GT Capital Holdings, Inc. and Subsidiaries

Interim Condensed Consolidated Financial Statements

As of March 31, 2016 (Unaudited) and December 31, 2015 (Audited) and for the quarters ended March 31, 2016 and 2015 (Unaudited)

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

	Unaudited March 31, 2016	Audited December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**₱43,550**	₱37,861
Short-term investments	**1,760**	1,861
Receivables	**24,977**	25,417
Inventories	**54,873**	53,247
Due from related parties	**658**	370
Prepayments and other current assets	**8,214**	7,674
	134,032	126,430
Assets of disposal group classified as held-for-sale	**8,984**	8,434
Total Current Assets	**143,016**	134,864
Noncurrent Assets		
Noncurrent receivables	**10,916**	9,186
Land held for future development	**27,727**	27,356
Available-for-sale investments	**3,199**	3,195
Investments in associates and joint ventures	**61,896**	60,265
Investment properties	**10,717**	10,797
Property and equipment	**54,420**	51,972
Goodwill and intangible assets	**17,087**	17,001
Deferred tax assets	**1,791**	1,771
Other noncurrent assets	**888**	878
Total Noncurrent Assets	**188,641**	182,421
	₱331,657	₱317,285
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	**₱24,909**	₱22,407
Short-term debt	**9,731**	7,318
Current portion of long-term debt	**7,199**	6,757
Current portion of liabilities on purchased properties	**637**	637
Customers' deposit - current	**4,139**	3,691
Dividends payable	**3,897**	2,860
Due to related parties – current	**174**	174
Income tax payable	**1,980**	1,013
Other current liabilities	**390**	520
	53,056	45,377
Liabilities of disposal group classified as held-for-sale	**7,139**	6,444
Total Current Liabilities	**60,195**	51,821
Noncurrent Liabilities		
Long term debt-net of current portion	**81,655**	82,021
Bonds payable	**21,808**	21,801
Liabilities on purchased properties - net of current portion	**1,968**	2,146
Pension liability	**2,363**	2,219
Deferred tax liabilities	**11,032**	10,826
Other noncurrent liabilities	**2,571**	2,609
Total Noncurrent Liabilities	**121,397**	121,622
	181,592	173,443

(Forward)

	Unaudited March 31, 2016	Audited December 31, 2015
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock	**₱1,760**	₱1,760
Additional paid-in capital	**46,695**	46,695
Treasury shares	**(6)**	(6)
Retained earnings		
Unappropriated	**35,169**	33,267
Appropriated	**8,760**	8,760
Other equity adjustments	**576**	576
Other comprehensive income	**462**	(918)
	93,416	90,134
Non-controlling interest	**56,649**	53,708
Total equity	**150,065**	143,842
	₱331,657	₱317,285

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except Earnings Per Share)

	UNAUDITED	
	Quarter Ended March	
	2016	2015
REVENUE		
Automotive operations	**₱30,756**	₱27,601
Net fees	**3,883**	3,952
Real estate sales	**3,141**	1,205
Equity in net income of associates and joint ventures	**1,587**	1,573
Interest income	**623**	424
Rent income	**209**	196
Sale of goods and services	**165**	132
Gain on previously held interest	**140**	-
Commission income	**13**	16
Other income	**265**	146
	40,782	35,245
COST AND EXPENSES		
Cost of goods and services sold	**19,781**	16,734
Cost of goods manufactured	**6,086**	6,658
General and administrative expenses	**3,152**	2,488
Cost of real estate sales	**1,928**	978
Power plant operation and maintenance expenses	**1,907**	2,249
Interest expense	**1,207**	939
Cost of rental	**71**	90
	34,132	30,136
INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	**6,650**	5,109
PROVISION FOR INCOME TAX	**1,206**	810
NET INCOME FROM CONTINUING OPERATIONS	**5,444**	4,299
NET INCOME FROM DISPOSAL GROUP	**(164)**	43
NET INCOME	**₱5,280**	₱4,342
ATTRIBUTABLE TO:		
Equity holders of the parent company		
Profit for the year from continuing operations	**₱3,112**	₱2,755
Profit for the year from disposal group	**(164)**	43
	2,948	2,798
Non-controlling interest		
Profit for the year from continuing operations	**2,332**	1,544
Profit for the year from disposal group	**–**	–
	2,332	1,544
	₱5,280	₱4,342
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱16.91**	₱16.05

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Unaudited	
	Quarter Ended March 31	
	2016	2015
NET INCOME FROM CONTINUING OPERATIONS	**₱5,444**	₱4,299
NET INCOME FROM DISPOSAL GROUP	**(164)**	43
NET INCOME	**5,280**	4,342
OTHER COMPREHENSIVE INCOME		
CONTINUING OPERATIONS		
Items that may be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**4**	238
Equity in other comprehensive income of associates:		
Changes in fair value of available-for-sale investments of associates	**1,267**	237
Cash flow hedge reserve	**(1)**	
Translation adjustment of associates	**61**	2
	1,331	477
Items that may not be reclassified to profit or loss in subsequent periods:		
Remeasurement of defined benefit plans	**16**	(17)
Equity in remeasurement of defined benefit plans of associates	**14**	(4)
Income tax effect	**(9)**	6
	21	(15)
OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS	**1,352**	462
OTHER COMPREHENSIVE INCOME (LOSS) FROM DISPOSAL GROUP, NET OF TAX	**19**	24
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**1,371**	486
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱6,651**	₱4,828
ATTRIBUTABLE TO:		
Equity holders of the GT Capital Holdings, Inc.		
Total comprehensive income for the year from continuing operations	**4,298**	3,148
Total comprehensive income for the year from disposal group	**19**	24
	4,317	3,172
Non-controlling interest		
Total comprehensive income for the year from continuing operations	**2,334**	1,656
Total comprehensive income (loss) for the year from disposal group	**–**	–
	2,334	1,656
	₱6,651	₱4,828

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
QUARTER ENDED MARCH 31, 2016 AND 2015 (UNAUDITED)

(In Millions)

	Equity Attributable to Equity Holders of the Parent Company														
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Unappropriated Retained Earnings	Appropriated Retained Earnings	Net Unrealized Gain on Available-for-Sale Investments	Net Unrealized Gain (Loss) on Remeasurement of Defined Benefit Plans	Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates	Equity in Translation Adjustment of Associates	Equity in Net Unrealized Loss on Remeasurement of Defined Benefit Plans of Associates	Equity in Cash flow Hedge Reserve of Jointly Controlled Entity	Reserve of Disposal Group Classified as Held for Sale	Other Equity Adjustment	Non-controlling Interests	Total
At January 1, 2016	**₱1,760**	**₱46,695**	**(₱6)**	**₱33,267**	**₱8,760**	**₱824**	**(₱306)**	**(₱969)**	**₱502**	**(₱898)**	**₱4**	**(₱75)**	**₱576**	**₱53,708**	**₱143,842**
Total comprehensive income	–	–	–	**2,948**	–	**2**	**11**	**1,267**	**61**	**10**	**(1)**	**19**	–	**2,334**	**6,651**
Dividends declared	–	–	–	**(1,046)**	–	–	–	–	–	–	–	–	–	–	**(1,046)**
Effect of business combination achieved in stages	–	–	–	–	–	–	–	–	–	**11**	–	–	–	**607**	**618**
At March 31, 2016	**₱1,760**	**₱46,695**	**(₱6)**	**₱35,169**	**₱8,760**	**₱826**	**(₱295)**	**₱298**	**₱563**	**(₱877)**	**₱3**	**(₱56)**	**₱576**	**₱56,649**	**₱150,065**

(Forward)

	Equity Attributable to Equity Holders of the Parent Company												
	Capital Stock	**Additional Paid-in Capital**	**Treasury Shares**	**Unappropriated Retained Earnings**	**Appropriated Retained Earnings**	**Net Unrealized Gain on Available-for-Sale Investments**	**Net Unrealized Gain (Loss) on Remeasurement of Defined Benefit Plans**	**Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates**	**Equity in Translation Adjustment of Associates**	**Equity in Net Unrealized Loss on Remeasurement of Defined Benefit Plans of Associates**	**Other Equity Adjustment**	**Non-controlling Interests**	**Total**
At January 1, 2015	**₱1,743**	**₱46,695**	**(₱2)**	**₱24,432**	**₱6,000**	**₱618**	**(₱419)**	**(₱78)**	**₱391**	**(₱615)**	**₱583**	**₱26,595**	**₱105,943**
Total comprehensive income	–	–	–	**2,798**	–	**149**	**(12)**	**238**	**2**	**(3)**	–	**1,656**	**4,828**
Dividends declared	–	–	–	**(523)**	–	–	–	–	–	–	–	–	**(523)**
Reissuance of treasury shares	–	–	**(7)**	–	–	–	–	–	–	–	–	–	**(7)**
At March 31, 2015	**₱1,743**	**₱46,695**	**(₱9)**	**₱26,707**	**₱6,000**	**₱767**	**(₱431)**	**₱160**	**₱393**	**(₱618)**	**₱583**	**₱28,251**	**₱110,241**

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Unaudited	
	Quarters Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	**₱6,650**	₱5,109
Income before income tax from disposal group	**(159)**	59
Adjustments for:		
Interest expense	**1,207**	939
Depreciation and amortization	**902**	915
Pension expense	**93**	97
Unrealized foreign exchange losses	**10**	71
Provision for impairment losses	**–**	1
Dividend income	**–**	(1)
Gain on disposal of property and equipment	**(16)**	(2)
Gain on sale of available-for-sale investments	**–**	(3)
Gain on previously held interest	**(140)**	–
Interest income	**(623)**	(441)
Equity in net income of associates and joint ventures	**(1,587)**	(1,573)
Operating income before changes in working capital	**6,337**	5,171
Decrease (increase) in:		
Short-term investments	**101**	(61)
Receivables	**457**	(85)
Reinsurance assets	**–**	254
Due from related parties	**(287)**	(7)
Inventories	**(1,329)**	(4,622)
Prepayments and other current assets	**(342)**	(500)
Increase (decrease) in:		
Accounts and other payables	**1,522**	672
Insurance contract liabilities	**–**	(197)
Customers' deposits	**416**	139
Other current liabilities	**(147)**	(83)
Cash provided by operations	**6,727**	681
Interest received	**529**	402
Interest paid	**(857)**	(932)
Contributions to pension plan	**(5)**	(105)
Dividends received	**60**	241
Dividends paid	**(10)**	–
Income taxes paid	**(266)**	(196)
Net cash provided by (used in) operating activities	**6,178**	91
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Property and equipment	**3**	53
Available-for-sale investments	**–**	100
Additions to:		
Property and equipment	**(1,825)**	(1,796)
Investments in associates and joint ventures	**(355)**	(8,279)
Available-for-sale investments	**–**	(129)
Intangible assets	**(7)**	(2)
Investment properties	**(5)**	(5)
Decrease (increase) in other noncurrent asset	**31**	28
Effect of business combination	**177**	–
Net cash provided by (used in) investing activities	**(1,980)**	(10,030)

(Forward)

	Unaudited	
	Quarters Ended March 31	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availment	**₱5,810**	₱19,540
Payment of loans payable	**(4,020)**	(5,256)
Increase (decrease) in:		
Due to related parties	**–**	(1)
Liabilities on purchased properties	**(178)**	(194)
Other noncurrent liabilities	**(111)**	395
Net cash provided by financing activities	**1,501**	14,484
Effect of exchange rate changes on cash and cash equivalents	**(10)**	(71)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,689**	4,474
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**37,861**	29,702
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱43,550**	₱34,176

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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 TMBC 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.

TMBC Group 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 or Metrobank), 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 43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Makati City.

The accompanying interim condensed consolidated financial statements of the Company were approved for issue by the Company's Audit Committee on May 5, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2015.

The interim condensed 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 interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest million pesos (₱000,000) unless otherwise indicated.

Presentation of Financial Statements

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

Basis of Consolidation

The interim condensed consolidated financial statements of the Group comprise the financial statements of the Parent Company and the following domestic subsidiaries:

		Direct Percentages of Ownership		Effective Percentages of Ownership	
	Country of Incorporation	**March 31, 2016**	December 31, 2015	**March 31, 2016**	December 31, 2015
Fed Land and Subsidiaries	Philippines	**100.00**	100.00	**100.00**	100.00
Charter Ping An	-do-	**100.00**	100.00	**100.00**	100.00
Toyota and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00
GBPC and Subsidiaries	-do-	**51.27**	51.27	**52.45**	52.45
PCFI and Subsidiaries	-do-	**22.68**	22.68	**22.68**	22.68
TMBC and Subsidiary (Note 3)	-do-	**58.05**	–	**58.05**	–
TCI and Subsidiary (Note 3)	-do-	–	53.80	–	53.80

Fed Land's Subsidiaries

	Percentage of Ownership
Horizon Land Property and Development Corp. (HLPDC)	100.00
Omni – Orient Management Corp. (Previously as Top Leader Property Management Corp.) (TLPMC)	100.00
Central Realty and Development Corp. (CRDC)	75.80
Federal Brent Retail, Inc. (FBRI)	51.66

** On July 4, 2014, the BOD of Fed Land approved the merger of Fed Land and its two subsidiaries namely FMCI and BPMC, where Fed Land will be the surviving entity and the two subsidiaries will be the absorbed entities. The SEC approved the merger on March 20, 2015.*

PCFI's Subsidiaries

	Percentage of Ownership
Micara Land, Inc.	100.00
Firm Builders Realty Development Corporation	100.00
Marcan Development Corporation (MDC)*	100.00

**MDC was incorporated on November 25, 2015 and has not started commercial business operations.*

GBPC's Subsidiaries

	GBPC Direct Interest	Direct interest of GBPC's subsidiary	GBPC Effective Interest
	In Percentage (%)		
ARB Power Venture, Inc. (APVI)	100.00	-	100.00
Global Energy Supply Corp. (GESC)	100.00	-	100.00
Global Hydro Power Corporation (GHPC)	100.00	-	100.00
Global Luzon Energy Development Corporation (GLEDC)	100.00	-	100.00
Global Renewables Power Corporation (GRPC)	100.00	-	100.00
GBH Power Resources, Inc. (GPRI)	100.00	-	100.00
Mindanao Energy Development Corporation (MEDC)	100.00	-	100.00
Toledo Holdings Corp. (THC)	100.00	-	100.00
Global Formosa Power Holdings, Inc. (GFPHI)	93.20	-	93.20
Toledo Cebu Int'l Trading Resources Corp. (TCITRC)	89.80	9.20	99.00
Panay Power Holdings Corp (PPHC)	89.30	-	89.30
APVI's Subsidiary			
Toledo Power Company (TPC)	13.90	86.10	100.00
GFPHI's Subsidiary			
Cebu Energy Development Corp. (CEDC)	-	56.00	52.19
PPHC's Subsidiaries			
Panay Power Corp. (PPC)	-	100.00	89.30
Panay Energy Development Corp. (PEDC)	-	100.00	89.30

Toyota's Subsidiaries

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

TSRLI was incorporated on June 24, 2015.

TMBC 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, presented under 'Assets of disposal group classified as held-for-sale' and PCFI which uses fair value model in accounting for its 'Investment Properties'. The carrying values of the condominium units of Charter Ping An and the investment properties of PCFI are adjusted to eliminate the effect of revaluation or fair value gain 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 interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and within equity in the interim condensed 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 interim condensed 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 NCI 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 interim condensed consolidated statements 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 interim condensed 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 interim condensed 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 interim condensed 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 is 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 (1) year.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any NCI 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 NCI in the acquiree and the fair value of the acquirer's previously-held interest, if any, the difference is recognized immediately in the interim condensed 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 interim condensed 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.

<u>Change in Ownership without Loss of Control</u>
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 interest 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.

<u>Changes in Accounting Policies</u>
The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those of the previous year except for the following new and amended Philippine Financial Reporting Standards (PFRS) and PAS which were adopted as of January 1, 2016.

Except as otherwise indicated, the following new and amended standards did not have a material impact on the accounting policies, financial position or performance of the Group.

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.

Amendments
PAS 1, *Presentation of Financial Statements – Initiative to improve presentation and disclosure in financial reports*
The amendments to PAS 1 further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. It clarifies that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosure.

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 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.

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).

The impact of the revised standards adopted effective January 1, 2016 has been reflected in the interim condensed consolidated financial statements, as applicable.

Significant Accounting Policies

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

Fair Value Measurement
The Group measures financial instruments, such as AFS investments, at fair value at each reporting 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.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
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 March 31, 2016 and December 31, 2015, 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' 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', 'Short-term debt', '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.

<u>Derecognition of Financial Assets and Liabilities</u>
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>Standards Issued But Not Yet Effective</u>
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

New Standards
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 Group is currently assessing the impact of adopting this standard.

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.

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. This mandatory effective date was moved to January 1, 2018.

IFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Amendments

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. In December 2015, the IASB deferred the effectivity of the amendments to PFRS 10 and PAS 28 for a broader review by the Board.

PAS 7, *Statement of Cash Flows*
The amendments to disclosures require entities to provide information about changes in their financing liabilities. This will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes such as foreign exchange gains or losses. The amendments to PAS 7 will become mandatory for annual periods beginning on or after January 1, 2017.

PAS 12, *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments to PAS 12 clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments shall be applied for annual periods beginning on or after January 1, 2017, with earlier application permitted.

3. **Investment in subsidiaries, associates and jointly controlled entities**

Investment in MBTC
On various dates in January 2016, the Parent Company acquired an aggregate of 4.88 million shares of Metrobank for a total consideration of ₱338.33 million. This increases the Parent Company’s ownership interest in Metrobank from 25.22% to 25.37%.

On January 21, 2015, the BOD of MBTC approved the entitlement of one (1) rights share for every 6.3045 common shares held by eligible shareholders as of record date March 18, 2015. The offer price was ₱73.50 per share and the offer period was from March 23 to 27, 2015. As of March 18, 2015, the Parent Company held 689.2 million shares and is entitled to 109.3 million shares.

In March 2015, the Parent Company exercised its stock rights and subscribed for additional shares which aggregated to 112.6 million shares with a total cost of ₱8.28 billion. This increased the Parent Company's investment in MBTC from ₱22.48 billion to ₱30.76 billion. Consequently, the Parent Company's percentage of ownership in MBTC increased from 25.11% to 25.22%.

Cash dividends from MBTC
On March 16, 2016, the BOD of MBTC approved the declaration of a 5.00% cash dividend or ₱1.00 per share based on a par value of ₱20.00 to all stockholders of record as of April 1, 2016 payable on April 8, 2016.

On January 27, 2015, the BOD of MBTC approve the declaration of a 5.00% cash dividend or ₱1.00 per share based on a par value of ₱20.00 to all stockholders of record as of March 26, 2015 payable on March 31, 2015. The BSP approved such dividend declaration on March 12, 2015.

Business Combinations

2016
Acquisition of TMBC
On March 7, 2016, the SEC approved the merger of TMBC and TCI, with TMBC as the surviving corporation and TMBC as the absorbed corporation. The merger resulted to GT Capital owning 58.05% of merged corporation. Management has assessed that it has the ability to direct the relevant activities of TMBC based on the amended shareholders' agreement. As a result, TMBC was consolidated in the financial statements of the Parent Company and TCI ceased to be a subsidiary of the Parent Company, but was folded into TMBC effective March 2016. Prior to this, TMBC is accounted for as a jointly-controlled entity while TCI is accounted for as a subsidiary.

The acquisition of control over TMBC was accounted for as a business combination achieved in stages using the acquisition method. The cost of consideration included the fair value of previously held interest. The Parent Company's 60.00% direct ownership interest over TMBC was regarded as the previously held interest and remeasured at fair value and recognized ₱140.14 million gain from the remeasurement.

The Group elected to measure the non-controlling interest (NCI) in TMBC at the proportionate share of the NCI in the identifiable net assets of TMBC. The cost of consideration included the proportionate share of NCI, the fair value of previously held interest and carrying value of existing TCI shares exchanged for new TMBC shares.

As of March 31, 2016, the purchase price allocation relating to the Parent Company's acquisition of control over TMBC has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company is currently finalizing the information for the purchase price allocation. The difference between the total consideration and the net assets amounting to ₱194.68 million was initially allocated to goodwill. The preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within twelve months from acquisition date.

The provisional fair values of the identifiable assets and liabilities of TMBC as of acquisition date are as follows (amounts in million pesos):

Assets	
Cash and cash equivalents	₱220
Receivables	1,536
Inventories	661
Prepayments and other current assets	97
Available-for-sale investments	1
Property and equipment	1,746
Goodwill	4
Investment properties	301
Deferred tax assets	60
Other noncurrent assets	66
	4,692
Liabilities	
Accounts and other payables	819
Loans payable	1,360
Customer's deposits	89
Income tax payable	22
Current liabilities-Others	26
Deferred tax liabilities	343
Pension Liabilities	144
	2,803
Net assets	₱1,889

The aggregate consideration transferred consists of (amounts in million pesos):

Proportionate share of non-controlling interests	₱779
Fair value of previously held interest in TMBC	1,036
Carrying value of TCI	269
	₱2,084

The business combination resulted in provisional goodwill computed as follows (amounts in million pesos):

Total consideration transferred	₱2,084
Less: Provisional fair value of identifiable net assets	1,889
Goodwill	₱195

2015

Acquisition of PCFI

On August 6, 2015, the Parent Company, Profriends Group Inc. (PGI) and PCFI entered into a Master Subscription Agreement (the Agreement). Subject to the terms of the Agreement, the Parent Company agreed to subscribe to PCFI's series A preferred shares representing 51% of all issued and outstanding capital stock over a three (3) year term ending on the third year from the execution of the Agreement.

The Parent Company finalized the acquisition of an initial 22.68% of PCFI for ₱7.24 billion on August 20, 2015, upon fulfillment of all Tranche 1 closing conditions. This includes the execution of an irrevocable proxy in favor of the Parent Company, covering 51% of the total issued and outstanding capital stock of PCFI ("the Irrevocable Proxy") by PGI, the selling shareholder. The Irrevocable Proxy gives the Parent Company the ability to direct the relevant activities of PCFI that will affect the amount of returns that the Parent Company will receive from its investment in PCFI. The Parent Company assessed that it has control over PCFI by virtue of the Irrevocable Proxy and payment for the 22.68% equity interest and accounted for PCFI as a subsidiary.

The acquisition was accounted for as a business combination using the acquisition method. The Group elected to measure the non-controlling interest at the proportionate share of the noncontrolling interest in the identifiable net assets of PCFI.

As of December 31, 2015, the purchase price allocation relating to the Parent Company's acquisition of control over PCFI has been prepared on a preliminary basis. Details of the preliminary purchase price allocation relating to the Parent Company's acquisition of control over PCFI are extensively discussed in the 2015 Audited Financial Statements.

4. Cash and cash equivalents

This account consists of:

	March 31, 2016	March 31, 2015	December 31, 2015
Cash on hand	**₱19**	₱7	₱11
Cash in banks	**21,454**	7,025	16,348
Cash equivalents	**22,077**	27,144	21,502
	₱43,550	₱34,176	₱37,861

5. Assets and Liabilities of Disposal Group

On November 5, 2015, the Parent Company signed an agreement to sell 100.00% of Charter Ping An to AXA Philippines for ₱2.30 billion, subject to closing conditions that are usual and customary. The sale was completed in April 2016.

PFRS 5 requires assets and liabilities of Charter Ping An, together with the results of operations of a disposal group, to be classified separately from continuing operations. As a result, GT Capital reclassified all the assets, liabilities, and accumulated other comprehensive income to 'Assets of disposal group classified as held-for-sale', 'Liabilities of disposal group classified as held-for-sale' and 'Reserve of disposal group classified as held-for-sale', respectively, in the interim condensed consolidated statement of financial position.

In the interim condensed consolidated statements of income, income and expenses from disposal group are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the interim condensed consolidated statement of income. Accordingly, the interim condensed consolidated statements of income for the period ended March 31, 2015 have been restated to present the results of operation of Charter Ping An as 'Net income from disposal group".

6. Property and Equipment

The increase in the property and equipment account is primarily attributable to the additional construction costs incurred for the PEDC Unit 3 Plan Expansion Project of the GBPC Group amounting to ₱1.4 billion and the consolidation of TMBC's property and equipment.

7. **Loans Payable**

This account consists of:

	March 31, 2016					
		Long-term debt				
	Short-term debt	**Corporate notes**	**Loans payable**	**Subtotal**	**Bonds payable**	**Total**
Parent Company	**₱–**	**₱–**	**₱25,000**	**₱25,000**	**₱21,980**	**₱46,980**
Fed Land Group	**1,495**	**4,950**	**12,395**	**17,345**	**–**	**18,840**
PCFI	**5,500**	**–**	**10,429**	**10,429**	**–**	**15,929**
Toyota Group	**1,517**	**–**	**244**	**244**	**–**	**1,761**
GBPC Group	**–**	**–**	**36,346**	**36,346**	**–**	**36,346**
TMBC	**1,219**	**–**	**–**	**–**	**–**	**1,219**
	9,731	**4,950**	**84,414**	**89,364**	**21,980**	**121,075**
Less: Deferred financing cost	**–**	**–**	**510**	**510**	**172**	**682**
	9,731	**4,950**	**83,904**	**88,854**	**21,808**	**120,393**
Less: Current portion of long-term debt	**–**	**2,025**	**5,174**	**7,199**	**–**	**7,199**
	₱9,731	**₱2,925**	**₱78,730**	**₱81,655**	**₱21,808**	**₱113,194**

	December 31, 2015					
		Long-term debt				
	Short-term debt	Corporate notes	Loans payable	Subtotal	Bonds payable	Total
Parent Company	₱–	₱–	₱25,000	₱25,000	₱21,980	₱46,980
Fed Land Group	740	4,950	12,395	17,345	–	18,085
PCFI	4,500	–	11,207	11,207	–	15,707
Toyota Group	1,532	–	244	244	–	1,776
GBPC Group	–	–	35,545	35,545	–	35,545
TCI	546	–	–	–	–	546
	7,318	4,950	84,391	89,341	21,980	118,639
Less: Deferred financing cost	–	–	563	563	179	742
	7,318	4,950	83,828	88,778	21,801	117,897
Less: Current portion of long-term debt	–	25	6,732	6,757	–	6,757
	₱7,318	₱4,925	₱77,096	₱82,021	₱21,801	₱111,140

The increase in the Group's short-term loans payable in 2016 is primarily due to availment of short-term loans by the PCFI and Fed Land amounting to ₱1.0 billion and ₱0.8 billion, respectively and the consolidation of TMBC's short-term loans amounting to ₱0.7 billion.

The increase in current portion of long-term debt is due to the reclassification of PCFI's long term debt from non-current to current amounting to ₱1.4 billion offset by PCFI's payment of ₱1.0 billion.

Bonds payable
This account consists of the following Peso Bonds:

			Carrying Value	
Maturity Dates	Interest rate	Par Value	**March 31, 2016**	December 31, 2015
₱10.0 billion Bonds				
February 27, 2020	4.8371%	₱3,900	**₱3,875**	₱3,874
February 27, 2023	5.0937%	6,100	**6,032**	6,031
		10,000	**9,907**	9,905
₱12.0 billion Bonds				
November 7, 2019	4.7106%	3,000	**2,978**	2,976
August 7, 2021	5.1965%	5,000	**4,959**	4,957
August 7, 2014	5.6250%	4,000	**3,964**	3,963
		12,000	**11,901**	11,896
Balances at end of year		₱22,000	**₱21,808**	₱21,801

Unamortized debt issuance costs on these notes amounted to ₱172.42 million and ₱179.17 million as of March 31, 2016 and December 31, 2015, respectively.

8. Equity

Treasury shares
As of March 31, 2016 and December 31, 2015, treasury shares of the Group pertain to 5,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱6.14 million.

Amendment of By-laws
On March 10, 2016, the BOD of the Parent Company approved the amendment of its Amended By-laws moving the date of the annual/regular meeting of the stockholders from the second Monday of May to the second Wednesday of May.

Retained earnings
Details of the Parent Company's dividend distributions out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
Common				
March 10, 2016	₱6.00	₱1,045.80	April 8, 2016	May 4, 2016
March 13, 2015	3.00	522.87	April 17, 2015	May 4, 2015
Preferred				
March 10, 2016	0.00377	0.66	April 8, 2016	May 4, 2016

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On December 17, 2015, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱8.76 billion to be earmarked for the following:

Project Name	Timeline	Amount
Tranche 2 of PCFI Acquisition	2016	₱6.26 billion
Tranche 3 of PCFI Acquisition	2017	2.50 billion
		₱8.76 billion

9. Related Party Transactions

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

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

As of March 31, 2016 and December 31, 2015, 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.

10. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share from continuing operations attributable to equity holders of the Parent Company for the periods indicated were computed as follows:

	March 31, 2016	March 31, 2015	December 31, 2015
Net income attributable to equity holders of the Parent Company from continuing operations	**₱3,112**	₱2,755	₱12,069
Weighted average number of shares	**174.30**	174.30	174.30
	₱17.85	₱15.80	₱69.24

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the periods indicated were computed as follows:

	March 31, 2016	March 31, 2015	December 31, 2015
Net income attributable to equity holders of the Parent Company	**₱2,948**	₱2,798	₱12,118
Weighted average number of shares	**174.30**	174.30	174.30
	₱16.91	₱16.05	₱69.53

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

11. 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;
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments; and
- 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.

Seasonality of Operations
The operations of the Group are not materially affected by seasonality, except for the mall leasing operations of the real estate segment which experiences higher revenues during the holiday seasons. This information is provided to allow for a proper appreciation of the results of the Group's operations. However, management concluded that the aforementioned discussions of seasonality do not constitute "highly seasonal" as considered in PAS 34.

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 as of and for the quarter ended March 31, 2016 and as of and for the year ended December 31, 2015:

	Period Ended March 31, 2016 (Unaudited)					
	Real Estate	**Financial Institution**	**Automotive**	**Power**	**Others**	**Total**
Revenue	**₱3,141**	**₱–**	**₱ 30,756**	**₱3,883**	**₱–**	**₱37,780**
Other income	**447**	**–**	**164**	**41**	**140**	**792**
Equity in net income of associates and joint ventures	**93**	**1,497**	**(3)**	**–**	**–**	**1,587**
	3,681	**1,497**	**30,917**	**3,924**	**140**	**40,159**
Cost of goods and services sold	**111**	**–**	**19,670**	**–**	**–**	**19,781**
Cost of goods manufactured	**–**	**–**	**6,086**	**–**	**–**	**6,086**
Cost of real estate sales	**1,928**	**–**	**–**	**–**	**–**	**1,928**
Cost of rental	**71**	**–**	**–**	**–**	**–**	**71**
Power plant operation and maintenance	**–**	**–**	**–**	**1,907**	**–**	**1,907**
Net insurance benefits	**–**	**–**	**–**	**–**	**–**	**–**
General and administrative expense	**910**	**–**	**1,343**	**862**	**37**	**3,152**
	3,020	**–**	**27,099**	**2,769**	**37**	**32,925**
Earnings before interest and taxes	**661**	**1,497**	**3,818**	**1,155**	**103**	**7,234**
Depreciation and amortization	**86**	**–**	**216**	**599**	**1**	**902**
EBITDA	**747**	**1,497**	**4,034**	**1,754**	**104**	**8,136**
Interest income	**473**	**–**	**88**	**38**	**24**	**623**
Interest expense	**(75)**	**–**	**(30)**	**(464)**	**(638)**	**(1,207)**
Depreciation and amortization	**(86)**	**–**	**(216)**	**(599)**	**(1)**	**(902)**
Pretax income	**1,059**	**1,497**	**3,876**	**729**	**(511)**	**6,650**
Provision for income tax	**155**	**–**	**1,007**	**40**	**4**	**1,206**
Net income (loss) from continuing operations	**₱ 904**	**₱1,497**	**₱2,869**	**₱ 689**	**(₱515)**	**₱5,444**
Net income from disposal group classified as held for sale	**–**	**(164)**	**–**	**–**	**–**	**(164)**
Segment Assets	**₱124,220**	**₱65,488**	**₱54,285**	**₱80,224**	**₱7,440**	**₱331,657**
Segment Liabilities	**₱56,639**	**₱7,140**	**₱23,918**	**₱45,885**	**₱48,010**	**₱181,592**

	December 31, 2015					
	Real Estate	Financial Institution	Automotive	Power	Others	Total
Revenue	₱9,546	₱–	₱120,802	₱18,391	₱–	₱148,739
Other income	1,792	–	401	707	1	2,901
Equity in net income of associates and joint ventures	439	5,095	83	–	–	5,617
	11,777	5,095	121,286	19,098	1	157,257
Cost of goods and services sold	481	–	74,460	–	–	74,941
Cost of goods manufactured	–	–	27,838	–	–	27,838
Cost of real estate sales	6,487	–	–	–	–	6,487
Cost of rental	271	–	–	–	–	271
Power plant operation and maintenance	–	–	–	9,477	–	9,477
Net insurance benefits	–	–	–	–	–	–
General and administrative expense	2,297	–	4,997	3,376	189	10,859
	9,536	–	107,295	12,853	189	129,873
Earnings before interest and taxes	2,241	5,095	13,991	6,245	(188)	27,384
Depreciation and amortization	249	–	880	2,259	5	3,393
EBITDA	2,490	5,095	14,871	8,504	(183)	30,777
Interest income	1,478	–	279	183	34	1,974
Interest expense	(242)	1	(119)	(1,768)	(1,804)	(3,932)
Depreciation and amortization	(249)	–	(880)	(2,259)	(5)	(3,393)
Pretax income	3,477	5,096	14,151	4,660	(1,958)	25,426
Provision for income tax	505	–	3,771	210	31	4,517
Net income (loss) from continuing operations	₱2,972	₱5,096	₱10,380	₱4,450	(₱1,989)	₱20,909
Net income from disposal group classified as held for sale	–	50	–	–	–	50
Segment Assets	₱121,730	₱62,573	₱47,228	₱78,778	₱6,976	₱317,285
Segment Liabilities	₱54,584	₱6,444	₱20,387	₱45,131	₱46,897	₱173,444

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:

	March 31, 2016	March 31, 2015	December 31, 2015
Domestic	**₱38,860**	₱32,713	₱149,803
Foreign	**1,922**	2,532	9,428
	₱40,782	₱35,245	₱159,231

12. **Financial Risk Management and Objectives**

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

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

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

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

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

Financial assets comprise of 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.

Maximum exposure to credit risk after taking into account collateral held or other credit enhancements

As of March 31, 2016 and December 31, 2015, 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.

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

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

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

	March 31, 2016 (Unaudited)			
	< 1 year	**> 1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents*	**₱43,531**	**₱–**	**₱–**	**₱43,531**
Short-term investments	**1,760**	**–**	**–**	**1,760**
Receivables	**28,062**	**10,015**	**1,538**	**39,615**
Due from related parties	**658**	**–**	**–**	**658**
AFS investments				
Equity Securities				
Quoted	**2,718**	**–**	**–**	**2,718**
Unquoted	**481**	**–**	**–**	**481**
Total undiscounted financial assets	**₱77,210**	**₱10,015**	**₱1,538**	**₱88,763**
Other financial liabilities				
Accounts and other payables	**₱21,284**	**₱889**	**₱174**	**₱22,347**
Customer's deposit	**4,139**	**–**	**–**	**4,139**
Dividends payable	**3,898**	**–**	**–**	**3,898**
Loans payable	**19,240**	**42,798**	**58,038**	**120,076**
Bonds payable	**1,126**	**11,000**	**16,542**	**28,668**
Due to related parties	**174**	**–**	**–**	**174**
Liabilities on purchased properties	**720**	**894**	**1,523**	**3,137**
Total undiscounted financial liabilities	**₱50,581**	**₱55,581**	**₱76,277**	**₱182,439**
Liquidity Gap	**₱26,629**	**(₱45,566)**	**(₱74,739)**	**(₱93,676)**

**excluding cash on hand*

	December 31, 2015 (Audited)			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents*	₱37,850	₱–	₱–	₱37,850
Short-term investments	1,861	–	–	1,861
Receivables	28,378	7,444	3,605	39,427
Due from related parties	370	–	–	370
AFS investments				
Equity Securities				
Quoted	2,714	–	–	2,714
Unquoted	481	–	–	481
Total undiscounted financial assets	₱71,654	₱7,444	₱3,605	₱82,703
Other financial liabilities				
Accounts and other payables	₱19,002	₱683	₱175	₱19,860
Customer's deposit	3,691	–	–	3,691
Dividends payable	2,861	–	–	2,861
Loans payable	16,269	38,079	63,440	117,788
Bonds payable	1,125	11,092	16,731	28,948
Due to related parties	174	–	–	174
Liabilities on purchased properties	720	893	1,689	3,302
Total undiscounted financial liabilities	₱43,842	₱50,747	₱82,035	₱176,624
Liquidity Gap	₱27,812	(₱43,303)	(₱78,430)	(₱93,921)

**excluding cash on hand*

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 primarily consist of cash and cash equivalents, accounts receivable and accounts payable. The Group's policy is to maintain foreign currency exposure within acceptable limits.

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.

13. **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 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 March 31, 2016 and December 31, 2015. 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 its short term 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 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. Estimated fair value of long-term loans payable with fixed interest rates are discounted based on interest rates ranging from 3.75% to 7.10% as of March 31, 2016 and December 31, 2015.

Bonds payable
The fair value of the bonds payable is based on its quoted market price in the Philippine Dealing and Exchange Corporation.

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.

	March 31, 2016 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:					
Financial Assets					
AFS investments:					
Quoted equity securities	**₱2,718**	**₱2,718**	**₱–**	**₱–**	**₱2,718**
Assets of disposal group classified as held-for-sale:					
AFS investments					
Government securities	**921**	**921**	**–**	**–**	**921**
Quoted debt securities	**424**	**424**	**–**	**–**	**424**
Quoted equity securities	**264**	**264**	**–**	**–**	**264**
	₱4,327	**₱4,327**	**₱–**	**₱–**	**₱4,327**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	**₱23,512**	**₱–**	**₱–**	**₱28,582**	**₱28,582**
Non-financial Assets					
Investment properties	**10,717**	**–**	**–**	**14,931**	**14,931**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Loans payable	**99,095**	**–**	**101,238**	**–**	**101,238**
Bonds payable	**21,808**	**21,877**	**–**	**–**	**21,877**
	₱120,903	**₱21,877**	**₱101,238**	**₱–**	**₱123,115**

	December 31, 2015 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
AFS investments:					
Quoted equity securities	₱2,713	₱2,713	₱–	₱–	₱2,713
Assets of disposal group classified as held-for-sale:					
AFS investments					
Government securities	952	508	444	–	952
Quoted debt securities	386	386	–	–	386
Quoted equity securities	267	267	–	–	267
	₱4,318	₱3,874	₱444	₱–	₱4,318
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	₱23,430	₱–	₱–	₱26,860	₱26,860
Non-financial Assets					
Investment properties	10,797	–	–	14,931	14,931

	December 31, 2015 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Loans payable	₱96,618	₱–	₱99,639	₱–	₱99,639
Bonds payable	21,801	22,302	–	–	22,302
	₱118,419	₱22,302	₱99,639	₱–	₱121,941

As of March 31, 2016 and December 31, 2015, 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 by Asian Appraisal Company and Philippine Appraisal Co. Inc. in 2014 and 2015, respectively.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	Valuation Techniques	**Significant Unobservable Inputs**
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach and Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.

Significant Unobservable Inputs

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

14. **Contingent Liabilities**

In the ordinary course of the Group's operations, certain companies 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 Group's interim condensed consolidated financial position and results of operations.

In addition, in order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of Housing and Land Use Regulatory Board for a total guarantee amount of ₱1.33 billion and ₱1.36 billion as of March 31, 2016 and December 31, 2015, respectively.

15. **Events after Financial Reporting Date**

On April 4, 2016, the Parent Company completed the sale of 100% of Charter Ping An to AXA Philippines for a final consideration of ₱2.1 billion.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE PERIODS ENDED MARCH 31, 2016 AND MARCH 31, 2015 (UNAUDITED)

(Amounts in millions except ratio and %)	2016	2015
Liquidity Ratio		
Current ratio	**2.38**	2.40
Current assets	**₱143,016**	₱98,170
Current liabilities	**60,195**	40,931
Solvency Ratio		
Total liabilities to total equity ratio	**1.21**	1.17
Total liabilities	**181,592**	128,499
Total equity	**150,065**	110,241
Debit to equity ratio	**0.82**	0.79
Total debt	**122,998**	86,786
Total equity	**150,065**	110,241
Asset to Equity Ratio		
Asset equity ratio	**3.55**	2.91
Total assets	**331,657**	238,740
Equity attributable to Parent Company	**93,416**	81,990
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	**5.99**	6.03
Earnings before interest and taxes (EBIT)	**7,234**	5,666
Interest expense	**1,207**	939
Profitability Ratio		
Return on average assets	**0.91%**	1.22%
Net income attributable to Parent Company	**2,948**	2,798
Total assets	**331,657**	238,740
Average assets	**324,471**	228,502
Return on Average Equity	**3.21%**	3.47%
Net income attributable to Parent Company	**2,948**	2,798
Equity attributable to Parent Company	**93,416**	81,990
Average equity attributable to Parent Company	**91,775**	80,669

*computed as EBIT/Interest Expense