599,954	11,098,866,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**27,166,888,452**	11,553,288,498	454,421,565
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱29,702,403,992**	₱27,166,888,452	₱11,553,288,498

See accompanying 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. (PSE).

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), Global Business Power Corporation (GBPC) and Subsidiaries (GBPC Group) and Toyota Cubao, Inc. (TCI) and Subsidiary (TCI 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), GBPC Group (power generation business) and TCI Group (automotive 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.

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.

TCI is engaged in purchasing, trading, exchanging, distributing, marketing, repairing and servicing automobiles, trucks and all kinds of motor vehicles and automobile products of every kind and description, motor vehicle parts, accessories, tools and supplies and equipment items.

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

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.

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	**2014**	2013	2012	**2014**	2013	2012
Fed Land and Subsidiaries	Philippines	**100.00**	100.00	100.00	**100.00**	100.00	100.00
Charter Ping An	-do-	**100.00**	66.67	–	**100.00**	74.97	–
TCI and Subsidiary	-do-	**52.01**	–	–	**52.01**	–	–
GBPC and Subsidiaries	-do-	**51.27**	50.89	50.89	**52.45**	53.16	62.98
Toyota and Subsidiaries	-do-	**51.00**	51.00	36.00	**51.00**	51.00	36.00

Fed Land's Subsidiaries

	Percentage of Ownership		
	2014	2013	2012
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
Omni – Orient Management Corp. (Previously as Top Leader Property Management Corp.) (TLPMC)	**100.00**	100.00	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
Harbour Land Realty & Development Corporation (HLRDC)**	**–**	–	100.00
Southern Horizon Development Corporation (SHDC)**	**–**	–	100.00
Omni-Orient Marketing Network, Inc. (OOMNI)*	**–**	–	87.80

* *On February 18, 2013, the 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	
	2014	2013
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 Hydro Power Corporation (GHPC)	**100.00**	–
Global Renewables Power Corporation (GRPC)	**100.00**	–
Global Formosa Power Holdings, Inc. (GFPHI)	**93.20**	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
GBH Cebu Limited Duration Company (GCLDC)	**–**	100.00

GCLDC was liquidated on December 1, 2014. GHPC and GRPC were incorporated on March 17, 2014 and April 8, 2014, respectively.

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

TCI has investments in Oxfordshire Holdings, Inc., a wholly owned subsidiary.

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. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

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. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

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.

<u>Business Combinations Involving Entities Under Common Control</u>
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 in 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 elects whether to measure 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 remeasured 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.

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 units (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.

Goodwill is not amortized but is reviewed for impairment at least annually. Any impairment losses are recognized immediately in profit of loss and is not subsequently reversed.

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, Philippine Accounting Standards (PAS) and Philippine Interpretation which were adopted as of January 1, 2014.

The following new and amended standards and interpretations did not have any impact on the accounting policies, financial positition or performance of the Company.

New and Amended Accounting Standards
- PAS 32, *Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies*

Annual Improvements to PFRSs (2010 – 2012 cycle)
- PFRS 13, *Fair Value Measurement*

Annual Improvements to PFRSs (2011 – 2013 cycle)
- PFRS 1, *First-time Adoption of PFRS*

Standards that have been adopted and are deemed to have impact in the financial statements or performance of the Company are described below:

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.

Significant Accounting Policies

<u>Cash and Cash Equivalents</u>
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.

<u>Fair Value Measurement</u>
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 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 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, 2014 and 2013, 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', and 'Cash and cash equivalents'.

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 method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in '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 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 effective interest 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.

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.

<u>Offsetting Financial Instruments</u>
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.

<u>Inventories</u>
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 Jointly Controlled Entities
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 jointly controlled entities 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 jointly controlled entities.

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 jointly controlled entities' 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 entities. 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.

Upon loss of significant influence over the associates or joint control over the jointly controlled entities, the Group measures and recognizes any retained investments at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal in retained investments and proceeds from disposal in recognized in profit or loss.

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 electricity power purchase agreements (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 jointly controlled entities, 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 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 jointly controlled entities
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 jointly controlled entities are impaired.

If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and jointly controlled 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.

<u>Insurance Receivables</u>
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 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.

Acquisition of Non-controlling Interest in a Subsidiary
Acquisition of non-controlling interest is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized in equity. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. In an acquisition without consideration involved, the difference between the share of the non-controlling interests in the net assets at book value before and after the acquisition is treated as transaction between equity owners.

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

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

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.

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.

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 twenty-fourth (24^{th}) 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 24^{th} 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).

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

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.

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.

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.

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

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 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.

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.

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

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 National Power Corporation (NPC).

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.

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.

<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; and
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.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting dates.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefit of unused tax credits from MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Foreign Currency Transactions

The 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.

Segment Reporting

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

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

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

Decommissioning liability
The decommissioning liability arose from 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.

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.

Standards Issued But Not Yet Effective
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.

PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has

the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

Philippine Interpretation IFRIC 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 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.

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January1, 2015. It is not expected that this amendment would be relevant to the Group, since it has noncontributory defined benefit plan.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015.

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition
- a performance target must be met while the counterparty is rendering service
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- a performance condition may be a market or non-market condition
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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 is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted).

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 are applied retrospectively and clarify that: An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. These amendments are applied retrospectively and affect disclosures only.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Group's financial position or performance.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment has no significant impact on the Group's financial position or performance.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no significant impact on the Group's financial position or performance.

<u>Effective 2016 onwards</u>
PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets– Clarification of Acceptable Methods of Depreciation and Amortization*(Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group since it does not use a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

PAS 27, *Separate Financial Statements* - *Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that the amendment would be relevant to the Group's consolidated financial statements.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

The Group shall consider this amendment for future joint arrangements.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The standard would not apply to the Group since it is an existing PFRS preparer.

PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before January 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits – regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

3. Management's Judgments and Use of Estimates

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

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

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

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.

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 a 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.

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.

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

Revenue recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The carrying amount of installment contracts receivables amounted to ₱7.55 billion and ₱5.82 billion as of December 31, 2014 and 2013, respectively (Note 5). The Group recognized real estate sales in 2014, 2013 and 2012 amounting to ₱5.84 billion, ₱4.70 billion and ₱2.13 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, 2014 and 2013, the carrying values of these assets are as follows:

	2014	2013
Receivables (Note 5)	**₱21,119,578,787**	₱17,379,453,331
Due from related parties (Note 27)	**170,629,476**	849,398,310

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 ₱31.43 billion and ₱20.81 billion as of December 31, 2014 and 2013, respectively (Note 6).

Estimating useful lives of property and equipment, investment properties and intangibles assets
The Group determines the Estimate Useful Life (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, 2014 and 2013, the carrying values of investment property, property and equipment, intangible assets from power purchase agreements, customer relationship, software costs and franchise are as follow:

	2014	2013
Investment properties (Note 9)	**₱8,642,628,922**	₱8,328,668,533
Property and equipment (Note 11)	**44,800,727,933**	41,163,427,981
Power purchase agreements - net (Note 13)	**7,721,413,554**	8,199,068,543
Customer relationship (Note 13)	**3,883,238,361**	3,883,238,361
Software costs - net (Note 13)	**19,816,621**	15,814,615
Franchise - net (Note 13)	**1,367,500**	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 jointly controlled entities, input VAT, creditable withholding tax, property and equipment, power purchase agreements, software costs, franchise and other noncurrent assets as of December 31, 2014 and 2013:

	2014	2013
Investment properties (Note 9)	**₱8,642,628,922**	₱8,328,668,533
Investments in associates and jointly controlled entities (Note 8)	**47,451,418,711**	40,559,463,758
Input VAT (Note 7)	**2,077,923,616**	3,092,442,775
Creditable withholding taxes (Note 7)	**496,404,153**	1,213,867,634
Property and equipment (Note 11)	**44,800,727,933**	41,163,427,981
Power purchase agreements - net (Note 13)	**7,721,413,554**	8,199,068,543
Customer relationship (Note 13)	**3,883,238,361**	3,883,238,361
Software - net (Note 13)	**19,816,621**	15,814,615
Franchise - net (Note 13)	**1,367,500**	1,583,333
Other noncurrent assets (Note 14)	**634,065,630**	1,202,989,799

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 ₱4.13 billion and ₱3.11 billion as of December 31, 2014 and 2013, respectively (Note 10). The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. Net unrealized gain on available-for-sale investments amounted to ₱618.36 million and ₱80.29 million as of December 31, 2014 and 2013. As of December 31, 2014 and 2013, impairment loss on AFS investments amounted to ₱10.22 million and nil, respectively (Note 26).

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 and unrecognized deferred tax assets 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 ₱287.26 million and ₱192.66 million as of December 31, 2014 and 2013, 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, 2014 and 2013, the present value of defined benefit obligations amounted to ₱3.52 billion and ₱2.82 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 ₱3.68 billion and ₱4.92 billion as of December 31, 2014 and 2013, respectively (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, 2014 and 2013, provision for product warranty amounted to ₱181.96 million and ₱288.75 million, respectively (Note 21).

Assessment of linked transactions
The acquisition of a non-controlling interest is accounted for as a linked transaction when it arises from the same transaction as that at which control was gained. The Group considers the following factors in assessing a linked transaction:

- the option over the remaining interest and subsequent acquisition is not negotiated separately by non-controlling shareholders;
- the offer period is for a short period; and
- the price per share offered for subsequent increases is fixed and consistent with the price paid for the controlling interest.

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2014	2013
Cash on hand	**₱32,312,324**	₱5,742,556
Cash in banks (Note 27)	**17,170,401,145**	4,651,051,201
Cash equivalents (Note 27)	**12,499,690,523**	22,510,094,695
	₱29,702,403,992	₱27,166,888,452

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 0.50% to 3.75% in 2014 and 0.25% to 4.50% in 2013.

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 2.00% in 2014 and 0.20% to 3.00% in 2013.

5. **Receivables**

This account consists of:

	2014	2013
Trade receivables	**₱8,488,706,494**	₱8,032,978,324
Installment contracts receivables	**7,545,443,471**	5,819,661,101
Insurance receivables	**2,042,080,123**	1,622,829,840
Nontrade receivables	**1,151,619,498**	325,024,812
Loans receivable	**700,231,199**	719,934,106
Accrued rent and commission income	**368,846,035**	335,682,637
Dividends receivable (Note 27)	**240,000,000**	240,000,000
Accrued interest receivable	**103,696,004**	49,037,199
Others	**695,367,933**	257,845,584
	21,335,990,757	17,402,993,603
Less allowance for credit losses	**216,411,970**	23,540,272
	₱21,119,578,787	₱17,379,453,331

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

	2014	2013
Current portion	**₱16,222,612,447**	₱12,450,904,615
Noncurrent portion	**4,896,966,340**	4,928,548,716
	₱21,119,578,787	₱17,379,453,331

Noncurrent receivables consist of:

	2014	2013
Trade receivables	**₱463,783,493**	₱674,164,980
Installment contracts receivables	**3,732,951,648**	3,534,449,630
Loans receivable	**700,231,199**	719,934,106
	₱4,896,966,340	₱4,928,548,716

Trade Receivables
The details of trade receivables follow:

	2014	2013
Current:		
Power	**₱3,582,913,275**	₱3,723,957,882
Automotive	**4,442,009,726**	3,634,855,462
	8,024,923,001	7,358,813,344
Noncurrent:		
Power	**463,783,493**	674,164,980
	₱8,488,706,494	₱8,032,978,324

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 noninterest-bearing and generally have 30 days to 1 year 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:

	2014	2013
Installment contracts receivables	**₱8,603,493,109**	₱6,683,498,838
Less: unearned interest income	**1,058,049,638**	863,837,737
	7,545,443,471	5,819,661,101
Less: noncurrent portion	**3,732,951,648**	3,534,449,630
Current portion	**₱3,812,491,823**	₱2,285,211,471

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 2014 and 2013.

Movements in the unearned interest income in 2014 and 2013 follow:

	2014	2013
Balance at beginning of year	**₱863,837,737**	₱492,093,032
Additions	**1,351,608,825**	1,120,891,300
Accretion (Note 23)	**(1,157,396,924)**	(749,146,595)
Balance at end of year	**₱1,058,049,638**	₱863,837,737

Insurance Receivables
The details of insurance receivable follow:

	2014	2013
Premiums receivable and agents' balances	**₱1,109,826,848**	₱921,004,162
Reinsurance recoverable on paid losses	**852,193,366**	617,226,869
Bonds recoverable on paid losses	**33,617,614**	30,702,317
Due from ceding companies	**40,783,619**	51,004,663
Funds held by ceding companies	**5,658,676**	2,891,829
	₱2,042,080,123	₱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.

Nontrade Receivables
Nontrade receivables mainly consist of vehicle acquisition plan loans extended to employees which are collectible within one (1) year and expenses of the affiliates which were shouldered by the Group (Note 27).

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

	2014	2013
Real estate	**₱626,844,230**	₱618,547,138
Power	**73,386,969**	101,386,968
Balance at end of year	**₱700,231,199**	₱719,934,106

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 comprehensive income (Note 26). Accretion of interest in 2014 and 2013 amounted to ₱7.35 million and ₱7.92 million, respectively.

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 days term.

Dividends Receivable
Dividends receivable pertains to receivable from Federal Land Orix Corporation (FLOC) for dividends but not yet paid as of December 31, 2014 (Note 27).

Others
Other receivables include receivable from employees, accrued interest receivable, receivable from Bureau of Internal Revenue (BIR) and management fee receivables.

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

	December 31, 2014			
	Trade Receivables	**Insurance Receivables**	**Other Receivables**	**Total**
Balance at beginning of year	**₱215,500**	**₱13,968,802**	**₱9,355,970**	**₱23,540,272**
Provision for credit losses (Note 26)	**2,440,842**	**2,336,708**	**190,444,149**	**195,221,699**
Write-off	**(2,350,001)**	**–**	**–**	**(2,350,001)**
Balance at end of year	**₱306,341**	**₱16,305,510**	**₱199,800,119**	**₱216,411,970**
Individual impairment	**₱306,341**	**₱–**	**₱199,800,119**	**₱200,106,460**
Collective impairment	**–**	**16,305,510**	**–**	**16,305,510**
	₱306,341	**₱16,305,510**	**₱199,800,119**	**₱216,411,970**
Gross amount of receivables individually impaired before deducting any impairment allowance	**₱54,985,085**	**₱16,305,509**	**₱2,815,201**	**₱74,105,795**

	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	₱9,923,816	₱-	₱30,028,493	₱39,952,309

6. Inventories

This account consists of:

	2014	2013
At cost		
Real estate		
Land and improvements	**₱18,825,067,741**	₱9,684,589,236
Condominium units held for sale	**5,267,587,244**	5,324,507,924
Construction in progress	**1,324,802,315**	1,116,298,814
Gasoline retail and petroleum products (Note 25)	**5,769,494**	7,940,644
Food (Note 25)	**934,674**	1,310,005
Power		
Coal	**289,631,702**	561,574,604
Industrial fuel and lubricating oil	**158,736,907**	84,575,238
Automotive		
Finished goods	**2,314,179,575**	909,282,096
Work-in-process	**52,269,353**	63,490,932
Raw materials in transit	**1,205,376,918**	1,701,716,946
	29,444,355,923	19,455,286,439
At NRV		
Power		
Spare parts and supplies	**580,238,875**	509,302,236
Automotive		
Spare parts	**1,401,794,020**	848,716,319
	1,982,032,895	1,358,018,555
	₱31,426,388,818	₱20,813,304,994

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

	2014			
	Condominium unit held for sale	**Land and improvements**	**Construction in progress**	**Total**
Balance at beginning of the year	**₱5,324,507,924**	**₱9,684,589,236**	**₱1,116,298,814**	**₱16,125,395,974**
Construction and development costs incurred	**831,755,965**	**–**	**3,382,205,969**	**4,213,961,934**
Land acquired during the year	**–**	**8,884,422,878**	**–**	**8,884,422,878**
Borrowing costs capitalized	**387,731,010**	**–**	**321,918,979**	**709,649,989**
Cost of sales during the year	**(4,333,871,992)**	**–**	**–**	**(4,333,871,992)**
Transfer from construction in progress to condominium units for sale	**3,042,977,425**	**–**	**(3,042,977,425)**	**–**
Land developed during the period	**14,486,912**	**(252,126)**	**(14,234,786)**	**–**
Transfers to and from investment property (Note 9)	**–**	**256,307,753**	**(438,409,236)**	**(182,101,483)**
Balance at end of the year	**₱5,267,587,244**	**₱18,825,067,741**	**₱1,324,802,315**	**₱25,417,457,300**

	2013			
	Condominium unit 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

In 2014 and 2013, Fed Land acquired parcels of land amounting to ₱8.88 billion and ₱3.53 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 ₱389.72 million and ₱144.69 million in 2014 and 2013, respectively, for loans specifically used to finance Fed Land's project construction with interest rates ranging from 3.35% to 6.27% and 3.25% to 7.09% in 2014 and 2013, respectively. Also, Fed Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱319.93 million and ₱154.58 million in 2014 and 2013, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.34% in 2014 and 2013. Said capitalized interest is added to 'Condominium units held for sale' account and recognized as expense upon the sale of condominium units.

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

Inventories charged to current operations amounted to ₱78.32 billion, ₱50.64 billion and ₱10.15 billion in 2014, 2013 and 2012, respectively.

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

	2014	2013
Beginning balance	**₱145,819,600**	₱140,990,193
Provision for inventory write-down	**17,467,493**	26,912,531
Reversal	**-**	(3,166,859)
Write-off of scrap inventories	**(31,790,786)**	(18,916,265)
	₱131,496,307	₱145,819,600

7. **Prepayments and Other Current Assets**

This account consists of:

	2014	2013
Input value-added tax (VAT)	**₱2,077,923,616**	₱3,092,442,775
Advances to contractors and suppliers	**1,514,884,735**	741,106,996
Creditable withholding taxes	**496,404,153**	1,213,867,634
Prepaid expenses	**603,802,975**	468,805,828
Deferred acquisition cost	**308,804,931**	216,376,278
Ad valorem tax	**266,145,432**	113,935,646
Advances to officers, employees and agents (Note 27)	**49,574,060**	67,970,674
Assets held for sale	**18,487,212**	15,020,002
Others	**132,261,782**	39,699,917
	₱5,468,288,896	₱5,969,225,750

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.

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.

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.

Prepaid expenses mainly include unamortized commission expense for incomplete real estate units 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 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 ₱38.30 million and ₱56.56 million as of December 31, 2014 and 2013, 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 ₱11.27 million and ₱11.41 million as of December 31, 2014 and 2013, 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.

Assets held for sale pertains to amounts 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 2014 and 2013, the Company is committed to a plan to sell the asset and is actively locating a buyer.

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

8. Investments in Associates and Joint Controlled Entities

This account consists of:

	2014	2013
Investments in associates	**₱39,994,616,085**	₱35,917,641,690
Investments in jointly controlled entities	**7,456,802,626**	4,641,822,068
	₱47,451,418,711	₱40,559,463,758

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

	2014	2013
Cost		
Balance at beginning of year	**₱25,123,825,347**	₱26,691,517,245
Reclassification to advances to associate	**(100,000)**	–
Acquisitions/additional investments during the year	–	4,537,085,322
Attributable to indirect interest - business combination		
Previously held interest	–	(14,944,346)
Sale of indirect interest	–	3,564,356,163
Effect of business combination achieved in stages	–	(9,654,189,037)
Balance at end of year	**25,123,725,347**	25,123,825,347
Accumulated equity in net income		
Balance at beginning of year	**14,316,511,275**	14,132,466,033
Attributable to indirect interest - business combination	**(1,624,957)**	(79,082,449)
Equity in net income for the year	**5,361,790,713**	4,043,232,848
Unrealized upstream gain on sale of Toyota	–	(863,773,221)
Unrealized gain on sale of properties (Note 27)	**(2,091,373,578)**	–
Effect of business combination achieved in stages	–	(2,916,331,936)
Elimination of unrealized gain on sale of shares of stock to GT Capital	**(329,137,950)**	–
Balance at end of year	**17,256,165,503**	14,316,511,275
Dividends received		
Balance at beginning of year	**(3,225,860,989)**	(4,498,007,592)
Dividends received during the year	**(953,447,182)**	(755,886,419)
Effect of business combination achieved in stages	–	2,028,033,022
Balance at end of year	**(4,179,308,171)**	(3,225,860,989)

(Forward)

	2014	2013
Accumulated equity in other comprehensive income		
Balance at beginning of year	**(₱296,833,943)**	₱2,487,529,431
Equity in other comprehensive loss for the year	**(320,125,622)**	(738,740,864)
Realized gain (loss) from sale of AFS investments of associates	**319,619,393**	(2,026,061,414)
Reversal of accumulated equity in other comprehensive income of previously held interest to profit or loss	**–**	(8,634,834)
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	**(297,340,172)**	(296,833,943)
Effect of elimination of intragroup profit	**2,091,373,578**	–
	₱39,994,616,085	₱35,917,641,690

The movements in the Group's investment in jointly controlled entities follow:

	2014	2013
Cost		
Balance at beginning of year	**₱4,138,644,833**	₱3,636,401,083
Acquisitions/additional investments	**2,617,256,250**	502,243,750
Balance at end of year	**6,755,901,083**	4,138,644,833
Accumulated equity in net income		
Balance at beginning of year	**747,432,110**	339,081,530
Equity in net income for the year	**480,842,158**	408,350,580
Balance at end of year	**1,228,274,268**	747,432,110
Dividends received		
Balance at beginning of year	**(240,000,000)**	(240,000,000)
Dividends declared during the year	**(240,000,000)**	–
Balance at end of year	**(480,000,000)**	(240,000,000)
Accumulated equity in other comprehensive income		
Balance at beginning of year	**(4,254,875)**	–
Equity in other comprehensive income for the year	**–**	(4,254,875)
Balance at end of year	**(4,254,875)**	(4,254,875)
Effect of elimination of intragroup profit	**(43,117,850)**	–
	₱7,456,802,626	₱4,641,822,068

Details regarding the Group's associates and jointly controlled entities follow:

	Nature of Business	Country of Incorporation	Effective Ownership 2014	2013
Associates:				
MBTC	Banking	Philippines	**25.11**	25.11
Phil AXA	Insurance	-do-	**25.33**	25.31
Crown Central Properties Corporation (CCPC)	Real estate	-do-	**48.00**	48.00
Global Luzon Energy Development Corporation (GLEDC)	Power	-do-	**49.00**	49.00
Jointly controlled entities:				
BLRDC	Real estate	-do-	**70.00**	70.00
FLOC	-do-	-do-	**60.00**	60.00
TMBC	Automotive Operations	-do-	**60.00**	40.75
TFSPC	Financing	-do-	**40.00**	–

The carrying values of the Group's investments in associates and jointly controlled entities follow:

	2014	2013
Associates:		
MBTC	**₱38,918,728,635**	₱34,852,200,333
Phil AXA	**1,004,835,578**	995,808,466
CCPC	**71,051,872**	69,532,891
GLEDC	–	100,000
	39,994,616,085	35,917,641,690
Jointly controlled entities:		
BLRDC	**3,922,244,544**	3,628,015,056
TFSPC	**2,430,126,977**	–
TMBC	**768,156,946**	499,615,736
FLOC	**336,274,159**	514,191,276
	7,456,802,626	4,641,822,068
	₱47,451,418,711	₱40,559,463,758

The following table summarizes cash dividends declared and paid by the Group's associates and jointly controlled entities:

	Declaration date	Per share	Total (in millions)	Record Date	Payment Date
2014					
MBTC	**March 26, 2014**	**₱1.00**	**₱2,745**	**May 7, 2014**	**May 16, 2014**
Phil AXA	**October 23, 2014**	**89.10**	**1,043**	**October 23, 2014**	**November 26, 2014**
FLOC	**December 17, 2014**	**0.73**	**400**	**December 31, 2014**	**January 31, 2015**
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

<u>Investment in TFSPC</u>
On August 29, 2014, GT Capital signed a Sale and Purchase Agreement with MBTC and Philippine Savings Bank (PSBank), a majority owned subsidiary of MBTC, to purchase their respective shares in TFSPC representing 15.00% and 25.00%, respectively, of ownership interest for an aggregate consideration of ₱2.10 billion.

On September 26, 2014 and November 27, 2014, the Parent Company remitted ₱70.00 million and ₱210.00 million, respectively to TFSPC in response to the latter's equity call upon its stockholders.

Investment in TMBC
On December 18, 2013, the Parent Company acquired 101.87 million common shares of TMBC for a total consideration of ₱502.24 million, representing 40.75% of TMBC's outstanding capital stock.

On March 4, 2014 the Parent Company acquired 48.12 million common shares of TMBC from FMIC, a majority owned subsidiary of MBTC, 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%.

The Parent Company assessed that it has joint control over TMBC based on the existing contractual arrangement among TMBC's shareholders.

Investment in BLRDC
Fed Land and Morano Holdings Corporation Omnibus Agreement
On January 25, 2012, the SEC approved the change in corporate 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 BSP also provided the same exemption for prudential reporting to the participants. Following the exemption granted, the 2014 and 2013 consolidated financial statements of MBTC have been prepared in compliance with Philippine GAAP. For the purpose of computing the Group's share in 2014 and 2013 net income and other comprehensive income of MBTC, certain adjustments were made in the Group's 2014 and 2013 consolidated financial statements to comply with PFRS.

The following tables present the financial information of the Group's associates and jointly controlled entities as of and for the years ended December 31, 2014 and 2013 (amounts in millions):

	Associates			Jointly Controlled Entities			
	MBTC**	Phil AXA**	Others*	FLOC	BLRDC	TMBC	TFSPC**
2014							
Current assets			**₱199**	**₱1,669**	**₱6,186**	**₱1,846**	
Noncurrent assets			**26**	**175**	**2,058**	**511**	
Total assets	**₱1,604,540**	**₱68,070**	**225**	**1,844**	**8,244**	**2,357**	**₱39,425**
Current liabilities			**67**	**1,057**	**1,991**	**1,645**	
Noncurrent liabilities			**–**	**234**	**1,099**	**52**	
Total liabilities	**1,445,755**	**63,983**	**67**	**1,291**	**3,090**	**1,697**	**35,582**
Net assets	**₱158,785**	**₱4,087**	**₱158**	**₱553**	**₱5,154**	**₱660**	**₱3,843**
Revenues	**₱74,894**	**₱6,396**	**₱23**	**₱420**	**₱1,990**	**₱11,268**	**₱2,434**
Expenses	**45,773**	**4,769**	**17**	**273**	**1,337**	**11,122**	**1,993**
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	₱5,596	₱32	₱866	₱1,525	₱9,441	₱–
Expenses	49,497	4,208	23	543	935	9,321	

** Others comprise financial information for CCPC and GLEDC.*
*** MBTC, Phil AXA and TFSPC do not present classified statements of financial position.*

Fair Value of Investment in Associates and Jointly Controlled Entities
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, 2014 and 2013, the fair value of the Group's investment in MBTC, which is listed on the PSE, amounted to ₱57.17 billion and ₱52.07 billion, respectively.

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

As of December 31, 2014 and 2013, the Group has no share on commitments and contingencies of its associates and jointly controlled entities.

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 2014	Direct Ownership 2013	Effective Ownership 2014	Effective Ownership 2013
GBPC	Power	**48.73**	49.11	**47.55**	46.84
TMPC	Motor	**49.00**	49.00	**49.00**	49.00

Carrying value of material non-controlling interests

	2014	2013
GBPC	**₱7,769,510,264**	₱14,374,650,215
TMPC	**8,570,422,039**	7,239,677,863

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

	2014	2013
GBPC	**₱2,389,477,262**	₱1,879,867,504
TMPC	**3,590,291,318**	1,987,847,150

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2014 and 2013 (amounts in millions):

	2014		2013	
	GBPC	**TMPC**	GBPC	TMPC
Statement of Financial Position				
Current assets	**₱22,077**	**₱22,430**	₱17,126	₱20,801
Non-current assets	**46,367**	**4,276**	42,749	4,240
Current liabilities	**10,834**	**11,694**	10,830	13,110
Non-current liabilities	**27,834**	**3,086**	25,310	2,644
Dividends paid to non-controlling interests	**962**	**2,258**	982	1,467
Statement of Comprehensive Income				
Revenues	**19,227**	**105,104**	17,055	80,250
Expenses	**(15,707)**	**(95,028)**	(14,093)	(75,980)
Net income	**3,520**	**10,076**	2,962	4,270
Total comprehensive income (loss)	**4,270**	**7,254**	3,273	(32)
Statement of Cash Flows				
Net cash provided by operating activities	**6,480**	**5,799**	5,884	4,253
Net cash used in investing activities	**(4,751)**	**(743)**	(4,604)	(2,564)
Net cash provided by (used in) financing activities	**3,686**	**(4,088)**	(1,925)	607

Limitation on dividend declaration of associates and joint ventures
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 stock;
- 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 BSP 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 guarantee for the completion of Fed Land's ongoing real estate projects (Note 36).

As of December 31, 2014 and 2013, there were no agreements entered into by the associates and jointly controlled entities of the Group 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.

As of December 31, 2014 and 2013, accumulated equity in net earnings amounting to ₱13.83 billion and ₱11.60 billion, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2014		
	Land and Improvements	**Building and Improvements**	**Total**
Cost			
At January 1	**₱4,796,602,102**	**₱3,926,129,903**	**₱8,722,732,005**
Effect of business combination	**301,367,000**	**–**	**301,367,000**
Additions	**7,551,786**	**79,587,690**	**87,139,476**
At December 31	**5,105,520,888**	**4,005,717,593**	**9,111,238,481**
Accumulated Depreciation			
At January 1	**61,713,968**	**332,349,504**	**394,063,472**
Depreciation (Note 11)	**377,589**	**74,168,498**	**74,546,087**
At December 31	**62,091,557**	**406,518,002**	**468,609,559**
Net Book Value at December 31	**₱5,043,429,331**	**₱3,599,199,591**	**₱8,642,628,922**

	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
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

Certain parcels of land were transferred to the 'Inventories' account with a carrying amount of ₱2.39 billion as of December 31, 2013. 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 ₱764.49 million, ₱592.04 million and ₱233.44 million in 2014, 2013 and 2012, respectively (Note 30).

The depreciation of the investment properties amounted to ₱74.55 million, ₱110.05 million and ₱11.79 million in 2014, 2013 and 2012, respectively.

The aggregate fair value of the Group's investment properties amounted to ₱11.14 billion and ₱10.84 billion as of December 31, 2014 and 2013, 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:

	2014	2013
Equity securities		
Quoted	**₱2,549,232,004**	₱1,497,970,179
Unquoted	**480,655,253**	480,269,424
Quoted debt securities	**1,096,992,874**	1,132,556,640
	₱4,126,880,131	₱3,110,796,243

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 ₱466.20 million as of December 31, 2014 and 2013. Also included in the balance are AFS investments of Fed Land, TCI and Charter Ping An amounting to ₱9.94 million, ₱0.39 million and ₱0.06 million, respectively.

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

Quoted debt securities follow:

	2014	2013
Government debt securities	**₱780,975,000**	₱850,098,893
Private debt securities	**316,017,874**	282,457,747
	₱1,096,992,874	₱1,132,556,640

Movements in the net unrealized gain on AFS investments follow:

	2014		
	Attributable to Parent Company	**Non-controlling Interest**	**Total**
Balance at beginning of year	**₱80,294,836**	**₱89,564,687**	**₱169,859,523**
Net changes shown in other comprehensive income			
Fair value changes on AFS investments	**549,784,963**	**443,042,200**	**992,827,163**
Realized gain on sale on AFS investments (Note 23)	**(11,719,110)**	–	**(11,719,110)**
	538,065,853	**443,042,200**	**981,108,053**
Balance at end of year	**₱618,360,689**	**₱532,606,887**	**₱1,150,967,576**

	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 (Note 23)	(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

11. Property and Equipment

The composition and rollforward analysis of this account follow:

2014	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	₱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
Effect of business combination	19,068,940	49,514,221	–	33,495,253	–	–	–	234,728,520	–	–	–	336,806,934
Additions	145,788,919	98,064,158	49,843,103	94,186,694	72,280,850	89,026,099	–	86,363,884	2,583,527	717,419,686	5,307,938,470	6,663,495,390
Disposals and reclassifications	(132,048,254)	(21,363,151)	131,361	98,448,854	–	8,079,438,003	52,096,595	89,613,634	(19,040,259)	78,109,191	(8,953,255,957)	(727,869,983)
At December 31	367,100,782	399,513,044	559,433,324	3,278,351,072	1,705,341,775	19,839,582,467	9,982,489,926	5,564,437,457	3,171,229,653	3,827,379,886	2,318,032,261	51,012,891,647
Accumulated Depreciation and Amortization												
At January 1	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
Effect of business combination	10,786,815	44,397,823	–	23,565,900	–	–	–	56,828,812	–	–	–	135,579,350
Depreciation and amortization (Note 26)	119,111,900	53,186,760	54,885,382	142,290,596	7,671,328	1,367,207,304	121,230,437	203,705,470	120,524,759	452,880,560	–	2,642,694,496
Disposals and reclassifications	(88,680,925)	(14,811,990)	(21,349)	(1,237)	–	(10,134,600)	–	763,714	(4,195,065)	(26,060,005)	–	(143,141,457)
At December 31	137,321,143	230,235,682	332,398,699	308,398,339	22,072,262	3,122,501,724	489,458,144	513,521,051	303,791,426	752,465,244	–	6,212,163,714
Net Book Value at December 31	₱229,779,639	₱169,277,362	₱227,034,625	₱2,969,952,733	₱1,683,269,513	₱16,717,080,743	₱9,493,031,782	₱5,050,916,406	₱2,867,438,227	₱3,074,914,642	₱2,318,032,261	₱44,800,727,933

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

The property and equipment of CEDC, property and equipment of TPC (except TPC1A's construction in progress), and the property and equipment (except non-utility assets) of PPC and PEDC, with aggregate carrying value of ₱39.18 billion and ₱32.44 billion as of December 31, 2014 and 2013, 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 PEDC Unit 3 Expansion which was started in 2012 and is expected to be completed in 2015.

Gain on disposal of property and equipment amounted to ₱90.17 million, ₱16.00 million and ₱8.32 million in 2014, 2013 and 2012, respectively (Note 23).

Details of depreciation and amortization follow:

	2014	2013	2012
Property and equipment	**₱2,642,694,496**	₱2,261,846,946	₱1,293,948,792
Intangible assets (Note 13)	**485,835,540**	485,381,510	323,376,065
Investment properties (Note 9)	**74,546,087**	110,046,229	11,790,470
	₱3,203,076,123	₱2,857,274,685	₱1,629,115,327

Breakdown of depreciation and amortization in the consolidated statements of income follow:

	2014	2013	2012
Power plant operation and maintenance expenses (Note 24)	**₱1,756,195,944**	₱1,678,551,135	₱1,255,133,738
Cost of goods manufactured	**388,080,484**	234,483,648	–
Cost of rental (Notes 30)	**172,061,483**	73,281,106	5,744,033
General and administrative expenses (Note 26)	**886,738,212**	870,958,796	368,237,556
	₱3,203,076,123	₱2,857,274,685	₱1,629,115,327

12. **Deposits**

In 2011, the Group entered into an option agreement with its various affiliates for the exclusive rights for three (3) 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. There were no outstanding option deposits as of December 31, 2014 and 2013. These deposits carried a 7.34% interest in 2013 and 2012. Interest income recognized amounted to ₱263.85 million and ₱257.74 million in 2013 and 2012, respectively (Note 23).

13. **Goodwill and Intangible Assets**

Goodwill and intangible assets consist of:

	2014	2013
Power purchase agreements – net (Note 31)	**₱7,721,413,554**	₱8,199,068,543
Goodwill (Note 31)	**6,179,724,903**	6,175,311,202
Customer relationship (Note 31)	**3,883,238,361**	3,883,238,361
Software costs – net	**19,816,621**	15,814,615
Franchise – net	**1,367,500**	1,583,333
	₱17,805,560,939	₱18,275,016,054

Goodwill

Goodwill 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:

			2014		
	Toyota	**Ping An**	**THC**	**TCI**	**Total**
Cost					
Balances at beginning of year	**₱5,596,956,193**	**₱554,153,981**	**₱24,201,028**	**₱–**	**₱6,175,311,202**
Additions through business combinations	**–**	**–**	**–**	**4,413,701**	**4,413,701**
Balances at end of year	**₱5,596,956,193**	**₱554,153,981**	**₱24,201,028**	**₱4,413,701**	**₱6,179,724,903**

			2013		
	Toyota	Ping An	THC	TCI	Total
Cost					
Balances 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
Balances at end of year	₱5,596,956,193	₱554,153,981	₱24,201,028	₱–	₱6,175,311,202

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 2014 is 11.19%. 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, 2014. 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; and
- 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 had 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. No changes were made to the provisional values as the impact of additional information subsequently obtained was not significant to affect the preliminary values (Note 31).

The recoverable amount of Ping An 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 is 12.61%. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.50%. The carrying value of goodwill amounted to ₱554.15 million as of December 31, 2014. No impairment loss was recognized the goodwill arising from the acquisition of Ping An.

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

- Expected future cash inflows
- Growth rate; and
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the value-in-use of Ping An, using the same projected cash flows, impairment will be recognized when either of the following is applied:

- Pre-tax discount rate is greater than 13.47%;
- Free cash flows to equity decreased by more than 8.85%; or
- Growth rate is less than 2.33%.

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

TCI
The recoverable amount of TCI 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 is 10.67%. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 6.1 %. The carrying value of goodwill amounted to ₱4.41 million as of December 31, 2014. No impairment loss was recognized for goodwill arising from the acquisition of TCI.

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

- expected future cash inflows;
- growth rate; and
- pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the value-in-use of TCI, using the same projected cash flows, impairment will be recognized when either of the following is applied:

- Pre-tax discount rate is greater than 11.94%;
- Free cash flows to equity decreased by more than 18.89%; or
- Growth rate is less than 5.00%.

Power Purchase Agreements
Power purchase agreements pertain to the EPPA with certain electric cooperatives (Note 31). 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:

	2014	2013
Balance at beginning of year	**₱8,199,068,543**	₱8,676,723,532
Amortization (Note 11)	**(477,654,989)**	(477,654,989)
Balance at end of year	**₱7,721,413,554**	₱8,199,068,543

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 three-year period. The pre-tax discount rate applied to earnings projections in 2014 is 11.19%.

Cash flows beyond the forecast period are extrapolated using a steady growth rate of 1.00%. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2014 and 2013, respectively. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The value-in-use calculations 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 5.00% attrition rate or 95.00% retention rate;
- EBIT margin on key customers – A 7.00% EBIT margin was used in projecting the net operating profit on sales to key customers for the four-year period; and
- 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:

	2014	2013
Cost		
Balance at beginning of year	**₱58,291,141**	₱48,048,186
Additions	**11,966,724**	7,501,020
Effect of business combination	**–**	142,609
Reclassification	**–**	2,599,326
	70,257,865	58,291,141
Accumulated Amortization		
Balance at beginning of year	**42,476,526**	33,762,025
Amortization (Note 11)	**7,964,718**	7,609,854
Reclassification	**–**	1,104,647
	50,441,244	42,476,526
Net Book Value	**₱19,816,621**	₱15,814,615

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 ₱0.22 million, ₱0.12 million and ₱0.07 million in 2014, 2013 and 2012, 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:

	2014	2013
Cost		
Balance at beginning and end of year	**₱2,500,000**	₱800,000
Additions	–	1,700,000
	2,500,000	2,500,000
Accumulated Amortization		
Balance at beginning of year	**916,667**	800,000
Amortization (Note 11)	**215,833**	116,667
	1,132,500	916,667
Net Book Value	**₱1,367,500**	₱1,583,333

Details of amortization of intangible assets are as follows (Note 11):

	2014	2013	2012
Power purchase agreements	**₱477,654,989**	₱477,654,989	₱318,436,659
Software cost	**7,964,720**	7,609,854	4,866,709
Franchise	**215,833**	116,667	72,697
	₱485,835,542	₱485,381,510	₱323,376,065

14. **Other Noncurrent Assets**

This account consists of:

	2014	2013
Rental and other deposits	**₱342,836,340**	₱511,712,824
Deferred input VAT	**267,586,069**	297,304,581
Retirement asset	**3,519,970**	–
Advances to contractors	–	300,318,756
Others	**20,123,251**	93,653,638
	₱634,065,630	₱1,202,989,799

Rental and other deposits include rental 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. Other deposits include option deposit paid by Fed Land to MBTC amounting to ₱100.00 million for the deposit on purchase of land (Note 27).

15. **Accounts and Other Payables**

This account consists of:

	2014	2013
Trade payables	**₱6,853,201,261**	₱8,014,607,566
Telegraphic transfers and drafts and acceptances payable	**4,321,184,608**	4,493,193,586
Accrued expenses	**3,271,526,699**	3,011,227,283
Deferred output tax	**2,003,009,515**	2,454,049,984
Accrued interest payable	**604,933,456**	389,752,174
Accrued commissions	**486,037,865**	367,772,684
Insurance payable	**433,111,602**	296,242,243
Customer advances	**293,691,646**	7,453,929
Royalty payable	**289,718,824**	263,115,241
Retentions payable	**100,150,602**	500,417,643
Others	**623,400,420**	1,039,145,072
	₱19,279,966,498	₱20,836,977,405

The details of trade payables are as follows:

	2014	2013
Automotive	**₱2,591,371,061**	₱3,493,615,820
Power	**2,154,470,280**	1,693,367,153
Real estate	**1,888,084,213**	2,566,768,429
Insurance	**217,451,725**	254,494,500
Others	**1,823,982**	6,361,664
	₱6,853,201,261	₱8,014,607,566

The details of accrued expenses are as follows:

	2014	2013
Dealers' incentives, supports and promotions	**₱1,235,340,678**	₱1,088,028,773
Regulatory fees and charges	**667,264,771**	396,080,238
Employee benefits	**471,942,276**	259,177,317
Importation costs	**174,720,365**	174,720,365
Utilities and services	**134,739,841**	305,265,580
Freight, handling and transportation	**62,047,375**	63,696,689
Taxes	**60,000,000**	31,807,047
Rent	**12,162,000**	–
Professional fees	**8,229,196**	8,060,906
Management and marketing fees	**6,624,497**	–
Others	**438,455,700**	684,390,368
	₱3,271,526,699	₱3,011,227,283

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 30 days 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 30 day term.

Accrued expenses are non-interest bearing and are normally settled within a 15 to 60 day term.

Accrued regulatory fees and charges mainly pertain to expenses related to the benefit of host communities (Energy regulation 1-94). It also includes accrued charges that arise due to differences in interpretations of regulatory provisions applicable to the power industry.

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 15 to 60 day term.

Accrued commissions are settled within one year.

Royalty payables represent cost of license for the use of technical know-how and information on data. The fees are calculated at 6.00% of the local value-added (LVA) of vehicles under production The LVA represents the selling price less all costs for the knock-down parts, related taxes such as excise and sales tax and a certain percentage of administrative and selling costs. The fees also include charges from related affiliates and third party suppliers representing initial costs of testing materials and trial parts and tools, sample molds and jigs that were utilized to test TMP's present technical feasibility for the commercial production of newer car models.

Retentions payable represent a portion of construction cost withheld by the Fed Land Group and paid to the contractors upon completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 21).

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, 2014 and 2013 may be analyzed as follows:

		2014	
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
Provision for claims reported and loss adjustment expenses	**₱3,638,296,663**	**₱3,069,881,873**	**₱568,414,790**
Provision for IBNR	**40,000,000**	**–**	**40,000,000**
Total claims reported and IBNR	**3,678,296,663**	**3,069,881,873**	**608,414,790**
Provision for unearned premiums	**1,986,736,740**	**809,518,104**	**1,177,218,636**
Total insurance contract liabilities	**₱5,665,033,403**	**₱3,879,399,977**	**₱1,785,633,426**

	2013		
	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:

	2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
At January 1	**₱4,923,812,869**	**₱4,222,381,859**	**₱701,431,010**
Claims incurred during the year	**1,589,212,462**	**821,404,795**	**767,807,667**
Increase (decrease) in IBNR	**(3,005,990)**	**(19,437,256)**	**16,431,266**
Claims paid during the year	**(2,831,722,678)**	**(1,954,467,525)**	**(877,255,153)**
	₱3,678,296,663	**₱3,069,881,873**	**₱608,414,790**

	2013		
	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)
	₱4,923,812,869	₱4,222,381,859	₱701,431,010

Provision for unearned premiums may be analyzed as follows:

	2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
At January 1	**₱1,759,772,251**	**₱743,195,951**	**₱1,016,576,300**
New policies written during the year	**4,002,512,699**	**2,090,383,212**	**1,912,129,487**
Premiums earned during the year	**(3,775,548,210)**	**(2,024,061,059)**	**(1,751,487,151)**
	₱1,986,736,740	**₱809,518,104**	**₱1,177,218,636**

	2013		
	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)
	₱1,759,772,251	₱743,195,951	₱1,016,576,300

In addition, reinsurance assets consist of the following:

	2014	2013
Reinsurance recoverable on unpaid losses	**₱3,069,881,873**	₱4,222,381,859
Deferred reinsurance premiums	**809,518,104**	743,195,951
	₱3,879,399,977	₱4,965,577,810

17. Short-term, Long-term Debt and Bonds Payable

This account consist of:

	2014					
		Long-term debt				
	Short-term debt	**Corporate notes**	**Loans payable**	**Subtotal**	**Bonds payable**	**Total**
Parent Company	**₱–**	**₱–**	**₱–**	**₱–**	**₱21,980,000,000**	**₱21,980,000,000**
Fed Land Group	**260,000,000**	**4,975,000,000**	**8,600,000,000**	**13,575,000,000**	**–**	**13,835,000,000**
Toyota Group	**1,452,000,000**	**–**	**239,003,963**	**239,003,963**	**–**	**1,691,003,963**
GBPC Group	**–**	**–**	**31,628,582,351**	**31,628,582,351**	**–**	**31,628,582,351**
TCI	**635,000,000**	**–**	**–**	**–**	**–**	**635,000,000**
	2,347,000,000	**4,975,000,000**	**40,467,586,314**	**45,442,586,314**	**21,980,000,000**	**69,769,586,314**
Less: deferred financing cost	**–**	**–**	**264,509,767**	**264,509,767**	**205,280,338**	**469,790,105**
	2,347,000,000	**4,975,000,000**	**40,203,076,547**	**45,178,076,547**	**21,774,719,662**	**69,299,796,209**
Less: current portion of long-term debt	**–**	**25,000,000**	**3,035,558,380**	**3,060,558,380**	**–**	**3,060,558,380**
	₱2,347,000,000	**₱4,950,000,000**	**₱37,167,518,167**	**₱42,117,518,167**	**₱21,774,719,662**	**₱66,239,237,829**

	2013					
		Long-term debt				
	Short-term debt	Corporate notes	Loans payable	Subtotal	Bonds payable	Total
Parent Company	₱800,000,000	₱–	₱–	₱–	₱9,980,000,000	₱10,780,000,000
Fed Land Group	–	11,600,000,000	2,130,000,000	13,730,000,000	–	13,730,000,000
Toyota Group	875,500,000	–	233,900,704	233,900,704	–	1,109,400,704
GBPC Group	68,500,000	–	30,295,581,216	30,295,581,216	–	30,364,081,216
	1,744,000,000	11,600,000,000	32,659,481,920	44,259,481,920	9,980,000,000	55,983,481,920
Less: deferred financing cost	–	–	310,872,924	310,872,924	96,911,692	407,784,616
	1,744,000,000	11,600,000,000	32,348,608,996	43,948,608,996	9,883,088,308	55,575,697,304
Less: current portion of long-term debt	–	–	3,364,221,245	3,364,221,245	–	3,364,221,245
	₱1,744,000,000	₱11,600,000,000	₱28,984,387,751	₱40,584,387,751	₱9,883,088,308	₱52,211,476,059

Short-term debt

Parent Company Short-term Loans

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 affiliated and non-affiliated bank loans, respectively. Both loans were paid in 2014.

Toyota Group Short term loans

These are unsecured short-term loans obtained from various non-affiliated local banks for Toyota Group's working capital requirements with terms of one (1) year or less and bears annual fixed interest rates ranging from 2.90% to 3.50% in 2014 and 3.50% to 4.00% in 2013.

Fed Land Group Short term Loans

These are unsecured short-term borrowings over sixty (60) to one hundred eighty (180) day terms obtained from a non-affiliated local bank for Fed Land Group's working capital requirements with interest rates ranging from 3.50% to 5.50% in 2014.

TCI Short term loans
These are unsecured short-term borrowings over ninety (90) to one hundred twenty (120) day terms obtained from various non-affiliated local banks to finance the working capital requirements with interest ranging from 2.72% to 3.00% in 2014.

GBPC Short term loans
In 2013, GESC entered into unsecured loan agreements from various non-affiliated local banks amounting to ₱68.50 million for its working capital requirements with terms of one (1) year or less and bears annual fixed interest rates ranging from 3.00% to 4.00%. These loans were paid in 2014.

Fed Land- Corporate Notes
₱6.60 Billion Corporate Notes
On March 18, 2011, Fed Land entered into a Notes Facility Agreement ("Corporate Notes") with various institutions whereby Fed Land issued a ₱6.60 billion worth of fixed rate notes payable in five years with 7.10% interest per annum to finance ongoing projects, working capital and for general corporate purposes. FMIC and MBTC – Trust Banking Group were the 'Notes Facility Agent'. On December 22, 2014, Fed Land prepaid the ₱6.6 Billion Corporate Notes and paid pre-termination fees of ₱42.68 million.

₱5.0 Billion Corporate Notes
On June 24, 2013, the BOD of Fed Land authorized Fed Land to issue, offer and sell peso denominated fixed rate Corporate Notes at a principal amount of ₱3.00 billion to ₱5.00 billion subject to an over subscription option. On July 5, 2013, the Group issued ₱4.00 billion notes with 5.57% interest rate maturing on July 5, 2020 and an additional ₱1.00 billion notes with 6.27% interest rate maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2014 and 2013, outstanding balance amounted to ₱4.98 billion and ₱5.00 billion, respectively. As of December 31, 2013, the current portion amounted to ₱25.00 million is presented as a current liability.

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.

As of December 31, 2014 and 2013, the Group has complied with the loan covenants. Interest expenses incurred in 2014 and 2013 amounted to ₱216.82 million and ₱426.92 million, respectively.

Fed Land Long-term Loans
On December 22, 2014, Fed Land entered into a long term loan agreements with non-affiliated local banks amounting ₱6.6 billion. The loan will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.84% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40% quarterly payment starting at the end of 5th year and 60% on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on maturity date with fixed interest rate of 5.05% per annum.

In 2011, Fed Land obtained a peso-denominated loan amounting to ₱2.00 billion from MBTC with interest at prevailing market rate ranging from 3.75% to 4.00% plus a spread of 85-100 basis points, payable in lump sum after 5 years. Said loan is secured by a Phil Exim Guarantee.

Loans payable - GBPC
As of December 31, 2014 and 2013, GBPC's loans payable are from the following entities:

	2014	2013
CEDC	**₱12,502,573,122**	₱14,101,829,408
PEDC	**11,762,750,960**	13,081,580,889
TPC	**7,000,000,000**	2,350,000,000
PPC	**363,258,269**	762,170,919
	31,628,582,351	30,295,581,216
Less current portion	**3,035,558,380**	3,234,221,245
	₱28,593,023,971	₱27,061,359,971

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, 2014 and 2013, CEDC, PEDC and TPC have complied with all the required financial ratios.

Interest expense incurred in connection with the aforementioned loans amounted to ₱1.18 billion and ₱1.40 billion in 2014 and 2013, respectively, for CEDC and ₱1.12 billion and ₱1.23 billion in 2014 and 2013, respectively, for PEDC. Interest expense capitalized as part of construction cost amounted to ₱47.97 million for TPC.

The 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 both CEDC and PEDC.

As of December 31, 2014 and 2013, the movement of the deferred financing cost is as follows:

	2014	2013
Balances at beginning of year	**₱310,872,934**	₱314,528,032
Additions	**851,250**	38,589,676
Amortization	**(47,214,417)**	(42,244,774)
Balances at end of year	**₱264,509,767**	₱310,872,934

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, 2014 and 2013.

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 plus a 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, 2014 and 2013, 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 ₱3.64 million and ₱3.83 million in 2014 and 2013, respectively.

On August 24, 2006, PPC entered into a ₱1.20 billion, Ten-Year Term Loan Agreement with MBTC, to finance its general corporate requirements. This loan is covered by a Mortgage Trust Indenture. In March 2007, Section 1.01 of the ₱1.20 billion, Ten-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, 2014 and 2013, a portion of the long-term loan amounting to ₱153.85 million and ₱153.85 million maturing within one (1) year from the reporting date, are presented as current liability.

Interest charged to operations related to this loan amounted to ₱11.33 million and ₱14.77 million in 2014 and 2013, respectively.

In accordance with the loan agreements with MBTC, PPC is restricted from performing certain corporate acts without the prior consent 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, 2014 and 2013, PPC has complied with the required financial ratios, i.e. current ratio of 1:1.

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 a pledge or mortgage of any asset or property of the Corporation. The ₱515.00 million balance was secured by chattel mortgage. PPC met the required debt-to-equity and current ratio requirements of the loan agreements.

The loan was fully paid in January 2014. Current portion of the loans as of December 31, 2013 presented as current liability amounted to ₱200.85 million. Total interest charged to operations related to these loans amounted to ₱21.34 million in 2013.

The total carrying value of the property, plant and equipment of GBPC pledged as collateral for the above-mentioned loans are as follows:

	2014	2013
CEDC	**₱15,870,893,826**	₱16,583,742,703
PEDC	**12,869,169,047**	13,407,691,423
TPC	**8,243,494,667**	–
PPC	**2,196,931,639**	2,444,811,773
	₱39,180,489,179	₱32,436,245,899

Loans Payable - TMPC
As of December 31, 2014, this account consists of unsecured long-term debt to the following:

	2014	2013
TAPI	**₱77,520,916**	₱76,623,085
Others	**161,483,047**	157,277,619
	₱239,003,963	₱233,900,704

The loan from TAPI bears a fixed interest rate of 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-year term loan which will mature on September 28, 2015 and a 2.7% interest-bearing ten-year term loan which will mature on October 23, 2016. These loans are automatically renewed upon maturity for another ten years.

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.8 million for both 2014 and 2013.

Bonds Payable - Parent Company
₱10.00 billion GT Capital bonds due 2020 and 2023
On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 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 and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. Said bonds were listed on February 27, 2013.

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

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

Prior to the relevant maturity dates, the Parent Company may redeem (in whole but not in part) any series of the outstanding bonds on every anniversary dates, or the immediately succeeding banking day if such is not a banking day, starting on the fourth (4th) anniversary date for the 7-year bonds and the seventh (7th) anniversary date for the 10-year bonds (the relevant Optional Redemption Dates). The Parent Company shall give no less than thirty (30) but not more than sixty (60) days prior written notice of its intention to redeem the bonds at the relevant Optional Redemption Date.

₱12.00 billion GT Capital bonds due 2019, 2021 and 2024

On July 24, 2014, the Parent Company issued ₱12.00 billion bonds with tenors of 5-year, 7-year and 10-year due November 7, 2019 (Series A Bonds), August 7, 2021 (Series B Bonds) and August 7, 2024 (Series C Bonds), respectively with interest rates of 4.7106%, 5.1965% and 5.625% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. Said bonds were listed on August 7, 2014.

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

	(Amounts in millions)
Partial Financing of Ongoing Projects	
Veritown Fort	₱6,222
Metropolitan Park	1,778
Refinancing of outstanding loans	3,610
Working Capital	390
	₱12,000

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary dates, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third (3rd) month after the fifth (5^{th}) anniversary from issue date and (ii) for the series C bonds: the seventh (7th) anniversary from issue date (the relevant Optional Redemption Dates). The Parent Company shall give no less than thirty (30) but not more than sixty (60) days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

As of December 31, 2014 and 2013, the movement of the deferred financing cost is as follows:

	2014	2013
Balances at beginning of year	**₱96,911,692**	₱–
Additions	**124,621,689**	105,243,020
Amortization	**(16,253,043)**	(8,331,328)
Balances at end of year	**₱205,280,338**	₱96,911,692

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2014 and 2013, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2014 and 2013 amounted to ₱762.95 million (including amortization of deferred financing cost of ₱16.25 million) and ₱430.01 million, (including amortization of deferred financing cost amounting to ₱8.33 million), respectively.

Required Financial Ratios
The table below presents a summary of the financial ratios required to be maintained by each entity within the Group under existing loan agreements.

Entity	**Financial Ratio**	**Required Ratio**
TPC	Debt-to-Equity Ratio (DER)	70:30
PPC	Current Ratio	1:1
PPC	DER	70:30
PEDC	DER	70:30
PEDC	Debt Service Coverage Ratio (DSCR)	1.0x
CEDC	DER	70:30
CEDC	DSCR	1.0x
Fed Land - Corporate Notes	DER	2:1
GT Capital - Parent Company Bonds	DER	2.3:1

As of December 31, 2014 and 2013, the Group has complied with the foregoing financial ratios.

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, 2014 and 2013, the balance of this account amounted to ₱2.55 billion and ₱1.84 billion, respectively.

19. Other Current Liabilities

This account consists of:

	2014	2013
Withholding taxes payable	**₱327,885,524**	₱225,449,595
Due to holders of non-controlling interest	**283,527,322**	378,463,322
VAT payable	**163,006,609**	250,358,476
Deferred reinsurance commission	**92,231,704**	36,163,708
Others	**15,029,437**	16,234,880
	₱881,680,596	₱906,669,981

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 1.03 billion and ₱1.70 billion as of December 31, 2014 and 2013, respectively.

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, 2014 and 2013 amounted to ₱2.48 billion and ₱2.62 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.51 million and ₱4.32 billion as of December 31, 2014 and 2013, respectively.

21. **Other Noncurrent Liabilities**

This account consists of:

	2014	2013
Provisions	**₱1,638,026,051**	₱1,325,728,442
Retention payable - noncurrent portion	**504,750,145**	–
Decommissioning liability	**287,259,498**	192,660,472
Refundable and other deposits	**214,807,318**	114,017,770
Finance lease obligation - net of discount amounting to ₱127.70 million in 2014 and 2013	**9,603,626**	10,354,921
	₱2,654,446,638	₱1,642,761,605

Provisions consist of:

	2014	2013
Claims and assessments	**₱1,436,068,868**	₱666,701,662
Product warranties	**181,957,183**	288,752,780
Corporate social responsibility (CSR) activities	**20,000,000**	370,274,000
	₱1,638,026,051	₱1,325,728,442

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors after an agreed period commencing the completion of the project.

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:

	2014	2013
Balances at beginning of year	**₱192,660,472**	₱183,491,180
Effect of business combination	**89,098,777**	–
Accretion expense for the year	**5,500,249**	7,569,160
Provisions during the year	–	1,600,132
Balances at end of year	**₱287,259,498**	₱192,660,472

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, 2014 and 2013, the paid-up capital consists of the following:

	2014	2013
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding	**₱1,743,000,000**	₱1,743,000,000
Additional paid-in capital	**46,694,658,660**	46,694,658,660
	₱48,437,658,660	₱48,437,658,660

The movements in the issued and outstanding common stock follow:

	2014		2013	
	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	**174,300,000**	**₱1,743,000,000**	158,000,000	₱1,580,000,000
Issuance of shares of stocks	–	–	16,300,000	163,000,000
Balance at end of year	**174,300,000**	**₱1,743,000,000**	174,300,000	₱1,743,000,000

The Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange on April 20, 2012.

On October 23, 2014, the Board of Directors approved the proposed amendment to Article SEVENTH of the Parent Company's Amended Articles of Incorporation to create a new class of shares – Voting Preferred Shares, to be taken from existing authorized capital stock of Five Billion Pesos (₱5.00 billion). The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible with the following features, rights and privileges:

a. The Issue value shall be determined by the Board of Directors at the time of the issuance of the shares;
b. The Dividend Rate shall be determined by the Board of Directors at the time of the issuance of the shares, equivalent to 3-year PDST R2 to be repriced every 10 years and payable annually;

c. The Voting Preferred Shares shall be non-cumulative and the holders thereof are entitled to the payment of current but not past dividends;
d. The Voting Preferred Shares shall be non-participating in any other of further dividends beyond that specifically payable on the shares;
e. The Voting Preferred Shares shall be redeemable at par value, at the sole option of the Corporation, under terms and conditions approved by the Board of Directors;
f. Holders of Voting Preferred Shares shall be entitled to one vote for each share in his name on the books of the Corporation;
g. Holders of Voting Preferred Shares shall have no pre-emptive rights to any issue of shares, Common or Preferred;
h. The Voting Preferred Shares will not be listed at and will not be tradeable in the Philippine Stock Exchange; and
i. Other features, rights and privileges determined by the Board of Directors.

As of December 31, 2014 and 2013, the total number of stockholders of the Parent Company is 73 and 74, respectively.

Retained earnings
On December 15, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱6.00 billion to be earmarked for the additional investments in Series B Perpetual Preferred Shares of Fed Land within 2015.

On March 11, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱3.00 billion 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

Said appropriation was reversed in 2014 upon completion of the expansion and acquisition.

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
March 11, 2014	₱3.00	₱522.90	April 8, 2014	May 2, 2014
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, 2014 and 2013.

In addition, certain amount of retained earnings is required to be maintained to enable the Group to meet certain financial ratios as stipulated in the loan covenants.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Total amount (in millions)	Record date	Payment date
Fed Land	December 12, 2014	₱100.00	December 31, 2014	February 28, 2015
	February 18, 2013	100.00	December 31, 2012	March 20, 2013
	December 23, 2011	180.00	November 30, 2011	December 23, 2011
GBPC	November 20, 2014	2,200.00	December 31, 2014	April 2015
	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 29, 2014	4,608.60	December 31, 2013	May 2014
	April 11, 2013	2,994.11	December 31, 2012	April 12, 2013

Treasury shares
As of December 31, 2014 and 2013, treasury shares of the Group pertain to 5,000 shares and 10,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱2.28 million and ₱6.13 million, respectively.

Other equity adjustments
2014
Charter Ping An
On January 27, 2014, the Parent Company acquired the remaining 33.33% equivalent to 1.71 million shares of Charter Ping An's outstanding capital stock from FMIC for a total consideration of ₱712.00 million. Prior to the said acquisition, the Parent Company's ownership interest in Charter Ping An was at 66.67%. This acquisition was accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of negative other equity adjustments amounting to ₱375.67 million.

TCI
On April 23, 2014, the Parent Company acquired 0.20 million shares equivalent to 0.26% of TCI for a total consideration of ₱1.00 million, resulting to 89.31% direct ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱0.42 million.

In June 2014, the Parent Company subscribed to 33.00 million shares of TCI for a total consideration of ₱33.00 million, resulting to 92.48% direct ownership over TCI. The acquisition was accounted for as an equity transaction resulting in the recognition of negative other equity adjustment amounting to ₱24.79 million.

On June 23, 2014, the Parent Company sold 45.00 million shares of TCI to Mitsui for a total consideration of ₱298.71 million. This represents 40.47% of TCI's outstanding capital stock. As a result, the Parent Company's direct ownership over TCI is 52.01% as of September 30, 2014. This acquisition was accounted for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱193.95 million.

GBPC
On May 28, 2014, the Parent Company subscribed to 7.22 million shares of GBPC, representing an additional 0.38% direct ownership of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%. This acquisition was accounted

for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱60.52 million.

The aforementioned transactions were accounted for as changes in ownership without loss of control and are accounted for as equity transactions, which are presented under equity attributable to the Parent Company in the consolidated statement of financial position, representing the excess of the consideration paid over the carrying amount of the non-controlling interests acquired at the acquisition date. Total negative other equity adjustments recognized from these acquisitions and sale for the period amounted to ₱146.41 million.

2013
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.

2012
GBPC
On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC from 34.41% to 39.00% (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 ownership 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:

	2014	2013
Beginning balance	**₱22,038,319,659**	₱11,294,157,537
Share of non-controlling interest shareholders on:		
Net income	**5,998,528,767**	3,890,464,362
Other comprehensive income (loss)	**426,771,595**	(28,984,106)
Equity call of subsidiaries	**2,145,416,806**	–
Deposit for future subscription of subsidiaries	**531,907,700**	–
Sale of direct interest in a subsidiary	**104,761,043**	–
Effect of business combination (Note 31)	**42,175,650**	7,222,853,016
Acquisition of non-controlling interests in consolidated subsidiaries	**(372,637,017)**	–
Cash dividends paid to non-controlling interest shareholders	**(4,320,412,474)**	(3,456,348,554)
Issuance of capital stock	–	959,350,239
Sale of indirect interest in a subsidiary	–	2,156,827,165
	₱26,594,831,729	₱22,038,319,659

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 2014 and 2013.

The Parent Company considers total equity as its capital amounting to ₱55.89 billion and ₱52.83 billion as of December 31, 2014 and 2013, 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:

	2014	2013	2012
Interest income on:			
Installment contract receivable (Note 5)	**₱1,157,396,924**	₱749,146,595	₱279,445,937
Cash and cash equivalents (Note 4)	**301,682,842**	92,743,951	325,248,088
AFS debt instruments	**67,748,446**	12,613,367	–
Short-term investments (Note 4)	**32,290,327**	310,626,708	–
Deposits (Note 12)	–	263,850,062	257,736,632
Others	**37,528,876**	48,533	4,000,354
	₱1,596,647,415	₱1,429,029,216	₱866,431,011

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:

	2014	2013	2012
Real estate forfeitures, charges and penalties	**₱433,649,664**	₱123,201,267	₱88,118,947
Gain on disposal of property and equipment	**90,170,461**	15,998,480	8,316,148
Management fee (Note 27)	**86,398,531**	85,211,246	41,142,177
Dividend income	**53,379,614**	77,277,481	23,304,907
Other underwriting income	**40,132,341**	7,658,264	–
Disposal of defective units	**12,471,807**	7,074,435	–
Gain on sale of shares	**11,719,110**	8,522,850	–
Recovery from insurance	**–**	38,008,663	–
Refund of rental payments	**–**	21,228,274	–
Others	**416,546,385**	153,461,056	101,568,619
	₱1,144,467,913	₱537,642,016	₱262,450,798

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 includes 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 ancillary income amounting to ₱250.48 million in 2014. Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Others also include charges from tenants of Fed Land pertaining to electricity and other utilities; these were recorded by Fed Land as other income upon receipt of the payments from the tenants.

24. **Power Plant Operation and Maintenance Expenses**

This account consists of:

	2014	2013
Power plant operations expenses	**₱8,097,643,363**	₱7,836,783,183
Purchased power	**1,223,384,633**	567,745,347
Repairs and maintenance	**1,006,684,450**	540,907,411
	₱10,327,712,446	₱8,945,435,941

25. **Cost of Goods Manufactured and Cost of Goods and Services Sold**

Cost of goods manufactured consists of:

	2014	2013
Raw materials, beginning	**₱528,430,068**	₱567,478,665
Purchases	**21,821,722,994**	17,531,617,445
Total materials available for production	**22,350,153,062**	18,099,096,110
Less: Raw materials, end	**885,226,867**	528,430,068
Raw materials placed in process	**21,464,926,195**	17,570,666,042
Direct labor	**312,436,032**	229,166,773
Manufacturing overhead	**2,414,273,389**	1,980,663,593
Total cost of goods placed in process	**24,191,635,616**	19,780,496,408
Work-in-process, beginning	**53,027,159**	79,583,854
Total Cost of goods in process	**24,244,662,775**	19,860,080,262
Less: Work-in-process, ending	**43,355,195**	53,027,159
Total cost of goods manufactured	**24,201,307,580**	19,807,053,103
Finished goods, beginning	**42,685,755**	252,177,779
Total goods available for sale/transfer	**24,243,993,335**	20,059,230,882
Less: Finished goods, ending	**20,406,380**	42,685,755
Other transfers	**10,154,788**	30,444,994
	₱24,213,432,167	₱19,986,100,133

Cost of goods and services sold consists of:

	2014	2013	2012
Beginning inventory			
Automotive	**₱2,899,063,311**	₱4,340,087,864	₱–
Gasoline, retail and petroleum products	**7,940,644**	9,786,694	8,367,927
Food	**1,310,005**	2,351,541	2,160,335
	2,908,313,960	4,352,226,099	10,528,262
Add: Net purchases	**71,668,974,131**	43,419,704,745	642,162,033
Total inventories available for sale	**74,577,288,091**	47,771,930,844	652,690,295
Less: ending inventory (Note 6)			
Automotive	**2,855,485,176**	2,899,063,311	–
Gasoline, retail and petroleum products	**5,769,494**	7,940,644	9,786,694
Food	**934,674**	1,310,005	2,351,541
	71,715,098,747	44,863,616,884	640,552,060
Cost adjustments	**(1,613,895,392)**	(20,203,084)	–
Internal and other transfers	**(338,862,582)**	(142,500,998)	–
Direct labor	**6,661,707**	18,856,187	16,173,326
Overhead (Note 30)	**827,784,474**	749,690,677	24,185,460
	₱70,596,786,954	₱45,469,459,666	₱680,910,846

Overhead includes rent expense and common usage and service area charges.

26. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Salaries, wages and employee benefits (Notes 27 and 28)	**₱2,635,664,640**	₱1,838,461,064	₱956,203,320
Advertising and promotions	**2,046,650,153**	2,167,375,730	165,656,540
Taxes and licenses	**1,224,789,084**	1,056,855,033	502,873,719
Commissions	**1,106,053,052**	478,915,030	189,703,924
Depreciation and amortization (Note 11)	**886,738,212**	870,958,796	368,237,556
Donation and contributions	**429,645,388**	18,465,510	3,802,056
Delivery and Handling	**360,511,590**	212,067,754	–
Light, water and other utilities	**285,109,704**	256,631,497	101,664,069
Outside services	**265,267,059**	344,401,523	91,369,952
Insurance	**205,844,360**	182,788,839	111,422,840
Provision for credit losses (Note 5)	**195,221,699**	22,557,768	849,036
Repairs and maintenance	**181,633,148**	189,607,784	69,575,384
Administrative and management fees	**168,637,706**	336,429,533	248,497,988
Transportation and travel	**158,956,014**	121,320,096	45,834,907
Professional fees	**131,502,460**	194,519,779	173,760,643
Office supplies	**111,003,094**	69,822,935	26,589,448
Rent	**109,702,266**	52,084,746	52,366,000
Entertainment, amusement and recreation	**62,670,675**	66,459,026	51,924,135
Participation fee	**–**	59,659,478	–
Royalty and service fees	**58,457,183**	13,582,752	5,865,917
Communications	**53,953,395**	41,284,806	10,850,899
Loss on impairment of AFS	**10,219,296**	–	–
Provisions for inventory obsolescence (Note 6)	**9,819,141**	26,912,531	–
Unrealized foreign exchange loss	**1,106,204**	42,309,137	7,113,039
Provisions for claims and assessments	**–**	168,366,015	–
IPO - related expenses (Note 22)	**–**	–	165,183,396
Loss from initial recognition of financial asset (Note 5)	–	275,000	94,224,170
Others	**795,621,861**	448,449,457	109,707,956
	₱11,494,777,384	₱9,280,561,619	₱3,553,276,894

Donations and contributions pertain to real properties and fund given to TMP School of Technology to finance its building construction and operations.

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, 2014 and 2013, 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, 2014		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Ultimate Parent			
Trade receivable	**₱46,405**	**₱46,405**	Management fee; 30 day term
Management income	**40,179**		Management fee income for the period October 2014 to December 2014
Associates			
Cash and cash equivalents	**483,036,715**	**23,141,633,630**	Savings, current and time deposit accounts with annual interest ranging from 0.50% to 3.75%; unsecured; no impairment
Interest receivable	**2,860,521**	**2,860,521**	Interest from cash and cash equivalents
Interest income	**127,870,581**		Interest income from cash and cash equivalents
Trade receivable	**4,647,572,248**	**148,006,406**	Non-interest bearing; 30 days term; unsecured; no impairment
Deposit	**1,200**	**1,200**	Unsecured; no impairment
Nontrade receivable	**826,594,686**	**593,139,199**	Non-interest bearing; unsecured; no impairment
Accrued rent income	**32,817,096**	**2,970,513**	Unsecured; no impairment
Advances from officers, employees, and agents	**49,574,060**	**49,574,060**	Non-interest bearing; 30 days
Other noncurrent assets	**100,000,000**	**100,000,000**	Non-interest bearing; due and demandable
Due from related parties	**36,358,696**	**36,358,696**	Unsecured; no impairment
Inventories	**8,884,422,878**	**8,884,422,878**	
Investments in associates and joint ventures	**787,500,000**	**787,500,000**	Purchase of additional investment in jointly controlled entities
AFS equity securities	**5,411,670**	**35,255,658**	Unsecured; no impairment
Trade payable	**222,680,511**	**19,767,430**	Non-interest bearing, 45 days term; unsecured; no impairment

(Forward)

Category	December 31, 2014 Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Loans payable	**₱936,069,580**	**₱9,057,004,147**	GBP-Interest bearing with interest ranging from 2.42% to 10.37%; secured / FLI-Interest bearing with interest ranging from 3.25% to 7.10%;
Accrued interest payable	**138,638,163**	**138,638,163**	Interest on loans
Interest expense	**423,434,616**		Interest on loans
Due to related parties	**2,604,765**	**2,604,765**	Unsecured; no impairment
Accrued expense	**24,822**	**24,822**	Unsecured; no impairment
Dividend income	**953,832,205**		Dividend income from investments
Insurance expense	**80,522**		Life insurance premium
Miscellaneous expense	**379,539**		Retainer's and trustee fee
Jointly controlled entities			
Dividend receivable	**240,000,000**	**240,000,000**	Dividend receivable from FLOC
Rent receivable	**16,622,941**	**1,324,661**	Unsecured; no impairment
Due to related parties		**10,915**	Unsecured; no impairment
Trade receivables	**1,737,500**	**1,737,500**	Non-interest bearing; 30 days term; unsecured; no impairment
Trade payable	**219,249,359**	**19,761,770**	Non-interest bearing, 45 days term; unsecured; no impairment
Other related parties			
Cash and cash equivalents	**230,594,153**	**6,599,369,136**	Short-term investments with interest rates ranging from 1.30% to 1.60%
Interest income	**4,952,035**		Interest from cash and cash equivalents
Trade receivable	**143,749,203**	**1,177,782,966**	Non-interest bearing; 30 days term; unsecured; no impairment
Due from related parties	**284,609,708.22**	**134,270,780**	Non-interest bearing; due and demandable
Other current assets		**7,641,889**	Unsecured; no impairment
AFS debt securities	**12,672,280.00**	**42,376,789**	7 years, 5.68% to 5.75%; 10 years, 7.1875%; unsecured; no impairment
AFS equity securities	**7,641,889**	**7,641,889**	Unsecured; no impairment
Interest income	**22,732,473**		Interest income from AFS securities
Rent receivable	**76,972,783**	**5,113,345**	Non-interest bearing; due and demandable; unsecured; no impairment
Rent income	**3,302,321**		
Loans receivable	**7,877,666**	**626,8,44,230**	Interest bearing of 3.15%; Payable in 2022; unsecured
Trade payable	**25,977,476**	**37,154,605**	Non-interest bearing, 45 days term; unsecured; no impairment
Loans payable		**759,831,933**	With interest ranging from 3.75% to 4%; Payable in 2015; unsecured; no impairment
Accrued interest payable		**16,982,478**	Interest on loans
Long-term payable	**3,284,260**	**78,626,700**	Interest bearing, 3.00% interest; payable annually until 2026; unsecured
Due to related parties	**9,735,226**	**173,429,743**	Non-interest bearing; unsecured
Royalty payable	**27,143,182**	**289,718,823**	Unsecured; no impairment
Other payable	**23,066,961**	**21,506,332**	Underwriting fee; unsecured: no impairment
Dividends payable		**1,072,060,000**	Dividends payable to FMIC, ORIX and MGEN
Dividend income	**24,471,481**		Dividend income from TAPI
Miscellaneous expense	**195,602**		IT services fee
Receivable - others	**68,920,430**	**46,951,956**	Management fee pertains to management fee being charged by the Parent Company to BLRDC and FLOC for the consultancy services
Investment in associates and jointly controlled entities	**1,549,756,250**	**1,549,756,250**	Acquisition of 19.25% of TMEC from FMIC; acquisition of 25% of TFS from PSBank
Deferred financing cost	**23,052,261**	**17,276,752**	Acquisition of GT Tower from PSC
Liabilities on purchased properties	**931,284,327**	**3,511,859,098**	Unsecured with interest rate of 3.15% payable on 2022; no impairment.
Donation	**350,274,000**		Donation to Toyota Motor Philippines Foundation
Key management personnel			
Other payable and accrued expense	**1,087,741**	**1,087,741**	Unsecured; no impairment
Rent income	**418,125**		Income from employees for car plans
Salaries and employee benefits	**79,020,802**		Salaries and benefits to employees
Director's fee	**16,515,833**		Per diems and bonuses to directors
Short-term employee benefits	**513,774,208**		
Post employee benefits	**50,596,622**		

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2013		
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
Advances to officers, employees and agents		67,970,674	Non-interest bearing; 30 days
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 jointly controlled entities	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 MBTC
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
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
Loans receivable		618,547,138	
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

(Forward)

	December 31, 2013		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
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

Details of the transactions with affiliates are as follows:

Land for development
In 2014, Fed Land acquired parcels of land amounting to ₱8.88 billion from MBTC to be held either for sale or for future land development (Note 6).

Operating advances
Due from and to related parties consist mostly of operating advances which are noninterest-bearing and due and demandable.

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, 2014 amounted to ₱626.01 million in 2012.

The interest expense from Day 1 difference recorded under 'General and administrative expenses' in the consolidated statements of income amounted to ₱94.22 million in 2012.

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. There were no outstanding deposits in 2014 and 2013.

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 nil and ₱263.85 million in 2014 and 2013, 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 2014 and 6.52% to 6.78% per annum in 2013 and 2012, respectively.

Management fee
Management fee amounting to ₱78.26 million, ₱70.18 million and ₱41.14 million in 2014, 2013 and 2012, respectively, pertains to the income received from a joint venture of Fed Land with 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 ₱175.54 million and ₱127.32 million for 2014 and 2013, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2014, 2013 and 2012 follow:

	2014	2013	2012
Short-term employee benefits	**₱513,774,208**	₱111,560,155	₱195,072,227
Post employment benefits	**50,596,622**	49,782,006	7,607,244
	₱564,370,830	₱161,342,161	₱202,679,471

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, 2014 and 2013 amounted to ₱1.25 billion and ₱1.11 billion, 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, 2014 and 2013:

	December 31, 2014		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Associate			
Savings deposit		**₱122,273**	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		**22,541,000**	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		**12,285,825**	Unsecured with no impairment
Interest income	**₱179,484**		Income earned from savings deposit
Gain on sale of shares	**351,188**		Income from sale of shares
Mark-to-market gain		**1,800,980**	Gain from mark-to-market of shares
Parent			
Investment in equity securities		**6,792,578**	Unsecured with no impairment
Gain on sale			Income from sale of shares
Mark-to-market gain		**737,939**	Gain from mark-to-market of shares

	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

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2013		
Parent			
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

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:

		2014 Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2014**	**3.50%**	**8.00%**	**4.74%**
Power	**-do-**	**5.00%**	**10.00%**	**4.45%-4.78%**
Non-life insurance	**-do-**	**7.00%**	**10.00%**	**4.69%**
Automotive	**-do-**	**9.00%**	**6.00%-7.00%**	**4.47%**
Financial	**-do-**	**5.00%**	**7.00%**	**4.62%**

		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%

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.

Net retirement liability (asset) included in the statement of financial position follow:

	2014	2013
Retirement asset (Note 14)	**(₱3,519,970)**	₱–
Retirement liability	**2,260,951,566**	1,703,632,361
Net retirement liability	**₱2,257,431,596**	₱1,703,632,361

The net pension liability and asset recognized in the Group's statements of financial position are as follows:

	2014													
									Remeasurements in other comprehensive income					
	January 1, 2014	**Effect of business combination**	**Balance after business combination**	**Net benefit cost 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, 2014**
Present value of defined benefit obligation	**₱2,816,779,368**	**₱93,945,209**	**₱2,910,724,577**	**₱257,570,566**	**₱141,407,329**	**₱398,977,895**	**(₱97,684,357)**	**₱–**	**₱94,294,853**	**₱–**	**₱211,888,265**	**₱306,183,118**	**₱–**	**₱3,518,201,233**
Fair value of plan assets	**(1,113,147,007)**	**(1,335,251)**	**(1,114,482,258)**	**–**	**(54,914,268)**	**(54,914,268)**	**47,845,498**	**8,192,030**	**–**	**–**	**–**	**8,192,030**	**(147,410,639)**	**(1,260,769,637)**
Net defined benefit liability	**₱1,703,632,361**	**₱92,609,958**	**₱1,796,242,319**	**₱257,570,566**	**₱86,493,061**	**₱344,063,627**	**(₱49,838,859)**	**₱8,192,030**	**₱94,294,853**	**₱–**	**₱211,888,265**	**₱314,375,148**	**(₱147,410,639)**	**₱2,257,431,596**

	2013													
									Remeasurements in other comprehensive income					
	January 1, 2013	Effect of business combination	Balance after business combination	Net benefit cost 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)	₱–	₱4,750,767	(₱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)	₱4,750,767	(₱94,712,871)	(₱183,216,067)	(₱281,281,111)	(₱108,214,980)	₱1,703,632,361

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:

	2014	2013
Cash and cash equivalents	**₱54,945,935**	₱74,857,144
Investment in government securities	**778,894,544**	693,457,738
Investment in equity securities	**207,712,497**	162,728,547
Investment in debt and other securities	**111,832,371**	63,800,661
Receivables	**85,976,479**	7,851,213
Investment in mutual funds	**21,367,780**	15,241,230
Others	**40,031**	95,210,474
	₱1,260,769,637	₱1,113,147,007

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 all other assumptions were held constant:

		2014	2013
	Possible Fluctuations	**Increase (Decrease)**	Increase (Decrease)
Discount rates	**+1%**	**(₱349,500,517)**	(₱489,919,722)
	-1%	**421,150,209**	607,053,371
Turnover rate	**+1%**	**(43,200,300)**	(34,624,950)
	-1%	**48,113,600**	38,705,250
Future salary increase rate	**+1%**	**508,596,489**	599,310,655
	-1%	**(406,848,534)**	(490,661,296)

The Group expects to contribute ₱110.47 million to its defined benefit pension plan in 2015.

The average duration of the defined benefit retirement liability at the end of the reporting period is 14.76 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014
Less than 1 year	**₱98,921,792**
More than 1 year to 5 years	**792,311,084**
More than 5 years to 10 years	**2,507,973,173**
More than 10 years to 15 years	**2,929,247,232**
More than 15 years to 20 years	**2,503,297,344**
More than 20 years	**10,166,855,799**

The Group does not currently have any asset-liability matching study.

29. **Income Taxes**

Provision for income tax account consists of:

	2014	2013	2012
Current	**₱2,934,761,193**	₱1,736,415,071	₱120,152,710
Deferred	**(278,599,568)**	17,579,768	144,923,530
Final	**54,435,318**	49,275,282	22,574,356
	₱2,710,596,943	₱1,803,270,121	₱287,650,596

The components of the Group's deferred taxes as of December 31, 2014 and 2013 are as follow:

Net deferred tax asset:

	2014	2013
Deferred tax asset on:		
Retirement benefit obligation	**₱628,794,162**	₱485,285,082
Unrealized gain on sale of land	**627,412,073**	–
Warranties payable and other provisions	**237,613,907**	269,892,617
Allowance for impairment losses	**67,698,603**	39,970,139
Decommissioning liability	**65,692,699**	57,798,142
NOLCO	**56,430,236**	97,235,999
Allowance for probable losses	**50,749,305**	229,086,607
Accrued expenses	**50,608,915**	40,316,088
Unearned premiums	**46,264,047**	42,523,751
Capitalized commissioning income	**96,505,237**	95,097,784
Deferred gross profit	**21,924,938**	–
Others	**34,194,947**	40,527,930
	1,983,889,069	1,397,734,139
Deferred tax liability on:		
Deferred acquisition costs	**92,641,479**	64,912,883
Deferred financing cost	**57,263,434**	69,834,890
Dismantling costs	**40,085,039**	36,125,990
Capitalized custom duties	**20,724,088**	–
Capitalized borrowing cost	**7,804,674**	7,517,847
Fair value adjustment on acquisition - by Parent	–	33,707,943
Others	**39,194,850**	76,463,200
	257,713,564	288,562,753
Net deferred tax asset	**₱1,726,175,505**	₱1,109,171,386

Net deferred tax liability:

	2014	2013
Deferred tax asset on:		
Excess of cost over fair value of investment property	**₱125,300,151**	₱115,469,258
Accrued expenses	**95,732,185**	9,499,022
Retirement benefit obligation	**33,085,137**	32,109,122
Prepaid commission	**29,504,227**	29,504,227
Interest expense on Day 1 loss	**23,698,386**	26,061,686
Fair value adjustment on acquisition - by Parent	–	34,087,631
Others	**48,369,019**	24,490,336
	355,689,105	271,221,282
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent	**2,972,074,225**	2,850,921,020
Excess of book basis over tax basis of deferred gross profit	**270,948,611**	50,482,992
Capitalized borrowing cost and guarantee fees	**270,822,176**	201,128,200
Fair value adjustment on acquisition - by subsidiaries	**206,688,774**	226,373,419
Unamortized discount on long term payable	**110,792,792**	107,832,042
Lease differential	**20,376,662**	9,344,048
Others	**36,139,688**	76,880,407
	3,887,842,928	3,522,962,128
Net deferred tax liability	**₱3,532,153,823**	₱3,251,740,846

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, 2014, 2013 and 2012, 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
2014	₱974,274,770	₱–	₱974,274,770	2017
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
	₱3,627,950,506	₱632,568,376	₱2,995,382,130	

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
	₱682,145	₱17,559	₱664,586	

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:

	2014	2013	2012
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	**(0.54)**	(0.22)	(0.18)
Nondeductible interest and other expenses	**0.74**	0.62	(0.03)
Change in unrecognized deferred tax assets	**2.55**	2.50	–
Nontaxable income	**(11.26)**	(12.91)	(26.57)
Operating income within ITH	**(6.31)**	(7.41)	–
	15.18%	12.58%	3.22%

Board of Investments (BOI) Incentives

Fed Land

The BOI issued a Certificate of Registrations as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012, The 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, Marquinton Garden Terraces - Valderrama Tower in 2010 to 2013, Peninsula Garden Midtown Homes (PGMH) - Maple Tower and Tropicana Garden City - Ibiza Tower are entitled to ITH from 2012 to 2015 and PGMH - Narra is entitled to ITH from 2014 to 2017.

CEDC

CEDC was registered with the BOI on a pioneer status under Executive Order No. 226 or the Omnibus Investments Code of 1987 on June 25, 2008, initially under the name of GBPC. On February 18, 2009, BOI granted the transfer of its registration from GBPC to CEDC. BOI incentives include, among others, an income tax holiday of six (6) years from December 2010 or actual start of commercial operations, whichever is earlier, and zero percent duty importation of capital equipment, spare parts and accessories from date of registration up to June 16, 2011. CEDC started commercial operations on February 26, 2011. Its paid-up capital amounted to ₱554.40 million as of December 31, 2012.

TPC

Toledo Power Co. (“TPC”), as expanding operator of an 82MW Coal-Fired Power Plant (TPC 1A), was registered with the BOI on a pioneer status under Executive Order No. 226 or the Omnibus Investments Code of 1987 on October 23, 2012. BOI incentives include, among others, an income tax holiday of three (3) years from December 2014 or actual start of commercial operations, whichever is earlier and zero percent duty importation of capital equipment, spare parts, and accessories from date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations for a period of five (5) years reckoned from the date of its registration or until the expiration of EO 70, whichever is earlier. TPC began delivery of power from TPC 1A on February 26, 2015.

PEDC
PEDC was registered with BOI under the provisions of the Omnibus Investments Code as a new operator of a 246MW coal-fired power generation plant in Iloilo City under BOI Certificate of Registration No. 2008-171 dated July 24, 2008, initially under the name of GBPC. It has been transferred under PEDC's name after its incorporation. Under the terms of its registration, PEDC is subject to certain requirements, principally: (a) that PEDC should start operations no later than December 2011, (b) that PEDC should increase its authorized, subscribed, and paid-up capital stock to at least ₱4.45 billion and (c) that PEDC should secure a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) prior to the start of its commercial operations. PEDC declared commercial operations on March 26, 2011. As of December 31, 2012, PEDC had paid-up capital of ₱554.40 million.

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, office space leased for the Group's branches, land leased for Fed Land Group's mall and gasoline station and lease of parking spaces with terms ranging from 1 to 10 years. Rent expense included under "General and administrative expenses amounted to₱109.70 million, ₱52.08 million and ₱52.37 million, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the "Cost of goods and services sold" account, amounting to ₱20.56 million and ₱30.97 million and ₱24.19 million in 2014 and 2013, respectively (Note 25).

As of December 31, 2014 and 2013, the future minimum rental payments are as follows:

	2014	2013
Within one year	**₱49,780,921**	₱39,201,598
After one year but not more than five years	**151,124,572**	98,891,027
More than five years	**365,160,285**	–
	₱566,065,778	₱138,092,625

The Group as a lessor
The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from 5 to 10 years. The Group's rental income on these leases amounted to ₱764.49 million, ₱592.04 million and ₱233.44 million, in 2014, 2013 and 2012, respectively (Note 9). The cost of rental services amounting ₱270.09 million, ₱113.15 million and ₱5.74 million in 2014, 2013 and 2012, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses.

As of December 31, 2014 and 2013, the future minimum receipts from these lease commitments are as follows:

	2014	2013
Within one year	**₱954,270,511**	₱527,362,863
After one year but not more than five years	**2,384,112,193**	1,202,054,987
More than five years	**1,497,684,816**	254,680,118
	₱4,836,067,520	₱1,984,097,968

31. **Business Combinations**

2014

Acquisition of TCI

In March 2014 the Parent Company acquired an aggregate of ₱69.62 million common shares of TCI for a total purchase price of ₱347.40 million. The acquisition represents 89.05% of the TCI's outstanding capital stock. The Parent Company assessed that it has control over TCI through its ability to direct the relevant activities and accounted for TCI as a subsidiary.

The acquisition was accounted for as a business combination using the acquisition method. The Group engaged a third party valuer to conduct the purchase price allocation. The Group elected to measure the non-controlling interest at the proportionate share of the non-controlling interest in the identifiable net assets of TCI.

The fair values of the identifiable assets and liabilities of TCI as of acquisition date are as follows:

Assets	
Cash and cash equivalents	₱65,843,434
Receivables	489,139,851
Inventories	116,777,335
Other current assets	101,508,995
Available-for-sale investments	711,019
Property and equipment	201,227,584
Investment properties	301,367,000
Deferred tax assets	23,933,097
Other noncurrent assets	837,272
	1,301,345,587
Liabilities	
Accounts and other payables	254,455,022
Loans payable	497,000,000
Pension liability	93,357,542
Deferred tax liability	71,367,274
	916,179,838
Net assets	₱385,165,749

The gross contractual amount of receivables acquired amounted to ₱489.14 million. The aggregate consideration transferred consists of:

Cash consideration	₱347,403,800
Fair value of non-controlling interests	42,175,650
	₱389,579,450

The business combination resulted in goodwill computed as follows:

Total consideration transferred	₱389,579,450
Less: fair value of identifiable net assets	385,165,749
Goodwill	₱4,413,701

Goodwill arising from the acquisition of TCI is allocated to the operations of TCI. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, TCI contributed gross revenues and net income amounting to ₱4.20 billion and ₱7.00 million, respectively.

If the business combination had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2014 would have been ₱144.20 billion and ₱9.16 billion, respectively.

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 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.

The fair values of the identifiable assets and liabilities of Toyota as of acquisition date 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

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 reflected 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, the Toyota Group has contributed gross revenues of ₱75.13 billion and net income amounting to ₱3.94 billion to the Group. If the business combination with Toyota had 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.

<u>Acquisition of Charter Ping An</u>
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 consideration of ₱1.4 billion. The acquisition represented 66.7% of the 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. As of

December 31, 2013, 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. In October 2014, the Parent Company finalized its purchase price allocation. There were no changes in the provisional values as the additional information subsequently obtained was not significant to affect the preliminary values.

The fair values of the identifiable assets and liabilities of Ping An as of acquisition date are 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

The fair value of the previously held interest is ₱557.84 per share. The 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 2013 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 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 had 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 for 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.

In summary, 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 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.

The fair values of the identifiable assets and liabilities of GBPC as of acquisition date 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 the third party valuer. 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

2014
Ping An
On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An The Parent Company purchased the remaining 33.33% (represented by 1.71 million shares) of Charter Ping An's outstanding capital stock from FMIC for a total consideration of ₱712.00 million.

TCI
On April 23, 2014, the Parent Company acquired 200,000 shares of TCI for a total consideration of ₱1.00 million, resulting to 89.31% ownership over TCI.

GBPC
On May 28, 2014, the Parent Company subscribed to 7,217,470 shares of GBPC, representing an additional 0.38% of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%.

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 ₱315.67 million (Note 22).

2012
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, 2014 and 2013, respectively. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

Due from and to related parties
The carrying amounts approximate fair values due to short term in nature. Related party receivables and payables are due and demandable.

AFS investments unquoted
These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

AFS investments quoted
Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date.

Accounts and other payables
The fair values of accounts and other payables and loans payable approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. The interest rates used ranged from 2.27% to 10.35% and 3.75% to 7.10% for the year ended December 31, 2014 and 2013, respectively.

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.

		2014			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Loans and receivables					
Installment contracts receivable	**₱7,545,443,471**	**₱–**	**₱–**	**₱11,056,454,369**	**₱11,056,454,369**
AFS investments					
Government securities	**780,975,000**	**–**	**780,975,000**	**–**	**780,975,000**
Quoted debt securities	**316,017,874**	**316,017,874**	**–**	**–**	**316,017,874**
Quoted equity securities	**2,549,232,004**	**2,549,232,004**	**–**	**–**	**2,549,232,004**
Total Financial Assets	**₱11,191,668,349**	**₱2,865,249,878**	**₱780,975,000**	**₱11,056,454,369**	**₱14,702,679,247**
Non-Financial Assets					
Investment properties	**₱8,642,628,922**	**₱–**	**₱–**	**₱11,141,367,000**	**₱11,141,367,000**
Financial Liabilities					
Loans payable	**₱47,525,076,547**	**₱–**	**₱49,161,870,376**	**₱–**	**₱49,161,870,376**
Bonds payable	**21,774,719,662**	**21,516,574,800**	**–**	**–**	**21,516,574,800**
Total Financial Liabilities	**₱69,299,796,209**	**₱21,516,574,800**	**₱49,161,870,376**	**₱–**	**₱70,678,445,176**

		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	850,098,893	–	850,098,893	–	850,098,893
Quoted debt securities	282,457,747	282,457,747	–	–	282,457,747
Quoted equity securities	1,497,970,179	1,497,970,179	–	–	1,497,970,179
Total Financial Assets	₱8,450,187,920	₱1,780,427,926	₱850,098,893	₱7,690,378,192	₱10,320,905,011
Non-Financial Assets					
Investment properties	₱8,328,668,533	₱–	₱–	₱10,840,000,000	₱10,840,000,000
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

As of December 31, 2014 and 2013, other than bonds payable, 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.

Significant Unobservable Inputs

Corner influence	Bounded by two (2) roads.

33. Financial Risk Management and Objectives

The Group's principal financial instruments are composed of cash and cash equivalents, receivables, due from related parties, AFS investments, accounts and other payable, due to/from related parties, and loans payable.

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

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

The use of financial derivative instruments (if any) is solely for the 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 comprise 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 postdated 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, 2014 and 2013, 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.

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, 2014						
	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)	₱29,670,091,668	₱–	₱–	₱29,670,091,668	₱–	₱–	₱29,670,091,668
Short-term Investments	1,308,977,823	–	–	1,308,977,823	–	–	1,308,977,823
Receivables (Note 5)							
Trade receivables	6,051,526,630	1,512,795,581	473,077,928	8,037,400,139	396,321,270	54,985,085	8,488,706,494
Installment contracts receivable	3,651,540,871	2,597,104,037	680,654,196	6,929,299,104	614,493,519	1,650,848	7,545,443,471
Insurance receivables	1,554,999,127	–	–	1,554,999,127	470,775,487	16,305,509	2,042,080,123
Nontrade receivables	798,210,161	312,916,686	40,492,651	1,151,619,498	–	–	1,151,619,498
Loans receivable	700,231,199	–	–	700,231,199	–	–	700,231,199
Dividends receivable	240,000,000	–	–	240,000,000	–	–	240,000,000
Accrued rent and commission income	328,924,716	5,291,002	3,501,609	337,717,327	14,752,513	16,376,195	368,846,035
Others	625,986,178	743,048	–	626,729,226	65,823,506	2,815,201	695,367,933
Due from related parties (Note 27)	163,779,149	6,850,327	–	170,629,476	–	–	170,629,476
AFS investments (Note 10)							
Equity securities							
Quoted	2,516,915,182	–	–	2,516,915,182	–	32,316,822	2,549,232,004
Unquoted	480,655,253	–	–	480,655,253	–	–	480,655,253
Quoted debt securities	1,096,992,874	–	–	1,096,992,874	–	–	1,096,992,874
	₱49,188,830,831	₱4,435,700,681	₱1,197,726,384	₱54,822,257,896	₱1,562,166,295	₱124,449,660	₱56,508,873,851

**Excludes cash on hand amounting to ₱32,312,324*

	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*

As of December 31, 2014 and 2013, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2014								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents (Note 4)	**₱29,702,403,992**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱29,702,403,992**
Short-term investment	**1,308,977,823**	–	–	–	–	–	–	–	**1,308,977,823**
Receivables (Note 5)									
Trade receivable	**8,037,400,139**	**157,932,318**	**79,560,518**	**20,246,303**	**129,698,547**	**8,883,584**	**396,321,270**	**54,985,085**	**8,488,706,494**
Installment contracts receivable	**6,929,299,104**	**176,664,445**	**106,455,836**	**66,918,739**	**32,809,729**	**231,644,770**	**614,493,519**	**1,650,848**	**7,545,443,471**
Insurance Receivables	**1,554,999,127**	**86,186,395**	**72,640,437**	**42,327,294**	**269,621,361**	–	**470,775,487**	**16,305,509**	**2,042,080,123**
Loans receivable	**700,231,199**	–	–	–	–	–	–	–	**700,231,199**
Dividend receivable	**240,000,000**	–	–	–	–	–	–	–	**240,000,000**
Accrued rent and commission income	**337,717,327**	**9,191,523**	**1,525,958**	**1,362,476**	**2,672,556**	–	**14,752,513**	**16,376,195**	**368,846,035**
Non-trade receivable	**1,151,619,498**	–	–	–	–	–	–	–	**1,151,619,498**
Others	**626,729,226**	**558,893**	**26,684,543**	**1,154,865**	**37,425,205**	–	**65,823,506**	**2,815,201**	**695,367,933**
Due from related parties (Note 27)	**170,629,476**	–	–	–	–	–	–	–	**170,629,476**
AFS investments (Note 10)									
Equity securities									
Quoted	**2,516,915,182**	–	–	–	–	–	–	**32,316,822**	**2,549,232,004**
Unquoted	**480,655,253**	–	–	–	–	–	–	–	**480,655,253**
Quoted debt securities	**1,096,992,874**	–	–	–	–	–	–	–	**1,096,992,874**
	₱54,854,570,220	**₱430,533,574**	**₱286,867,292**	**₱132,009,677**	**₱472,227,398**	**₱240,528,354**	**₱1,562,166,295**	**₱124,449,660**	**₱56,541,186,175**

	December 31, 2013								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents (Note 4)	₱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

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, 2014			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	**₱29,702,403,992**	**₱–**	**₱–**	**₱29,702,403,992**
Short-term investments (Note 4)	**1,308,977,823**	**–**	**–**	**1,308,977,823**
Receivables (Note 5)				
Trade receivable	**7,966,096,507**	**522,609,987**	**–**	**8,488,706,494**
Installment contracts receivable	**4,482,961,600**	**3,008,904,575**	**53,577,296**	**7,545,443,471**
Insurance receivable	**2,042,080,123**	**–**	**–**	**2,042,080,123**
Nontrade receivable	**1,151,619,498**	**–**	**–**	**1,151,619,498**
Accrued rent income	**302,047,117**	**–**	**–**	**302,047,117**
Dividend receivable	**240,000,000**	**–**	**–**	**240,000,000**
Accrued interest receivable	**103,696,004**	**–**	**–**	**103,696,004**
Loans receivable	**94,622,500**	**159,202,519**	**446,406,180**	**700,231,199**
Accrued commissions	**66,798,918**	**–**	**–**	**66,798,918**
Others	**321,222,172**	**52,287,759**	**21,858,002**	**395,367,933**
Due from related parties (Note 27)	**170,629,476**	**–**	**–**	**170,629,476**
AFS investments (Note 10)				
Equity Securities				
Quoted	**2,549,232,004**	**–**	**–**	**2,549,232,004**
Unquoted	**480,655,253**	**–**	**–**	**480,655,253**
Debt	**25,660,458**	**348,921,191**	**722,411,225**	**1,096,992,874**
Total undiscounted financial assets	**₱51,008,703,445**	**₱4,091,926,031**	**₱1,244,252,703**	**₱56,344,882,179**
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	**₱6,678,480,896**	**₱–**	**₱174,720,365**	**₱6,853,201,261**
Telegraphic transfers and drafts and acceptances payable	**4,321,184,608**	**–**	**–**	**4,321,184,608**
Accrued expenses	**3,268,666,729**	**2,859,970**	**–**	**3,271,526,699**
Dividends payable	**2,034,256,000**	**–**	**–**	**2,034,256,000**
Customer's deposit	**2,549,222,602**	**–**	**–**	**2,549,222,602**
Accrued interest	**604,933,456**	**–**	**–**	**604,933,456**
Accrued commissions	**486,037,865**	**–**	**–**	**486,037,865**
Insurance payable	**433,111,602**	**–**	**–**	**433,111,602**
Customer advances	**293,691,646**	**–**	**–**	**293,691,646**
Royalty payable	**289,718,824**	**–**	**–**	**289,718,824**
Retentions payable	**100,150,602**	**504,750,145**	**–**	**604,900,747**
Others	**923,400,420**	**–**	**–**	**923,400,420**
Loans payable (Note 17)	**7,928,909,953**	**32,981,475,173**	**16,993,066,030**	**57,903,451,156**
Bonds payable (Note 17)	**1,125,505,600**	**12,217,227,750**	**16,731,031,933**	**30,073,765,283**
Due to related parties (Note 27)	**176,045,423**	**–**	**–**	**176,045,423**
Liabilities on purchased properties	**783,028,773**	**1,981,589,087**	**747,241,237**	**3,511,859,097**
Total undiscounted financial liabilities	**₱31,996,344,999**	**₱47,687,902,125**	**₱34,646,059,565**	**₱114,330,306,689**
Liquidity Gap	**₱19,012,358,446**	**(₱43,595,976,094)**	**(₱33,401,806,862)**	**(₱57,985,424,510)**

**Excludes cash on hand amounting to ₱32,312,324*

	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	₱8,014,607,566	₱–	₱–	₱8,014,607,566
Telegraphic transfers and drafts and acceptance payable	4,493,193,586	–	–	4,493,193,586
Accrued expenses	3,011,227,283	–	–	3,011,227,283
Deferred output tax	2,454,049,984	–	–	2,454,049,984
Accrued interest	389,752,174	–	–	389,752,174
Accrued commissions	367,772,684	–	–	367,772,684
Insurance payable	296,242,243	–	–	296,242,243
Customer advances	293,691,646	–	–	293,691,646
Royalty payable	289,718,824	–	–	289,718,824
Retentions payable	500,417,643	–	–	500,417,643
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	₱22,927,325,580	₱40,056,669,838	₱32,477,608,426	₱95,461,603,844
Liquidity Gap	₱22,050,198,664	(₱35,754,610,041)	(₱28,805,862,655)	(₱42,510,274,032)

**Excludes cash on hand amounting to ₱5,742,556*

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$0.25 million and JP¥11.72 million as of December 31, 2014 and US$8.55 million and JP¥3.24 million as of December 31, 2013. Short-term investments denominated in foreign currency amounted to US$27.98 million and JP¥90.0 million as of December 31, 2014 and US$27.31 million and JP¥76.00 million as of December 31, 2013.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱44.72 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.37 to JP¥1.00 as at December 31, 2014 and ₱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 as at December 31, 2013.

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, 2014 and 2013. 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		**2014**	2013	2012
US$	**₱1.00**	**₱19,757,813**	(₱2,510,102,063)	₱6,236,619
	(1.00)	**(19,757,813)**	2,510,102,063	(6,236,619)
JP¥	**7.2%**	**1,903,306**	1,692,262	–
	(7.2%)	**(1,903,306)**	(1,692,262)	–

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	**2014**	2013	2012
100 basis points (bps)	**(₱174,841,512)**	(₱155,702,489)	(₱174,197,246)
100 bps	**174,841,512**	155,702,489	174,197,246

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
2014	**Increase by 23.31%**	**₱55,482,569**
	Decrease by 23.31%	**(55,482,569)**
2013	Increase by 23.31%	79,769,658
	Decrease by 23.31%	(79,769,658)

34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2014 and 2013 were computed as follows:

	2014	2013	2012
Net income attributable to Parent Company	**₱9,152,612,962**	₱8,640,186,114	₱6,589,727,953
Weighted average number of shares	**174,300,000**	173,853,425	148,081,967
	₱52.51	₱49.70	₱44.50

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, 2014 and 2013:

	December 31, 2014					
	Real Estate	**Financial Institution**	**Automotive Operations**	**Power***	**Others**	**Total**
Revenue	**₱6,423,592**	**₱1,751,356**	**₱108,816,378**	**₱18,973,393**	**₱–**	**₱135,964,719**
Other income	**1,420,376**	**190,471**	**428,952**	**139,948**	**(3,231)**	**2,176,516**
Equity in net income of associates and jointly controlled entities	**357,895**	**2,988,262**	**74,403**	**(63)**	**–**	**3,420,497**
	8,201,863	**4,930,089**	**109,319,733**	**19,113,278**	**(3,231)**	**141,561,732**
Cost of goods and services sold	**539,929**	**–**	**70,056,858**	**–**	**–**	**70,596,787**
Cost of goods manufactured	**–**	**–**	**24,213,432**	**–**	**–**	**24,213,432**
Cost of rental	**270,092**	**–**	**–**	**–**	**–**	**270,092**
Cost of real estate sales	**4,333,872**	**–**	**–**	**–**	**–**	**4,333,872**
Power plant operation and maintenance	**–**	**–**	**–**	**8,571,517**	**–**	**8,571,517**
Net insurance benefits	**–**	**784,239**	**–**	**–**	**–**	**784,239**
General and administrative expenses	**1,833,798**	**1,110,074**	**5,020,964**	**5,103,405**	**182,732**	**13,250,973**
	6,977,691	**1,894,313**	**99,291,254**	**13,674,922**	**182,732**	**122,020,912**
Earnings before interest and taxes	**1,224,172**	**3,035,776**	**10,028,479**	**5,438,356**	**(185,963)**	**19,540,820**
Depreciation and amortization	**246,034**	**39,812**	**587,956**	**2,324,167**	**5,107**	**3,203,076**
EBITDA	**1,470,206**	**3,075,588**	**10,616,435**	**7,762,523**	**(180,856)**	**22,743,896**
Interest income	**1,170,292**	**75,450**	**192,041**	**105,164**	**18,610**	**1,561,557**
Interest expense	**(472,185)**	**367**	**(120,690)**	**(1,848,305)**	**(799,825)**	**(3,203,076)**
Depreciation and amortization	**(246,034)**	**(39,812)**	**(587,956)**	**(2,324,166)**	**(5,107)**	**(2,642,934)**
Pretax income	**1,922,279**	**3,111,593**	**10,099,830**	**3,695,216**	**(967,178)**	**17,861,739**
Provision for income tax	**(426,332)**	**597,516**	**(2,766,770)**	**(111,289)**	**(3,722)**	**(2,710,597)**
Net income	**₱1,495,947**	**₱3,709,109**	**₱7,333,060**	**₱3,583,927**	**(₱970,900)**	**15,151,142**
Segment assets	**₱51,855,156**	**₱50,441,921**	**₱52,922,850**	**₱20,310,272**	**₱42,732,927**	**₱218,263,126**
Segment liabilities	**₱21,947,418**	**₱7,019,071**	**₱24,966,013**	**₱40,310,443**	**₱18,078,276**	**₱112,321,221**

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱154.53 million*

	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 jointly controlled entities	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*

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:

	2014	2013
Domestic	**₱131,358,969,893**	₱95,585,094,803
Foreign	**11,764,318,345**	10,106,201,620
	₱143,123,288,238	₱105,691,296,423

In 2012, 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 ₱1.36 billion and ₱901.82 million as of December 31, 2014 and 2013, respectively.

37. Events after the Reporting Date

Investment in Fed Land Preferred Shares–Series B
On January 20, 2015 and February 16, 2015, the Parent Company disbursed funds totaling ₱3.50 billion and ₱2.50 billion, respectively representing its deposit for future stock subscription of Fed Land's Preferred Shares–Series B.

Amendment of Articles of Incorporation to Create Voting Preferred Shares of Stock
On January 9, 2015, the stockholders of the Parent Company by the affirmative vote of over two-thirds (2/3) of the outstanding capital stock of the Parent Company, approved the amendment of Article Seventh of the Parent Company's Articles of Incorporation by creating of a new class of shares – voting preferred shares, taken out of the Parent Company's existing and unissued portion of the Authorized Capital Stock. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on February 18, 2015.

Voting Preferred Shares Stock Rights Offering
On March 13, 2015, the BOD of the Parent Company approved the issuance of 174,300,000 Voting Preferred Shares with a par value of Ten Centavos (₱0.10) per share through a 1:1 Stock Rights Offering, to all stockholders of record as of March 25, 2015, to be offered from April 1 to 8, 2015 and will be issued on April 13, 2015.

Amendment of Articles of Incorporation to Create Perpetual Preferred Shares of Stock
On March 13, 2015, the BOD of the Parent Company approved the amendment of Article SEVENTH of its Amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the Corporation of Five Billion Pesos (₱5,000,000,000.00) in lawful money of the Philippines, will be divided into Two Hundred Ninety Eight Million, Two Hundred Fifty Seven Thousand (298,257,000) Common Shares with a par value of Ten Pesos (₱10.00) per share, Twenty Million (20,000,000) Perpetual Preferred Shares with a par value of One Hundred Pesos (₱100.00) per share and One Hundred Seventy Four Million Three Hundred Thousand (174,300,000) Voting Preferred Shares with a par value of Ten Centavos (₱0.10) per share.

The Perpetual Preferred Shares shall have the following features, rights and privileges:

a. The Issue Value and Dividend Rate shall be determined by the BOD at the time of the issuance thereof;
b. The Perpetual Preferred Shares shall be entitled to the payment of current as well as any accrued or unpaid dividends before any dividends can be paid to the holders of Common Shares. No dividend shall be declared or paid on the Common Shares unless the full accumulated dividends on all the Perpetual Preferred Shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Corporation;
c. The holders of Perpetual Preferred Shares shall have preference over holders of Common Shares in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary;
d. The Perpetual Preferred Shares shall not be entitled to vote, except in those cases specifically provided by law;
e. The Perpetual Preferred Shares shall be non-participating in any other further dividends beyond that specifically payable thereon;
f. The Perpetual Preferred Shares shall be non-convertible to common shares or Voting Preferred Shares;
g. The Perpetual Preferred Shares shall be redeemable at the option of the Corporation under such terms that the Board may approve at the time of the issuance thereof;
h. The Perpetual Preferred Shares shall have no pre-emptive rights to any issue of shares, common or preferred; and
i. Other features, rights and privileges as determined by the BOD.

Declaration of cash dividends
On March 13, 2015, 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 17, 2015 which shall be payable on May 4, 2015.

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 13, 2015.

39. Notes to Cash Flows Statements

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

	2014	2013	2012
Transfers from investment property to inventories (Note 6)	**(₱182,101,483)**	₱1,765,346,107	₱368,314,414
Transfers from property and equipment to inventories (Note 6)	**–**	–	855,240
Borrowing cost capitalized to inventories (Note 6)	**709,649,989**	299,265,598	332,926,798
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	**489,139,851**	4,000,790,312	3,935,964,042
Inventories	**116,777,335**	5,256,937,104	895,882,766
Reinsurance assets	–	3,701,512,371	–
Prepayments and other current assets	**101,508,995**	903,919,323	1,212,354,008
Due from related parties	–	–	427,605,411
Available-for-sale investments	**711,019**	2,643,193,467	–
Investment properties	**301,367,000**	2,251,349,832	–
Property, plant and equipment	**201,227,584**	3,364,099,310	33,492,302,035
Investments in associates and jointly controlled entities	**–**	–	3,077,687,617
Intangible assets		10,034,348,535	8,995,160,191
Deferred tax assets		421,764,219	–
Other non-current assets	**837,272**	356,077,960	–
Liabilities			
Accounts payable and accrued expenses	**254,455,022**	11,865,580,908	3,103,143,854
Loans payable	**497,000,000**	–	–
Other current liabilities	**–**	207,969,569	–
Long-term debt	**–**	229,481,790	34,260,023,586
Other noncurrent liabilities	**93,357,542**	(29,707,977)	854,225,652
Deferred tax liability - from fair value change	**71,367,274**	2,270,619,482	593,256,587