**GT CAPITAL HOLDINGS, INC.**

Primary Offer in the Philippines of 8,000,000 Cumulative, Non-Voting, Non-Participating, Non-Convertible, Peso-Denominated Perpetual Preferred Shares,
with an Oversubscription Option of up to 4,000,000 Perpetual Preferred Shares
Series A ("GTPPA"): 4.6299% per annum
Series B ("GTPPB"): 5.0949% per annum

at an Offer Price of ₱1,000.00 per Preferred Share
to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

*Issue Manager*

First Metro is a wholly-owned subsidiary of MBT, an affiliate of GT Capital, which has an effective ownership of 25.37% in MBT as of June 30, 2016.

*Joint Lead Underwriters*[1]

*Selling Agents*

The Trading Participants of The Philippine Stock Exchange, Inc.

**THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.**

**This Final Prospectus is dated as of 14 October 2016**

[1] GT Capital obtained the BPI loan from the Bank of the Philippine Islands, the parent company of BPI Capital Corporation, for purposes of partially financing acquisitions. The BPI loan is a short-term loan of ₱2,000.00 million, at any one time outstanding, with an interest rate of 2.6% per annum. The Company intends to partially repay the BPI loan using a portion of the net proceeds of the Offer.

**GT CAPITAL HOLDINGS, INC.**
**43/F GT Tower International**
**6813 Ayala Avenue cor. H.V. dela Costa St.,**
**Makati City, Philippines 1227**
**Tel No. : + 63 2 836 4500**
**Website: www.gtcapital.com.ph**

This Prospectus relates to the offer and sale of up to 8,000,000 cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares constituted into two series designated as Series A Perpetual Preferred Shares and Series B Perpetual Preferred Shares (collectively, the "Preferred Shares" or "Shares") of GT Capital Holdings, Inc. ("GT Capital", the "Company" or the "Issuer"), a corporation duly organized and existing under Philippine law. The offer and sale of the Preferred Shares will be by way of a primary Offer (the "Offer") of 8,000,000 Preferred Shares. In the event of an oversubscription, First Metro Investment Corporation, as the Issue Manager ("First Metro" or the "Issue Manager"), in consultation with the Issuer, reserves the right, but not the obligation, to increase the Offer size up to an additional 4,000,000 Preferred Shares, for an aggregate issue size of up to 12,000,000 Preferred Shares, subject to the registration requirements of the Philippine Securities and Exchange Commission ("SEC") (the "Oversubscription Option"). The Preferred Shares will be issued on October 27, 2016 (the "Listing Date") by the Company from its 20,000,000 authorized Perpetual Preferred Share capital. Each Preferred Share has a par value of ₱100.00 and a liquidation right equal to the Offer Price of the Preferred Share plus an amount equal to any dividends declared but unpaid in respect of the previous Dividend Period and any accrued and unpaid dividends for the then-current Dividend Period to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be (the "Liquidation Right").

The Preferred Shares are being offered for subscription solely in the Philippines through First Metro Investment Corporation, BDO Capital & Investment Corporation, and BPI Capital Corporation (collectively, the "Joint Lead Underwriters") and Selling Agents named herein at a subscription price of ₱1,000.00 per share (the "Offer Price" or "Issue Price").

Following the Offer, if the Oversubscription Option is not exercised, the Company will have the following issued and outstanding shares: (a) 174,300,000 Common Shares, (b) 8,000,000 Preferred Shares and (c) 174,300,000 Voting Preferred Shares. On the other hand, if the Oversubscription Option is exercised in full, the Company will have the following issued and outstanding shares: (a) 174,300,000 Common Shares, (b) 12,000,000 Preferred Shares and (c) 174,300,000 Voting Preferred Shares. The holders of the Preferred Shares do not have identical rights and privileges with holders of the existing Common Shares and existing Voting Preferred Shares of the Company.

The declaration and payment of dividends on the Preferred Shares on each Dividend Payment Date will be subject to the sole and absolute discretion of the Issuer's Board of Directors (the "Board") to the extent permitted by law, [and subject to the covenants (financial or otherwise) in the agreements to which the Company is a party]. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders.

As and if declared by the Board, dividends on the Preferred Shares shall be at a fixed rate of 4.6299% per annum for Series A Perpetual Preferred Shares and 5.0949% per annum for Series B Perpetual Preferred Shares, and in all cases calculated in respect of each Preferred Share by reference to the Offer Price thereof in respect of each Dividend Period (the "Dividend Rate"). Subject to the limitations described in this Prospectus, dividends on the Preferred Shares will be payable quarterly in arrears on January 27, April 27, July 27, and October 27 of each year (each a "Dividend Payment Date") being the last day of each 3-month period (a "Dividend Period") following the relevant Listing Date. Unless the Preferred Shares are redeemed by the Issuer on the relevant Optional Redemption Date or on any Dividend Payment Date thereafter, the dividend rate on the Preferred Shares will be adjusted on the relevant Rate Adjustment Date to the higher of (a) the prevailing relevant Dividend Rate on such relevant Rate Adjustment Date or (b) the relevant Reference Rate plus the relevant Rate Step-Up Spread (see "Summary of the Offering" on page 22).

Dividends on the Preferred Shares will be cumulative. If for any reason the Issuer's Board does not declare a dividend on the Preferred Shares for a Dividend Period, the Issuer will not pay a dividend on the Dividend Payment Date for the Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date (see "Description of the Preferred Shares" on page 31).

As and if declared by the Board (or the Executive Committee) if such power is delegated by the Board to the Executive Committee), the Issuer may redeem the Preferred Shares on the 5$^{th}$ anniversary of the Issue Date for Series A Perpetual Preferred Shares and 7$^{th}$ anniversary for Series B Perpetual Preferred Shares of the Issue Date (the "Issue Date") or on any Dividend Payment Date thereafter, in whole but not in part.

Upon listing on the PSE and subject to compliance with Philippine law, the Issuer may purchase the Preferred Shares, then tradeable at that time at any time in the open market or by public tender or by private contract at any price through The Philippine Stock Exchange, Inc. ("PSE") without any obligation to purchase or redeem the other Preferred Shares. The Preferred Shares so purchased shall be recorded as treasury shares until and unless the same are retired, or  may be re-issued in the future at such terms and at such time as the Issuer may determine.

All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the government of the Republic of the Philippines (the "Government"), including, but not limited to, documentary stamp, issue, registration, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that the holders of Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Issuer shall not be liable for (a) the final withholding tax or creditable withholding tax applicable on dividends earned by the holders of the Preferred Shares on the Preferred Sharesas  prescribed under the National Internal Revenue Code of 1997, as amended, and relevant tax regulations; (b) any income tax, whether or not subject to withholding; (c) expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Preferred Shares; and (d) any withholding tax of any amount payable to any holder of the Preferred Shares or any entity which is a non-resident foreign corporation. If payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer having given not more than 60 nor less than 30 days' notice prior to the intended date of redemption, may redeem the Preferred Shares in whole, but not in part at the Offer Price plus all accrued and unpaid dividends, if any. If an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that at the relevant time there is a change in applicable accounting standards that result in more than an insubstantial risk that either the the Preferred Shares or the funds raised through the issuance of the Preferred Shares may no longer be recorded as "equity" to the full extent as at the Issue Date pursuant the Philippine Financial Reporting Standards ("PFRS"), or such other accounting standards which succeed PFRS as adopted by the Philippines, applied by the Issuer for drawing up its financial statements for the relevant financial year, the Issuer having given not more than 60 nor less than 30 days' notice prior to the intended date of redemption, may redeem the Preferred Shares in whole, but not in part at the Offer Price plus all accrued and unpaid dividends, if any. (see "Summary of the Offering" on page 22  and "Taxation" on page 226).

The Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and ratably without preference or priority among themselves and in respect of payment of dividends and distribution of corporate assets in the event of dissolution, winding-up or liquidation of the Issuer, with the Voting Preferred Shares issued by the Issuer (see "Summary of the Offering" on page 22).The

Preferred Shares will be issued in scripless form through the electronic book-entry system of Philippine Depository and Trust Corporation. Legal title to the Preferred Shares shall pass by endorsement and delivery to the transferee and registration in the Registry of Shareholders to be maintained by the Registrar. Settlement of the Preferred Shares in respect of such transfer or change of title of the Preferred Shares, including the settlement of documentary stamp taxes, if any, arising from subsequent transfers, shall be similar to the transfer of title and settlement procedures for listed securities in the PSE (see "Summary of the Offering" on page 22).

The gross proceeds of the Offer are expected to reach approximately ₱8,000,000,000.00 or ₱12,000,000,000.00, should the Issue Manager, in consultation with the Issuer, exercise in full its Oversubscription Option. The net proceeds from the Offer, estimated to be at ₱7,946,820,016.67, or ₱11,925,286,253.23 should the Issuer Manager exercise in full its Oversubscription Option, are determined by deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, and will be used by the Issuer to refinance short-term peso-denominated obligations and to fund strategic acquisitions (see "Use of Proceeds" on page 52). The Joint Lead Underwriters shall receive an underwriting fee equivalent to 0.35% of the gross proceeds of the Offer, inclusive of amounts to be paid to any other Selling Agents.

Some of the Company's existing loan agreements contain covenants that restrict the declaration or payments of dividends under certain circumstances, such as the occurrence of an event of default under such loan agreements or if such payment would cause an event of default to occur, if certain financial ratios are not met or payment would cause them not to be met (see "Description of the Preferred Shares" on page 31).

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or the Issue Manager. The distribution of this Prospectus and the offer and sale of the Preferred Shares may, in certain jurisdictions, be restricted by law. The Company and the Issue Manager require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect. The Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made by the Issue Manager, and no responsibility or liability is accepted by any thereof to the accuracy, adequacy, reasonableness or completeness of the information and materials contained herein (excluding any and all information pertaining to the Issue Manager) or any other information provided by the Company in connection with the Preferred Shares, their distribution or their future performance. The Issue Manager does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Prospectus.

Unless otherwise indicated, all information in the Prospectus is as of June 30, 2016. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and has not been independently verified by the Company. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company and the Issue Manager makes any representation as to the accuracy of such information.

Each person contemplating an investment in the Preferred Shares should make his own investigation and analysis of the creditworthiness of GT Capital and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Preferred Shares. A person contemplating an investment in the Preferred Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Before making an investment decision, investors should carefully consider the risks associated with an investment in the Preferred Shares. These risks include:

- risks related to the businesses and industries in which GT Capital has interests;
- risks related to the Philippines; and,
- risks related to the Offer

Please refer to the section entitled "Risk Factors" beginning on page 44 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Preferred Shares.

The listing of the Offer Shares is subject to the approval of the Board of Directors of the PSE.

An application to list the Preferred Shares has been filed with the PSE and has not yet been approved by the Board of Directors of the PSE. If approved by the PSE, such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Preferred Shares by the PSE. The PSE assumes no responsibility for the correctness of any statement made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of the Prospectus. Upon listing, the Series A Preferred Shares and Series B Preferred Shares shall be traded under the symbols "GTPPA" and "GTPPB", respectively.

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT**

**GT Capital Holdings, Inc.**

By: **(original signed)**
**Carmelo Maria L. Bautista**
President

**SUBSCRIBED AND SWORN** to before me this ___ day of ___________________ 2016, affiant exhibiting to me his Philippine Passport no. __________________________ issued on ______________ at ___________________.

Doc. No. _______
Page No. _______
Book No. _______
Series of 2016.

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# FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical fact constitute "forward-looking statements." Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company's business strategy, its revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Prospectus involve known and unknown risks, uncertainties and other factors that may cause the Company's actual financial results, performance or achievements to be materially different from any future financial results, performance or achievements expressed or implied by such forward-looking statements or other projections.

The factors that could cause the Company's actual results to be materially different include, among others:

- General economic and business conditions in the Philippines;
- Holding company structure;
- Intensive capital requirements of subsidiaries and affiliates of GT Capital in the course of business;
- Increasing competition in the industries in which GT Capital's subsidiaries and affiliates operate;
- Industry risk in the areas in which GT Capital's subsidiaries and affiliates operate;
- Changes in laws and regulations that apply to the segments or industries in which GT Capital, its subsidiaries and affiliates operate;
- Changes in political conditions in the Philippines;
- Changes in foreign exchange control regulations in the Philippines; and
- Changes in the value of the Philippine Peso.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" starting on page 40.

The forward-looking statements included herein are made only as of the date of this Prospectus, and GT Capital undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

The Issue Manager does not take any responsibility for, or give any representation, warranty or undertaking in relation to, any such forward-looking statement.

The Company and the Joint Lead Underwriters have exercised due diligence in ascertaining that all material representations contained in this Prospectus, and any amendments and supplements are true and correct and that no material information was omitted, which was necessary in order to make the statements contained herein not misleading.

# DEFINITION OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

## DEFINITION OF TERMS RELATED TO THE OFFER

| | |
|---|---|
| Application Forms | the documents to purchase or subscribe to the Preferred Shares |
| Articles of Incorporation or AOI | the Articles of Incorporation of the Company |
| Base Offer | The offer and sale of 8,000,000 Preferred Shares by the Company |
| Banking Day or Business Day | Shall be used interchangeably to refer to any day when commercial banks are open for business in Makati City, Metro Manila, except Saturday and Sunday or any legal holiday not falling on either a Saturday or Sunday |
| BIR | The Bureau of Internal Revenue |
| Board of Directors or Board | the Board of Directors of the Company |
| BSP | *Bangko Sentral ng Pilipinas*, the central bank of the Philippines |
| By-laws | the By-laws of the Company |
| Common Shares | The Company's shares of common stock with a par value of ₱10.00 per share |
| Company or GT Capital or Issuer | GT Capital Holdings, Inc. |
| Director(s) | the director(s) of the Company |
| Dividend Payment Dates | January 27, April 27, July 27, and October 27 of each year, as and if declared by GT Capital, in accordance with the terms and conditions of the shares. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day without adjustment as to the amount of dividend to be paid. |
| Dividend Period | Quarterly in arrears |
| Dividend Rate | Series A Perpetual Preferred Shares: 4.6299% per annum<br>Series B Perpetual Preferred Shares: 5.0949% per annum |
| Eligible Investors | Applicants who are qualified to subscribe to the Preferred Shares |
| Government | the government of the Republic of the Philippines |
| GTPPA | the stock symbol of the Preferred Shares Series A of the Company |
| GTPPB | the stock symbol of the Preferred Shares Series B of the Company |
| Issue Manager | First Metro Investment Corporation |
| Joint Lead Underwriters | First Metro Investment Corporation<br>BDO Capital & Investment Corporation<br>BPI Capital Corporation |
| Listing Date | October 27, 2016 |
| Offer | Primary Offer of 8,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated Perpetual Preferred Shares, with an Oversubscription Option of up to an additional 4,000,000 Preferred Shares, for an aggregate Offer of up to 12,000,000 Preferred Shares |
| Offer Period | October 17 to October 21, 2016 |
| Offer Price or Issue Price | ₱1,000.00 per Offer Share |
| Offer Shares | 8,000,000 cumulative, non-voting, non-participating, non-convertible peso-denominated Perpetual Preferred Shares, with an Oversubscription Option of 4,000,000 Perpetual Preferred Shares |
| Oversubscription Option | An option granted by GT Capital and First Metro to up to 4,000,000 additional Preferred Shares during the Offer Period, to be exercisable in the event that there is an oversubscription to the Shares |
| PCD Nominee | PCD Nominee Corporation |
| PDTC | the Philippine Depositary & Trust Corporation |
| Perpetual Preferred Shares, or Shares | Perpetual preferred shares of the Company with a par value of ₱100.00 per share constituted into two series designated as Series A Perpetual Preferred Shares and Series B Perpetual Preferred Shares |

| | |
|---|---|
| Pesos, Philippine Pesos, Php, ₱ and, Philippine currency | the legal currency of the Republic of the Philippines |
| PFRS | Philippine Financial Reporting Standards |
| Philippine Constitution | also known as the 1987 Constitution, the supreme law of the Republic of the Philippines |
| Philippine Corporation Code | Batas Pambansa Blg. 68, also known as the Corporation Code of the Philippines |
| Philippine Nationals | The term shall mean any of the following: (1) a citizen of the Philippines; or (2) a domestic partnership or association wholly owned by citizens of the Philippines; or (3) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; or (4) a corporation organized abroad and registered as doing business in the Philippines under the Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or (5) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of the Philippine nationals. Where a corporation and its non-Filipino stockholders own stocks in an SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both corporations must be owned and held by citizens of the Philippines and at least 60% of the members of the board of directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national |
| Preferred Shareholders | Shareholders of Perpetual Preferred Shares of the Company |
| Prospectus | This prospectus together with all its annexes, appendices and amendments, if any |
| PSA | Philippine Standards on Auditing |
| PSE | The Philippine Stock Exchange, Inc. |
| PSE Trading Participants or Trading Participants | The trading participants of the PSE in the Philippines |
| QIB | A qualified institutional buyer, refers to any of the following: mutual funds, pension or retirement funds, commercial or universal banks, trust companies, investment houses, insurance companies, investment companies, finance companies, venture capital firms, government financial institutions, trust departments of commercial or universal banks, non-bank quasi banking institutions, Trading Participants of the PSE for their dealer accounts, non-stock savings and loan associations, educational assistance funds, other juridical persons that possess the following qualifications, and registered with the SEC under Memorandum Circular No. 6, Series of 2007:<br>Has a minimum annual gross income of at least One Hundred Million Pesos (₱100,000,000) for at least two years prior to registration;<br>A total portfolio investment in securities registered with the SEC of at least Sixty Million Pesos (₱60,000,000);<br>A net worth of not less than One Hundred Million (₱100,000,000) and other institutions of similar nature determined as such by the SEC |
| R.A. | Republic Act |
| Receiving Agent | Metropolitan Bank & Trust Company – Trust Banking Group |
| SCCP | Securities Clearing Corporation of the Philippines |
| SEC | The Philippine Securities and Exchange Commission |
| Selling Agents | PSE Trading Participants |
| SRC | R.A. No. 8799, also known as the Securities Regulation Code of the Philippines |
| SSS | the Republic of the Philippines' Social Security System |
| Stock Transfer Agent | Metropolitan Bank & Trust Company – Trust Banking Group |
| Underwriting Agreement | The agreement entered into by and between the Company and the Joint Lead Underwriters, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the Joint Lead Underwriters |
| VAT | Value Added Tax |
| Voting Preferred Shares | Voting preferred shares of the Company, with a par value of P 0.10 per share. |

## GLOSSARY OF TERMS RELATED TO THE BUSINESS AND THIS PROSPECTUS

| | |
|---|---|
| ANZ | Australia New Zealand Banking Group Ltd. |
| APVI | ARB Power Ventures, Inc. |
| ASEAN | Association of Southeast Asian Nations |
| ATM | automated teller machine |
| AUM | assets under management |
| Ausan | Ausan Resources Corporation |
| AVID | Association of Vehicle Importers and Distributors |
| AXA Philippines | Philippine AXA Life Insurance Corporation |
| AXA APH | AXA Asia Pacific Holdings Limited |
| AXA Group | The AXA Group of Companies |
| AXA Shareholders Agreement | The shareholders agreement among AXA APH, FMIC and Ausan dated January 21, 1999 for the acquisition of the Metro Philippines Life Insurance Corporation |
| Beacon Electric | Beacon Electric Asset Holdings, Inc. |
| BIC | Board Investment Committee |
| BPO | business processing outsourcing |
| BIR | Bureau of Internal Revenue |
| BSP | Bangko Sentral ng Pilipinas |
| CAGR | compound annual growth rate |
| CALAx | Cavite-Laguna Expressway |
| CAMPI | Chamber of Automotive Manufacturers of the Philippines Inc. |
| CAR | capital adequacy ratio |
| CARS | Comprehensive Automotive Resurgence Strategy |
| CASA | checking or demand and savings account |
| CAVITEX | Cavite Expressway |
| CBU | completely built-up units; vehicles which are wholly-imported without additional assembly required |
| CCCS | Central Clearing and Central Settlement system |
| CEDC | Cebu Energy Development Corporation |
| CEDC Contract of Services | The operation and maintenance agreement between FHIC and CEDC dated January 26, 2011 |
| CET1 | Common Equity Tier 1 |
| CFB | circulating fluidized bed boiler technology |
| CKD | completely knocked down |
| COC | Certificate of Compliance, which is the permit issued by the ERC that allows a generation facility to generate electricity |
| DAR | Department of Agrarian Reform |
| DENR | Department of Environment and Natural Resources |
| Distribution Code | The Philippine Distribution Code |
| DMTM | A multi-channel distribution network comprised of agents, bancassurance, corporate solutions and direct marketing/telemarketing |
| DOE | Department of Energy |
| DOSRI | directors, officers, stockholders and related interests |
| DST | The Philippine documentary stamp tax |
| FAMI | First Metro Asset Management, Inc. |
| Fed Land or Federal Land | Federal Land, Inc. |
| FLOC | Fed Land Orix Corporation |
| FMIC | First Metro Investment Corporation |
| FMSBC | First Metro Securities Brokerage Corporation |
| Foundation | MBT Foundation, Inc. |
| GBHI | Global Business Holdings, Inc. |
| GBP or GBPC | Global Business Power Corporation |
| GDP | gross domestic product |

| | |
|---|---|
| General Banking Law | Republic Act No. 8791, otherwise known as the "General Banking Law of 2000" |
| Generation Subsidiaries | CEDC, PEDC, TPC, PPC and GPRI |
| GLA | gross leasable area |
| Governance Manual | The Manual on Corporate Governance of the Company |
| GPRI | GBH Power Resources, Inc. |
| GPW | gross premium written |
| Grand Titan | Grand Titan Capital Holdings, Inc. |
| GT-TACC | GT-Toyota Asian Cultural Center |
| GTCAD | GT Capital Auto Dealership Holdings, Inc. |
| HLURB | Housing and Land Use Regulatory Board, a government agency which enforces statutes affecting the real estate industry |
| IAG | Internal Audit Group |
| IBNR | The incurred but not reported death claims for AXA's group and individual businesses |
| IC | Insurance Commission |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRIC | The International Financial Interpretations Committee |
| IFRIC 15 | International Financial Interpretations Committee's Interpretation No. 15 on Agreements for the Construction of Real Estate |
| ISPPIA | International Standards for the Professional Practice of Internal Auditing |
| JBT Global | JBT Global Holdings, Inc. |
| LC | Letters of credit |
| Lexus Distributor Agreement | The Lexus brand distributor agreement among TMP, TMC and TMAP renewed on December 1, 2015. |
| LGU | local government unit |
| LMIC | Local Management Investment Committee |
| LNC | Lancaster New City |
| MBCL | Metropolitan Bank (China) Ltd. |
| MBT | Metropolitan Bank & Trust Company |
| MBT Group | MBT along with its subsidiaries and associates |
| MCC | Metrobank Card Corporation |
| MCIT | Minimum Corporate Income Tax |
| Meralco | Manila Electric Co. |
| Metro Manila | The metropolitan area comprising the cities of Kalookan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Quezon, Valenzuela, Taguig and San Juan, which together comprise the "National Capital Region" and are commonly referred to as "Metro Manila" |
| Mitsui | Mitsui & Co. Ltd. |
| Monetary Board | Monetary Board of the BSP |
| MPIC | Metro Pacific Investments Corporation |
| MSA | Master Subscription Agreement |
| Named executive officers | The three most highly compensated executive officers of the Company |
| NEA | National Electrification Administration |
| New Central Bank Act | Republic Act No. 7653, a Philippine statute entitled the "New Central Bank Act" |
| Next Wave Cities | ten cities in the Philippines which were identified as next hubs for information technology and business process management (IT-BMP) sector, serving as top locations for local and international IT-BPM companies, as defined in the report conducted by the Department of Science and Technology - Information and Communications Office (DOST-ICTO), Information Technology and Business Process Association on the Philippines (IBPAP), and Leechiu Property Consultants (LPC). |
| NGCP | National Grid Corporation of the Philippines |
| NOLCO | Net Operating Loss Carry-Over |
| NPA | Non-performing assets |
| NPC | National Power Corporation |
| NPL | Non-performing loans |
| NPW | Net Premium Written |

| | |
|---|---|
| OEM | Original equipment manufacturer, a category of parts under the Toyota Distributor Agreement |
| OF or OFW | Overseas Filipino Workers |
| Open Access | As defined in the implementing rules and regulations of the EPIRA, the system of allowing any qualified person the use of electric power transmission, and/or distribution systems, and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the ERC |
| Orix | ORIX Corporation of Japan |
| ORIX Metro Leasing | ORIX Metro Leasing & Finance Corporation |
| PAS | Philippine Accounting Standards |
| P.D. 957 | Presidential Decree No. 957, as amended, a Philippine statute regulating the development and sale of real property as part of a condominium project or subdivision |
| PCFI | Property Company of Friends, Inc. |
| PDEx | Philippine Dealing & Exchange Corp. |
| PEDC | Panay Energy Development Corporation |
| PEDC Contract of Services | The operation and maintenance agreement between FHIC and PEDC dated January 26, 2011 |
| PFRS | Philippine Financial Reporting Standards |
| PI One | Philippine Investment One (SPV-AMC), Inc. |
| PI Two | Philippine Investment Two (SPV-AMC), Inc. |
| PPC | Panay Power Corporation |
| PPHC | Panay Power Holdings Corporation |
| PPP | Public private partnership |
| PSA | Power supply agreement |
| PSBank | Philippine Savings Bank |
| RA 4726 | Republic Act No. 4726, a Philippine statute entitled the "Condominium Act" |
| RA 6552 | Republic Act No. 6552, a Philippine statute entitled "An Act to Provide Protection to Buyers of Real Estate on Installment Payments", also known as the Maceda Law |
| RBC | Risk-based capital |
| RIALC | Regional Investment Asset Liability Committee |
| ROPA | Real and other properties acquired |
| RPB | The regional product blueprint published by AXA which contains the AXA Group's Asian businesses' product management and development guidelines |
| SALFIF | First Metro Save and Learn Fixed Income Fund, Inc. |
| SCCP | Securities Clearing Corporation of the Philippines |
| SGV & Co | SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited |
| SLEX | South Luzon Expressway |
| SMEs | Small-and-medium-enterprises |
| Sumitomo | Sumitomo Corporation of Japan |
| SUV | sports utility vehicle |
| TAS | Toyota Abad Santos |
| TCI | Toyota Cubao, Inc. |
| TDM | Toyota Dasmariñas - Cavite |
| TFSPH | Toyota Financial Services Philippines Corporation |
| TMAP | Toyota Motor Asia Pacific Pte Ltd. |
| TMAP-EM | TMAP-Engineering and Manufacturing Co., Ltd. |
| TMBC | Toyota Manila Bay Corporation |
| TMC | Toyota Motor Corporation |
| TMP | Toyota Motor Philippines Corporation |
| TMPCLO | Toyota Motor Philippines Corporation Labor Organization |
| TMPCSU | Toyota Motor Philippines Corporation Supervisory Union |
| TMSS | Toyota Marikina Service Station |
| Toyota Distributor Agreement | The Toyota brand distributor agreement amongst TMP, TMC and TMAP renewed on December 3, 2009 |
| TPC | Toledo Power Corporation |

| | |
|---|---|
| TPS | The Toyota Production System, TMC's system of just-in-time production and quality control and feedback mechanisms |
| TRB | Toll Regulatory Board |
| TSEZ | The TMP facility in Santa Rosa, Laguna, which was given special economic zone status through Presidential Proclamation No. 381 |
| TSI | Toyota Subic, Inc. |
| UITF | unit investment trust funds |
| Union | Associated Labor Union – Trade Union Congress of the Philippines, the trade union of MBT |
| WESM | Wholesale Electricity Spot Market |

# EXECUTIVE SUMMARY

## OVERVIEW

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

GT Capital's portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The portfolio as of June 30, 2016 comprises directly-held interests in the following GT Capital component companies:

- **Automotive assembly, importation, distribution, dealership and financing –** GT Capital primarily conducts its automotive business through its 51.00% interest in Toyota Motor Philippines Corporation ("TMP"). TMP is engaged in the assembly, importation, and wholesale distribution of Toyota motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and abroad through exports. TMP is also engaged in the distribution of Lexus brand motor vehicles in the Philippines. In addition, TMP owns Toyota Makati with one (1) branch – Toyota Bicutan; Toyota San Fernando in Pampanga with two (2) branches – in Plaridel, Bulacan and Hacienda Luisita, Tarlac City, both located in Luzon; and Lexus Manila, situated in Bonifacio Global City, Taguig.

  GT Capital conducts its automotive dealership business through its 58.05% interest in Toyota Manila Bay Corporation ("TMBC"). TMBC exclusively distributes Toyota motor vehicles in the Luzon island, primarily servicing the market in in Metro Manila. They also offer original Toyota brand motor vehicle parts and accessories, and provide after-sales services to Toyota motor vehicles.

  GT Capital provides financing for the acquisition of Toyota motor vehicles through its 40.00% interest in Toyota Financial Services Philippines Corporation ("TFSPH"). TFSPH offers retail loans and finance lease to its individual and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles.

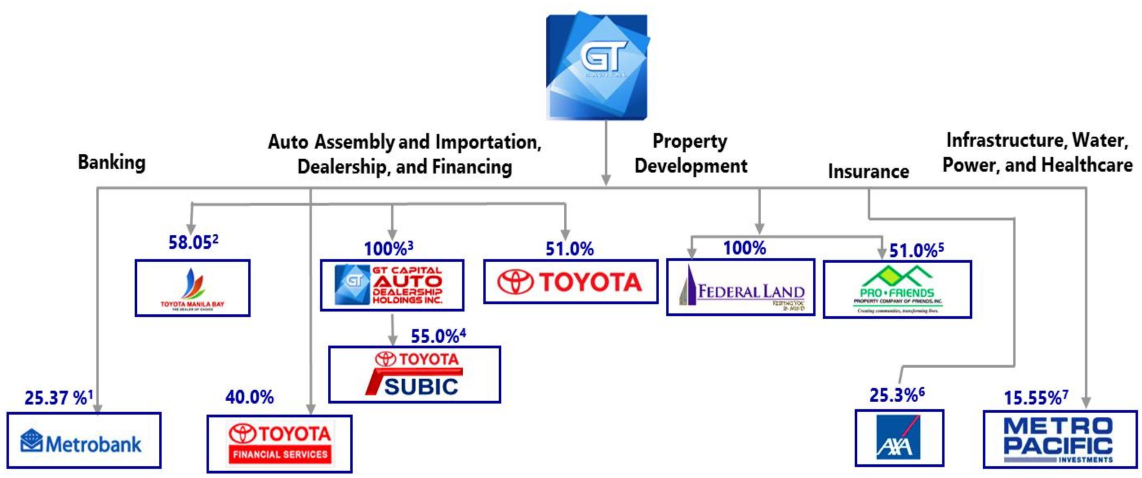
  On June 13, 2016, SEC approved the incorporation of GT Capital Auto Dealership Holdings, Inc. ("GTCAD"). GTCAD will be a holding entity for future auto dealerships of the Company. On July 14, 2016, SEC approved the incorporation of Toyota Subic, Inc. ("TSI"), a joint venture between GTCAD and JBT Global Holdings Inc. ("JBT Global"), with GTCAD owning 55% and JBT Global owning 45% of TSI's issued and outstanding capital stock. TSI will operate future Toyota dealerships of the joint venture.

- **Banking –** GT Capital conducts banking services through its 25.37% interest in MBT. MBT is a universal bank that provides, through itself and other members of the MBT Group, a full range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking and trust services. MBT has been listed on the Philippine Stock Exchange since 1981. As of June 30, 2016, the MBT Group had a total of 954 branches in the Philippines, of which 699 were operated by MBT and 255 were operated by Philippine Savings Bank ("PSBank"); and a total of 2,285 automated teller machines ("ATMs"). MBT's international operations consist of branches in Taipei, New York, Tokyo, Seoul, Pusan and Osaka, together with representative offices in Beijing and Hong Kong. MBT also has an extensive network of remittance centers in Asia, Europe and North America which has enabled it to become a leading provider of remittance services to overseas Filipino workers.

- **Property development** – GT Capital is engaged in property development business through its 100.00% interest in its fully-owned subsidiary Federal Land, Inc. ("Fed Land" or "Federal Land") and 51.00% interest in affordable housing subsidiary, Property Company of Friends, Inc. ("PCFI"). Fed Land primarily focuses on the development of high-rise, vertical residential condominium projects, as well as on master-planned communities that offer residential, retail, office, and commercial space. It caters mainly to the upper mid-end market segment with projects in key strategic urban communities, mostly within Metro Manila. PCFI, on the other hand, focuses on housing development in progressive areas. PCFI primarily targets the property sector's sweet spot, which is the economic and affordable housing segment.

- **Life and Non-Life Insurance** – GT Capital conducts its life and non-life insurance business through its 25.33% interest in Philippine AXA Life Insurance Corporation ("AXA Philippines"), which offers personal and group insurance products in the country, including investment-linked insurance products. AXA Philippines also fully-owns Charter Ping An Insurance Corporation ("Charter Ping An") which offers non-life insurance products in the Philippines that includes fire/property, marine, motor car, personal accident, other casualty, and engineering insurance, among others. AXA Philippines distributes its products through a multi-channel distribution network comprised of agents, bancassurance (through MBT and PSBank branches), and corporate solutions.

- **Infrastructure and Utilities –** GT Capital, through its 15.55% stake in Metro Pacific Investments Corporation ("MPIC"), the Philippines' largest infrastructure conglomerate, has exposure in high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics. Among MPIC's portfolio is Manila Electric Company, the country's largest power distribution utility, Global Business Power Corporation, one of the largest power generation companies in the Visayas Region, Maynilad Water Services, Inc., which manages Metro Manila's widest water distribution network, and Metro Pacific Tollways Corporation, operator of the country's largest toll road network.




*Notes:*

1 *In January 2016, GT Capital acquired additional shares in a secondary market equivalent to 0.15% direct equity stake in MBT for a total consideration of Php0.3 billion. This effectively increased the direct equity stake of GT Capital in MBT from 25.22% to 25.37%.*

2 *On March 7, 2016, SEC approved the merger between Toyota Manila Bay and Toyota Cubao. Toyota Manila Bay ("TMBC") is the surviving corporation, absorbing the entire assets and liabilities of Toyota Cubao. With the merger, the Company effectively owns 58.05% of TMBC. Forty percent of TMBC's common share capital is owned by Mitsui and Co. Ltd.*

3 *On June 13, 2016, SEC approved the incorporation of GT Capital Auto Dealership Holdings Inc. ("GTCAD"). GTCAD will be a holding entity for future auto dealerships of the Company.*

4 *On July 14, 2016, SEC approved the incorporation of Toyota Subic, Inc. ("TSI"), a joint venture between GTCAD and JBT Global , with GTCAD owning 55% and JBT Global owning 45% of TSI's issued and outstanding capital stock.*

*JBT Global is the holding entity of Mr. Jose B. Tan, a strategic partner of TMP in Toyota San Fernando, which operates Toyota dealerships in Plaridel, Bulacan and Hacienda Luisita, Tarlac City.*

5 *On August 6, 2015, GT Capital and Maplecrest Group, Inc., formerly named as Profriends Group, Inc. executed a Master Subscription Agreement ("MSA") to subscribe 51% Series A Preferred Shares of PCFI over a three-year subscription period.*
*On August 20, 2015, after fulfillment of all closing conditions, GT Capital finalized the acquisition of 22.68% equity stake in PCFI for ₱7.24 billion. On the same date, the parties agreed to cede majority control of PCFI to GT Capital. Subsequently, on June 30, 2016, pursuant to the MSA, GT Capital increased its direct equity stake by 28.32% to 51% for a total consideration of Php8.76 billion.*

6 *On November 5, 2015, GT Capital and AXA Philippines executed a Sale and Purchase Agreement wherein GT Capital agreed to sell its 100% equity stake in Charter Ping An, subject to closing conditions, including the receipt of regulatory approvals. The transaction was completed on April 4, 2016.*

7 *On May 27, 2016, GT Capital subscribed to 3.6 billion new common shares of MPIC at a subscription price of ₱6.10 per share for a total cash consideration of ₱21.96 billion. This was booked by MPIC as a deposit for future subscription pending approval by the SEC of MPIC's application for increase in authorized capital stock. With the subscription, GT Capital holds 11.4% of the enlarged common share capital base of MPIC.*
*On the same date, GT Capital also acquired a further 1.3 billion shares from Metro Pacific Holdings, Inc ("MPHI"), the majority shareholder of MPIC for a total cash consideration of Php7.93 billion, which then increased GT Capital's overall shareholdings in MPIC to 15.55%. On the same date, MPIC's associate, Beacon Electric, through a wholly-owned subsidiary Beacon PowerGen Holdings Inc., entered into a Share Purchase Agreement with GT Capital for the acquisition of an aggregate 56% of the issued and outstanding common shares of Global Business Power Corporation ("Global Power") for a total consideration of ₱22.06 billion.*

**SUMMARY OF THE PERCENTAGE OF REVENUES AND SALES DERIVED FROM EACH SUBSIDIARY/AFFILIATE**

| | For the year ended December 31 | | | For the period ended June 30 |
|---|---|---|---|---|
| **Company** | **2013** | **2014** | **2015** | **2016** |
| Parent Company* | 0.12% | 0.07% | 0.02% | 2.14% |
| Toyota Motor Philippines Corp. | 73.12% | 74.49% | 71.91% | 69.68% |
| Toyota Manila Bay Corp./ Toyota Cubao, Inc. | 0.00% | 3.06% | 4.44% | 9.51% |
| Global Business Power Corp. | 15.16% | 13.62% | 12.11% | 6.79% |
| Federal Land, Inc. | 7.48% | 6.64% | 6.47% | 4.33% |
| Metropolitan Bank And Trust Company | 3.83% | 1.86% | 2.85% | 4.03% |
| Property Company Of Friends, Inc. | 0.00% | 0.00% | 1.85% | 2.83% |
| Metro Pacific Investments Corporation** | 0.00% | 0.00% | 0.00% | 0.38% |
| Philippine Axa Life Insurance Corp. | 0.29% | 0.22% | 0.22% | 0.21% |
| Toyota Financial Services Philippine Corp. | 0.00% | 0.04% | 0.13% | 0.10% |
| Charter Ping An Insurance Corp. | 0.00% | 0.00% | 0.00% | 0.00% |
| | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

*Notes:*
**Gain on sale of subsidiaries allocated to Parent Company's revenue (Note 3 of the Reviewed Interim Financial Statements as of June 30, 2016)*
***YTD revenue contribution only for the month of June 2016*

GT Capital's revenues were ₱102.45 billion, ₱105.0 billion, ₱141.1 billion and ₱159.2 billion for the six-month period ended June 30, 2016 and for the years ended December 31, 2013, 2014 and 2015, respectively, with net income of ₱13.88 billion, ₱12.5 billion, ₱15.2 billion and ₱21.0 billion, respectively. Out of GT Capital's total revenue for the period ended June 30, 2016 amounting to ₱102.45 billion, TMP was the largest contributor with revenue contribution of ₱71.38 billion. GT Capital's total assets amounted to ₱286.94 billion, ₱192.4 billion, ₱218.3 billion, and ₱317.3 billion as of June 30, 2016, and December 31, 2013, 2014, and 2015, respectively.

## GT CAPITAL'S HISTORY

GT Capital was organized and registered with the Philippine SEC on July 26, 2007, with an initial authorized capital stock of ₱20.0 million and subscribed and paid-up capital of ₱5.0 million. GT Capital was formed as a holding company to consolidate the various business interests of the Ty family in the Philippines. In order to implement the infusion of the component companies into GT Capital, share-for-share swaps were executed.

On July 15, 2008, GT Capital's stockholders approved an increase in authorized capital stock from ₱20.0 million divided into 2.0 million shares, with a par value of ₱10.00 per share, to ₱5.0 billion, divided into 500 million shares with a par value of ₱10.00 per share.

The payment for the above subscriptions was through the conveyance of the subscribers' respective shareholdings in MBT, Fed Land, TMP and AXA Philippines, which had an aggregate value of ₱24.3 billion. The MBT shares were valued at the market price prevalent as of the date of the acquisition, while the Fed Land, TMP and AXA Philippines shares were valued based on each respective company's net book value as of June 30, 2008.

In April of 2012, GT Capital was listed on the Philippine Stock Exchange ("PSE"). The initial public offering raised a total of ₱18,753,851,500.00 in net proceeds, making it one of the largest IPOs at that time.

Grand Titan Capital Holdings, Inc. ("Grand Titan"), a private holding company, is the major shareholder of GT Capital with 54.3% in shareholdings as of December 31, 2015. Incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC") on August 9, 2007, Grand Titan's primary purpose 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 TY FAMILY**

GT Capital and the MBT Group of Companies trace their history to MBT, one of the Philippines' largest banks, and its founder, Group Chairman Dr. George S.K. Ty.

The early 1960s saw the emergence of several commercial and thrift banks to answer the financial needs of the country's growing economy. It was at this time that Dr. George S.K. Ty saw an opportunity to provide needed funding to entrepreneurs, and therefore, founded MBT, which opened its doors to the public on September 5, 1962.

MBT took its first steps toward building a financial conglomerate in 1972 when it established FMIC, which is now the largest local investment house in the Philippines. In 1980, MBT acquired controlling interests in PSBank, currently the Philippines' second largest thrift bank. Through the years, MBT acquired and merged with other banks, making it one of the country's largest banks today.

With MBT functioning as their holding company, the Ty family diversified into both financial and non-financial industries through several strategic partnerships and joint ventures with best-of-class global brands.

Being a universal bank, MBT was licensed to invest in allied undertakings and, in 1988, entered into a business venture with the Ty family-owned Titan Resources Corporation and Japan's largest automaker, Toyota Motor Corp. ("TMC"), to form TMP. This successful strategic partnership model was replicated in the group's other businesses. In 1999, the Ty family's Metro Philippines Life Insurance Corporation (formerly known as Pan-Philippine Life Insurance Corporation) entered into a business venture with FMIC and the AXA Group of France (then National Mutual Holdings Limited of Australia) to form AXA Philippines. Another successful partnership was when MBT formed a business venture with the Australia New Zealand Banking Corporation ("ANZ") in 2003 to form Metrobank Card Corporation ("MCC").

Other business ventures of the Ty family companies include Sumisho Motor Finance Corporation between PSBank and Sumitomo Corporation of Japan; Orix Metro Leasing & Finance Corporation ("ORIX Metro Leasing") with Orix Corporation of Japan; TFSPH with Toyota Financial Services Corporation of Japan; and Philippine Charter Insurance Corporation with Sumitomo Insurance Co., Ltd.

In the non-financial sector, one of the core business activities of the Ty family is property development. The Ty family, through its various property interests under Fedland, has made its mark as one of the top developers in the country, with more than 50 completed projects in the Philippines. Its focus is primarily on residential projects in Metro Manila. One of its most recognizable developments is GT Tower International on Ayala Avenue in Makati City. Other notable completed projects are the Bay Garden and Blue Wave Mall, both located along Macapagal Avenue in Pasay City and Marquinton Residences in Marikina City. Another of the Ty family companies' projects is the Grand Midori in Makati, which is a joint venture between Fed Land and Orix.

The Ty family's interests in the property sector have expanded to the affordable economic subsegment, where PCFI is a leading developer. PCFI's flagship project, Lancaster New City (LNC), spans more than 1,500 hectares of contiguous, fully-developable land in Cavite, just an hour away from the Makati Central Business District. PCFI is known for significant land developments in Next Wave Cities outside Metro Manila, that have become hubs for business process outsourcing firms and beneficiaries of overseas Filipino workers' remittances.

Over the years, the Ty family has successfully entered into long-term strategic partnerships in various industries with globally-recognized corporate leaders. GT Capital believes that this is a testament to the recognition and acceptance of the Ty family as a reputable local business partner.

Apart from the aforementioned sectors, the Ty family has also, through GT Capital, entered into a strategic partnership agreement with Metro Pacific Investments Corporation ("MPIC"). MPIC is the country's leading private infrastructure company, which owns leading power distribution and generation companies, Metro Manila's widest water distributor, the Philippines' broadest hospital chain, and the country's largest toll road network. This expands the family's business portfolio to include infrastructure, water, railways, hospitals, logistics, and toll roads.

The Ty family companies are run by professionals who are experts in their respective fields. At the helm is Group Chairman Dr. George S.K. Ty, who is actively and ably assisted by his two sons, Arthur and Alfred Ty.

## COMPETITIVE STRENGTHS

GT Capital is the primary vehicle for the holding and management of the various business interests of the Ty family in the Philippines. GT Capital is actively involved in the management of its market-leading businesses and continuously considers and evaluates new business initiatives and growth projects for the future. GT Capital believes that its principal strengths, enumerated below, are firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit and commitment to value creation:

### Established market leadership in underpenetrated, high-growth sectors of the Philippine economy

Each of the GT Capital companies is an established franchise and market leader in its respective industry sector:

- **TMP** is the Philippines' largest automobile assembler and the exclusive importer and wholesale distributor in the Philippines of the leading global automotive brand. TMP has been number one in total vehicle sales in 25 out of 27 years since 1989 as of June 30, 2016 based on data from the Chamber of Automotive Manufacturers of the Philippines, Inc. ("CAMPI") and Association of Vehicle Importers and Distributors ("AVID"). Since 2001, TMP has consistently received the Triple Crown Award, which recognizes leadership in passenger car, commercial vehicle, and overall sales.

- **TMBC**, with its five outlets strategically-located in Metro Manila and Cavite, is the 2nd leading dealership group within the Toyota dealership network in terms of retail car sales. As of June 30, 2016, TMBC's retail sales volume accounted for 14.1% of total Toyota sales. TMBC is a joint venture between GT Capital and Mitsui & Co., Ltd. of Japan ("Mitsui").

- **TFSPH** is a company that offers Finance Lease (Lease-to-Own) to retail customers where they can enjoy no chattel mortgage fees. Based on company data, the top six financing companies accounted for 90.2% of the total financed Toyota vehicles in 2015. TFSPH has the highest market share at 30.4% which is 9 percentage points higher than its closest competitor, PSBank at 21.0%.

- As of June 30, 2016, the **MBT Group** was the second largest Philippine bank by asset size and net loans and receivables with total assets of ₱1.7 trillion and net loans and receivables of ₱920.5 billion. MBT enjoys strong brand recognition throughout the Philippines and was named the "Best Bank in the Philippines" by Euromoney for 2010, 2011 and 2012; and the "Strongest Bank in the Philippines" by The Asian Banker for 2011, 2013, and 2015.

- **Fed Land** is one of the major property developers involved in vertical master-planned communities in the Philippines. Fed Land is the upper mid-end property development company of GT Capital and is currently implementing a comprehensive and sustainable growth program to fully capitalize on its expertise, land bank and brand recognition. As of June 30, 2016, Fed Land had 30 different ongoing residential projects at various stages of completion.

- **PCFI** is one of the Philippines' largest affordable economic property developers with a significant presence in Next Wave Cities outside Metro Manila. The company holds a strategic, contiguous land bank of over 1,500 hectares in Cavite, through its flagship project, LNC, a live-work-play township community and home to over 48,000 residents. Through its proprietary technology, PCFI is able to manufacture affordable housing on a highly efficient pace.

- **AXA Philippines** is one of the largest life insurance companies in the Philippines, based on premium income, according to the Insurance Commission's data as of December 31, 2015. AXA Philippines provides a diverse range of innovative products under the "AXA" brand, which has been named as the 2013 top insurance brand in the world for the five consecutive years according to Interbrand.

- **MPIC** is the Philippines' largest infrastructure conglomerate, with broad interests in high-growth sectors—toll roads, water, power, railways, logistics and healthcare. MPIC owns Meralco, the country's largest power distribution utility, Global Business Power, one of the Visayas' largest power generation company, Maynilad Water, which manages Metro Manila's widest water distribution network, and Metro Pacific Tollways, operator of the country's largest toll road network.

**Significant levels of ownership in all its businesses**

As of June 30, 2016, GT Capital directly owns 100.0% of its fully-owned, unlisted subsidiary Fed Land. It also owns 51.0% of PCFI. GT Capital conducts its automotive businesses through TMP, TMBC, and TFSPH, in which it holds 51.0%, 58.05%, and 40% direct equity, respectively. GT Capital's involvement in the insurance business is through AXA Philippines, in which GT Capital directly owns 25.3%. An additional 28.2% of AXA Philippines is held by FMIC.

**Strong strategic partnerships with best-of-class global brands**

A key element of GT Capital's business model is to combine local talent and expertise with the technology and resources of leading global business partners. To this end, several of the GT Capital businesses have benefited from strong strategic partnerships with best-of-class global brands such as AXA, ANZ, Mitsui, Orix, Sumitomo and TMC. For instance, in addition to its market-leading brand value, TMC has contributed a superior product range as well as its excellence in manufacturing, marketing and customer service to TMP. AXA is a leading global insurance brand with recognized leadership in product design and risk management practices.

GT Capital is a strong local business partner for global investors in search of opportunities in the Philippines. The Ty family has a well-established reputation and credibility for integrity, sound business practices and strong corporate governance. GT Capital has earned the trust and confidence of clients, suppliers, regulators and business partners, as well as strong support from the capital markets and the general investing public. Furthermore, GT Capital has a large geographic footprint in its coverage of the domestic economy as it deals with many of the key segments of the Philippine economy in Luzon, Visayas, and Mindanao. GT Capital also has an established track record of successfully growing its various businesses under various socio-economic and political environments. GT Capital possesses in-depth knowledge of the local business environment, including the legal, regulatory, and political landscapes which are key considerations for any foreign investor looking to do business in the Philippines.

**Experienced management teams that are consistently focused on promoting synergies across the businesses**

GT Capital has an experienced management team with a proven ability to efficiently build and operate market-leading businesses, and to identify and exploit profitable growth opportunities. GT Capital Group Chairman Dr. George S.K. Ty founded MBT in 1962, and since then has been the driving force behind the GT Capital companies and many of the successful business ventures of the Ty family.

GT Capital considers active management to be a key part of its investment policy and has maintained a strict focus on recruiting and retaining strong management teams for each of its businesses. Furthermore, GT Capital's management has consistently and successfully promoted and implemented business plans across the GT Capital companies to enhance available synergies. GT Capital has the market experience and knowledge that key members of its businesses management teams possess and the business relationships they have developed in the various industries in which they are involved has been, and will continue to be, an integral part of GT Capital's ability to retain and further expand its market leadership positions, to promote synergies among the GT Capital companies, and to identify profitable growth opportunities and business initiatives.

**Strong financial profile based on track record of sustained and profitable growth**

GT Capital and its component companies exhibit a strong and resilient financial profile. As of June 30, 2016, GT Capital's consolidated net income attributable to the Parent Company reached ₱9.11 billion. As of December 31, 2015, the consolidated net income attributable to the Parent Company grew (CAGR) by 18% to ₱12.12 billion, from ₱8.64 billion in 2013. In addition, total revenues increased to ₱159.23 billion, from ₱104.98 billion in 2013, resulting to a 23% compounded growth.

**Diversified portfolio geared towards growth in domestic consumption and the broader Philippine economy**

The Philippine economy has experienced significant growth from 2008 to 2015, with real gross domestic product ("GDP") growing at a compound rate of 5.5% per annum according to Bangko Sentral ng Pilipinas ("BSP"). The economy maintained positive growth throughout the global financial crisis of 2008-09 and according to publication *The Economist*, real GDP growth in the Philippines is expected to continue on a strong upward trajectory, maintaining above-6% growth, according to consensus estimates. The Philippine economy particularly benefits from several key pillars of growth, including sustained increases in remittances from overseas Filipinos

("OFs") and domestic consumption, which in 2015 accounted for 69% of GDP according to the BSP. Fed Land and PCFI, for example, stand to benefit from strong growth in the BPO sector and overseas Filipino workers' remittances by tailoring its commercial and residential property products to cater to these markets.

The Philippines is one of the most populous countries in the world with a total population of 101.6 million in 2015, according to the BSP. Based on United Nations data as of 2015, approximately 55% of the Philippine population is below the age of 24 (the median age of the population being 22.2 years), and strong population growth is expected to continue in the future. The United Nations' estimate for the Philippine population in 2030 is 126.3 million. According to the World Bank, the primary school completion rate in the Philippines in 2013 was 100% and the adult literacy rate in 2013 was 97.5%, both well above the worldwide 2013 averages of 88% and 84%, respectively. Overall, the Philippines has a large, growing, young and well-educated population, which provides the domestic economy with strong fundamentals for further growth.

As one of the leading Philippine conglomerates with a highly diversified business portfolio, GT Capital is broadly exposed to the Philippine economy through its range of businesses spanning financial services, property development, automotive and insurance. GT Capital's businesses are well positioned within these industries which it sees are underpenetrated high-growth sectors that particularly stand to benefit from the projected strong and sustained growth in Philippine domestic consumption.

## STRATEGY, FUTURE PLANS AND PROSPECTS

### Further strengthen GT Capital's leadership position across its existing businesses

In each of its existing businesses, GT Capital intends to further strengthen its market position by targeted strategies and investments that leverage its existing expertise, market insights, partnerships, and brand value and customer recognition:

- TMP will capitalize on the growth of the local automotive sector as the country enters its motorization phase and maintain and leverage on the strength of and customer loyalty to the Toyota brand. TMP also intends to expand manufacturing capacity and dealership network to better accommodate the market's growing demand. Moreover, TMP will intensify value engineering and cycle time reduction programs in order to achieve operational efficiencies to further reduce costs and improve margins.

- TMBC will continue its business growth by offering top-quality facilities and innovative approaches to ensure excellent dealership experience. The strong branch network of MBT and PSBank, provides a firm source of volume for bank referrals and to further fortify its market share. TMBC aims to improve market penetration through mall displays, new car financing schemes as well as parts and after sales service packages. The downward trend in interest rates, strong buyer acceptance of the "all-in-promo", and financing-related revenues are viable opportunities for TMBC to further improve its profit margin.

- TFSPH will continue to offer competitive interest rates and attractive financing products. TFSPH will also focus its efforts to significantly reduce loan processing time to enhance customer service, through the automation of processes. Moreover, it will continue to innovate products and services to make Toyota vehicle ownership more affordable to its customers by offering flexible payment terms.

- MBT's organizational efforts will focus on implementing a medium-term strategy aimed at increasing market share and business volumes through improved products and services, increasing operational efficiency, and becoming an employer of choice with continuous enhancements for its employees and organization.

- Fed Land will continue to offer diversified products for upper-mid and high-end markets. Development of master-planned communities shall likewise continue with the construction of additional residential towers at existing sites. Recurring income will improve by launching commercial and retail projects in key locations.

Furthermore, business synergies with other GT Capital companies shall be enhanced.

- PCFI will further develop its flagship project, LNC, into a complete live-work-play-worship master-planned community. PCFI will make its initial investment in the BPO sector, through Suntech i-Park, as well as expand Downtown Lancaster, a commercial zone still located within LNC. PCFI will sustain its landbanking and construction efforts to create robust and sustainable communities.

- AXA Philippines will continue to increase brand awareness, while tailor-fitting product propositions to specific segment requirements. AXA has enhanced its presence in the Philippines by acquiring Charter Ping An from GT Capital. The market-leading bancassurance distribution will be further optimized together with building up agency and direct marketing initiatives. There will be continued product innovation and targeting of new customers.

- MPIC will complete various infrastructure projects such as the Cavite-Laguna Expressway (CALAx) and Cavite Expressway (CAVITEX), which will further increase synergies with GT Capital's affordable property developer, PCFI. MPIC will also continue improving Maynilad's wide water distribution network, providing better service to more Metro Manila homes. Through Meralco and Beacon Power, MPIC will expand GBPC's capacity and improve electricity distribution to the Meralco network. MPIC will also continue to build more hospitals to provide quality care to Filipinos.

**Seek profitable growth opportunities in other key domestic industries via proven partnership model**

GT Capital's management is focused on identifying and addressing long-term profitable business opportunities in key sectors of the economy. These include sectors where GT Capital companies are already present, such as property development. Fed Land intends to capitalize on the significant future growth expected in the BPO sector by providing innovative commercial property solutions in key locations to potential BPO customers. Beyond its existing business interests, GT Capital is also actively considering and evaluating new business initiatives in sectors that complement GT Capital's existing portfolio and where GT Capital will be able to contribute strategic direction, expertise, and resources. Where appropriate value-enhancing business initiatives exist, GT Capital will seek to expand on its successful partnership model with recognized global brands.

**Further optimize synergy creation among the GT Capital companies**

GT Capital's management intends to continuously seek and realize synergies among the GT Capital companies in areas including strategy, fund deployment, human resources and sharing of common IT and service platforms in order to further enhance cost efficiencies, competitive strengths and market positions across the group. Furthermore, there exist significant revenue synergies as many products and services offered by GT Capital are attractive to a common consumer target group and stand to benefit from cross-selling. For example, MBT's large depositor base represents a significant opportunity for the cross-selling of other GT Capital companies' products through coordinated efforts. In addition, mortgage products can be offered to potential purchasers of Fed Land condominium units, and the same target demographic may also be interested in automotive products (including lease financing) or life insurance-linked investment products. GT Capital aims to maximize such synergies from both existing and future business initiatives.

## SUMMARY FINANCIAL INFORMATION

| **Consolidated Statements of Financial Position** *Amounts in millions* | Audited **As at 31 December** | | | Unaudited **As at 30 June** | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2016** | **2015** |
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | ₱37,861 | ₱29,702 | ₱27,167 | ₱22,640 | ₱27,489 |
| Short-term investments | 1,861 | 1,309 | 1,467 | 4,446 | 1,674 |
| Receivables | 25,417 | 16,223 | 12,451 | 32,298 | 15,818 |
| Reinsurance assets | - | 3,880 | 4,966 | - | 2,864 |
| Inventories | 53,247 | 31,426 | 20,813 | 55,554 | 38,759 |
| Due from related parties | 370 | 171 | 849 | 419 | 171 |
| Prepayments and other current assets | 7,674 | 5,468 | 5,969 | 6,384 | 5,888 |
| | 126,430 | 88,179 | 73,682 | 121,741 | 92,663 |
| Assets of disposal group classified as held-for-sale | 8,434 | - | - | - | - |
| **Total Current Assets** | **134,864** | **88,179** | **73,682** | **121,741** | **92,663** |
| | | | | | |
| **Noncurrent Assets** | | | | | |
| Noncurrent receivables | 9,186 | 4,897 | 4,929 | 9,751 | 7,627 |
| Land held for future development | 27,356 | - | - | 29,756 | - |
| Available-for-sale investments | 3,195 | 4,127 | 3,111 | 576 | 4,625 |
| Investments in associates and jointly controlled entities | 60,265 | 47,451 | 40,559 | 92,397 | 58,151 |
| Investment properties | 10,797 | 8,643 | 8,329 | 10,715 | 8,956 |
| Property and equipment | 51,972 | 44,801 | 41,163 | 10,102 | 47,577 |
| Goodwill and intangible assets | 17,001 | 17,805 | 18,275 | 9,959 | 17,572 |
| Deferred tax assets | 1,771 | 1,726 | 1,109 | 1,360 | 1,875 |
| Other noncurrent assets | 878 | 634 | 1,203 | 584 | 352 |
| **Total Noncurrent Assets** | **182,421** | **130,084** | **118,678** | **165,200** | **146,735** |
| **TOTAL ASSETS** | **₱317,285** | **₱218,263** | **₱192,360** | **₱286,941** | **₱239,398** |
| | | | | | |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts and other payables | ₱22,407 | ₱19,280 | ₱20,837 | ₱25,285 | ₱20,373 |
| Insurance contract liabilities | - | 5,665 | 6,684 | - | 4,759 |
| Short-term debt | 7,318 | 2,347 | 1,744 | 27,663 | 2,537 |
| Current portion of long-term debt | 6,757 | 3,061 | 3,364 | 3,916 | 2,982 |
| Current portion of liabilities on purchased properties | 637 | 783 | 783 | 353 | 783 |
| Customers' deposit – current | 3,691 | 2,549 | 1,844 | 4,495 | 1,998 |
| Dividends payable | 2,860 | 2,034 | 1,966 | - | - |
| Due to related parties – current | 174 | 176 | 188 | 175 | 174 |
| Income tax payable | 1,013 | 476 | 876 | 1,149 | 829 |
| Other current liabilities | 520 | 882 | 907 | 615 | 628 |
| | 45,377 | 37,253 | 39,193 | 63,651 | 35,063 |
| Liabilities of disposal group classified held-for-sale | 6,444 | - | - | - | - |
| **Total Current Liabilities** | **₱51,821** | **₱37,253** | **₱39,193** | **₱63,651** | **₱35,063** |

| | Audited | | | Unaudited | |
|---|---|---|---|---|---|
| | **As at 31 December** | | | **As at 30 June** | |
| | **2015** | **2014** | **2013** | **2016** | **2015** |
| **Noncurrent Liabilities** | | | | | |
| Long-term debt net of current portion | ₱82,021 | ₱42,118 | ₱40,584 | ₱50,823 | ₱59,700 |
| Bonds payable | 21,801 | 21,775 | 9,883 | 21,834 | 21,788 |
| Liabilities on purchased properties – net of current portion | 2,146 | 2,729 | 3,537 | 1,976 | 2,315 |
| Pension liability | 2,219 | 2,261 | 1,704 | 1,541 | 2,346 |
| Deferred tax liabilities | 10,826 | 3,532 | 3,252 | 9,961 | 3,503 |
| Other non-current liabilities | 2,609 | 2,653 | 1,643 | 2,250 | 2,818 |
| **Total Noncurrent Liabilities** | **121,622** | **75,068** | **60,603** | **88,385** | **92,470** |
| **Total Liabilities** | **₱173,443** | **₱112,321** | **₱99,796** | **₱152,036** | **₱127,533** |
| | | | | | |
| **EQUITY** | | | | | |
| Equity attributable to equity holders of Parent Company | | | | | |
| Capital Stock | ₱1,760 | ₱1,743 | ₱1,743 | ₱1,760 | ₱1,760 |
| Additional paid-in capital | 46,695 | 46,695 | 46,695 | 46,695 | 46,695 |
| Treasury Shares | (6) | (2) | (6) | - | (6) |
| Retained Earnings | | | | | |
| Unappropriated | 33,267 | 24,432 | 21,802 | 41,170 | 29,531 |
| Appropriated | 8,760 | 6,000 | - | 8,760 | 6,000 |
| Other equity adjustments | 576 | 582 | 729 | 5,713 | 576 |
| Other comprehensive income (loss) | (918) | (103) | (437) | 605 | 304 |
| | 90,134 | 79,347 | 70,526 | 104,703 | 84,860 |
| Non-controlling interest | 53,708 | 26,595 | 22,038 | 30,202 | 27,005 |
| **Total Equity** | 143,842 | 105,942 | 92,564 | 134,905 | 111,865 |
| **TOTAL LIABILITIES AND EQUITY** | **₱317,285** | **₱218,263** | **₱192,360** | **₱286,941** | **₱239,398** |

**Consolidated Statements of Income**
*Amounts in millions*

| | Audited For the year ended 31 December | | | Unaudited For the six months ended 30 June | |
|---|---|---|---|---|---|
| | **2015** | **2014 (As restated)** | **2013 (As restated)** | **2016** | **2015** |
| **REVENUE** | | | | | |
| Automotive operations | ₱120,802 | ₱108,816 | ₱74,359 | ₱80,350 | ₱56,497 |
| Net fees | 18,391 | 18,973 | 16,944 | 6,840 | 8,916 |
| Real estate sales | 9,000 | 5,841 | 4,702 | 5,679 | 2,861 |
| Equity in net income of associates and jointly-controlled entities | 5,616 | 3,420 | 3,588 | 4,951 | 2,751 |
| Interest income | 1,973 | 1,521 | 1,413 | 939 | 910 |
| Rent income | 841 | 765 | 592 | 443 | 374 |
| Sale of goods and services | 636 | 603 | 657 | 282 | 273 |
| Commission income | 194 | 80 | 163 | 105 | 17 |
| Gain on revaluation of previously held interest | - | - | 2,046 | 140 | - |
| Gain on sale of subsidiaries | - | - | - | 2,083 | - |
| Other income | 1,778 | 1,087 | 519 | 634 | 625 |
| | **159,231** | **141,106** | **104,983** | **102,446** | **73,224** |
| **COST AND EXPENSES** | | | | | |
| Cost of goods and services sold | 74,941 | 70,597 | 45,469 | 54,260 | 35,081 |
| Cost of goods manufactured and sold | 27,838 | 24,213 | 19,986 | 14,566 | 12,694 |
| General and administrative expenses | 10,858 | 10,392 | 9,045 | 7,462 | 4,996 |
| Power plant operation and maintenance expenses | 9,477 | 10,328 | 8,945 | 3,273 | 4,900 |
| Cost of real estate sales | 6,487 | 4,334 | 3,667 | 3,699 | 2,333 |
| Interest expense | 3,932 | 3,240 | 3,462 | 2,358 | 1,951 |
| Cost of rental | 272 | 270 | 113 | 144 | 143 |
| | **133,805** | **123,374** | **90,687** | **85,762** | **62,098** |
| Income Before Income Taxes From Continuing Operations | 25,426 | 17,732 | 14,296 | 16,684 | 11,126 |
| Provision For Income Tax | 4,517 | 2,681 | 1,800 | 2,640 | 1,916 |
| Net Income from Continuing Operations | 20,909 | 15,051 | 12,496 | 14,044 | 9,210 |
| Net Income (loss) from Disposal Group | 50 | 100 | 35 | (164) | 46 |
| **NET INCOME** | **₱20,959** | **₱15,151** | **₱12,531** | **₱13,880** | **₱9,256** |
| **Net Income Attributable to:** | | | | | |
| Equity holders of the parent company | | | | | |
| Profit for the period from continuing operations | ₱12,069 | ₱9,058 | ₱8,614 | ₱9,273 | ₱5,576 |
| Profit (loss) for the period from disposal group | 50 | 95 | 26 | (164) | 46 |
| | 12,119 | 9,153 | 8,640 | 9,109 | 5,622 |
| Non-controlling interests | | | | | |
| Profit for the period from continuing operations | ₱8,840 | ₱5,993 | ₱3,882 | 4,771 | 3,634 |
| Profit for the period from disposal group | - | 5 | 9 | - | - |
| | 8,840 | 5,998 | 3,891 | 4,771 | 3,634 |
| | **₱20,959** | **₱15,151** | **₱12,531** | **₱13,880** | **₱9,256** |

| **Statement of Cash Flows**<br>*Amounts in millions* | | Audited<br>**For the year ended 31 December** | | Unaudited<br>**For the six months ended 30 June** | |
|---|---|---|---|---|---|
| | **2015** | **2014 (As restated)** | **2013 (As restated)** | **2016** | **2015** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Income before income tax from continuing operations | ₱25,426 | ₱17,732 | ₱14,296 | ₱16,684 | ₱11,126 |
| Income (loss) before income tax from disposal group classified as held-for-sale | 66 | 129 | 38 | (159) | 54 |
| Adjustments for: | | | | | |
| Equity in net income of associates and jointly-controlled entities | (5,616) | (3,420) | (3,588) | (4,951) | (2,751) |
| Interest expense | 3,932 | 3,241 | 3,462 | 2,358 | 1,951 |
| Depreciation and amortization | 3,414 | 3,203 | 2,857 | 1,762 | 1,795 |
| Interest income | (2,052) | (1,597) | (1,429) | (939) | (945) |
| Pension expense | 454 | 344 | 330 | 172 | 123 |
| Gain on revaluation of previously held interest | - | - | (2,046) | (140) | - |
| Dividend income | (49) | (53) | (77) | - | (33) |
| Gain on disposal of property and equipment | (30) | (90) | (16) | (29) | (19) |
| Gain on sale of available-for-sale investments | (18) | (12) | (9) | - | (18) |
| Gain on sale of subsidiaries | | | | (2,083) | - |
| Provisions | 350 | 445 | 44 | 7 | 1 |
| Loss on impairment of available-for-sale investments | - | 10 | - | - | - |
| Unrealized foreign exchange losses (gains) | 89 | 1 | 47 | (17) | 36 |
| **Operating income before changes in working capital** | 25,966 | 19,933 | 13,909 | 12,665 | 11,320 |
| Decrease (increase) in: | | | | | |
| Short-term investments | 408 | 157 | (1,467) | (2,884) | (365) |
| Receivables | (2,953) | (1,794) | (3,567) | 2,600 | (1,767) |
| Reinsurance assets | 1,004 | 1,086 | (1,264) | - | 1,015 |
| Inventories | (9,682) | (12,554) | (1,241) | (4,894) | (7,883) |
| Land held for future development | (2,856) | - | - | - | - |
| Due from related parties | (200) | 274 | (360) | (49) | (1) |
| Prepayments and other current assets | (1,020) | 603 | 913 | (1,196) | (419) |
| Increase (decrease) in: | | | | | |
| Accounts and other payables | 905 | (1,131) | 3,247 | 7,848 | 1,017 |
| Insurance contract liabilities | (613) | (1,019) | 1,357 | - | (906) |
| Customers' deposits | 466 | 705 | 868 | 772 | (551) |
| Due to related parties | (2) | (12) | (3) | - | - |
| Other current liabilities | (215) | (1,732) | (558) | 846 | (254) |
| Cash provided by operations | 11,208 | 4,516 | 11,834 | 15,708 | 1,206 |
| Dividends paid | (6,005) | (4,775) | (2,972) | (8,765) | (6,000) |
| Interest paid | (4,162) | (2,955) | (4,035) | (2,802) | (2,102) |
| Income tax paid | (4,216) | (2,832) | (1,032) | (2,527) | (1,570) |
| Interest received | 1,993 | 1,542 | 1,499 | 918 | 867 |
| Dividends received | 918 | 1,247 | 833 | 60 | 242 |
| Contributions to pension plan assets | (205) | (129) | (108) | (231) | (49) |
| Net cash provided (used) in operating activities | (469) | (3,386) | 6,019 | 2,361 | (7,406) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from: | | | | | |
| Disposal of property and equipment | ₱566 | ₱675 | ₱161 | ₱14 | ₱80 |
| Sale of available-for-sale investments | 271 | 566 | 63 | - | 227 |
| Settlement of deposits | - | - | 2,085 | - | - |
| Disposal of investment property | 140 | - | - | 86 | - |
| Additions to: | | | | | |
| Investments in associates and jointly-controlled entities | (8,833) | (4,225) | (502) | (30,254) | (8,332) |
| Investment properties | (485) | (87) | (144) | (132) | (13) |
| Property and equipment | (9,954) | (6,664) | (7,025) | (6,081) | (4,303) |
| Available-for-sale investments | (527) | (594) | 690 | - | (230) |

| | | | | | |
|---|---|---|---|---|---|
| Intangible assets | (29) | (12) | (9) | (10) | (3) |
| Acquisitions of subsidiary, net of cash acquired | (6,902) | (282) | 2,677 | 177 | - |
| Net cash outflows from disposals of subsidiaries | - | - | - | (3,590) | - |
| Decrease (increase) in other noncurrent assets | 243 | (64) | (200) | 65 | 134 |
| **Net cash used in investing activities** | (25,510) | (10,687) | (2,204) | (39,725) | (12,440) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from: | | | | | |
| Loan availments | ₱57,830 | ₱7,660 | ₱7,340 | ₱30,588 | ₱26,347 |
| Issuance of bonds payable | - | 11,875 | 9,895 | - | - |
| Issuance of capital stock | 17 | - | 10,105 | - | 17 |
| Payment of loans payable | (21,911) | (5,800) | (18,047) | (7,727) | (8,408) |
| Increase (decrease) in: | | | | | |
| Liabilities on purchased properties | (729) | (809) | 1,740 | (453) | (414) |
| Other noncurrent liabilities | (162) | 1,006 | 858 | (283) | 129 |
| Non-controlling interests | 76 | 2,677 | (45) | - | - |
| Due to related parties | - | - | - | 1 | (2) |
| **Net cash provided by financing activities** | 35,121 | 16,609 | 11,846 | 22,126 | 17,669 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | (89) | (1) | (47) | 17 | (36) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 9,053 | 2,535 | 15,614 | (15,221) | (2,213) |
| | | | | | |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD** | 29,702 | 27,167 | 11,553 | 37,861 | 29,702 |
| | | | | | |
| **CASH AND CASH EQUIVALENTS OF DISPOSAL GROUP AT END OF YEAR/PERIOD** | (894) | - | - | - | - |
| **CASH AND CASH EQUIVALENTS OF CONTINUING OPERATION AT END OF YEAR/PERIOD** | **₱37,861** | **₱29,702** | **₱27,167** | **₱22,640** | **₱27,489** |

## SUMMARY OF THE OFFERING

*The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Preferred Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Preferred Shares. Each prospective investor must rely on its own appraisal of the Company and the Preferred Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Preferred Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.*

| | |
|---|---|
| Issuer | GT Capital Holdings, Inc. ("GT Capital") |
| Issue Manager | First Metro Investment Corporation |
| Joint Lead Underwriters | First Metro Investment Corporation<br>BDO Capital & Investment Corporation<br>BPI Capital Corporation |
| Selling Agents | PSE Trading Participants |
| The Offer | GT Capital, through the Joint Lead Underwriters and Selling Agents, is offering by way of a primary Offer 8,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated Perpetual Preferred Shares, with an Oversubscription Option of up to an additional 4,000,000 Preferred Shares, for an aggregate Offer of up to 12,000,000 Preferred Shares, with a par value of ₱100.00 per Share, constituted into two series designated as Series A Perpetual Preferred Shares ("GTPPA") and Series B Perpetual Preferred Shares ("GTPPB") (the "Shares") and at an offer price of ₱1,000.00 per Share (the "Offer Price" or "Issue Price").<br><br>The final number of GTPPA and GTPPB shares shall only be determined at the end of the Offer Period. |
| Use of Proceeds | The Company intends to use the net proceeds from the Offer for payment of short-term peso-denominated financial obligations and funding strategic acquisitions. See "Use of Proceeds" on page 52 of this Prospectus for details of how the total net proceeds are expected to be applied. |
| Dividend Rate | The Shares will, subject to the Dividend Payment Conditions (see below), bear cumulative, non-participating dividends based on the Offer Price, payable quarterly in arrears on the relevant Divident Payment Date (as defined below) at the rate of:<br><br><u>Series A Perpetual Preferred Shares</u>: 4.6299% per annum;<br><br><u>Series B Perpetual Preferred Shares</u>: 5.0949% per annum<br><br>The Dividend Rate may be subsequently adjusted on the applicable Rate Adjustment Dates (as defined below).<br><br>Dividends will be calculated on a 30/360-day basis. |

| | |
|---|---|
| | Dividends will be calculated in respect of each Share by reference to the Offer Price thereof in respect of each Dividend Period. |
| Dividend Payment | Dividends will be payable on January 27, April 27, July 27, and October 27 of each year (each a "Dividend Payment Date"), as and if declared by GT Capital in accordance with the terms and conditions of the Shares. If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.<br><br>All payments of dividends and any other amounts under the Shares shall be paid in Philippine Pesos. On the relevant Dividend Payment Date, the Paying Agent shall make available to Preferred Shareholders, checks drawn against the Payment Settlement Account in the amount due to each Preferred Shareholder of record as of the relevant record date, either (i) for pick-up by the Preferred Shareholder or its duly authorized representative at the office of the Paying Agent or (ii) delivery via courier or, if courier service is unavailable for deliveries to the address of the Preferred Shareholder, via mail, at the Preferred Shareholder's risk, to the address of the Preferred Shareholder appearing in the Register of Preferred Shareholders. |
| Rate Adjustment Date | If not redeemed on the relevant Optional Redemption Date or on any Dividend Payment Date thereafter, the relevant Dividend Rate will be re-set on the following dates:<br><br><u>Series A Perpetual Preferred Shares</u>: the 7th anniversary of the Issue Date ("Series A Rate Adjustment Date")<br><br><u>Series B Perpetual Preferred Shares</u>: the 10th anniversary of the Issue Date ("Series B Rate Adjustment Date") |
| Adjusted Dividend Rate | The relevant Dividend Rate will be adjusted on the relevant Rate Adjustment Date to the higher of:<br><br><u>Series A Perpetual Preferred Shares</u>:<br>a) the prevailing Dividend Rate on such relevant Rate Adjustment Date; or<br>b) the sum of:<br>(i) the simple average of the closing 7-year PDST-R2 benchmark rate shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider), or if the 7-year PDST-R2 rate is not available or cannot be determined, any such successor rate generally accepted by the market or a self-regulatory organization, in each case, for each of the three (3) consecutive business days immediately preceding and inclusive of the Series A Rate Adjustment Date; and,<br>(ii) the Series A Rate Adjustment Spread(as defined below).<br><br><u>Series B Perpetual Preferred Shares</u>:<br>a) the prevailing Dividend Rate on such relevant Rate Adjustment Date; or<br>b) the sum of:<br>(i) the simple average of the closing 10-year PDST-R2 benchmark rate shown on the PDEX page (or such successor page) of Bloomberg (or |

| | |
|---|---|
| | such successor electronic service provider) or if the 10-year PDST-R2 rate is not available or cannot be determined, any such successor rate generally accepted by the market or a self-regulatory organization, in each case, for each of the three (3) consecutive business days immediately preceding and inclusive of the Series B Rate Adjustment Date; and<br>(ii) the Series B Rate Adjustment Spread (as defined below).<br><br>Other than the abovementioned Dividend Rate adjustment on the Rate Adjustment Date corresponding to each Series, no other dividend rate adjustments shall be made. |
| Rate Adjustment Spread | As relevant, the fixed per annum rate to be used for calculating any Dividend Rate Adjustments being:<br><br><u>Series A Perpetual Preferred Shares</u>: 1.500% per annum ("Series A Rate Adjustment Spread")<br><br><u>Series B Perpetual Preferred Shares</u>: 1.875% per annum ("Series B Rate Adjustment Spread") |
| Conditions for the Declaration and Payment of Dividends | GT Capital has full discretion over the declaration and payment of dividends on the Shares, to the extent permitted by law.<br><br>GT Capital's Board will not declare and pay dividends on any Dividend Payment Date where (a) payment of the dividend would cause GT Capital to breach any of its financial covenants; or (b) the unrestricted retained earnings available to GT Capital for distribution as dividends are not sufficient to enable GT Capital to pay the dividends in full on all other classes of GT Capital's outstanding shares that are scheduled to be paid on or before any Dividend Payment Date and that have an equal right and priority to dividends as the Shares, if any.<br><br>If the unrestricted retained earnings available for distribution as dividends are, in the opinion of GT Capital's Board, not sufficient to enable GT Capital to pay both dividends on the Shares and the dividends on other shares that have an equal right and priority to dividends as the Shares, in full and on the same date, then GT Capital may: first, pay in full, or set aside an amount equal to, all dividends scheduled to be paid on or before that Dividend Payment Date on any shares with a right to dividends ranking higher in priority than that of the Shares; and second, to pay dividends on the Shares and any other shares ranking equally with the Shares as to participation in such retained earnings *pro rata* to the amount of the cash dividends scheduled to be paid to them. The amount scheduled to be paid will include the amount of any dividend payable on that date and any arrears on any past cumulative dividends on any shares ranking equal in priority with the Shares to receive dividends.<br><br>The profits available for distribution are, in general and with some adjustments, equal to GT Capital's accumulated, realized profits less accumulated, realized losses.<br><br>If for any reason, GT Capital's Board does not declare a dividend on the Shares |

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| | for a Dividend Period, GT Capital will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, Preferred Shareholders must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the Preferred Shareholders prior to such Dividend Payment Date.<br><br>Preferrred Shareholders shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Shares.<br><br>See discussion under "Description of the Preferred Shares" on page 31. |
| Optional Redemption and Purchase | GT Capital has the option, but not the obligation, to redeem in whole (but not a part of) the Shares on the following Optional Redemption Dates:<br><br><u>Series A Perpetual Preferred Shares</u>: 5$^{th}$ anniversary of the Issue Date, or any Dividend Payment Date occurring thereafter<br><br><u>Series B Perpetual Preferred Shares</u>: 7$^{th}$ anniversary of the Issue Date, or any Dividend Payment Date occurring thereafter<br><br>Exercise of GT Capital's redemption option shall be completed by payment of redemption price equal to the Issue Price plus any accrued and unpaid dividends after deduction for any taxes and customary transfer costs to effect the redemption (the "Redemption Payment"). Administrative costs and expenses, including the cost of checks used, suppliers, paying agent services, courier and mailing costs in relation to effecting the redemption shall be for the sole account of GT Capital. The Redemption Payment shall be made to Preferred Shareholders as of the record date set by GT Capital for such redemption.<br><br>Upon listing on the PSE and subject to compliance with law, GT Capital may purchase the Shares, then tradeable at that time at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Shares.<br><br>Any Shares redeemed or purchased by GT Capital shall be recorded as treasury shares of GT Capital until and unless the same are retired, or may be re-issued in the future at such terms and at such time as GT Capital may determine. |
| Early Redemption Due to Occurrence of a Tax Event | If payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to GT Capital, GT Capital may redeem the Shares in whole, but not in part, having given not more than sixty 60 days nor less than 30 days' notice prior to the intended date of redemption, at the Offer Price plus all accrued and unpaid dividends, if any. |

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| Early Redemption Due to Changes in Accounting Treatment of the Shares | If an Accounting Event occurs that will result in a change in accounting treatment of the Shares, the Issuer may redeem the Shares in whole, but not in part, having given not more than 60 nor less than 30 days' notice prior to the intended date of redemption, at the Offer Price plus all accrued and unpaid dividends, if any.<br><br>An Accounting Event shall occur if an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to GT Capital stating that at the relevant time there is a change in applicable accounting standards that result in more than an insubstantial risk that either the Shares or the funds raised through the issuance of the Shares may no longer be recorded as "equity" to the full extent as at the Issue Date pursuant to PFRS, or such other accounting standards which succeed PFRS, as adopted by the Philippines, applied by the Issuer for drawing up its financial statements for the relevant financial year. |
| No Sinking Fund | GT Capital has not established, and currently does not intend to establish, a sinking fund for the redemption of the Shares. |
| Taxation | All payments in respect of the Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Government, including but not limited to, documentary stamp, issue, registration, value-added or any similar tax, or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, GT Capital will pay additional amounts so that Preferred Shareholders will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that GT Capital shall not be liable for:<br>(a) the final withholding tax or creditable withholding tax applicable to dividends earned by the Preferred Shareholders on the Preferred Shares as prescribed under National Internal Revenue Code of 1997, as amended, and relevant regulations;<br>(b) any income tax, whether or not subject to withholding;<br>(c) expanded value added tax which may be payable by any Preferred Shareholder on any amount to be received from GT Capital under the terms and conditions of the Shares; and<br>(d) any withholding tax on any amount payable to any Preferred Shareholder or any entity which is a non-resident foreign corporation.<br><br>Any documentary stamp tax for the recording of the Shares in the name of an investor under the Offer shall be paid for by GT Capital. After the Issue Date, taxes generally applicable to a subsequent sale of the Shares by any Preferred Shareholder, including receipt by such Preferred Shareholder of a Redemption Payment, shall be for the account of the said Preferred Shareholder.<br><br>See discussion under "Taxation" on page 226. |
| Liquidation Rights | In the event of a return of capital in respect of GT Capital's winding up or otherwise (whether voluntarily or involuntarily) (but not on a redemption or purchase by GT Capital of any of its share capital), the Preferred Shareholders at the time outstanding will be entitled to receive, in Pesos out of GT Capital's assets available for distribution to Preferred Shareholders, together with the |

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| | holders of any other of GT Capital's shares ranking, as regards repayment of capital, *pari passu* with the Shares and before any distribution of assets is made to holders of any class of GT Capital's shares ranking junior to the Shares as regards repayment of capital, liquidating distributions in an amount equal to the Issue Price plus an amount equal to any dividends declared but unpaid in respect of the previous Dividend Period and any accrued and unpaid dividends for the then-current Dividend Period to (and including) the date of commencement of GT Capital's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in GT Capital's winding up, the amount payable with respect to the Shares and any other of GT Capital's shares ranking as to any such distribution *pari passu* with the Shares are not paid in full, the Preferred Shareholders and holders of such other shares will share rateably in any such distribution of GT Capital's assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the Preferred Shareholders will have no right or claim to any of GT Capital's remaining assets and will not be entitled to any further participation or return of capital in a winding up. |
| Form, Title and Registration of the Preferred Shares | The Shares will be issued in scripless form through the electronic book-entry system of Philippine Depository and Trust Corporation ("PDTC") as Registrar, and lodged with the PDTC as Depository Agent on Listing Date through PSE Trading Participants nominated by the accepted Applicants. For this purpose, Applicants shall indicate in the proper space provided for in the Application Form the name of the PSE Trading Participant under whose name their Shares will be registered.<br><br>After Issue Date, Preferred Shareholders may request the Registrar, through their nominated PSE Trading Participant, to (a) open a scripless registry account and have their holdings of the Shares registered under their name ("name-on-registry account"), or (b) issue stock certificates evidencing their investment in the Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting Preferred Shareholder.<br><br>Legal title to the Shares will be shown in an electronic register of shareholders (the "Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Shares that is effected in the Registry of Shareholders (at the cost of the requesting Preferred Shareholder). The Registrar shall send (at the cost of GT Capital) at least once every quarter a Statement of Account to all Preferred Shareholders named in the Registry of Shareholders, except certificated Preferred Shareholders and Depository Participants, confirming the number of Shares held by each Preferred Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Preferred Shareholder as of a given date thereof. Any request by a Preferred Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder. |
| Status of the Shares in the Distribution of Assets in the | The Shares will constitute the direct and unsecured subordinated obligations of GT Capital ranking at least *pari passu* in all respects and rateably without |

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| Event of Dissolution | preference or priority among themselves, and in respect of payment of dividends and distribution of corporate assets in the event of dissolution, winding-up or liquidation of GT Capital, with the Voting Preferred Shares issued by GT Capital. |
| Selling and Transfer Restrictions | After listing, the subsequent transfers of interests in the Shares shall be subject to applicable selling restrictions and registration requirements for equity securities as may prevail in the Philippines from time to time. |
| Title and Transfer | Legal title to the Shares shall pass by endorsement and delivery to the transferee and registration in the Registry of Shareholders to be maintained by the Registrar. Settlement of the Shares on the PSE including liability for the settlement of transaction and documentary stamp taxes, if any, arising from such transfers, will be subject to the requirements and procedures for the transfer of title and settlement for listed securities in the PSE. |
| Governing Law | The Shares will be issued pursuant to, and terms and conditions of the Shares will be governed by, the laws of the Republic of the Philippines. |
| Offer Period | The Offer Period shall commence at 9:00 a.m. on October 17, 2016 and end at 12:00 p.m. on October 21, 2016. GT Capital and the Joint Lead Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE. |
| Minimum Subscription to the Shares | Each Application shall be for a minimum of 50 Shares, and thereafter, in multiples of 10 Shares. No Application for multiples of any other number of Shares will be accepted. |
| Eligible Investors | The Shares may be owned or purchased by any person, partnership, association or corporation regardless of nationality, provided that at any time, at least 60% of the outstanding capital stock of GT Capital shall be owned by citizens of the Philippines or by partnerships, associations or corporations at least 60% of whose outstanding capital stock and whose voting stock or voting power is owned and controlled by citizens of the Philippines. In addition, under certain circumstances GT Capital may reject an Application or reduce the number of Shares applied for purchase.<br><br>Subscription to the Shares may be restricted by law or regulation in certain jurisdictions. Foreign investors interested in subscribing to or purchasing the Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Shares. |
| Application Procedure | Application Forms may be obtained from an Underwriter or Selling Agent. All applications shall be evidenced by the Application Form, duly executed in each case by an authorized signatory of the Applicant and accompanied by two (2) completed signature cards, the corresponding payment for the Shares covered by the application and all other required documents including documents required for registry with the Registrar. The duly executed Application Form |

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| | and required documents should be submitted to the Joint Lead Underwriters or Selling Agents on or prior to the set deadline for submission of Applications for Joint Lead Underwriters and Selling Agents, respectively (see "Schedule of the Offer" below). If the Applicant is a corporation, partnership, or trust account, the application must be accompanied by the required documents indicated on the Application Form. |
| Payment for the Shares | The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payment for the Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila, or (ii) a manager's or cashier's check issued by an authorized bank. All checks should be made payable to "MBTC-TBG FAO GT CAPITAL", crossed "Payee's Account Only," and dated the same date as the application. The applications and the related payments will be received at any of the offices of the Receiving and Paying Agent, the Joint Lead Underwriters or the Selling Agents. |
| Acceptance/Rejection of Applications | The actual number of Shares that an Applicant will be allowed to purchase is subject to acceptance and confirmation. GT Capital reserves the right to accept or reject, in whole or in part, or to reduce any Application due to any grounds specified in the Issue Management and Underwriting Agreement entered into by GT Capital, and the Joint Lead Underwriters. Applications which are incomplete, unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Payment received pursuant to any Application does not ensure or indicate approval or acceptance by GT Capital of the Application.<br><br>An Application, when accepted, shall constitute an agreement between the Applicant and GT Capital for the purchase of the Shares at the time, in the manner and subject to terms and conditions set forth in the Application Form and those described in this Prospectus. Notwithstanding the acceptance of any Application by GT Capital, the actual purchase by the Applicant for the Shares will become effective only upon issuance of the Shares by GT Capital and upon the obligations of the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Issue Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the Applicants without interest. |
| Refunds of Application Payments | In the event that the number of Shares to be allotted to an Applicant, as confirmed by an Underwriter, is less than the number covered by its Application, or if an Application is wholly or partially rejected by GT Capital, then GT Capital shall refund, without interest, within 5 Banking Days from the end of the Offer Period, all, or a portion of the payment corresponding to the number of Shares wholly or partially rejected. All refunds shall be made through the Underwriter or Selling Agent with whom the Applicant has filed the Application. |
| Registration of Foreign Investments | The Bangko Sentral ng Pilipinas ("BSP") requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the |

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| | BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the domestic banking system. The registration with the BSP of all foreign investments in the Shares shall be the sole responsibility of the foreign investor (see discussion under "Philippine Foreign Investment, Foreign Ownership and Exchange Controls"). |
| Receiving and Paying Agent | Metropolitan Bank and Trust Co. – Trust Banking Group |
| Registrar and Depository Agent | Philippine Depository and Trust Corporation |
| Indicative Schedule of the Offer | The timetable of the Offer is scheduled to be as follows: |

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| Bookbuilding | 19 September to 13 October 2016 |
| Dividend rate-setting date | 13 October |
| Start of Offer Period for PSE Trading Participants and the general investing public | 17 October |
| Submission of firm commitments by PSE Trading Participants | 19 October |
| End of Offer Period for PSE Trading Participants and the general investing public | 21 October |
| Listing Date and commencement of trading on the PSE | 27 October 2016 |

The dates listed above are subject to market and other conditions and may be changed at the discretion of the Company and the Joint Lead Underwriters, subject to the approval of the PSE.

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| Risks of Investing | Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Shares. Certain of these risks are discussed in the section entitled "Risk Factors" on page 40. |

# DESCRIPTION OF THE PREFERRED SHARES

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its articles of incorporation and the by-laws. The current authorized capital stock of the Company is ₱5,000,000,000.00 divided into 298,257,000 Common Shares with a par value of ₱10.00 per share, 20,000,000 Perpetual Preferred Shares with a par value of ₱100.00 per share, and 174,300,000 Voting Preferred Shares with a par value of ₱0.10 per share. As of date, 174,300,000 Common Shares, all of which are listed in the PSE, and 174,300,000 Voting Preferred Shares are issued and outstanding.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have the following issued and outstanding shares: (a) 174,300,000 Common Shares, (b) 12,000,000 Preferred Shares and (c) 174,300,000 Voting Preferred Shares. Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have the following issued and oustnading shares: (a) 174,300,000 Common Shares, (b) 8,000,000 Preferred Shares and (c) 174,300,000 Voting Preferred Shares.

The holders of the Preferred Shares do not have identical rights and privileges with holders of the existing Common Shares or Voting Preferred Shares of the Company.

## THE PREFERRED SHARES

### General Features of Perpetual Preferred Shares

Under the Articles of Incorporation, the Perpetual Preferred Shares (which includes the Preferred Shares) have the following features, rights, and privileges:

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

### Features Specific or Particular to the Preferred Shares

Following are certain features specific or particular to the Preferred Shares.

***In General: No Voting Rights***

Under the Articles of Incorporation, the holders of the Preferred Shares shall have no voting rights except as specifically provided by law. Thus, holders of the Preferred Shares shall not be eligible, for example, to vote for or elect the Company's directors or to vote for or against the issuance of a stock dividend.

Holders of Preferred Shares, however, may vote on matters which the Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. These acts, which require the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the Company in a meeting duly called for the purpose, are as follows:

- Amendment of the Articles of Incorporation (including any increase or decrease in capital stock);
- Amendment of the By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part
- of the Company's assets;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of capital stock;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or business or for any purpose
- other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

***Dividend Policy In Respect of the Preferred Shares***

The declaration and payment of dividends on each Dividend Payment Date will be subject to the sole and absolute discretion of the Board to the extent permitted by law.

As and if declared by the Board, dividends on the Preferred Shares shall be at a fixed rate of 4.6299% per annum for Series A Perpetual Preferred Share and at a fixed rate of 5.0949% per annum for Series B Perpetual Preferred Share, and in all cases calculated in respect of each Preferred Share by reference to the Offer Price thereof in respect of each Dividend Period.

Unless the Preferred Shares are redeemed by the Company on the relevant Optional Redemption Date or on any Dividend Payment Date thereafter, the dividend rate on the Preferred Shares will be adjusted on the relevant Rate Adjustment Date to the higher of (a) the prevailing relevant Dividend Rate on such relevant Rate Adjustment Date or (b) the relevant Reference Rate plus the relevant Rate Step-Up Spread.

As and if declared by the Board, the dividends on the Preferred Shares will be calculated on a 30/360 day basis and will be paid quarterly in arrears on a Dividend Payment Date, which is the last day of each Dividend Period. Subject to limitations described in this Prospectus, dividends on the Preferred Shares will be payable on January 27, April 27, July 27, and October 27 of each year (each, a "Dividend Payment Date").

If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

The Board will not declare and pay dividends on any Dividend Payment Date where (a) payment of the Dividend would cause the Issuer to breach any of its financial covenants or (b) the unrestricted retained earnings available to the Issuer to distribute as dividends are not sufficient to enable the Issuer to pay in full both the dividends on the Preferred Shares and the dividends on all other classes of the Issuer's shares that are scheduled to be paid on or before the same date as the dividends on the Preferred Shares and that have an equal right to dividends as the Preferred Shares.

If the unrestricted retained earnings available to distribute as dividends are, in the Board's opinion, not sufficient to enable the Issuer to pay in full on the same date both dividends on the Preferred Shares and the dividends on other shares that have an equal right to dividends as the Preferred Shares, the Issuer is required first, to pay in full, or to set aside an amount equal to, all dividends scheduled to be paid on or before that dividend payment date on any shares with a right to dividends ranking higher in priority to that of the Preferred Shares; and second, to pay dividends on the Preferred Shares and any other shares ranking equally with the Preferred Shares as to participation in such unrestricted retained earnings pro rata to the amount of the cash dividends scheduled to be paid to them. The amount scheduled to be paid will include the amount of any dividend payable on that date and any arrears on past cumulative dividends on any shares ranking equal in the right to dividends with the Preferred Shares.

The profits available for distribution are, in general and with some adjustments, equal to the Issuer's accumulated, realized profits less accumulated, realized loss. In general, under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends.

Dividends on the Preferred Shares will be cumulative. If for any reason the Issuer's Board does not declare a dividend on the Preferred Shares for a Dividend Period, the Issuer will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares must receive the dividends due them on such Dividend Payment Date as well as all dividends accrued and unpaid to the holders of the Preferred Shares prior to such Dividend Payment Date.

Holders of Preferred Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Shares.

***Redemption of the Preferred Shares***

As and if declared by the Board, the Issuer may redeem the Preferred Shares on relevant Optional Redemption Date or on any Dividend Payment Date thereafter in whole (but not in part only), at a redemption price equal to the Issue Price plus any accrued and unpaid dividends after deduction for any tax and customary transfer costs to effect the redemption (the "Redemption Payment"). The Redemption Payment shall be made to holders of the Preferred Shares as of the record date set by GT Capital for such redemption.

The Issuer has not established, and currently has no plans to establish, a sinking fund for the redemption of the Preferred Shares.

Upon listing with the PSE and subject to compliance with Philippine law, the Issuer may purchase the Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other Preferred Shares. The Preferred Shares so purchased shall be recorded as treasury shares until and unless the same are retired, or may be re-issued in the future at such terms and at such time as the Issuer may determine.

The Issuer shall give not less than 30 or more than 60 days prior written notice of its intention to redeem the Preferred Shares, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Preferred Shares at the Redemption Date stated in such notice.

***Early Redemption Due to Taxation***

If payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Preferred Shares in whole, but not in part, having given not more than 60 nor less than 30 days' notice prior to the intended date of redemption, at the Issue Price plus all accrued and unpaid dividends, if any.

***Liquidation Rights In Respect of the Preferred Shares***

The Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and rateably without preference or priority among themselves, and in respect of payment of dividends and distribution of corporate assets in the event of dissolution, winding-up or liquidation of the Issuer, with Voting Preferred Shares issued by the Issuer.

In the event of a return of capital in respect of the Issuer's winding up or otherwise (whether voluntarily or involuntarily) (but not on a redemption or purchase by the Issuer of any of its share capital), the holders of the Preferred Shares at the time outstanding will be entitled to preference, together with the holders of any other of the Issuer's shares ranking, as regards repayment of capital, *pari passu* with the Preferred Shares and before any distribution of assets is made to holders of any class of the Issuer's shares ranking after the Preferred Shares as regards repayment of capital and liquidating distributions in an amount equal to the Issue Price plus an amount equal to any dividends declared but unpaid in respect of the previous Dividend Period and any accrued and unpaid dividends for the current Dividend Period to (and including) the date of commencement of the Issuer's winding-up or the date of any such other return of capital, as the case may be. If, upon any return of capital in the Issuer's winding up, the amount payable to the Preferred Shares and any other shares of the Issuer ranking equally with the Preferred Shares as to such distribution are not paid in full, the Preferred Shares and the holders of any other of the Issuer's shares ranking *pari passu* will share ratably in the distribution of the Issuer's assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the Preferred Shares will have no right to claim to any of the Issuer's remaining assets and will not be entitled to further participation or return of capital.

***Payments of the Preferred Shares***

All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, documentary stamp, issue, registration, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Issuer shall not be liable for: (a) the final withholding tax or creditable withholding tax applicable on dividends earned on the Preferred Shares prescribed under the National Internal Revenue Code of 1997, as amended, and relevant regulations, (b) any income tax, whether or not subject to withholding, (c) expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Preferred Shares and (d) any withholding tax on any amount payable to any holder of the Share or any entity which is a non-resident foreign corporation.

Documentary stamp tax for the issuance of the Shares and the documentation, if any, shall be for the account of the Issuer.

The standard taxes applicable to the subsequent sale of the Preferred Shares by any holder of the Preferred Shares shall be for the account of the said holder.

***No Pre-emptive Rights***

The Articles of Incorporation currently deny pre-emptive rights to holders of Preferred Shares over all issuances of the Company's common and preferred shares. However, shareholders representing at least two-thirds of the

Company's issued and outstanding capital stock voting at a shareholders' meeting duly called for the purpose may amend the Articles of Incorporation to grant pre-emptive rights to subscribe to a particular issue or other disposition of shares from GT Capital's capital. Pre-emptive rights may not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the shareholders representing two-thirds of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

***Transfer of Shares and Share Register***

The Preferred Shares will be issued in scripless form.

Legal title to the Preferred Shares will be shown in the Registry of Shareholders which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting Preferred Shareholder). At least once every quarter, the Registrar shall send (at the cost of the Issuer) a Statement of Account to all Preferred Shareholders named in the Registry of Shareholders confirming the number of Preferred Shares held by each Preferred Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Preferred Shareholder as of a given date thereof. Any request by a Preferred Shareholder for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Preferred Shareholder.

Initial placement of the Preferred Shares and subsequent transfers of interests in the Preferred Shares shall be subject to normal Philippine selling restrictions for listed securities as may prevail from time to time and to restrictions on foreign ownership of the Preferrd Shares by non-Philippine nationals. See "Restrictions on Foreign Ownersip of GT Capital's Shares by Non-Philippine Nationals".

After Issue Date, Preferred Shareholders may request the Registrar, through their nominated PSE Trading Participant, to (a) open a scripless registry account and have their holdings registered under their name, or (b) issue stock certificates evidencing their investment in the Preferred Shares. Any expense that will be incurred in relation to such issuance shall be for the account of the requesting Preferred Shareholder.

Philippine law does not require transfers of the Preferred Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Taxation*". All transfers of shares on the PSE must be effected through a licensed stock broker in the Philippines.

***Not Convertible into Common Shares***

The Preferred Shares shall not be convertible into GT Capital's Common Shares.

**Other Rights and Incidents Relating to the Preferred Shares**

Following are other rights and incidents relating to the Preferred Shares, which may also apply to other classes of GT Capital's stock.

***Restrictions on Foreign Ownership of GT Capital's Shares by Non-Philippine Nationals***

Under Philippine law, no more than 40% of the capital of corporations owning land may be owned by non-Philippine nationals. GT Capital, through its subsidiaries, currently owns certain parcels of land. Accordingly, the Preferred Shares and GT Capital's other shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least (a) 60% of the Company's total number of outstanding shares of stock entitled to vote in the election of directors, and (b) 60% of the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors shall be owned by citizens of the Philippines or by partnerships, associations or corporations 60% of the voting stock or voting power of which is owned and controlled by citizens of the Philippines as provided under SEC Memorandum Circular No. 8, Series of 2013.

***Directors***

Unless otherwise provided by law or the Articles, the Company's corporate powers are exercised, its business is conducted, and its property is controlled by the Board. GT Capital has 11 directors who are elected by holders of shares entitled to voting rights under the Articles during each annual meeting of the shareholders for a term of one year. As mentioned, holders of Preferred Shares are not entitled to vote for and elect the Company's directors.

GT Capital's By-laws currently disqualify or deem ineligible for nomination or election to the Board any person who is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed so engaged:

If he is, or he is an officer, manager, or controlling person of, or the owner or a member of his immediate family is the owner (either of record or beneficial owner) of 20% or more of any outstanding class of shares of any corporation (other than one in which this Company owns at least 30% of the capital stock) which is, hostile or antagonistic to or is engaged in a business competitive or antagonistic to that of the Company or any of its subsidiaries or affiliates, both as determined by the Board, by at least two-third (2/3) vote;

If he is, or he is an officer, manager, or controlling person of, or the owner or a member of his immediate family is the owner (either of record or beneficial owner) of 20% or more of any outstanding class of shares of any corporation (other than one in which this Company owns at least 30% of the capital stock) which is, an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative or judicial) by or against the Company or any of its subsidiaries or affiliates, which has been actually filed or threatened, imminent or probable to be filed, as determined by the Board by at least two thirds (2/3) vote;

If the Board, in the exercise of its judgment in good faith, determined by at least two-thirds (2/3) vote that he is the nominee, officer, trustee, adviser, legal counsel, of any individual set forth in (a) or (b).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations. The Company conforms to the requirement to have at least 2 independent directors or 20% of the members of the Board, whichever is lesser. As of the date of this Prospectus, the Company's 4 independent directors are Jaime Miguel G. Belmonte, Christopher P. Beshouri, Wilfredo A. Paras, and Peter B. Favila.

***Appraisal Rights***

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

In addition, the Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets

of the corporation;

- the investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- a merger or consolidation; and,
- extension of corporate term.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the stockholder, one by the corporation, and the third by the two thus chosen. The SEC will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. The dissenting stockholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

***Shareholders' Meeting***

At the annual meeting or at any special meeting of the Company's shareholders, the latter may be asked to approve actions requiring shareholder approval under Philippine law.

***Quorum***

The Corporation Code provides that, except in instances where the assent of shareholders representing two-thirds of the outstanding capital stock is required to approve a corporate act (usually involving the significant corporate acts where even non-voting shares may vote, as identified above) or where the by-laws provide otherwise, a quorum for a meeting of shareholders will exist if shareholders representing a majority of the capital stock are present in person or by proxy.

***Voting***

At each shareholders' meeting, each shareholder shall be entitled to vote in person, or by proxy, all shares held by him which have voting power (in the case of the Company, Common Shares and Voting Preferred Shares), upon any matter duly raised in such meeting.

The Company's By-laws provide that all proxies must be in the hands of the secretary before the time set for the meeting. Proxies are to be filed with the secretary by the stockholder either in an instrument in writing duly presented and records with the secretary prior to a scheduled meeting or by their personal presence at the meeting..

***Fixing Record Dates***

The Board has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their votes voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights. No transfer will be recorded in the stock and transfer book on the date of a shareholders' meeting and within 5 working days from the record date of such meeting.

***Issues of Shares***

Subject to applicable limitations, the Company may issue additional shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued shares.

### *Mandatory Tender Offers*

Under the Securities Regulation Code and its implementing rules, subject to certain exceptions: Any person or group of persons acting in concert, who intends to acquire 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months, shall disclose such intention and contemporaneously make a tender offer for the percentage sought to all holders of such securities within the said period.

If the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed across selling shareholders with whom the acquirer may have been in private negotiations and other shareholders. For purposes of Securities Regulation Code Rule 19.2.2, the last sale that meets the threshold shall not be consummated until the closing and completion of the tender offer.

Any person or group of persons acting in concert, who intends to acquire 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company through the Exchange trading system shall not be required to make a tender offer even if such person or group of persons acting in concert acquire the remainder through a block sale if, after acquisition through the Exchange trading system, they fail to acquire their target of 35% or such outstanding voting shares that is sufficient to gain control of the board.

Any person or group of persons acting in concert, who intends to acquire 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders shall be required to make a tender offer for all the outstanding voting shares. The sale of shares pursuant to the private transaction or block sale shall not be completed prior to the closing and completion of the tender offer.

If any acquisition that would result in ownership of over 50% of the total outstanding equity securities of a public company, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholder of the said company at a price supported by the fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer in such a tender offer shall be required to accept all securities tendered.

### *Accounting and Auditing Requirements / Rights of Inspection*

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. Corporations whose shares are listed on the PSE are also required to file quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a balance sheet as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

### *Notice to the Preferred Shareholders*

Notices to the Preferred Shareholders shall be sent to their mailing address, as appearing in the Registry of Shareholders, by the Registrar when required to be made through registered mail, surface mail or personal delivery. Except where a specific mode or notification is provided for herein, notices to Preferred Shareholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; (iv) personal delivery to the address on record in the Registry of Shareholders or (v) disclosure through the Online

Disclosure System of the Philippine Dealing & Exchange Corp. (PDEx) or the PSE EDGE. The Registrar shall rely on the Registry of Shareholders in determining the Shareholders entitled to the notice. All notices shall be deemed to have been received (i) 10 days from posting if transmitted by registered mail; (ii) 15 days from mailing, if transmitted by surface mail; (iii) on date of publication; (iv) on date of delivery, by personal delivery; or (v) on the date that the disclosure is uploaded on the website of the PDEx or the PSE.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by GT Capital to the SEC, the PDEx or the PSE on a matter relating to the Preferred Shares shall be deemed a notice to the Preferred Shareholders of said matter on the date of the first publication.

***Trading Symbol of the Preferred Shares***

Upon listing, the Series A Preferred Shares and Series B Preferred Shares shall be traded under the symbols "GTPPA" and "GTPPB", respectively.

# RISK FACTORS

*An investment in securities involves a number of risks. The prices of securities can and do fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losing money when securities are bought from smaller companies and there may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below and elsewhere in this Prospectus, before deciding to invest in the Offer.*

*This section does not purport to disclose all of the risks or other significant aspects of investing in the Offer. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Offer and the investors may lose all or part of their investment. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. Investors may request publicly available information on the Offer and the Company from the SEC and PSE.*

*An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest or the nature of risks involved in the trading of securities specially those high risk securities. Each investor should consult his or her own counsel, accountant, and other advisors as to legal, tax, business, financial and related aspects of an investment in the Offer.*

The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

## RISKS RELATING TO GT CAPITAL

### GT Capital is a holding company that depends on dividends and distributions from the GT Capital companies.

GT Capital is a holding company and conducts no independent business operations other than providing certain corporate and other support services to the GT Capital companies. GT Capital conducts most of its operations through the GT Capital companies. Most of its assets are held by, and most of its earnings and cash flows are attributable to, the GT Capital companies. GT Capital's liquidity, ability to pay interest and expenses, meet obligations and providing funds to its subsidiaries are dependent upon the flow of funds from the GT Capital companies. There can be no assurance that the GT Capital companies will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to GT Capital to enable it to meet its own financial obligations.

The ability of direct and indirect subsidiaries of GT Capital to pay dividends to its shareholders is subject to applicable laws and restrictions contained in debt instruments of such subsidiaries and may also be subject to deduction of taxes. No assurance can be given that GT Capital will have sufficient cash flow from dividends to satisfy its own financial obligations or to make payments to the GT Capital companies to enable them to meet their obligations. Any shortfall would have to be made up from other sources of revenue, such as a sale of investments or financing, available to GT Capital, which could materially and adversely affect GT Capital's business, financial condition and results of operations.

To mitigate the abovementioned risks, GT Capital follows conservative and prudential liquidity and capital management practices. The company is careful in its selection of its investments and the management of its existing portfolio ensuring always that it has adequate funds to meet its short and long term obligations, and create value for its shareholders.

**GT Capital's ability to grow its revenue in the future will depend, in part, on its ability to acquire additional companies or additional stakes in existing component companies.**

As part of its business strategy, GT Capital has acquired and expects to continue to acquire businesses and assets in the Philippines, including additional stakes in existing component companies. No assurance can be given as to the timing of any additional acquisitions, or the likelihood that GT Capital will complete a transaction on favorable terms and conditions, or at all. GT Capital's ability to continue to expand successfully through acquisitions or alliances depends on many factors, including its ability to identify new targets and to negotiate, finance and close the acquisitions.

Furthermore, certain sectors in which the GT Capital companies operate, or may in the future operate, are undergoing consolidation, and several parties may compete for a given opportunity. In respect of these opportunities, some of GT Capital's competitors may have greater resources, financial or otherwise, which could reduce the likelihood that GT Capital will successfully complete desirable acquisitions. In addition, for acquisitions within certain sectors, such as public utilities, GT Capital's bid may be subject to regulatory approval processes, which GT Capital may not be able to complete on a timely basis, or at all.

Lastly, the acquisition of additional companies or additional stakes in existing component companies may be subject to the compulsory notification requirements of the Philippine Competition Commission, pursuant to the Philippine Competition Act and its implementing rules and regulations.

To mitigate the abovementioned risks, GT Capital deliberately seeks out business opportunities that will fulfill its strategic goals and objectives, provide synergy opportunities across the group, and create value for all its stakeholders. GT Capital prudently selects projects that capitalize on the group's resources and capabilities.

**GT Capital may face risks associated with inorganic growth through acquisitions.**

Growth through acquisitions involve business risks, including unforeseen contingent risks or latent business liabilities that may only become apparent after the acquisition is finalized, successful integration and management of the acquired entity within GT Capital, retention of key personnel, ability to realize synergies with other GT Capital companies, and management of a larger business. Acquisitions could also materially increase GT Capital's costs or liabilities and divert management's attention from its other business activities. If GT Capital is unable to successfully manage and grow any future acquisitions, its business, financial condition and results of operations could be adversely affected.

GT Capital undertakes prudent review and due diligence, and evaluates the viability and risk associated with any acquisition or investment. In addition, the Company is guided by metrics when assessing possible investments, which include, but not limited to, financial returns and possible synergies across the Group, with an overall objective of maximizing returns for its shareholders.

**Failure to obtain financing on reasonable terms or at all could affect the execution of GT Capital's growth strategies and increased debt financing may have a material adverse effect on GT Capital.**

GT Capital's ability to make strategic investments and acquisitions may depend on external fundraising activities, including debt and equity financing. GT Capital's ability to raise additional equity financing from non-Philippine investors is subject to prevailing market risks and foreign ownership restrictions imposed by the Philippine Constitution and applicable laws. GT Capital's access to debt financing for new projects and acquisitions and its ability to refinance maturing debt is subject to many factors, some of which are outside of GT Capital's control. For example, political instability, economic downturns, liquidity of the U.S. dollar and Peso debt capital and the banking market, social unrest or changes in the GT Capital companies' regulatory environments could increase GT Capital's cost of borrowing or restrict GT Capital's ability to obtain debt financing. GT Capital cannot guarantee that it will be able to arrange financing on acceptable terms, if at all. The inability of GT Capital to obtain debt financing from banks and other financial institutions would adversely affect its ability to execute its growth strategies or refinance maturing debt.

In addition, any future debt incurred by GT Capital may:

- increase GT Capital's vulnerability to adverse economic and industry conditions, limit GT Capital's flexibility to react to changes in the sectors in which its companies operate, and place GT Capital at a competitive disadvantage in relation to competitors that have less debt;
- restrict GT Capital's ability to make additional capital expenditures;
- require GT Capital to dedicate a substantial portion of its cash flow to service debt payments; and/or
- subject GT Capital companies to restrictive financial and other covenants, including restrictions on the ability of GT Capital companies to declare dividends or incur additional indebtedness.

Any of these factors, alone or together, could materially and adversely affect GT Capital's business, financial condition or results of operations.

GT Capital observes a prudential and conservative liquidity management policy by anticipating its maturing obligations and requirements, maintaining adequate banking lines, and maintaining access to the capital markets.

**GT Capital depends on the continued service of its senior management team, and its ability to attract and retain talented personnel.**

GT Capital is, and will continue to be, dependent on the continued service of its senior management team, including members of the Ty family, whose details are set out in "Board of Directors and Senior Management". GT Capital's senior management team is critical to GT Capital's success and the loss of the services of any key member of the team could materially impair GT Capital's operations and impede the execution of its strategies.

GT Capital does not carry key person insurance and may not be able to replace members of its senior management within a reasonable period of time or with a person of equivalent expertise and experience, which could materially and adversely affect GT Capital's business, financial condition and results of operations.

Training being a crucial factor in organizational development and success, GT Capital's HR and Administration Department identifies programs and allocates a budget that allows employees to acquire and enhance technical and behavioral competencies. To supplement mentoring provided by each Department Heads and the President, both employees and Senior Management are encouraged to attend programs which address any competency gaps and expose them to the latest concepts, information and techniques in their respective fields, as well as further build their competencies in preparation for higher responsibilities in the future.

**GT Capital's corporate structure, which consists of a number of companies in multiple business lines, exposes GT Capital to challenges not found in companies with a single business line.**

GT Capital consists of portfolio companies operating in multiple industries, including some publicly-traded companies with unrelated businesses. Due to the diverse characteristics of GT Capital's portfolio companies, GT Capital faces challenges not found in companies with a single business line. In particular:

- GT Capital is exposed to business and market risks relating to different industries. GT Capital needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies that fit the needs of the portfolio companies affected.

- Some of the GT Capital companies are subject to stringent government regulation, including (i) MBT and the Philippine Savings Bank ("PSBank"), which are regulated by the BSP, AXA Philippines Insurance

Corporation ("AXA"), (ii) AXA, which is regulated by the Philippine Insurance Commission, (iii) Federal Land, Inc. ("Fed Land") and Property Company of Friends, Inc. ("PCFI"), which are regulated by the Housing and Land Use Regulatory Board and (iv) MPIC, which is regulated by the Philippine Energy Regulatory Commission ("ERC"), the Philippine Department of Energy ("DOE"), Toll Regulatory Board ("TRB") and Metropolitan Waterworks and Sewerage System ("MWSS"). Pursuant to existing regulations, such portfolio companies are required to obtain licenses and comply with regulations, obtain permission to engage in certain activities, and maintain certain operating performance obligations and financial standards. The large number of regulators and regulatory regimes impacting the GT Capital companies' businesses requires a significant amount of GT Capital management's time and effort to understand and oversee the regulatory compliance of its portfolio companies.

- Due to GT Capital's large number of portfolio companies, its success requires an effective management system that emphasizes accountability, imposes financial discipline on portfolio companies, and creates value-focused incentives for management.

- As MBT, PSBank and MPIC are publicly traded, transfers of funds into or out of these companies are subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable disclosure and other regulatory requirements, such as issuing press notices, securing shareholders' approval at general meetings, and disclosing material information in annual reports and accounts.

The failure of GT Capital to meet the challenges mentioned above could materially and adversely affect GT Capital's business, financial condition and results of operations.

To mitigate the above mentioned risks, GT Capital and its portfolio companies shall continue to adopt financial and operational controls and policies within the context of the prevailing business, economic, and political environments taking into consideration the interests of its customers, stockholders and creditors. In addition, GT Capital has also established an Enterprise Risk Management Framework to assist the corporation in identifying new and emerging risks aside from the risks mentioned above. The ERM framework also provides a mechanism to continuously monitor and assure risk exposure is within GT Capital risk appetite.

**GT Capital's reputation may be affected by the operations of some of its portfolio companies.**

Actions taken that adversely impact the reputation of one GT Capital company may also have an adverse impact on other GT Capital companies or GT Capital as a whole. Several of the GT Capital companies cross-sell products and coordinate marketing campaigns that associate them with other GT Capital companies. If GT Capital's, or any GT Capital companies', reputation or corporate image were to suffer, GT Capital's business, financial condition and results of operations would be materially and adversely affected.

GT Capital senior management sit in the various boards and executive committees of its portfolio companies enabling it to identify issues and risks that may affect GT Capital's reputation.

**The interests of the strategic business partners of the GT Capital companies may conflict with the interests of GT Capital and its shareholders.**

A significant proportion of GT Capital's operations are held through business ventures or other similar structures between a GT Capital company and third parties. For example, TMP is a business venture with TMC and Mitsui.

These relationships and any similar future relationships subject GT Capital and the GT Capital companies to the risk that the interests of their strategic business partners may conflict with the interests of GT Capital and its shareholders. For instance, the GT Capital companies' strategic business partners may:

- have economic or business interests or goals that are inconsistent with those of GT Capital and its shareholders;

- take actions contrary to the instructions or requests of or contrary to the policies and objectives of GT Capital and its shareholders;
- be unable or unwilling to fulfill their obligations under the relevant agreements;
- experience financial difficulties;
- have disputes with GT Capital or the GT Capital companies; or
- decide against renewal of the relevant agreements, and partner with a competitor of GT Capital.

A serious dispute with the strategic business partners of GT Capital and the GT Capital companies, the dissolution or the early termination of the respective arrangements or agreements with the strategic business partners could materially and adversely affect GT Capital's business, financial condition and results of operations.

GT Capital continues to engage and generally has good working relationships with both shareholders and business partners to ensure sound operation and financial success of GT Capital businesses. GT Capital senior management sit at the boards of the various GT Capital component companies to ensure that shareholder interests are represented.

**RISKS RELATING TO THE BUSINESS**

GT Capital is an investment holding company that conducts its business through its eight (8) component companies, which operate in their respective sectors, namely banking, property development, automotive manufacturing, insurance, power, water, and infrastructure. Each of these sectors is exposed to intrinsic risks, as follows:

**Banking**

The Philippine banking industry remains highly competitive, and increases in competition may result in declining margins. In addition, the industry operates in a very mature, highly regulated market. It also continues to face significant financial and operating challenges. These challenges include, among others, variations of asset and credit quality, low loan growth, and potential or actual under-capitalization.

Fresh disruptions in the country's financial sector, or general economic conditions in the Philippines may cause the banking sector to experience similar challenges that it had to contend with in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems, and other difficulties.

To mitigate the abovementioned risks, the banking business has an independent Risk Management Group that identifies, analyzes, measures, and monitors credit, market, liquidity, and operational risks in close coordination with other business units. This group reports to a Board Risk Oversight Committee who actively oversees risk infrastructure, operating policies, and exposures.

**Property Development**

The Philippine property development industry is highly regulated. The development of condominium projects, subdivisions, and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits.

Furthermore, developers, owners of, or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of condominium units, subdivision lots, and housing units. Project permits and any license to sell may be suspended, cancelled, or revoked by the HLURB based on its own findings or upon complaint from an interested party and there can be no assurance that developers will in all circumstances, receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the developers' ability to complete projects on time and within budget, and could materially and adversely affect their business, financial condition, and results of operations.

In addition, under PFRS, real estate companies are allowed to recognize revenues from construction of real estate based on a percentage of completion method, wherein portions of the sales price is recognized as revenue once a certain percentage of payment has been received from buyers, but before the real estate project's construction has been completed. However, the International Financial Interpretations Committee's ("IFRIC") Interpretation No. 15 on Agreements for the Construction of Real Estate ("IFRIC 15") will require real estate companies to recognize, subject to certain exceptions, revenue from real estate only when construction of the real estate asset has been completed. Once real estate companies begin to account for revenues from its real estate sales under IFRIC 15, amounts recorded for certain items in their financial statements, such as gross and net income, as well as receivables, may be materially affected. The SEC and the FRSC have however, deferred the effectivity of this implementation until the final revenue standard is issued by the IASB and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed.

In the event of an asset bubble, there may be a reduction in reservation sales or pre-sales of Fed Land and PCFI. This may then lead to a reduction in real estate revenues of Fed Land in one and a half years to two years down the road when revenues are recognized based on Fed Land's revenue recognition policy. In Fed Land's case, real estate revenues are only recognized once the buyer pays 10% of the purchase of a residential condominium unit and the construction of the residential project is beyond preliminary stage.

Property developers also face certain risks related to the cancellation of sales involving its residential projects and if it were to experience a material number of sales cancellations, its historical revenues would be overstated. Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the developers and their customers' ability to obtain financing.

To mitigate the regulatory risks, the property businesses have dedicated experienced personnel who manage realtionships with regulators, keep management up to date on the status of the relationship and ensure the company is well prepared for any forthcoming regulatory changes or challenges. For market risks, GT Capital companies mitigate these through carefully planned project launches, clear product differentiation, product innovation, and increased market expansion.

**Automotive Assembly (Dealership and Auto Financing)**

The Philippine automotive market has been subject to considerable volatility in demand and is highly sensitive to sales volume. Demand for vehicles depends to a large extent on general, social, political, and economic conditions in the Philippines. Demand may also be affected by factors directly impacting vehicle prices or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, and the cost of fuel, exchange rates, and governmental regulations (including tariffs, import regulations and other taxes). Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in higher selling expenses per vehicle and could materially and adversely affect the financial condition and results of operations of participating companies.

The country's automotive market is also highly competitive. Factors affecting competition include product quality and features, innovation and development time, production capacity, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in higher selling expenses. Competition has a direct effect on selling prices of vehicles. In general, vehicle price setting is based on specification differences. However, upward or downward price adjustments may be made to respond to competitors' pricing strategy and the target market's purchasing behavior.

Moreover, the industry is subject to various stringent laws and government regulations. These regulations include environmental protection and conservation rules that regulate the levels of air, water, noise, and solid waste pollution produced by automotive manufacturing activities, and vehicle performance. The Government also imposes tariffs, taxes, and levies.

To mitigate the abovementioned risks, GT Capital has partnered with Toyota Motors Corporation (TMC) who is well known and highly respected for its efficient global manufacturing capabilities. TMC is one of the leading global brands that has a proven track record evidenced by its product and market leadership and its reputation for quality and safety over the years. Its management is highly regarded and emulated.

The industry may be similarly be affected by the Government's intention to curb the worsening traffic situation in Metro Manila. To address this, the Government may impose stricter traffic rules and enhance public transportation efficiency and effectiveness. Such measures may affect the demand for vehicles which may affect the Philippine automotive market. To anticipate for any new regulations that may affect GT Capital's automotive business, TMP works with other auto manufacturers in relevant associations such as the Chamber of Automotive Manufacturers of the Philippines Inc. (CAMPI) in pursuing productive dialogue with government policy makers and regulators. Further, the risks may also be mitigated with through the continued efforts of TMP to continue product differentiation and innovation to address any changes in market demand.

**Insurance**

The country's life insurance industry could experience catastrophic losses from large-scale losses of life that may have an adverse impact on its business, results of operations and financial condition. Such catastrophes can be caused by various events, including terrorist attacks, earthquakes, typhoons, floods, tsunamis, fires, and epidemics.

The industry is also highly regulated. The Philippine Insurance Commission ("IC"), in exercising its authority, is given wide discretion to administer applicable laws. The IC's regulations provide for, among other matters, assets, liabilities, and solvency margins of insurers; reporting requirements of life insurance providers; licensing of insurance agents; investment restrictions for life insurance providers; and advertising, sale and distribution of insurance products.

The Philippines' insurance regulatory regime is undergoing significant changes toward a more transparent regulatory process and a convergent movement toward international standards. Some of these changes may result in additional costs or restrictions on the activities and initiatives of insurance companies. Among other things, changes to determination of statutory reserves and solvency requirements may affect these companies' income and the amount of capital they are required to maintain. Because the terms of insurance products are subject to insurance as well as tax regulations, changes in regulations – in particular tax regulations and its rulings – may affect underlying costs in the products, thus impacting the profitability of the policies and contracts issued.

Furthermore, the Philippine insurance market may not grow at the rate anticipated by insurance firms. This may be the case even though industry participants expect insurance penetration rates to rise with the growth of the Philippine economy and household wealth, continued social welfare reform, demographic changes, and the continued opening of the Philippine insurance market to foreign participants. The impact on the Philippine insurance industry of certain trends and events, such as the pace of economic growth in the Philippines and the progression of economic reforms is generally prospective and is not clear. Consequently, the growth and development of the Philippine insurance market are subject to a number of uncertainties that are beyond the control of insurance companies. Any reduction of growth in the insurance industry as compared to estimates could materially and adversely affect the business, financial condition, or results of operations of insurance firms.

To mitigate the abovementioned risks, GT Capital has partnered with AXA, a leader in the Global Insurance industry, that seeks to grow its business in the Philippines. AXA is known for its strong asset, liability, and risk management. It operates in a highly regulated industry, complying with regulators from its home country and the local insurance commission. Its officers maintain good relationships with the Insurance Commission members and are up to date on any regulatory changes that may affect the business.

**Power**

The power business operates in a highly regulated environment. The Philippine government has sought to implement measures designed to establish a competitive power market. These measures include the privatization of NPC-owned-and-controlled power generation assets, the establishment of the WESM and the start of the Retail Competition and Open Access ("RCOA"). The move towards a more competitive environment could result in the emergence of new competitors.

The regulators have also placed a limit on market share of industry players. The EPIRA limits the market share of a participant to 30.0% per grid and 25.0% of the national grid by installed capacity. This creates a barrier for industry players to continuously grow profitability.

The Power businesses have highly experienced management teams composed of experts having an extensive knowledge of the Philippine power industry to help it sustain its position as one of the major players in the industry. Moreover, the power businesses continue to engage and have good working relationship with its regulators to manage regulatory risks.

**Water**

The water sector operates in a highly regulated environment under the terms of Concession Agreements entered into with Metropolitan Waterworks and Sewerage System ("MWSS"). Risks of the business include ability to implement rate increases, meet capital expenditure requirements and concession fee payments (to the Government), comply with operating and performance targets specified under the Concession Agreement, and the availability of adequate raw water supply.

To mitigate the abovementioned risks, close relationships with regulators are maintained. Planning and budgeting processes are also in place to ensure targets specified in the Concession Agreements are achieved.

**Infrastructure**

The success of infrastructure businesses is highly dependent on the validity and enforceability of applicable concession agreements which contain all the obligations and responsibilities of the concessionaire and grantor over the relevant concession period.

There is also a risk on the ability to implement tariff increases. While tariff increases are permitted contractually pursuant to pricing formulas set forth in the applicable concession agreements, these may be subject to the approval of relevant government and regulatory agencies. Any constraint on the ability to increase tariffs could have a material adverse effect on business, financial condition and results of operations of the infrastructure business.

Another risk is the ability to maintain or increase utilization of infrastructure facilities. External events may decrease the number of vehicle passengers that utilize the infrastructure facilities which may result in fewer passenger vehicle journeys. Any decrease in utilization or any factor that would decrease patronage could have a material adverse effect on the financial condition and results of operations of the infrastructure business.

The infrastructure business have been compliant with and continues to perform its obligation under the applicable concession agreements. The infrastructure business continues to engage in comprehensive discussions and has good working relationships with the relevant government and regulatory agencies to obtain proper resolutions to the pending tariff increases.

The infrastructure business continually adopts efficiency improvement programs maintenance of the facilities that would improve utilization while providing convenience to motorists.

**RISKS RELATING TO THE PHILIPPINES**

Substantially all of the GT Capital companies' business activities and assets are based in the Philippines, which exposes GT Capital to risks associated with the country, including the performance of the Philippine economy.

Historically, the GT Capital companies have derived substantially all of their revenues and operating profits from the Philippines and, as such, their businesses are highly dependent on the state of the Philippine economy. Demand for banking services, residential real estate, automotives, power, insurance, and infrastructure are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from OFWs and overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations;
- inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies;
- re-emergence of the severe acute respiratory syndrome (commonly known as SARS), avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and,
- other social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect GT Capital's business, financial condition and results of operations.

**Any political instability in the Philippines may adversely affect GT Capital's business, results of operations and financial condition.**

The Philippines has from time to time experienced political and military instability. The May 2016 elections paved the way for the new administration of President Rodrigo R. Duterte. Leadership change and shifting political alliances could alter national and local political dynamics and result in changes of policies and priorities. In addition, organized armed threats from communist insurgents and Muslim separatists persist in certain parts of the country. Any of these political risks could materially and adversely affect GT Capital's business, financial condition and results of operations.

**Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on GT Capital's business and financial condition.**

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine military has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network and the ISIS, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities, particularly in the southern part of the Philippines. Moreover, isolated bombings have taken place in the Philippines in recent years, mainly in cities in that part of the country. On January 25, 2011, a bomb was detonated on a bus in the northern city of Makati, Metro Manila, killing five persons. Although no one has claimed responsibility for these attacks, it is believed that the attacks were the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

There have also been a number of violent crimes in the Philippines, including the August 2010 incident involving the hijacking of a tour bus carrying 25 Hong Kong tourists in Manila, which resulted in the deaths of eight tourists. High-profile violent crimes have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy.

**The sovereign credit ratings of the Philippines may adversely affect GT Capital's business.**

Last April 24, 2015, the Philippines received a BBB Stable sovereign credit rating from the Standard & Poor's Financial Services (S&P), the highest rating recorded by the country. Aside from S&P, Fitch Ratings (Fitch) and Moody's Investors Service (Moody's) also granted the Philippines a BBB- Positive Investment Grade and Baa2 Stable Investment Grade, respectively in the same year. The sovereign credit ratings of the Government directly and adversely affect companies residing in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that S&P's, Moody's, Fitch or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including GT Capital. Any of such downgrades could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including GT Capital, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

**The occurrence of natural catastrophes could adversely affect the GT Capital companies' business, financial condition and results of operations.**

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect the GT Capital companies' business operations. In particular, damage caused by natural catastrophes may materially disrupt the business operations of the GT Capital companies' customers, suppliers and partners, which may, in turn, materially and adversely affect GT Capital's business, financial condition and results of operations. There can be no assurance that the GT Capital companies are fully capable of dealing with these situations as they arise and that the insurance coverage they maintain will fully compensate them for all the damages and economic losses resulting from these catastrophes.

**Management of risks related to the Philippines**

GT Capital has survived major economic and political crises brought about by domestic and international developments through the implementation of its core strategies. Constant monitoring of the key economic and market indicators allows the Company to detect risk exposures and react to the external environment appropriately. Although there is no assurance that the Company will be able to fully overcome the adverse effects of any or all crisis, it has in place a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives.

## RISKS RELATING TO THE OFFER

### Subordination to the Issuer's Other Indebtedness

GT Capital's obligations in respect of the Preferred Shares are subordinated to all of the Company's indebtedness, and it will not make any payments under the Preferred Shares unless it can satisfy in full all of its other obligations that rank senior to the Preferred Shares. GT Capital's obligations under the Preferred Shares are unsecured and will, in the event of the winding up of the Company, rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. Accordingly, GT Capital's obligations under the Preferred Shares will not be satisfied unless GT Capital can satisfy in full all of its other obligations ranking senior to the Preferred Shares. There are no terms in the Preferred Shares that limit GT Capital's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Preferred Shares.

### Insufficient Distributions upon Liquidation

Upon any voluntary or involuntary dissolution, liquidation or winding up of GT Capital, holders of Preferred Shares will be entitled only to the available assets of the Company remaining after the Company's indebtedness is satisfied. If any such assets are insufficient to pay the full amount due to the holders of the Preferred Shares, then holders of Preferred Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

### Lack of Public Market for the Shares

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions, and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Preferred Shares will always be active or liquid upon commencement of their trading on the PSE. The nationality restriction on ownership of the Preferred Shares may also restrict the trading and liquidity of the Shares.

### Limited Liquidity

The Joint Lead Underwriters are  not obligated to create a trading market for the Preferred Shares and any such market making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Preferred Shares will develop or if such a market develops, if it can be sustained. Consequently, a holder may be required to hold his Preferred Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

### Non-payment of Dividends May Affect the Trading Price of the Preferred Shares

If Dividends on the Preferred Shares are not paid in full, or at all, the Preferred Shares may trade at a lower price than they might otherwise have traded if Dividends had been paid. The sale of Preferred Shares during such a period by a holder of Preferred Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Preferred Shares until Dividend payments resume. In addition, because of the dividend limitations, the market price for the Preferred Shares may be more volatile than that of other securities that do not have these limitations.

## No Voting Rights

Holders of Preferred Shares will not be entitled to elect the Directors of the Company. Except as specifically set forth in the Articles and as provided by Philippine law, holders of Preferred Shares will have no voting rights (see ''Description of the Preferred Shares'' on page 31).

## Restrictions on Foreign Ownership of the Preferred Shares by Non-Philippine Nationals

Under Philippine law, no more than 40% of the capital of corporations owning land may be owned by non-Philippine nationals. GT Capital, through its subsidiaries, currently owns certain parcels of land. Accordingly, the Preferred Shares may be owned or purchased by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least 60% of the Company's outstanding capital stock shall be owned by citizens of the Philippines or by partnerships, associations or corporations, 60% of the voting stock or voting power of which is owned and controlled by citizens of the Philippines pursuant to SEC Memorandum Circular No. 8, Series of 2013.

## USE OF PROCEEDS

GT Capital expects to raise gross proceeds of approximately up to ₱8,000,000,000.00 from the Offer. In the event that the Oversubscription Option is exercised in full, the Company expects to raise gross proceeds from the Offer of ₱12,000,000,000.00.

The following are the estimated expenses to be incurred in relation to the Offer:

| | | Base Issue Size | With Oversubscription |
|---|---|---|---|
| Gross Proceeds from the Offer | ₱ | 8,000,000,000.00 | 12,000,000,000.00 |
| *Estimated Expenses:* | | | |
| SEC Registration, Filing and Research Fees [2] | ₱ | 3,600,650.00 | 3,600,650.00 |
| PSE Listing and Processing Fees (incl. VAT) | ₱ | 9,016,000.00 | 13,496,000.00 |
| Documentary Stamp Tax | ₱ | 4,000,000.00 | 6,000,000.00 |
| Issue Management, Underwriting, and Selling Fees | ₱ | 33,333,333.33 | 48,387,096.77 |
| Estimated Professional Expenses | ₱ | 2,150,000.00 | 2,150,000.00 |
| Other related expenses | ₱ | 1,080,000.00 | 1,080,000.00 |
| **Total** | | 53,179,983.33 | 74,713,746.77 |
| **Estimated Net Proceeds from the Offer** | ₱ | **7,946,820,016.67** | **11,925,286,253.23** |

The Company expects to use the net proceeds from the Offer, estimated to be ₽7,946,820,016.67 or ₽ 11,925,286,253.23, if the Oversubscription Option is exercised in full, after deducting the above expenses to refinance previous acquisitions paid through bridge financing within the 4th quarter of 2016 and to fund strategic acquisitions.

| Use of Proceeds | Base Offer | With oversubscription | Percentage to Base | Timing of Disbursement |
|---|---|---|---|---|
| Refinance short term loans | 7,500.00 | 7,500.00 | 94% | 4Q2016 |
| Strategic acquisitions | 446.82 | 4,425.29 | 6% | 4Q2016 to 2017 |
| **Total** | **7,946.82** | **11,925.29** | **100%** | |

In the event that the Offer proceeds are less than the expected amount, the Company intends to allocate the proceeds in a manner as reflected on the table included above.

*Bridge Financing*

The Company intends to allocate ₱7,500,000,000.00 as payment for outstanding short-term loans. Each of the loans were availed and were fully-utilized to finance the acquisition of a 15.55% stake in MPIC and the subscription of an additional 28.32% stake in PCFI. See "*The Company – Overview*" section on page 61 for a discussion on GTCAP's acquisitions. The details of the loans are described in the table below:

*(amounts in ₽ million)*

| Creditor | Loan amount | Base Offer | With Oversubscription | Annual Interest Rate | Maturity |
|---|---|---|---|---|---|
| PNB | 4,000.00 | 4,000.00 | 4,000.00 | 2.6% | Oct. 28, 2016 |
| Security Bank | 2,000.00 | 2,000.00 | 2,000.00 | 2.7% | Oct. 28, 2016 |
| BPI[3] | 2,000.00 | 500.00 | 500.00 | 2.6% | Oct. 28, 2016 |
| DBP | 1,000.00 | 1,000.00 | 1,000.00 | 2.6% | Oct. 28, 2016 |
| **TOTAL** | **9,000.00** | **7,500.00** | **7,500.00** | | |

[2] In the event that the Oversubscription Option is not exercised, it is deemed cancelled and the corresponding amount paid for the SEC registration, filing, and research fees for such oversubscription is forfeited.
[3] BPI, which is the parent company of BPI Capital will receive part of the proceeds of the Offer

*Fund Strategic Acquisitions*

The Company intends to allocate from ₱446,820,016.67 to ₱4,425,286,253.23 million to fund strategic acquisitions.

As part of its strategies, GT Capital intends to further strengthen its market position in its existing businesses through targeted investments that leverage its existing expertise, market insights, partnership, brand value and customer recognition. These include investments in sectors where GT Capital companies are already present, such as infrastructure and financial services. Beyond its existing business interests, GT Capital is also actively considering and evaluating new business initiatives in areas that complement GT Capital's existing portfolio and where GT Capital will be able to contribute strategic direction, expertise, and resources.

While the Company has identified not more than two potential acquisition targets that may occur between the period of the fourth quarter of 2016 up to 2017, these are currently in the early stages of evaluation. Thus, no definitive agreements have been signed. As they are in the early stages of evaluation, such potential acquisitions may not materialize. Nonetheless, the Company shall make timely and appropriate disclosures with respect to any strategic potential acquisitions.

To the extent that the Offer proceeds are insufficient to finance the above-mentioned purposes, additional financing from loans and internally-generated cash flows will be utilized as necessary.

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans and expenditures.

The actual amount and timing of disbursement of the net proceeds from the Offer for the use stated above will depend on various factors. To the extent that the net proceeds from the Offer are not immediately applied to the above purpose, the Company will invest the net proceeds in short-term demand deposits and/or money market instruments. Aside from underwriting and selling fees, the Joint Lead Underwriters will not receive any of the net proceeds from the Offer.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

In the event of any material deviation or substantial adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC and the PSE in writing at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, will be approved by the Company's Board of Directors. In addition, the Company shall submit via the PSE's Online Disclosure System, the PSE EDGE Portal, the following disclosure to ensure transparency in the use of proceeds:

- Any disbursements made in connection with the planned use of proceeds from the Offer,
- Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following fiscal quarter, the quarterly progress reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor,
- Annual summary of the application of the proceeds on or before 31 January of the following year, the annual summary report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor, and
- Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Board as required in item (iv) above.

## DETERMINATION OF THE OFFER PRICE

The Offer Price of ₱1,000.00 is at a premium to the Preferred Share's par value per share of ₱100.00. The Offer Price was arrived at by dividing the desired gross proceeds of ₱8,000,000,000.00, or ₱12,000,000,000.00, if the Oversubscription is fully exercised, by the amount of Preferred Shares allocated for this offering.

# PLAN OF DISTRIBUTION

The offer by the Company by way of an issuance of the Preferred Shares is purely domestic and will not include an international offering. First Metro Investment Corporation, BDO Capital & Investment Corporation, and BPI Capital Corporation have been appointed by the Company to act as Joint Lead Underwriters for the Offer. The Company plans to issue the Preferred Shares through the Joint Lead Underwriters. The Trading Participants, who are member-brokers of the PSE, shall act as Selling Agents for the Offer, pursuant to the PSE's rules and regulations.

## OBLIGATIONS OF THE JOINT LEAD UNDERWRITERS AND SELLING AGENTS

The Joint Lead Underwriters have agreed to distribute and sell the Preferred Shares in the Offer, at the offer Price, pursuant to an Underwriting Agreement with GT Capital. Subject to the satisfaction of certain conditions in the Underwriting Agreement, the Joint Lead Underwriters have committed to underwrite the following amount on a firm basis:

| | |
|---|---|
| First Metro Investment Corporation | ₱ 4,000,000,000.00 |
| BDO Capital & Investment Corporation | 2,000,000,000.00 |
| BPI Capital Corporation | 2,000,000,000.00 |
| **TOTAL** | **₱ 8,000,000,000.00** |

The Joint Lead Underwriters are duly licensed by the SEC to engage in the underwriting or distribution of the Preferred Shares. The Joint Lead Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of their business for the Company or other members of the GT Capital .

Except for First Metro, the Joint Lead Underwriters have no direct relations with GT Capital in terms of ownership by either of their respective major stockholder/s. First Metro is a 99.23%-owned subsidiary of MBT, an affiliate of GT Capital, which has an effective ownership of 25.37% in MBT as of June 30, 2016. Except as disclosed above, the Joint Lead Underwriters do not have any direct or indirect interest in the Company or in any securities thereof including options, warrants or rights thereto. The Joint Lead Underwriters do not have any right to designate or nominate any member of the Company's Board.

The Joint Lead Underwriters will underwrite the Offer on a firm commitment basis. There is no contract or other arrangement with the Company under which any of the Joint Lead Underwriters may put back to the Company any unsold securities of the Offer.

The underwriting and selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.35% of the gross proceeds of the Offer. This shall be inclusive of underwriting and selling fees to be paid to the Joint Lead Underwriters and selling commissions to be paid to the Trading Participants, which selling commissions shall be equivalent to 0.15% of the total proceeds from the sale of the Preferred Shares by such Trading Participant.

First Metro, BDO Capital, and BPI Capital have undertaken the requisite due diligence over GT Capital as Joint Lead Underwriters of the Preferred Shares. First Metro's relationship with the Issuer had no effect in its conduct of due diligence.

## FIRST METRO INVESTMENT CORPORATION

First Metro Investment Corporation, the investment banking arm of MBT, was incorporated in 1972. Primarily known as First Development Corporation, it was eventually merged with Solidbank, a publicly listed company, with the latter as the surviving entity. The institution was then renamed to First Metro Investment Corporation. In 2012, First Metro filed for a voluntary delisting at the PSE in order to run as a privately held company.

Currently, First Metro is 99.23% owned by MBT. Together with its subsidiaries – First Metro Securities Brokerage corporation and First Metro Asset Management, Inc. – First Metro offers a wide range of services, from debt and equity underwriting, loan syndication, project finance, financial advisory, securitization, investment advisory, trust, government securities and corporate debt trading, equity brokering, asset management, online trading, fund management, and research, First Metro has provided over 50 years of service in the development of the country's capital markets and has become a leading and multiawarded investment banking institution.

In 2015, First Metro became the first local investment bank to win Euromoney's Best Investment Bank in the Philippines. It was also hailed as the Best Investment Bank in the Philippines by Global Finance. In the same year, it was conferred its seventh consecutive Best Bond House, and its first Best Mergers & Acquisitions (M&A) House win at the Triple A Country Awards of the Hong Kong-based finance publication The Asset. In 2009, 2011, 2013, and 2014, First Metro was awarded Best Bond House in the Philippines by FinanceAsia; in 2012, Best Equity House; and in 2013, one of the Top 10 Best Managed Companies in the country. New York-based management consulting firm Stern Stewart & Co., in its Relative Wealth Added Index, ranked First Metro among the Top 11 Philippine companies and among the 100 best in ASEAN in 2009.

**BDO CAPITAL & INVESTMENT CORPORATION**

BDO Capital & Investment Corporation ("BDO Capital") is the wholly-owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999.

**BPI CAPITAL CORPORATION**

BPI Capital is a corporation organized in the Philippines as a wholly-owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of June 30, 2016, its total assets amounted to ₱5.7 billion and its capital base amounted to ₱5.6 billion. It has an authorized capital stock of ₱2.0 billion of which approximately ₱506.0 million represents its paid-up capital.

**SALE AND DISTRIBUTION**

The distribution and sale of the Preferred Shares shall be undertaken by the Joint Lead Underwriters who shall sell and distribute the Preferred Shares to third party buyers/investors. The Joint Lead Underwriters are authorized to organize a syndicate of participating underwriters, soliciting dealers and/or agents for the purpose of the Offer. Of the 8,000,000 Preferred Shares to be offered, 80% or 6,400,000 shares are being offered through the Joint Lead Underwriters for subscription and sale to Qualified Institutional Buyers and the general public.

The Company plans to make available 20% or 1,600,000 shares for distribution to the respective clients of the 132 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 12,120 shares (computed by dividing the Preferred Shares allocated to the Trading Participants by 132), subject to reallocation as may be determined by the Receiving Agent. Trading Participants may undertake to purchase more than their allocation of 12,120 shares. Any requests for shares in excess of 12,120 may be satisfied via the reallocation of any Preferred Shares not taken up by other Trading Participants. For trading participants, the determination of the allocation between GTPPA and GTPPB shares will be based on demand. Trading Participants may refer to the document *Implementing Guidelines for the Reservation and Allocation of GT Capital Holdings, Inc's Cumulative, Non-voting, Non-participating, non-convertible, Peso-denominated Preferred Shares through the Joint Lead Underwriters* for more details on the guidelines and procedures on the subscription of and allocation for Trading Participants.

The Company will not allocate any Preferred Shares for the Local Small Investors. As defined in the PSE Revised Listing Rules, a Local Small Investor is a share subscriber whose subscription does not exceed ₱25,000.00. The Offer will have a minimum subscription amount of ₱50,000.00, which is beyond the prescribed maximum subscription amount for Local Small Investors.

In the event of oversubscription, the Issue Manager, in consultation with the Company, reserves the right, but not the obligation to increase the Offer size by up to an additional 4,000,000 Preferred Shares. Once the option is exercised, the Preferred Shares offered are deemed firmly underwritten. The final number of shares underwritten by each Joint Lead Underwriter in consideration of the exercise of the Oversubscription Option shall only be determined upon completion of the Offer Period. Similarly, the final number of GTPPA and GTPPB shares shall only be determined at the end of the Offer Period.

Prior to the close of the Offer Period, any Preferred Shares not taken up by the Trading Participants shall be distributed by the Joint Lead Underwriters directly to their clients and the general public.

All Preferred Shares not taken up by the Trading Participants, general public and the Joint Lead Underwriters' clients shall be purchased by the Joint Lead Underwriters pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Joint Lead Underwriters from purchasing the Preferred Shares for their own respective accounts.

## TERM OF APPOINTMENT

The engagement of the Joint Lead Underwriters shall subsist so long as the SEC's permit to sell the Preferred Shares remains valid, unless otherwise terminated by the Company and the Joint Lead Underwriters.

The Underwriting Agreement may be terminated by the Joint Lead Underwriters prior to payment being made to the Company of the net proceeds of the Preferred Shares under certain circumstances such as (a) a cancellation order from a Government authority, (b) a change or an impending change of law that would materially and adversely affect GT Capital's profitability or (c) financial, political or economic conditions in the Philippines which would materially and adversely affect the Offer.

## MANNER OF DISTRIBUTION

The Issue Manager, in consultation with the Company, shall determine the manner by which proposals for subscriptions to, and issuances of, Preferred Shares shall be solicited, with the primary sale of the Preferred Shares to be effected only through the Joint Lead Underwriters and Selling Agents. The Joint Lead Underwriters may appoint other entities including Trading Participants to sell on their behalf.

## OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on October 17, 2016 and end at 12:00 p.m. on October 21, 2016. The Company and the Joint Lead Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.

# DILUTION

The Company is offering to the public by way of issuance 8,000,000 Preferred Shares, with an Oversubscription Option of up to an additional 4,000,000 Preferred Shares with a par value of ₱100.00 per share. The issuance of the Preferred Shares will not have any effect on the amount and percentage of present holdings of holders of Common Shares, or any dilutive effect on the earnings per Common Share (EPS) of the Company, since the Preferred Shares are not convertible to Common Shares. Therefore, the outstanding number of Common Shares that will be used in computing the EPS will not change. Consolidated net income is reduced by the dividends on Preferred Shares in determining Common Share EPS.

The Preferred Shares may be owned or purchased by any person, partnership, association or corporation regardless of nationality, provided that at any time, at least 60% of the outstanding capital stock of GT Capital shall be owned by citizens of the Philippines or by partnerships, associations or corporations at least 60% of whose outstanding capital stock and whose voting stock or voting power is owned and controlled by citizens of the Philippines. Accordingly, GT Capital may reject an Application for the Preferred Shares or reduce the number of Preferred Shares applied for purchase by a foreign investor to maintain the 60% Philippine ownership requirement.

## CAPITALIZATION

The following table sets forth the unaudited consolidated short-term and long-term debt and capitalization of GT Capital as of June 30, 2016. This table should be read in conjunction with the more detailed information in the unaudited financial statements, including notes thereto, found in the Appendixof the Prospectus.

| (in Millions) | Actual | As Adjusted (to incorporate effect of the issuance of the Preferred Shares) | |
|---|---|---|---|
| | | **Base issue size** | **With over subscription** |
| Debt– Net of Issuance Costs | | | |
| Short-term debt | ₱27,663 | ₱27,663 | ₱27,663 |
| Current portion of long-term debt | 3,916 | 3,916 | 3,916 |
| Long-term debt net of current portion | 50,823 | 50,823 | 50,823 |
| | **82,402** | **82,402** | **82,402** |
| Equity Attributable to Equity Holders of the Company | | | |
| Perpetual Preferred Shares | - | 800 | 1,200[1] |
| Voting Preferred Shares | 17 | 17 | 17 |
| Common Stock | 1,743 | 1,743 | 1,743 |
| Additional Paid-in Capital | 46,695 | 53,895 | 57,495 |
| Retained Earnings Pension liability | 49,930 | 49,930 | 49,930 |
| Net Unrealized Gain (Loss) on Remeasurement of Defined Benefit Plans | (202) | (202) | (202) |
| Equity in Net Unrealized Loss on Remeasurement of Defined Benefit Plans of Associates | (878) | (878) | (878) |
| Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates | 1,097 | 1,097 | 1,097 |
| Net Unrealized Gain on Available-for-Sale Investments | 6 | 6 | 6 |
| Equity in Translation Adjustment of Associates | 582 | 582 | 582 |
| Other Equity Adjustment | 5,713 | 5,713 | 5,713 |
| Equity Attributable to Equity Holders of the Company | 104,703 | 112,703 | 116,703 |
| Non-controlling interests | 30,202 | 30,202 | 30,202 |
| **Total Equity** | **134,905** | **142,905** | **146,905** |
| **Total Capitalization** | **₱217,307** | **₱225,307** | **₱229,307** |

Notes:

*1 The Parent Company issued 12,000,000 preferred shares, at ₱1,000.00 per share amounting to ₱12,000 million.*

*2 The adjustment does not include any transaction cost.*

# THE COMPANY

## OVERVIEW

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

GT Capital's portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The portfolio as of June 30, 2016 comprises directly-held interests in the following GT Capital component companies:

- **Automotive assembly, importation, distribution, dealership and financing –** GT Capital primarily conducts its automotive business through its 51.00% interest in Toyota Motor Philippines Corporation ("TMP"). TMP is engaged in the assembly, importation, and wholesale distribution of Toyota motor vehicles in the Philippines, and is also engaged in the sale of motor vehicle parts and accessories both within the Philippines and abroad through exports. TMP is also engaged in the distribution of Lexus brand motor vehicles in the Philippines. In addition, TMP owns Toyota Makati with one (1) branch – Toyota Bicutan; Toyota San Fernando in Pampanga with two (2) branches – in Plaridel, Bulacan and Hacienda Luisita, Tarlac City, both located in Luzon; and Lexus Manila, situated in Bonifacio Global City, Taguig.

  GT Capital conducts its automotive dealership business through its 58.05% interest in Toyota Manila Bay Corporation ("TMBC"). TMBC exclusively distributes Toyota motor vehicles in the Luzon island, primarily servicing the market in in Metro Manila. They also offer original Toyota brand motor vehicle parts and accessories, and provide after-sales services to Toyota motor vehicles.

  GT Capital provides financing for the acquisition of Toyota motor vehicles through its 40.00% interest in Toyota Financial Services Philippines Corporation ("TFSPH"). TFSPH offers retail loans and finance lease to its individual and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles.

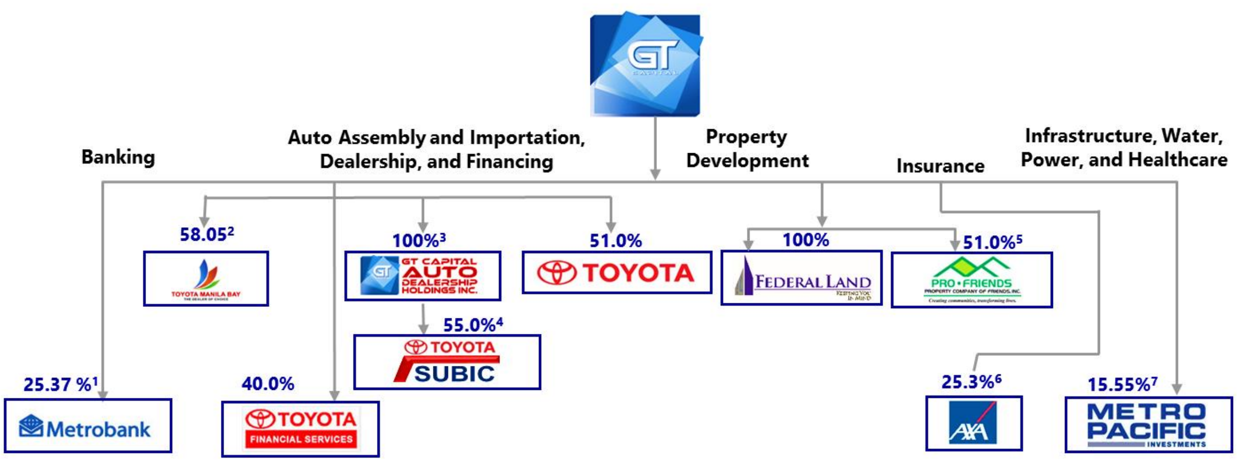
  On June 13, 2016, SEC approved the incorporation of GT Capital Auto Dealership Holdings, Inc. ("GTCAD"). GTCAD will be a holding entity for future auto dealerships of the Company. On July 14, 2016, SEC approved the incorporation of Toyota Subic, Inc ("TSI"), a joint venture between GTCAD and JBT Global, with GTCAD owning 55% and JBT Global owning 45% of TSI's issued and outstanding capital stock. TSI will operate future Toyota dealerships of the joint venture.

- **Banking –** GT Capital conducts banking services through its 25.37% interest in MBT. MBT is a universal bank that provides, through itself and other members of the MBT Group, a full range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking and trust services. MBT has been listed on the PSE since 1981. As of June 30, 2016, the MBT Group had a total of 954 branches in the Philippines, of which 699 were operated by MBT and 255 were operated by Philippine Savings Bank ("PSBank"); and a total of 2,285 automated teller machines ("ATMs"). MBT's international operations consist of branches in Taipei, New York, Tokyo, Seoul, Pusan, and Osaka, together with representative offices in Beijing and Hong King. MBT also has an extensive network of remittance centers in Asia, Europe, and North America which has enabled it to become a leading provider of remittance services to overseas Filipino workers.

- **Property development** – GT Capital is engaged in the property development business through its 100.00% interest in its fully-owned subsidiary Federal Land, Inc. ("Fed Land" or "Federal Land") and 51.00% interest in affordable housing subsidiary, Property Company of Friends, Inc. ("PCFI"). Fed Land primarily focuses on the development of high-rise, vertical residential condominium projects, as well as master-planned communities that offer residential, retail, office, and commercial space. It caters mainly to the upper mid-end market segment with projects in key strategic urban communities, mostly within Metro Manila. PCFI, on the other hand, focuses on housing development in progressive areas. PCFI primarily targets the property sector's sweet spot, which is the economic and affordable housing segment.

- **Life and Non-Life Insurance** – GT Capital conducts its life and non-life insurance business through its 25.33% interest in Philippine AXA Life Insurance Corporation ("AXA Philippines"), which offers personal and group insurance products in the country, including investment-linked insurance products. AXA Philippines also fully-owns Charter Ping An Insurance Corporation ("Charter Ping An") which offers non-life insurance products in the Philippines that includes fire/property, marine, motor car, personal accident, other casualty, and engineering insurance, among others. AXA Philippines distributes its products through a multi-channel distribution network comprised of agents, bancassurance (through MBT and PSBank branches), and corporate solutions.

- **Infrastructure and Utilities –** GT Capital, through its 15.55% stake in Metro Pacific Investments Corporation ("MPIC"), the Philippines' largest infrastructure conglomerate, has exposure in high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics. Among MPIC's portfolio is Manila Electric Company, the country's largest power distribution utility, Global Business Power Corporation, one of the largest power generation companies in the Visayas Region, Maynilad Water Services, Inc., which manages Metro Manila's widest water distribution network, and Metro Pacific Tollways Corporation, operator of the country's largest toll road network.

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*Notes:*

1. *In January 2016, GT Capital acquired additional shares in a secondary market equivalent to 0.15% direct equity stake in MBT for a total consideration of Php0.3 billion. This effectively increased the direct equity stake of GT Capital in MBT from 25.22% to 25.37%.*
2. *On March 7, 2016, SEC approved the merger between Toyota Manila Bay and Toyota Cubao. Toyota Manila Bay ("TMBC") is the surviving corporation, absorbing the entire assets and liabilities of Toyota Cubao. With the merger, the Company effectively owns 58.05% of TMBC. Forty percent of TMBC's common share capital is owned by Mitsui and Co. Ltd.*
3. *On June 13, 2016, SEC approved the incorporation of GT Capital Auto Dealership Holdings Inc. ("GTCAD"). GTCAD will be a holding entity for future auto dealerships of the Company.*
4. *On July 14, 2016, SEC approved the incorporation of Toyota Subic, Inc. ("TSI"), a joint venture between GTCAD and JBT Global, with GTCAD owning 55% and JBT Global owning 45% of TSI's issued and outstanding capital stock.*
   *JBT Global is the holding entity of Mr. Jose B. Tan, a strategic partner of TMP in Toyota San Fernando, which operates Toyota dealerships in Plaridel, Bulacan and Hacienda Luisita, Tarlac City.*

5 *On August 6, 2015, GT Capital and Maplecrest Group, Inc., formerly named as Profriends Group, Inc. executed a Master Subscription Agreement ("MSA") to subscribe 51% Series A Preferred Shares of PCFI over a three-year subscription period.*
*On August 20, 2015, after fulfillment of all closing conditions, GT Capital finalized the acquisition of 22.68% equity stake in PCFI for ₱7.24 billion. On the same date, the parties agreed to cede majority control of PCFI to GT Capital. Subsequently, on June 30, 2016, pursuant to the MSA, GT Capital increased its direct equity stake by 28.32% to 51% for a total consideration of Php8.76 billion.*

6 *On November 5, 2015, GT Capital and AXA Philippines executed a Sale and Purchase Agreement wherein GT Capital agreed to sell its 100% equity stake in Charter Ping An, subject to closing conditions, including the receipt of regulatory approvals. The transaction was completed on April 4, 2016.*

7 *On May 27, 2016, GT Capital subscribed to 3.6 billion new common shares of MPIC at a subscription price of ₱6.10 per share for a total cash consideration of ₱21.96 billion. This was booked by MPIC as a deposit for future subscription pending approval by the SEC of MPIC's application for increase in authorized capital stock. With the subscription, GT Capital holds 11.4% of the enlarged common share capital base of MPIC.*
*On the same date, GT Capital also acquired a further 1.3 billion shares from Metro Pacific Holdings, Inc ("MPHI"), the majority shareholder of MPIC for a total cash consideration of Php7.93 billion, which then increased GT Capital's overall shareholdings in MPIC to 15.55%.*
*On the same date, MPIC's associate, Beacon Electric, through a wholly-owned subsidiary Beacon PowerGen Holdings Inc., entered into a Share Purchase Agreement with GT Capital for the acquisition of an aggregate 56% of the issued and outstanding common shares of Global Business Power Corporation ("Global Power") for a total consideration of ₱22.06 billion.*

**SUMMARY OF THE PERCENTAGE OF REVENUES AND SALES DERIVED FROM EACH SUBSIDIARY/AFFILIATE**

| | For the year ended December 31 | | | For the period ended June 30 |
|---|---|---|---|---|
| **Company** | **2013** | **2014** | **2015** | **2016** |
| Parent Company* | 0.12% | 0.07% | 0.02% | 2.14% |
| Toyota Motor Philippines Corp. | 73.12% | 74.49% | 71.91% | 69.68% |
| Toyota Manila Bay Corp./ Toyota Cubao, Inc. | 0.00% | 3.06% | 4.44% | 9.51% |
| Global Business Power Corp. | 15.16% | 13.62% | 12.11% | 6.79% |
| Federal Land, Inc. | 7.48% | 6.64% | 6.47% | 4.33% |
| Metropolitan Bank And Trust Company | 3.83% | 1.86% | 2.85% | 4.03% |
| Property Company Of Friends, Inc. | 0.00% | 0.00% | 1.85% | 2.83% |
| Metro Pacific Investments Corporation** | 0.00% | 0.00% | 0.00% | 0.38% |
| Philippine Axa Life Insurance Corp. | 0.29% | 0.22% | 0.22% | 0.21% |
| Toyota Financial Services Philippine Corp. | 0.00% | 0.04% | 0.13% | 0.10% |
| Charter Ping An Insurance Corp. | 0.00% | 0.00% | 0.00% | 0.00% |
| | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

*Notes:*
**Gain on sale of subsidiaries allocated to Parent Company's revenue (Note 3 of the Reviewed Interim Financial Statements as of June 30, 2016)*
***YTD revenue contribution only for the month of June 2016*

GT Capital's revenues were ₱102.45 billion, ₱ 105.0 billion, ₱141.1 billion and ₱159.2 billion for the six-month period ended June 30, 2016 and for the years ended December 31, 2013, 2014 and 2015, respectively, with net income of ₱13.88 billion, ₱12.5 billion, ₱15.2 billion and ₱21.0 billion, respectively. Out of GT Capital's total revenue for the period ended June 30, 2016 amounting to ₱102.45 billion, TMP was the largest contributor with revenue contribution of ₱71.38 billion. GT Capital's total assets amounted to ₱286.94 billion, ₱192.4 billion, ₱218.3 billion, and ₱317.3 billion as of June 30, 2016, and December 31, 2013, 2014, and 2015, respectively.

## GT CAPITAL'S HISTORY

GT Capital was organized and registered with the Philippine SEC on July 26, 2007, with an initial authorized capital stock of ₱20.0 million and subscribed and paid-up capital of ₱5.0 million. GT Capital was formed as a holding company to consolidate the various business interests of the Ty family in the Philippines. In order to implement the infusion of the component companies into GT Capital, share-for-share swaps were executed.

On July 15, 2008, GT Capital's stockholders approved an increase in authorized capital stock from ₱20.0 million divided into 2.0 million shares, with a par value of ₱10.00 per share, to ₱5.0 billion, divided into 500 million shares with a par value of ₱10.00 per share.

The payment for the above subscriptions was through the conveyance of the subscribers' respective shareholdings in MBT, Fed Land, TMP and AXA Philippines, which had an aggregate value of ₱24.3 billion. The MBT shares were valued at the market price prevalent as of the date of the acquisition, while the Fed Land, TMP and AXA Philippines shares were valued based on each respective company's net book value as of June 30, 2008.

In April of 2012, GT Capital was listed on the Philippine Stock Exchange ("PSE"). The initial public offering raised a total of ₱21,567,000,000.00, making it one of the largest IPOs at that time.

Grand Titan Capital Holdings, Inc. ("Grand Titan"), a private holding company, is the major shareholder of GT Capital with 54.3% in shareholdings as of December 31, 2015. Incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC") on August 9, 2007, Grand Titan's primary purpose 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 TY FAMILY**

GT Capital and the MBT Group of Companies trace their history to MBT, one of the Philippines' largest banks, and its founder, Group Chairman Dr. George S.K. Ty.

The early 1960s saw the emergence of several commercial and thrift banks to answer the financial needs of the country's growing economy. It was at this time that Dr. George S.K. Ty saw an opportunity to provide needed funding to entrepreneurs, and therefore, founded MBT, which opened its doors to the public on September 5, 1962.

MBT took its first steps toward building a financial conglomerate in 1972 when it established FMIC, which is now the largest local investment house in the Philippines. In 1980, MBT acquired controlling interests in PSBank, currently the Philippines' second largest thrift bank. Through the years, MBT acquired and merged with other banks, making it one of the country's largest banks today.

With MBT functioning as their holding company, the Ty family diversified into both financial and non-financial industries through several strategic partnerships and joint ventures with best-of-class global brands.

Being a universal bank, MBT was licensed to invest in allied undertakings and, in 1988, entered into a business venture with the Ty family-owned Titan Resources Corporation and Japan's largest automaker, Toyota Motor Corp. ("TMC"), to form TMP. This successful strategic partnership model was replicated in the group's other businesses. In 1999, the Ty family's Metro Philippines Life Insurance Corporation (formerly known as Pan-Philippine Life Insurance Corporation) entered into a business venture with FMIC and the AXA Group of France (then National Mutual Holdings Limited of Australia) to form AXA Philippines. Another successful partnership was when MBT formed a business venture with the Australia New Zealand Banking Corporation in 2003 to form Metrobank Card Corporation ("MCC").

Other business ventures of the Ty family companies include Sumisho Motor Finance Corporation between PSBank and Sumitomo Corporation of Japan; Orix Metro Leasing & Finance Corporation ("ORIX Metro Leasing") with Orix Corporation of Japan; TFSPH with Toyota Financial Services Corporation of Japan; and Philippine Charter Insurance Corporation with Sumitomo Insurance Co., Ltd.

In the non-financial sector, one of the core business activities of the Ty family is property development. The Ty family, through its various property interests under Fed Land, has made its mark as one of the top developers in the country, with more than 50 completed projects in the Philippines. Its focus is primarily on residential projects in Metro Manila. One of its most recognizable developments is GT Tower International on Ayala Avenue in Makati City. Other notable completed projects are the Bay Garden and Blue Wave Mall, both located along Macapagal Avenue in Pasay City and Marquinton Residences in Marikina City. Another of the Ty family companies' projects is the Grand Midori in Makati, which is a joint venture between Fed Land and Orix.

The Ty family's interests in the property sector have expanded to the affordable economic subsegment, where PCFI is a leading developer. PCFI's flagship project, Lancaster New City (LNC), spans more than 1,500 hectares of contiguous, fully-developable land in Cavite, just an hour away from the Makati Central Business District. PCFI is known for significant land developments in Next Wave Cities outside Metro Manila, that have become hubs for business process outsourcing firms and beneficiaries of Overseas Filipino Workers' remittances.

Over the years, the Ty family has successfully entered into long-term strategic partnerships in various industries with globally-recognized corporate leaders. GT Capital believes that this is a testament to the recognition and acceptance of the Ty family as a reputable local business partner.

Apart from the aforementioned sectors, the Ty family has also, through GT Capital, entered into a strategic partnership agreement with Metro Pacific Investments Corporation ("MPIC"). MPIC is the country's leading private infrastructure company, which owns leading power distribution and generation companies, Metro Manila's widest water distributor, the Philippines' broadest hospital chain, and the country's largest toll road network. This expands the family's business portfolio to include infrastructure, water, railways, hospitals, logistics, and toll roads.

The Ty family companies are run by professionals who are experts in their respective fields. At the helm is Group Chairman Dr. George S.K. Ty, who is actively and ably assisted by his two sons, Arthur and Alfred Ty.

## COMPETITIVE STRENGTHS

GT Capital is the primary vehicle for the holding and management of the various business interests of the Ty family in the Philippines. GT Capital is actively involved in the management of its market-leading businesses and continuously considers and evaluates new business initiatives and growth projects for the future. GT Capital believes that its principal strengths, enumerated below, are firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit and commitment to value creation:

### Established market leadership in underpenetrated, high-growth sectors of the Philippine economy

Each of the GT Capital companies is an established franchise and market leader in its respective industry sector:

- **TMP** is the Philippines' largest automobile assembler and the exclusive importer and wholesale distributor in the Philippines of the leading global automotive brand. TMP has been number one in total vehicle sales in 25 out of 27 years since 1989 as of June 30, 2016 based on data from the Chamber of Automotive Manufacturers of the Philippines, Inc. ("CAMPI") and Association of Vehicle Importers and Distributors ("AVID"). Since 2001, TMP has consistently received the Triple Crown Award, which recognizes leadership in passenger car, commercial vehicle, and overall sales.

- **TMBC**, with its five outlets strategically-located in Metro Manila and Cavite, is the 2nd leading dealership group within the Toyota dealership network in terms of retail car sales. As of June 30, 2016, TMBC's retail sales volume accounted for 14.1% of total Toyota sales. TMBC is a joint venture between GT Capital and Mitsui & Co., Ltd. of Japan ("Mitsui").

- **TFSPH** is a company that offers Finance Lease (Lease-to-Own) to retail customers where they can enjoy no chattel mortgage fees. Based on company data, the top six financing companies accounted for 90.2% of the total financed Toyota vehicles in 2015. TFSPH has the highest market share at 30.4% which is 9 percentage points higher than its closest competitor, PSBank at 21.0%.

- As of June 30, 2016, the **MBT Group** was the second largest Philippine bank by asset size and net loans and receivables with total assets of ₱1.7 trillion and net loans and receivables of ₱920.5 billion. MBT enjoys strong brand recognition throughout the Philippines and was named the "Best Bank in the Philippines" by Euromoney for 2010, 2011 and 2012; and the "Strongest Bank in the Philippines" by The Asian Banker for 2011, 2013, and 2015.

- **Fed Land** is one of the major property developers involved in vertical master-planned communities in the Philippines. Fed Land is the upper mid-end property development company of GT Capital and is currently implementing a comprehensive and sustainable growth program to fully capitalize on its expertise, land bank and brand recognition. As of June 30, 2016, Fed Land had 30 different ongoing residential projects at various stages of completion.

- **PCFI** is one of the Philippines' largest affordable economic property developers with a significant presence in Next Wave Cities outside Metro Manila. The company holds a strategic, contiguous land bank of over 1,500 hectares in Cavite, through its flagship project LNC, a live-work-play township community and home to over 48,000 residents. Through its proprietary technology, PCFI is able to manufacture affordable housing on a highly efficient pace.

- **AXA Philippines** is one of the largest life insurance companies in the Philippines, based on premium income, according to the Insurance Commission's data as of December 31, 2015. AXA Philippines provides a diverse range of innovative products under the "AXA" brand, which has been named as the 2013 top insurance brand in the world for the five consecutive years according to Interbrand.

- **MPIC** is the Philippines' largest infrastructure conglomerate, with broad interests in high-growth sectors—toll roads, water, power, railways, logistics and healthcare. MPIC owns Meralco, the country's largest power distribution utility, Global Business Power, one of the Visayas' largest power generation company, Maynilad Water, which manages Metro Manila's widest water distribution network, and Metro Pacific Tollways, operator of the country's largest toll road network.

**Significant levels of ownership in all its businesses**

As of June 30, 2016, GT Capital directly owns 100.0% of its fully-owned, unlisted subsidiary Fed Land. GT Capital conducts its automotive businesses through TMP, TMBC, and TFSPH, in which it holds 51.0%, 58.05%, and 40% direct equity, respectively. GT Capital's involvement in the insurance business is through AXA Philippines, in which GT Capital directly owns 25.3%. An additional 28.2% of AXA Philippines is held by FMIC.

**Strong strategic partnerships with best-of-class global brands**

A key element of GT Capital's business model is to combine local talent and expertise with the technology and resources of leading global business partners. To this end, several of the GT Capital businesses have benefited from strong strategic partnerships with best-of-class global brands such as AXA, ANZ, Mitsui, Orix, Sumitomo and TMC. For instance, in addition to its market-leading brand value, TMC has contributed a superior product range as well as its excellence in manufacturing, marketing and customer service to TMP. AXA is a leading global insurance brand with recognized leadership in product design and risk management practices.

GT Capital is a strong local business partner for global investors in search of opportunities in the Philippines. The Ty family has a well-established reputation and credibility for integrity, sound business practices and strong corporate governance. GT Capital has earned the trust and confidence of clients, suppliers, regulators and business partners, as well as strong support from the capital markets and the general investing public. Furthermore, GT Capital has a large geographic footprint in its coverage of the domestic economy as it deals with many of the key segments of the Philippine economy in Luzon, Visayas, and Mindanao. GT Capital also has an established track record of successfully growing its various businesses under various socio-economic and political environments. GT Capital possesses in-depth knowledge of the local business environment, including the legal, regulatory, and political landscapes which are key considerations for any foreign investor looking to do business in the Philippines.

**Experienced management teams that are consistently focused on promoting synergies across the businesses**

GT Capital has an experienced management team with a proven ability to efficiently build and operate market-leading businesses, and to identify and exploit profitable growth opportunities. GT Capital Group Chairman Dr. George S.K. Ty founded MBT in 1962, and since then has been the driving force behind the GT Capital companies and many of the successful business ventures of the Ty family.

GT Capital considers active management to be a key part of its investment policy and has maintained a strict focus on recruiting and retaining strong management teams for each of its businesses. Furthermore, GT Capital's management has consistently and successfully promoted and implemented business plans across the GT Capital companies to enhance available synergies. GT Capital has the market experience and knowledge that key members of its businesses management teams possess and the business relationships they have developed in the various industries in which they are involved has been, and will continue to be, an integral part of GT Capital's ability to retain and further expand its market leadership positions, to promote synergies among the GT Capital companies, and to identify profitable growth opportunities and business initiatives.

**Strong financial profile based on track record of sustained and profitable growth**

GT Capital and its component companies exhibit a strong and resilient financial profile. As of June 30, 2016, GT Capital's consolidated net income attributable to the Parent Company reached ₱9.11 billion. As of December 31, 2015, the consolidated net income attributable to the Parent Company grew (CAGR) by 18% to ₱12.12 billion, from ₱8.64 billion in 2013. In addition, total revenues increased to ₱159.23 billion, from ₱104.98 billion in 2013, resulting to a 23% compounded growth.

**Diversified portfolio geared towards growth in domestic consumption and the broader Philippine economy**

The Philippine economy has experienced significant growth from 2008 to 2015, with real gross domestic product ("GDP") growing at a compound rate of 5.5% per annum according to Bangko Sentral ng Pilipinas ("BSP"). The economy maintained positive growth throughout the global financial crisis of 2008-09 and according to publication *The Economist*, real GDP growth in the Philippines is expected to continue on a strong upward trajectory, maintaining above-6% growth, according to consensus estimates. The Philippine economy particularly benefits from several key pillars of growth, including sustained increases in remittances from overseas Filipinos ("OFs") and domestic consumption, which in 2015 accounted for 69% of GDP according to the BSP. Fed Land and PCFI, for example, stand to benefit from strong growth in the business process outsourcing ("BPO") sector and overseas Filipino workers' remittances by tailoring its commercial and residential property products to cater to these markets.

The Philippines is one of the most populous countries in the world with a total population of 101.6 million in 2015, according to the BSP. Based on United Nations data as of 2015, approximately 55% of the Philippine population is below the age of 24 (the median age of the population being 22.2 years), and strong population growth is expected to continue in the future. The United Nations' estimate for the Philippine population in 2030 is 126.3 million. According to the World Bank, the primary school completion rate in the Philippines in 2013 was 100% and the adult literacy rate in 2013 was 97.5%, both well above the worldwide 2013 averages of 88% and 84%, respectively. Overall, the Philippines has a large, growing, young and well-educated population, which provides the domestic economy with strong fundamentals for further growth.

As one of the leading Philippine conglomerates with a highly diversified business portfolio, GT Capital is broadly exposed to the Philippine economy through its range of businesses spanning financial services, property development, automotive and insurance. GT Capital's businesses are well positioned within these industries which it sees are underpenetrated high-growth sectors that particularly stand to benefit from the projected strong and sustained growth in Philippine domestic consumption.

## STRATEGY, FUTURE PLANS AND PROSPECTS

### Further strengthen GT Capital's leadership position across its existing businesses

In each of its existing businesses, GT Capital intends to further strengthen its market position by targeted strategies and investments that leverage its existing expertise, market insights, partnerships, and brand value and customer recognition:

- TMP will capitalize on the growth of the local automotive sector as the country enters its motorization phase and maintain and leverage on the strength of and customer loyalty to the Toyota brand. TMP also intends to expand manufacturing capacity and dealership network to better accommodate the market's growing demand. Moreover, TMP will intensify value engineering and cycle time reduction programs in order to achieve operational efficiencies to further reduce costs and improve margins.

- TMBC will continue its business growth by offering top-quality facilities and innovative approaches to ensure excellent dealership experience. The strong branch network of MBT and PSBank, provides a firm source of volume for bank referrals and to further fortify its market share. TMBC aims to improve market penetration through mall displays, new car financing schemes as well as parts and after sales service packages. The downward trend in interest rates, strong buyer acceptance of the "all-in-promo", and financing-related revenues are viable opportunities for TMBC to further improve its profit margin.

- TFSPH will continue to offer competitive interest rates and attractive financing products. TFSPH will also focus its efforts to significantly reduce loan processing time to enhance customer service, through the automation of processes. Moreover, it will continue to innovate products and services to make Toyota vehicle ownership more affordable to its customers by offering flexible payment terms.

- MBT's organizational efforts will focus on implementing a medium-term strategy aimed at increasing market share and business volumes through improved products and services, increasing operational efficiency, and becoming an employer of choice with continuous enhancements for its employees and organization.

- Fed Land will continue to offer diversified products for upper-mid and high-end markets. Development of master-planned communities shall likewise continue with the construction of additional residential towers at existing sites. Recurring income will improve by launching commercial and retail projects in key locations. Furthermore, business synergies with other GT Capital companies shall be enhanced.

- PCFI will further develop its flagship project, LNC, into a complete live-work-play-worship master-planned community. PCFI will make its initial investment in the BPO sector, through Suntech i-Park, as well as expand Downtown Lancaster, a commercial zone still located within LNC. PCFI will sustain its landbanking and construction efforts to create robust and sustainable communities.

- AXA Philippines will continue to increase brand awareness, while tailor-fitting product propositions to specific segment requirements. AXA has enhanced its presence in the Philippines by acquiring Charter Ping An from GT Capital. The market-leading bancassurance distribution will be further optimized together with building up agency and direct marketing initiatives. There will be continued product innovation and targeting of new customers.

- MPIC will complete various infrastructure projects such as the CALAx and CAVITEX, which will further increase synergies with GT Capital's affordable property developer, PCFI. MPIC will also continue improving Maynilad's wide water distribution network, providing better service to more Metro Manila homes. Through Meralco and Beacon Power, MPIC will expand GBPC's capacity and improve electricity distribution to the Meralco network. MPIC will also continue to build more hospitals to provide quality care to Filipinos.

**Seek profitable growth opportunities in other key domestic industries via proven partnership model**

GT Capital's management is focused on identifying and addressing long-term profitable business opportunities in key sectors of the economy. These include sectors where GT Capital companies are already present, such as property development. Fed Land intends to capitalize on the significant future growth expected in the BPO sector by providing innovative commercial property solutions in key locations to potential BPO customers. Beyond its existing business interests, GT Capital is also actively considering and evaluating new business initiatives in sectors that complement GT Capital's existing portfolio and where GT Capital will be able to contribute strategic direction, expertise, and resources. Where appropriate value-enhancing business initiatives exist, GT Capital will seek to expand on its successful partnership model with recognized global brands.

**Further optimize synergy creation among the GT Capital companies**

GT Capital's management intends to continuously seek and realize synergies among the GT Capital companies in areas including strategy, fund deployment, human resources and sharing of common IT and service platforms in order to further enhance cost efficiencies, competitive strengths and market positions across the group. Furthermore, there exist significant revenue synergies as many products and services offered by GT Capital are attractive to a common consumer target group and stand to benefit from cross-selling. For example, MBT's large depositor base represents a significant opportunity for the cross-selling of other GT Capital companies' products through coordinated efforts. In addition, mortgage products can be offered to potential purchasers of Fed Land condominium units, and the same target demographic may also be interested in automotive products (including lease financing) or life insurance-linked investment products. GT Capital aims to maximize such synergies from both existing and future business initiatives.

## COMPETITION

Many of GT Capital's activities are carried on in highly competitive industries. Given the diversity of GT Capital's businesses, GT Capital companies compete based on product, service and geographic area. While GT Capital is one of the largest conglomerates in the Philippines, the GT Capital companies compete against several companies in various sectors, some of which possess greater manufacturing, financial, research and development and market resources.

The table below sets out GT Capital's principal competitors in each of the principal industry segments in which the GT Capital companies operate.

| Industry Segment | Principal Competitors |
|---|---|
| Automotive Assembly and Importation | Mitsubishi, Ford, Honda, Isuzu, Hyundai, and Nissan |
| Automotive Distribution and Dealership | Hyundai dealers, Honda dealers, Mitsubishi dealers, and other Toyota dealers |
| Automotive Financing | BDO, BPI Family, PSBank, and East West Bank |
| Banking | BDO and Bank of the Philippine Islands |

| | |
|---|---|
| Property Development | Ayala Land, Inc., Filinvest Land, Inc., Megaworld Corporation, SM Development Corp., DM Consunji, Inc., and Robinsons Land Corporation, Vista Land and Lifescapes, Inc., and 8990 Housing Development |
| Life Insurance | Sun Life of Canada, Philippine American Life Insurance Co., Insular Life, Pru Life UK, and Manufacturers Life Insurance |
| Non-life Insurance | Prudential Guarantee, Malayan Insurance, BPI/MS, Pioneer Insurance, AIG Philippines |
| Infrastructure and Utilities | Ayala Corporation, San Miguel Corporation, DM Consunji, Inc., AEV |

## EMPLOYEES

As of June 30, 2016, GT Capital (parent company) had a total of 27 full-time employees, with nine (9) senior officers, sixteen (16) junior officers, and two (2) non-officers.

Together with the GT Capital component companies, full-time employees of the Group total 22,892, broken down as follows:

| Company | No. of Employees |
|---|---|
| GT Capital | 27 |
| TMP | 2,652 |
| TMBC | 730 |
| TFSPH | 347 |
| MBT | 15,535 |
| Fed Land | 342 |
| PCFI | 1,599 |
| AXA Philippines/Charter Ping An | 1,608 |
| MPIC | 52 |
| **Total** | **22,892** |

GT Capital's management believes that labor relations are generally amicable between management and employees at each of the GT Capital companies. GT Capital currently has no plans of hiring additional employees, except where necessary to complement its legal and compliance, finance and accounting, internal audit, investor relations, and corporate planning and business development. For a description of the labor agreements and other employee related matters for each of the GT Capital companies, see the sections titled "– Employees" or "– Employees and Labor Relations" in each component company's Business section.

## INSURANCE

The Company has an existing Directors and Officers Liability with Charter Ping An with USD15,000,000.00 limit on liability in any one claim and in the annual aggregate. The same is renewed yearly.

The Company also has a Group Life Insurance Policy with Philippine AXA Life Insurance Corporation covering its staff up to the President ranging from Five Hundred Thousand Pesos to Six Million Pesos in coverage. The Company also has an existing Comprehensive General Liability Policy with Charter Ping An for its principal office.

For a description of the insurance carried by each of the GT Capital companies, see the section titled "– Insurance" in each component company's Business section.

## PROPERTIES

As of June 30, 2016, GT Capital leases its office space located at 43/F GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, Manila 1227, Philippines, from Fed Land with a lease term of five years, renewable on December 31, 2016. Currently, GT Capital has no plans to acquire properties. For a description of the properties of each of the GT Capital companies, see the section entitled "– Properties" in each of the component company's Business section.

## INTELLECTUAL PROPERTY

As a holding company, GT Capital has no material patent, trademark, or intellectual property right to its products. The Company's operating companies, however, may have these material intellectual property rights, but the dates and terms of their expiration or renewal are not perceived to have a material adverse effect on the Company. For the discussion on the intellectual property rights of each of the GT Capital companies, see the section entitled "– Intellectual Propertiy" in each of the component company's Business section.

## LEGAL PROCEEDINGS

GT Capital is not involved in legal actions which would have a material adverse effect on its operations and financial position, operating results or cash flows. It is not involved in any pending litigation as of June 30, 2016.

The Head of the Legal and Compliance Department of GT Capital has provided certifications on the pending litigation of the Company and its subsidiaries as part of its exhibits to the Registration Statement.

For a description of the legal proceedings for each of the GT Capital companies, see the section titled "–Legal Proceedings" in each component company's Business section.

## MATERIAL CONTRACTS

As of June 30, 2016, other than those contracts entered into in the ordinary couse of business, the Company is a party to the following material contracts:

- In July 2014, GT Capital issued, through a public offering, fixed rate callable bonds due 2019 (Series A at 4.7106%), 2021 (Series B at 5.1965%), and 2024 (Series C at 5.6250%) with an aggregate size of Ten Billion Pesos (₱10,000,000,000.00) with an Oversubscription Option of up to Two Billion Pesos (₱2,000,000,000.00). The bonds are unsecured. Under the terms of the bond, prior to the relevant maturity dates, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) the Series B or Series C Bonds on every anniversary date, or the immediately succeeding banking day if such date is not a banking day beginning on the third month after the fifth anniversary of issue date for Series B and the seventh anniversary of issue date for Series C.

- In February 2013, GT Capital issued, through a public offering, fixed rate bonds due 2020 (Seven-Year at 4.8371%) and 2023 (Ten-Year at 5.0937%) with an aggregate size of Ten Billion Pesos (₱10,000,000,000.00). The bonds are unsecured. Under the terms of the bond, prior to the relevant maturity dates, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) any series of the outstanding Bonds on every anniversary dates, or the immediately succeeding Banking Day if such date is not a Banking Day, starting on the fourth anniversary for the Seven-Year Bonds and the Seventh anniversary for the Ten-Year Bonds.

## PERMITS

Set out below are the Philippine regulatory permits material to the business and operations of the Company and its Subsidiaries. Based on the opinion issued by the Company's external counsel, Geriodias Suchianco Estrella, such material permits and licenses are valid and subsisting.

1. **GT Capital Holdings, Inc.**

| Permit/License | Issuing Agency | Date of Issue | Valid Until |
|---|---|---|---|
| Certificate of Incorporation | SEC | July 26, 2007 | 50 years after issuance |
| Certificate of Registration | BIR | July 26, 2007 | - |
| Annual Registration | | January 15, 2016 | December 31, 2016 |
| Mayor's Permit | Makati City | February 10, 2016 | December 31, 2016 |

2. **Toyota Manila Bay Corporation**

| Permit/License | Issuing Agency | Date of Issue | Valid Until |
|---|---|---|---|
| Certificate of Incorporation | SEC | July 15, 1996 | 50 years after f issuance |
| Certificate of Registration | BIR | September 5, 1997 | - |
| Annual Registration | | January 21, 2016 | December 31, 2016 |
| Mayor's Permit (Toyota Dasmariñas Cavite) | Dasmariñas City | January 20, 2016 | December 31, 2016 |
| Certificate of Registration (Toyota Dasmariñas Cavite) | BIR | October 21, 2003 | - |
| Annual Registration (Toyota Dasmariñas Cavite) | | January 21, 2016 | December 31, 2016 |
| Mayor's Permit (Toyota Abad Santos Manila) | Manila City | January 23, 2016 | December 31, 2016 |
| Certificate of Registration (Toyota Abad Santos Manila) | BIR | January 4, 2011 | - |
| Annual Registration (Toyota Abad Santos Manila) | | January 21, 2016 | December 31, 2016 |
| Certificate of Registration (Toyota Cubao) | BIR | January 1, 1997 | - |
| Annual Registration (Toyota Cubao) | | February 1, 2016 | December 31, 2016 |
| Mayor's Permit (Toyota Cubao) | Quezon City | February 1, 2016 | December 31, 2016 |
| Mayor's Permit (Toyota Marikina Service Station) | Marikina City | January 20, 2016 | December 31, 2016 |
| Certificate of Registration (Toyota Marikina Service Station) | BIR | February 25, 1999 | - |
| Annual Registration (Toyota Marikina Service Station) | | January 27, 2016 | December 31, 2016 |

3. **Toyota Motor Philippines, Inc.**

| Permit/License | Issuing Agency | Date of Issue | Valid Until |
|---|---|---|---|
| Certificate of Incorporation | SEC | August 3, 1988 | 50 years from issuance |
| Certificate of Registration | BIR | August 3, 1988 | -- |
| Annual Registration | | January 6, 2016 | December 31, 2016 |
| Importer Clearance Certificate | | November 21, 2014 | November 20, 2017 |
| Mayor's Permit | Pasay City | February 11, 2016 | December 31, 2016 |
| Certificate of Registration | Bureau of Customs (BOC) | December 1, 2015 | November 30, 2016 |
| Certificate of Accreditation as Importer | | December 5, 2014 | November 21, 2017 |
| Certificate of Accreditation *[Accreditation as Manufacturer/ Assembler/ Importer/ Dealer]* | Land Transportation Office (LTO) | October 30, 2015 | January 1, 2017 |
| Certificate of Registration *[Registration under Omnibus Investments Code of 1987 (EO 226) – Existing Trader]* | Boad of Investments (BOI) | April 25, 1989 | |

| | | | |
|---|---|---|---|
| Certificate of Registration *[Registration under EO 226 – New Producer of Toyota Full Model Change Vios]* | | February 28, 2012 | |
| Certificate of Registration *[Registration under EO 226 – New Producer of Full Model Change Toyota Innova]* | | July 7, 2015 | |
| Car Development Program *[Registration under Motor Vehicle Development Program – Passenger Car Category]* | | January 9, 1989 | |
| Commercial Vehicle Development Program *[Registration under Motor Vehicle Development Program – Commercial Vehicle Category]* | | April 13, 1989 | |
| Certificate of Registration *[Registration as Toyota Special Economic Zone Developer/Operator]* | Philippine Economic Zone Authority (PEZA) | November 19, 2003 | |
| Certificate of Registration *[Registration as Ecozone Logistics Service Enterprise]* | | February 23, 2016 | |
| Permit to Operate | DENR | Application for renewal filed on March 16, 2016 | -- |
| EnvironmentalCompliance Certificate | | April 8, 2013 | - |
| Discharge Permit | Laguna Lake Development Authority (LLDA) | April 29, 2016 | March 20, 2019 |
| Water Rights Permit | National Water Resources Board | August 2, 2000 | -- |

**4. GT Capital Auto Dealership Holdings, Inc.**

| Permit/License | Issuing Agency | Date of Issue | Valid Until |
|---|---|---|---|
| Certificate of Incorporation | SEC | June 13, 2016 | 50 years from issuance |
| Mayor's Permit | City of Makati | *Pending application* | |
| Certificate of Registration | BIR | *Pending* | |
| Annual Registration | | | |

**5. Federal Land, Inc.**

| Permit/License | Issuing Agency | Date of Issue | Valid Until |
|---|---|---|---|
| Certificate of Incorporation | SEC | May 28, 1997 | 50 years from issuance |
| Certificate of Registration | BIR | January 13, 1999 | - |
| Annual Registration | | January 31, 2016 | December 31, 2016 |
| Mayor's Permit | City of Makati | 2/17/2016 | 12/31/2016 |
| | City of Taguig | 5/5/2016 | 12/31/2016 |
| | City of Manila | 1/26/2016 | 12/31/2016 |
| | City of Pasay | 3/17/2016 | 12/31/2016 |
| | Quezon City | 4/1/2016 | 12/31/2016 |

**6. Property Company of Friends, Inc.**

| Permit/License | Issuing Agency | Date of Issue | Valid Until |
|---|---|---|---|
| Certificate of Incorporation | SEC | February 23, 1999 | 50 years from issuance |
| Certificate of Registration | BIR | March 23, 1999 | - |
| Annual Registration | | February 1, 2016 | December 31, 2016 |
| Mayor's Permit | Makati City | 2/15/2016 | 12/31/2016 |
| | Mexico, Pampanga | 1/29/2016 | 12/31/2016 |
| | Kawit, Cavite | 1/20/2016 | 12/31/2016 |
| | Bacoor City | 1/20/2016 | 12/31/2016 |
| | Imus, City | 1/25/2016 | 12/31/2016 |
| | Cagayan De Oro City | 1/19/2016 | 12/31/2016 |
| | Dasmariñas City | 1/20/2016 | 12/31/2016 |
| | General Trias City | 2/5/2016 | 12/31/2016 |
| | Carmona, Cavite | 4/25/2016 | 12/31/2016 |
| | Mandurriao, IloIlo City | 1/20/2016 | 12/31/2016 |
| | Inday, Iloilo City | 1/20/2016 | 12/31/2016 |
| | Mandaluyong City | 7/7/2016 | 12/31/2016 |

## FOREIGN SALES

*Please see separate discussions on foreign sales under MBT and TMP on pages 81 and 110, respectively.*

## RESEARCH AND DEVELOPMENT

GT Capital has no material research and development activities at the parent level. *Please see separate discussions for each of the Company's subsidiaries.*

## ENVIRONMENTAL COMPLIANCE

GT Capital complies with all existing government regulations and environmental laws, the costs of which are not material. *Please see separate discussions for each of the Company's subsidiaries.*

## BUSINESS – TMP

### Overview

GT Capital has interests in the automotive industry primarily through its 51% direct ownership in TMP as of June 30, 2016. TMP is engaged in the manufacture, importation and wholesale distribution of Toyota brand motor vehicles in the Philippines. It is also engaged in the sale of motor vehicle parts and accessories, both locally and via export. TMP also has direct interests in three dealerships, Toyota Makati, Inc. (100%), Toyota San Fernando Pampanga, Inc. (55%), and Lexus Manila, Inc. (75%).

As a member of the GT Capital Group, TMP continues to benefit from this affiliation in several ways. GT Capital has interest in TFSPH, which is a joint venture between GT Capital and Toyota Financial Services Corporation (TFS) of Japan with the former acquiring 40% share of TFSPH from MBT and PSBank.

TMP is a joint venture company among GT Capital, TMC, Maximus Management Holdings, and Mitsui & Co., Ltd. wherein each owns 51%, 34%, 9%, and 6% of TMP's shares, respectively.

TMP has entered into Toyota Distributor Agreement and the Lexus Distributor Agreement with TMC and TMAP for the right to sell Toyota and Lexus brand products in the Philippines. The Toyota Distributor Agreement is typically renewed every three years, with the last such renewal occurring on December 1, 2015. TMC was incorporated in Japan on August 28, 1937 and its primary business is in the automotive industry. TMC's operations are conducted through subsidiaries and affiliate companies in more than 170 countries. TMC's subsidiaries and affiliate companies, including TMP, are required to implement certain standardized guidelines in their manufacture and distribution of Toyota products in order to maintain the Toyota brand image worldwide. TMAP-MS is a Singapore-based company established in 1990 to oversee the distribution of Toyota vehicles in Asia Oceania. In 2007, TMAP-EM regional office was also established in Thailand to enhance the production and service parts sourcing network and support manufacturing and engineering programs to subsidiaries and affiliates in Asia, Oceania, Middle East and North African Region.

According to combined industry statistics from Chamber of Automotive Manufacturers of the Philippines, Inc. ("CAMPI"), TMP has had the highest number of new vehicle unit sales in the Philippines for both passenger cars and commercial vehicles every year since 2002. In the Philippine auto industry, achieving the highest sales of passenger cars, commercial vehicles and overall sales is known as the "Triple Crown". Since 2002, TMP has achieved fourteen consecutive Triple Crowns and since 1989, TMP has been number one in total sales in 25 out of 27 years. In 2015, TMP's annual sales were 125,027 units, and TMP's market share in the Philippines was 38.9%, according to data from CAMPI and Association of Vehicle Importers and Distributors ("AVID"). TMP's sales as of June 30, 2016 reached 72,642 units equivalent to a 38.5% overall market share.

### History

TMP was incorporated in the Philippines on August 3, 1988 as a business venture between MBT, TMC, Titan Resources, and Mitsui & Co., Ltd. The business venture agreement was revised in 1999 to revise the parties' shareholdings and include Maximus Management Holdings as a business venture partner. TMP has been the exclusive manufacturer and distributor of Toyota brand products in the Philippines since 1989, when it began manufacturing the Crown, Corolla, and Liteace models at its Bicutan, Parañaque City production plant. In 1991, TMP began domestic production of the Corona and Tamaraw FX models.

In 1990, TMP commenced two shift operations and in 1993, TMP started press plant operations. In response to increasing demand, TMP opened a second plant located at Santa Rosa, Laguna in 1997. See "– Production and Production Processes". In 2005, the plants were consolidated into a single location at TMP's present site in Santa Rosa, Laguna, which was given special economic zone status through Presidential Proclamation No. 381. The zone is known as the Toyota Special Economic Zone ("TSEZ") and affords certain tax benefits to companies located inside the zone which are registered with the Philippine Economic Zone Authority ("PEZA").

In 1998, TMP became the first automotive company in the Philippines to be awarded ISO14001 certification for environmental management. In June 2003, TMP began the domestic production of the Vios passenger car, while production of the Innova commercial vehicle model commenced in February 2005. In January 2009, TMP reached a key milestone by opening the Philippines' first Lexus dealership. TMP sold its 500,000th, 600,000th and 700,000th unit in October 2007, December 2009 and September 2011, respectively. In 2015, TMP has reached 1 million unit sales since the start of its operations in 1989.

## Competitive Strengths

TMP believes that it has certain key strengths that provide competitive advantages over many of its competitors, including, among others:

### Market leadership in the Philippines with the top-ranked global automotive brand

Toyota is a leading and universally recognized global brand with a presence in more than 170 countries worldwide. According to the "BrandZ Top 100 Most Valuable Global Brands" study published in June 2016 by Millward Brown, a British market research giant, Toyota has been named as the world's most valuable car brand and has been one of the Top 30 most valuable global brands across all industries. Toyota has been regarded as the world's most valuable car brand in 9 out of 11 years that the study has been carried out. Moreover, in a report released by the Organisation Internationale des Constructeurs d'Automobiles ("OICA") or the International Organization of Motor Vehicle Manufacturers, Toyota remains to be the largest automaker globally for the fourth consecutive year in 2015, followed by Volkswagen and General Motors. In the Philippines, Toyota has been the top-selling brand for both passenger and commercial vehicles in every year since 2002 according to CAMPI. In 2015, TMP had a market share of 38.9% of total vehicle sales in the country. TMP believes that the Toyota brand name and its leading market position are important to TMP's ability to continue to grow and attract customers in the Philippines. As of June 30, 2016, TMP's market share reached 38.5%.

### High quality products across an extensive product range

As TMC's exclusive wholesale distributor in the Philippines, TMP has access to a wide range of TMC's vehicle offerings. In the Philippines, TMP manufactures the Vios and the Innova, which are well tailored to the Philippine domestic market. TMP also imports 19 other Toyota models from across TMC's product range. In addition, TMP introduced a range of high-end Lexus models. The design, quality, reliability and safety of these vehicles have been widely recognized around the world by a number of independent organizations, including J.D. Power & Associates, Consumers Digest and the European Car of the Year Organizing Committee. The vehicles manufactured and sold in the Philippines are subject to the same international quality standards as all Toyota vehicles. As a testament to their high quality, TMP's products generally maintain strong resale value (i.e. approximately 50%-60% of its acquisition cost after 5 years) in the secondary market, which enhances their appeal to buyers and promotes customer retention. The availability of Toyota parts and services across most areas of the Philippines contributes to the convenience value of Toyota vehicles.

### Efficient and streamlined operation with support from a leading global manufacturer

TMP is the beneficiary of support from TMC's leading global platforms. TMP imports and manufactures automobiles and parts designed by TMC's award winning design team and implements its state-of-the-art TPS, which is based on just-in-time production and quality control processes and feedback mechanisms. The just-in-time production allows TMP to keep inventories and overheads low, thereby reducing costs. Additionally, TMAP's engineering and manufacturing office provides technical assistance in the implementation of TPS in several functional areas. The quality control process allows TMP to achieve mass-production efficiencies over small and large production volumes and minimize waste. The parts and components requirements of TMP are sourced from Japan and ASEAN countries through TMAP, free from tariffs, and from local suppliers. TMP purchases raw materials, parts, components, equipment and other supplies from TMC, foreign TMC subsidiaries and affiliates and other foreign and local suppliers authorized by TMC. This ensures that TMP uses high-quality, well designed parts for the vehicles it manufactures in the Philippines. Overall, this support system provides flexibility to respond to changing consumer demands without significantly increasing production costs.

**Extensive dealer network for retail sales and service**

As of June 30, 2016, the Toyota and Lexus dealer network in the Philippines consisted of 52 dealership facilities, of which 18 are in Metro Manila, 18 are in Luzon, nine are in the Visayas and six are in Mindanao. Out of the 52 dealerships, TMP directly owns three dealerships, including Lexus Manila, Inc. TMP plans to expand the dealership network by facilitating the opening of new showrooms and service outlets across the Philippines. TMP provides continuing support to the network of Toyota dealers, including financing for dealer stock through TFSPH. TMP believes it can rely on the extensive Toyota dealer network that provides channels for customers to purchase Toyota vehicles as well as readily available after-sales service and maintenance that enhances the post-purchase customer experience and the Toyota brand.

**Strong business synergies with other members of GT Capital**

As a member of GT Capital, TMP continues to benefit from this affiliation in several ways. GT Capital has interest in TFSPH, which is a joint venture between GT Capital and Toyota Financial Services Corporation of Japan with the former acquiring 40% share of TFSPH from MBT and PSBank.

TFSPH provides financing to both the general public and Toyota dealerships for the purchase of cars and the acquisition of vehicle inventories, respectively. While TMP does not have any ownership interest in TFSPH, TFSPH's financing promotions for retail and wholesale customers help to support sales of TMP's products. MBT's credit card subsidiary, MCC, and TMP have also developed a Toyota Mastercard, a loyalty and credit card in one, where rewards earned on purchases made with the Toyota Mastercard can be used to purchase items at any Toyota dealership. In addition, certain GT Capital companies maintain fleet accounts for the purchase of Toyota cars for their business operations. In terms of management, TMP is also able to draw upon the significant managerial experience of the GT Capital companies to complement its own managerial resources.

**Strategies**

**Continue to leverage Toyota's strong brand recognition and customer loyalty**

Toyota is one of the companies that enjoys strong brand recognition not just in the Philippines but also worldwide. In the course of its existence in the Philippines, TMP has constantly secured market leadership and has gained customer loyalty among Filipinos who have experienced Toyota's excellent customer service. With its pursuit for continuous improvement, TMP aims to further strengthen its brand and leverage on its brand recognition and customer loyalty by expanding the business through implementation of various customer retention activities aimed to provide exceptional value and delight to our customers.

**Respond to higher market demand**

TMP intends to capitalize on the growth of the Philippine automotive sector by expanding its manufacturing capacity. Among the key drivers to this growth is the low penetration rate per household in the Philippines, currently at 33 cars per 1,000 families, which is lower than that of Indonesia and Thailand. Moreover, the country has seen an increase in disposable income of workers, with an increased purchasing power attributed to BPO industry growth and OFW remittances. Another key driver of TMP volume growth is the motorization of the Philippine economy. Studies have shown that as the gross domestic product of a country exceeds USD2,500 per capita, there is a notable shift of consumer preference from two-wheeler vehicles to four-wheelers. The Philippines, having breached this threshold, is uniquely positioned to take advantage of this phenomenon, especially since the country's economy is largely driven by consumption expenditure, which accounts for roughly seventy percent of GDP. Furthermore, the rise of the so-called "emerging affluent," mainly young professionals with higher incomes, coupled with the current low-interest regime, has allowed more consumers to avail of vehicles.

In 2015, TMP expanded its annual production capacity from approximately 34,000 cars in 2013 to approximately 38,968 cars in 2015 through process improvements at its manufacturing plant. TMP is evaluating plans to further increase its capacity in the medium term to accommodate the continued growth in local demand. TMP believes that economies of scale in local production would allow TMP to capture a higher margin in the Philippines, and that increased demand would therefore result in greater and more profitable local production. TMP is also working to expand as a wholesale distributor of imported Toyota vehicles. For example, in 2009, TMP began to sell the Lexus luxury brand in the Philippines. TMP plans to maintain the strength of the Toyota brand and to leverage its brand recognition to continue introducing new products to the Philippine market. TMC has a vast range of Toyota brand vehicles which it sells throughout the world. In consultation with TMC, TMP is able to draw upon this range as it suits the Philippine market to continually offer new automotive products in the Philippines. TMP is also working on expanding the Toyota dealer network in the Philippines. Toyota's network of 52 dealership outlets is geographically diverse, covering both Metro Manila and the wider Philippines. TMP believes that there is an opportunity for further market penetration by meeting the growing demand that is currently underserved by existing distribution channels.

**Reduce costs and strengthen competitiveness of local production**

TMP places an emphasis on reducing production and overhead costs through value engineering and cycle time reductions as well as stringent working capital controls. TMP will continue to work with its operations team, TMC and TMAP to continue achieving cost reductions and management efficiencies. TMP's strong relations with its local suppliers ensure the stable supply of parts and reasonable inventory costs. Looking ahead, TMP intends to expand its local supply network, which can reduce supply chain risks, import logistics and packing costs, as well as foreign exchange risk, inventory costs and ultimately production costs. TMP has strict operational targets in key functional areas such as safety, quality, cost, logistics and maintenance. These targets help ensure that TMP sustains high levels of operational efficiency. TMP believes that productivity improvements and operational efficiencies will improve its results of operations.

In June 2016, the Philippine Board of Investments (BOI) announced the approval of TMP as one of the participating car makers of the country's Comprehensive Automotive Resurgence Strategy (CARS) Program, which aims to raise local vehicle manufacturing and expand the automotive parts making capabilities by providing incentives to its local manufacturers. TMP enrolled its bestselling model, Vios, with the new model scheduled for production by 2018. Under the CARS Program, TMP is required to manufacture around 200,000 units of Toyota Vios within the 6-year timeframe. The new Vios will have greater local sourced parts, especially in terms of big body shell parts and large plastic parts, expanding capabilities and product varieties of auto parts manufacturers.

**Strengthen dealer network through training and improved facilities**

TMP believes that the dealer network is the leading contributor to its sales success in the Philippines. A key differentiator for the Toyota brand in the Philippines is the availability of quality sales and after-sales services, which relies upon the dealer network to provide timely, courteous, knowledgeable and affordable support to purchasers of Toyota products. To ensure the quality of the dealers, TMP provides dealer training to improve the dealer's sales and services. Training programs include vehicle maintenance, vehicle education and sales training. Dealer incentive programs also exist to motivate dealers and their sales and after-sales workforce.

## Products

TMP is authorized to distribute Toyota products that are approved for distribution in the Philippines by TMC and TMAP according to their Toyota Distributor Agreement. TMP's products are divided into three categories: vehicle sales, local sales of service parts and export sales of original equipment manufacturer ("OEM") parts and service parts. Vehicle sales are divided into locally manufactured vehicles using both imported and locally manufactured parts and components, as well as CBU vehicles, which are wholly imported. All imported parts and components for locally manufactured vehicles as well as imported CBU vehicles from ASEAN countries are not subject to tariffs in the Philippines, while imported CBU vehicles from Japan are subject to prevailing tariff rates. Local sales of service parts include parts primarily imported by TMP and parts manufactured by its local suppliers. TMP also produces certain body parts for local manufacture of vehicles and service parts requirements. Export sales are made of parts manufactured by local suppliers and TMP for regional importers.

The table below shows the sales breakdown of TMP (parent company) by vehicle sales, local sales of service parts and export sales, and their respective contribution to total revenue, for the periods indicated.

| | **Year ended December 31** | | | | | | **Six-month period ended June 30** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | | **2016** | |
| | Sales (₱ mn) | % of Total Revenues | Sales (₱ mn) | % of Total Revenues | Sales (₱ mn) | % of Total Revenues | Sales (₱ mn) | % of Total Revenues |
| **Vehicle sales** | | | | | | | | |
| Locally- manufactured vehicles | 23,848.7 | 30% | 27,792.3 | 27% | 32,605.8 | 29% | 16,898.1 | 24% |
| Imported CBU vehicles | 41,333.6 | 52% | 61,024.7 | 59% | 66,628.1 | 59% | 47,047.9 | 67% |
| **Local sales of service parts** | 2,935.3 | 4% | 3,456.1 | 3% | 4,093.0 | 4% | 2,564.4 | 3% |
| **Export sales of OEM parts and service parts** | 10,887.8 | 14% | 11,764.3 | 11% | 9,427.4 | 8% | 4,007.0 | 6% |
| **Total** | **79,005.4** | **100%** | **104,037.4** | **100%** | **112,754.3** | **100%** | 70,517.4 | 100% |

### Vehicle Sales

The vehicles TMP sells in the Philippines can be sorted by two types of classifications. First, vehicles can be classified as either locally-manufactured vehicles or imported CBU vehicles. Second, vehicles can be classified as either passenger cars or commercial vehicles. TMP sells two models of locally manufactured vehicles, the passenger car Vios and the commercial vehicle Innova. Both the Vios and Innova vehicles are produced in the 82-hectare TSEZ. All other vehicle models sold by TMP are imported CBU vehicles.

The table below shows the breakdown by passenger and commercial vehicle sold, for each of the periods indicated.

| | **Year ended December 31,** | | | | | | **Six-month period ended June 30** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | | **2016** | |
| | Sales (₱ mn) | % of Total Revenues | Sales (₱ mn) | % of Total Revenues | Sales (₱ mn) | % of Total Revenues | Sales (₱ mn) | % of Total Revenues |
| Passenger | 16,872 | 26% | 25,585 | 29% | 31,025 | 31% | 16,930 | 26% |
| Commercial | 48,310 | 74% | 63,232 | 71% | 68,209 | 69% | 47,016 | 74% |
| **Total** | **65,182** | **100%** | **88,817** | **100%** | **99,234** | **100%** | **63,946** | **100%** |

### Passenger cars

In addition to the sub-compact-sized Vios, the other Toyota passenger car models sold in the Philippines are the low-cost Wigo, hatchback Yaris, and Prius C, compact-sized Prius and Corolla Altis, the mid-sized Camry and the sport/specialty 86. The Lexus passenger car line-up includes the CT200H, IS 350, IS 350 F Sport, ES 350, GS

350 F Sport, GS 450H, GS F, LS 460, LS 600H, RC 350 and RC-F. These passenger cars are marketed as providing value for money. Set out below are the main specifications for TMP's passenger car models:

| | MODEL | SEATING | ENGINE(1) | TRANSMISSION(2) |
|---|---|---|---|---|
| TOYOTA | Camry | 5-Passenger | 3.5L V6, 24-valve, DOHC, Dual VVT-i | 6-Speed Automatic with Super ECT |
| | | | 2.5L 4-Cylinder In-Line, 16 Valve, DOHC, Dual VVT-i | |
| | 86 | 4-Passenger | 2.0L 4-Cylinder Boxer, 16-Valve DOHC, D4-S | 6-Speed Automatic/ 6-Speed Manual |
| | Corolla Altis | 5-Passenger | 2.0L 4-Cylinder In-Line DOHC, 16-valve, Dual VVT-i | CVT/ 6-Speed Manual |
| | | | 1.6L 4-Cylinder In-Line DOHC, 16-valve, Dual VVT-i | |
| | Prius | 5-Passenger | 1.7L 4-Cylinder In-Line DOHC, 16-valve, Dual VVT-i/Electric Motor | CVT |
| | Vios | 5-Passenger | 1.5L 4-Cylinder In-Line DOHC, 16-valve, VVT-i | 4-Speed Automatic with Super ECT / |
| | | | 1.3L 4-Cylinder In-Line DOHC, 16-valve, VVT-i | 5-Speed Manual |
| | Prius C | 5-Passenger | 1.5L 4-Cylinder In-Line DOHC, 16-valve, VVT-i/Electric Motor | CVT |
| | Yaris | 5-Passenger | 1.5L 4-Cylinder In-Line DOHC, 16-valve, VVT-i | 4-Speed Automatic with Super ECT / |
| | | | 1.3L 4-Cylinder In-Line DOHC, 16-valve, VVT-i | 5-Speed Manual |
| | Wigo | 5-Passenger | 1.0L 3-Cylinder In-Line DOHC, 12-valve | 4-Speed Automatic / 5-Speed Manual |
| LEXUS | LS | 5-Passenger/ | 5.0L V8, 32-Valve DOHC Dual VVT-iE/Electric Motor | 8-Speed Hybrid Automatic ; |
| | | 4-Passenger | 4.6L V8, 32-Valve DOHC, Dual VVT-iE | 8-Speed Automatic with ECT |
| | GS | 5-Passenger | 3.5L V6, 24-Valve DOHC, Dual VVT-i/Electric Motor | CVT/ 8-Speed Automatic |
| | | | 3.5L V6, 24-Valve DOHC, Dual VVT-i | |
| | ES | 5-Passenger | 3.5L V6, 24-Valve DOHC, Dual VVT-i | 6-Speed Automatic with ECT |
| | IS | 5-Passenger | 3.5L V6, 24-Valve DOHC, Dual VVT-i | 8-Speed Automatic |
| | CT200h | 5-Passenger | 1.8L 4-Cylinder In-Line DOHC, VVT-i/Electric Motor | E-CVT |
| | RC | 4-Passenger | 3.5L V6, 24-Valve DOHC, Dual VVT-i | 8-Speed Automatic |

*Notes:*
*(1) Engine terms: DOHC, Dual Overhead Cam; VVT-I, Variable Valve Timing – Intelligent; EFI, Electronic Fuel Injection.*
*(2) Transmission terms: ECT, Electronic Control Transmission.*

**Commercial vehicles**

TMP's commercial vehicles include pick-ups, SUVs, multi-purpose vehicles, vans and minibuses that are designed for durability and the transport of people and goods. Pick-up and SUVs include 4x4 vehicles equipped with advanced four-wheel drive capabilities that provide superior traction geared for rugged conditions.

Set out below are the main specifications for TMP's commercial vehicles:

| | MODEL | SEATING | ENGINE(1) | TRANSMISSION(2) |
|---|---|---|---|---|
| TOYOTA | Avanza | 7-Passenger | 1.5L 4-Cylinder In-Line DOHC, 16-Valve VVT-i, EFI | 4-Speed Automatic / 5-Speed Manual |
| | | | 1.3L 4-Cylinder In-Line DOHC, 16-Valve VVT-i, EFI | |
| | Fortuner | 7-Passenger | 2.8L 4-Cylinder In-Line, DOHC, 16-Valve D-4D, VNT | 6-Speed Automatic with ECT / |
| | | | 2.4L 4-Cylinder In-Line, DOHC 16-Valve D-4D, VNT | 6-Speed Manual |
| | | | 2.7L 4-Cylinder In-Line, DOHC, 16-Valve, Dual VVT-i | 6-Speed Automatic |
| | Hiace | 11-Passenger | 2.5L 4-Cylinder In-Line, DOHC 16-Valve D-4D | 4-Speed Automatic / 5-Speed Manual |
| | | 15-Passenger | | |
| | Hilux D-Cab | 5-Passenger | 2.8L 4-Cylinder In-Line, DOHC, 16-Valve D-4D, VNT | 6-Speed Automatic with ECT / |
| | | | 2.4L 4-Cylinder In-Line, DOHC, 16-Valve D-4D, VNT | 6-Speed Manual |
| | | | 2.4L 4-Cylinder In-Line, DOHC, 16-Valve D-4D | |
| | Hilux B-Cab | 3-Passenger | 2.4L 4-Cylinder In-Line DOHC, 16-Valve, D-4D | 6-Speed Manual |
| | | 15-Passenger | | |
| | Innova | 7-Passenger | 2.8L 4-Cylinder In-Line, DOHC, 16-Valve D-4D | 6-Speed Automatic with ECT / |
| | | 8-Passenger | 2.0L 4-Cylinder In-Line, DOHC, 16-Valve Dual VVT-i, EFI | 5-Speed Manual |

| | | | | |
|---|---|---|---|---|
| | Rav4 | 5-Passenger | 2.5L 4-Cylinder In-Line, 16 Valve, DOHC, Dual VVT-i | 6-Speed Automatic with ECT |
| | Previa | 7-Passenger | 2.4L 4-Cylinder In-Line DOHC, 16-Valve, VVT-I, EFI | 4-Speed Automatic with ECT |
| | | 7-Passenger | 2.4L 4-Cylinder In -Line DOHC, 16-Valve, VVT-i, EFI | 4-Speed Automatic with ECT |
| | Alphard | 7-Passenger | 3.5L V6, 24-valve, DOHC, Dual VVT-i | 6-Speed Automatic with ECT |
| | FJ Cruiser | 5-Passenger | 4.0L V6, 24-Valve, Dual VVT-i | 5-Speed Automatic |
| | Prado | 7-Passenger | 3.0L 4-Cylinder In-Line DOHC, 16-Valve D-4D, VNT | 5-Speed Automatic / 6-Speed Manual |
| | | | 4.0L V6, 24-Valve, Dual VVT-i | 6-Speed Automatic |
| | LC200 | 8-Passenger | 4.5L V8 Direct Injection, Common Rail Twin Turbo Intercooler | 6-Speed Automatic |
| | Coaster | 30-Passenger | 4.1L 4-Cylinder In-Line, 16-Valve OHV, Gear Drive | 5-Speed Manual |
| **LEXUS** | LX | 8-Passenger | 5.7L V8 32-Valve DOHC, Dual VVT-iE | 8-Speed Automatic with ECT |
| | GX | 7-Passenger | 4.6L V8 32-Valve DOHC, Dual VVT-iE | 6-Speed Automatic with ECT |
| | RX | 5-Passenger | 3.5L V6 24-Valve DOHC, Dual VVT-i | 8-Speed Automatic with ECT / |
| | | | 3.5L V6 24-Valve DOHC, Dual VVT-i/Electric Motor | CVT |
| | NX200T | 5-Passenger | 2.0L 4-Cylinder In-Line, 16-Valve, DOHC, Dual VVT-i | 6-Speed Automatic |
| | | 5-Passenger | 2.5L 4-Cylinder, In-Line, 16-Valve, DOHC, VVT-i/Electric Motor | CVT |

*Notes:*

*(1) Engine terms: DOHC, Dual Overhead Cam; VVT-I, Variable Valve Timing – Intelligent; EFI, Electronic Fuel Injection.*

*(2) Transmission terms: ECT, Electronic Control Transmission.*

## Vehicle sales and distribution

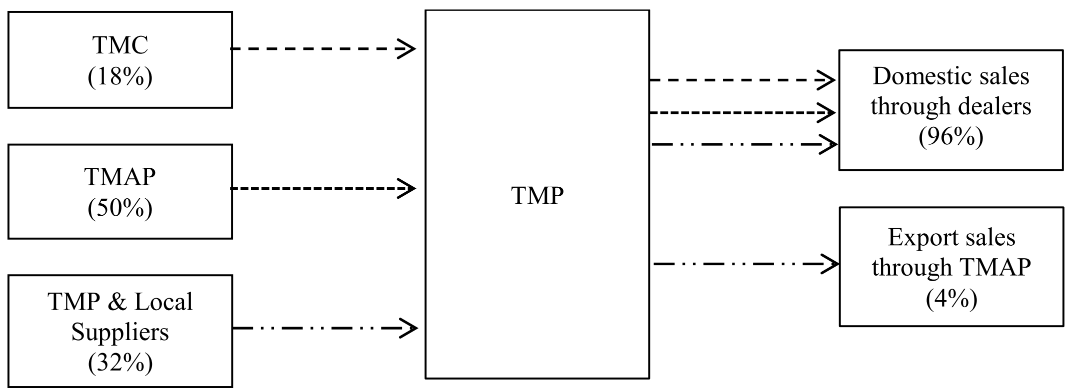
The table below sets out the geographic breakdown of TMP's unit sales for the periods indicated.

| | **Year ended December 31** | | | | | | **Six-month period ended June 30** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | | **2016** | |
| *Sales in units* | Sales | % of Total | Sales | % of Total | Sales | % of Total | Sales | % of Total |
| Metro Manila | 48,301 | 64% | 63,720 | 60% | 72,364 | 58% | 39,958 | 55% |
| Provincial | 27,286 | 36% | 42,390 | 40% | 52,663 | 42% | 32,684 | 45% |
| **Total** | **75,587** | **100%** | **106,110** | **100%** | **125,027** | **100%** | **72,642** | **100%** |

As of June 30, 2016, the Toyota and Lexus dealer network in the Philippines consisted of 52 dealers, of which 18 dealers are in Metro Manila. TMP owns direct interests in three dealerships: 100% of Toyota Makati, Inc., 55% of Toyota San Fernando Pampanga, Inc. and 75% of Lexus Manila, Inc. Approximately 58% of TMP's sales in 2015 were in Metro Manila while 42% of total sales in 2015 were made outside of Metro Manila. GT Capital has a 58.1% interest in Toyota Manila Bay Corporation dealership, while the remaining dealerships are independent companies who have entered into dealership agreements with TMP. TMP enters into dealership agreements based on criteria set out in the Toyota Distributor Agreement. TMP provides each Toyota dealer with periodic performance reviews, training and education. In addition, TMP sets individual sales and operational targets for each dealership.

## Service Parts Sales

There are three sources of Toyota Genuine Service Parts: (i) TMC (Japan-sourced parts), (ii) TMAP (multi-sourced parts, and (iii) TMP and local suppliers. The chart below shows the process for TMP's service parts procurement and sales for the year ended December 31, 2015:




TMP offers a wide range of after-sales parts consisting of service parts, oils and chemicals and accessories. Service parts, which are sold through Toyota dealers, include periodic maintenance items such as oil filters, air filters and spark plugs; general parts such as brake pads, engine parts, and under-chassis parts; collision parts such as body panels, bumpers, and headlamps; and other items such as radios and air conditioning units. Oils and chemicals include mineral, semi, and fully synthetic motor oils as well as brake fluids and engine coolants. Accessories include side visors, roof racks and similar products. A substantial portion of the service parts that TMP sells locally are sourced from TMC and TMAP, with the remaining portion manufactured by both TMP and local suppliers. TMP provides service parts for all models it introduces in the market and accepts special orders for Toyota vehicles that were not bought from TMP.

TMP exports service parts manufactured by TMP and its local suppliers through TMAP for distribution primarily to Toyota subsidiaries and affiliates within the Asia Pacific region.

**Research and Development**

TMP does not engage in research and development activities.

**Auto Financing**

GT Capital provides financing for the acquisition of Toyota motor vehicles through its 40.0% interest in TFSPH. TFSPH provides leasing, financing and inventory stock financing to Toyota customers and dealers. These services support the marketing of Toyota's products throughout the Philippines. TFSPH's competitors for retail leasing and retail financing include commercial banks, savings and loan associations, credit unions, finance companies and other captive automotive finance companies. Commercial banks and other captive automotive finance companies also provide competition for TFSPH's wholesale financing activities.

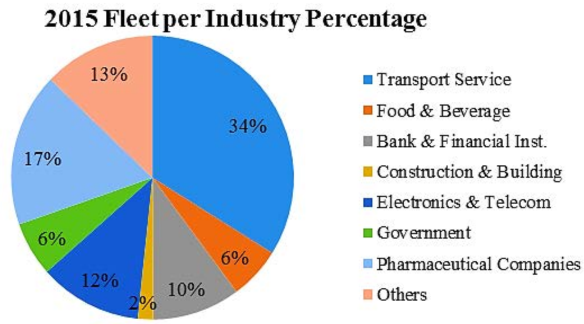
TFSPH offers auto loans to individuals and corporations, primarily for the acquisition of new Toyota vehicles. Interest rates are generally fixed with monthly repayment schedules amortized over the term of the loan. The vehicle is mortgaged to TFSPH while its corresponding loan is outstanding. TFSPH also offers Toyota vehicles for lease to corporations, with TFSPH retaining ownership of the vehicles. Lease periods typically range from 24 to 60 months. Lease rates are generally fixed with monthly payment schedules. Inventory financing is provided for Toyota dealers for the purchase of Toyota vehicles from TMP. Inventory loans have a maximum maturity of 90 days. The purchased vehicles serve as collateral to secure the loan.

**Customers And Marketing**

TMP engages in a wide array of marketing activities, including television advertising, brochures and trade shows. TMP is provided full access to the wide range of marketing materials produced by TMC and TMAP. The resources provided by TMC are especially critical during the initial phase of a new product launch. TMP is able to leverage TMC's significant experience in other markets to tailor a targeted marketing campaign for the Philippines.

In addition to general consumer sales, TMP's products are also sold to fleet accounts such as pharmaceutical companies, taxi companies and government entities. In 2015, 6% of TMP's products were sold to fleet account customers.

The chart below provides a breakdown of TMP's fleet account customers by category for the year ended December 31, 2015:




**Production and Production Processes**

In December 1992, the TMP Press Plant was completed as the first facility in Santa Rosa, Laguna, producing a number of stamped body parts for the Tamaraw FX. In April 1997, TMP began full production operations at the newly built Santa Rosa plant in the 82-hectare TSEZ. Today, the factory has 55,000 sq. m. devoted to manufacturing activities and 1,200 sq. m. for the storage of production parts. TMP also operates an 11,200 sq. m. spare parts depot to support after-sales service in its dealer network.

TMP has two production lines consisting of the Innova line and the Vios line. The Innova and the Vios also share a common line for production processes applicable to both models. TMP's total vehicle production capacity as of December 31, 2015, determined on the basis of two eight-hour production shifts per day, is 38,968 units annually without overtime. This is an 8.7% increase from 2014's capacity of 35,834 vehicles. The increase was the result of operational improvements made in 2015. For the full years 2014 and 2015, TMP produced 41,644 units and 49,070 units, respectively.

The chart below shows TMP's key production data for the periods indicated:

| | | Year ended December 31 | | Six-month period ended June 30 |
|---|---|---|---|---|
| *Number of units, except percentages* | **2013** | **2014** | **2015** | **2016** |
| **Production** | | | | |
| Capacity* | 34,036 | 35,834 | 38,968 | 23,760 |
| **Vehicles Produced** | | | | |
| Vios | 20,880 | 25,756 | 32,655 | 17,957 |
| Innova | 14,601 | 15,888 | 16,415 | 7,513 |
| Capacity Utilization** | 104% | 116% | 126% | 238% |

**Indicated production capacity excludes overtime.*

***Actual output of both models was produced using daily overtime and holiday restday work; thus, making the total utilization over the supposed capacity.*

*Notes:*

*(1) Production capacity is determined by TMP using internal models.*

*(2) Capacity utilization is calculated as number of vehicles produced divided by production capacity.*

The production process involves pressing, welding, painting and assembling the vehicles. TMP uses TPS, which is based on two principal elements: just-in-time production and "jidoka", a Japanese term for automated quality control. Under the just-in-time method, materials, parts and components are delivered just before they are needed in the manufacturing process. This allows TMP to maintain low levels of inventory while maintaining operational efficiency. Jidoka involves the ability to stop work immediately when problems arise in the production process to prevent the production of defective items. To achieve this, TMP equips its machine operators with the ability to stop production should the operators suspect abnormalities. This permits TMP to build quality into the production process by avoiding defects and preventing waste that would result from producing a series of defective items. TMP's TPS allows it to achieve mass-production efficiencies over small and large production volumes. This flexibility allows TMP to respond to changing consumer demand without significantly increasing production costs. While TPS remains the cornerstone of Toyota brand automotive production, the system has been expanded for use in the production, distribution and customer service activities relating to Toyota-branded parts.

**Components and Raw Materials**

The parts and components requirement of TMP are sourced from Japan and ASEAN countries through TMAP and from local suppliers. TMP purchases raw materials, parts, components, equipment and other supplies from TMC, foreign subsidiaries of TMC, affiliates and other foreign and local suppliers authorized by TMC. TMP has full responsibility to ensure compliance of all localized parts and components in accordance with TMC's standards.

The table below shows the sources of parts for each of the last three years:

| **Source** | **2013** | **2014** | **2015** |
|---|---|---|---|
| TMC/TMAP | | | |
| Japan-sourced | 17% | 16% | 17% |
| Multi-sourced | 54% | 55% | 53% |
| Local Suppliers | 29% | 28% | 30% |
| **TOTAL** | **100%** | **100%** | **100%** |

TMP established its supply chain based on Toyota standards in terms of supplier capability, cost competitiveness and economies of scale, which are the reasons for single-sourced commodities. Being aware of the supply chain risks in the auto parts manufacturing industry, TMP has put in place supply risk management programs such as a back-up supply database to immediately identify back-up source (local or regional) for each part, financial risk management and labor risk management.

| | | |
|---|---|---|
| *Names of principal suppliers* | : | Toyota Motor Asia Pacific PTE., Ltd. |
| *Major existing supply contracts* | : | Overseas OE Parts Import Agreements |

**Imported Vehicles**

TMP imports CBU units from Japan, Thailand and Indonesia through TMAP. The table below shows the source of TMP's CBU units.

| **Country** | **Vehicle Model** |
|---|---|
| Japan | 86, Alphard, RAV4, Prius, Prius C, Camry 3.5, Hiace, Prado, LC200, FJ Cruiser, Previa, Coaster and Lexus models |
| Thailand | Corolla Altis, Yaris, Camry 2.5, Hilux and Hilux, C&C/HSPU |
| Indonesia | Wigo, Avanza and Fortuner |

Vehicles imported from ASEAN countries Thailand and Indonesia are tariff free while vehicles imported from Japan are subject to 0% or 30% tariffs depending on the vehicle's engine size.

## Competition

TMP's major competitors in the Philippines are Mitsubishi, Ford, Hyundai, Isuzu, and Honda. Based on industry data compiled by CAMPI and AVID, the top six automotive companies in the Philippines accounted for 83.5% of total vehicles sold in 2015. Toyota has been the top selling brand measured by units sold in the Philippines for passenger and commercial vehicles since 2002, with a 38.9% market share in 2015, which is 22.1 percentage points higher than its closest competitor, Mitsubishi with 16.8%, a decline from its 18.6% in 2014. Ford and Isuzu had market shares of 7.9% and 7.0% in 2015, respectively. Aside from Toyota, other multinational automotive companies also have manufacturing and assembly plants in the Philippines, such as Mitsubishi, Isuzu, and Honda. Ford closed its manufacturing and assembly plant in December 2012 but was later acquired by Mitsubishi to strengthen their assembly operations and to accommodate heavy stamping machines.

According to CAMPI and AVID, CBU market share was 70.7% in 2015 as compared to 56.0% in 2010. This increasing number of imported models available versus locally-produced models is expected to continue with the implementation of the Free Trade Agreements (FTA). This will result in tariff reduction, which lessens the importation cost of Korean and Chinese CBU vehicles. Because of this, importers could reduce their selling prices and stir up market competition. This, then, would increase market demand and allow importers to increase their import volume.

Given the tight competition in the Philippine automotive market, TMP believes that four key factors have contributed to TMP being the most preferred car manufacturer in the Philippines:

- **Product:** quality, durability and reliability;
- **Value for money:** affordable vehicles that command high resale values in the market;
- **Worry-free ownership:** personalized maintenance programs due to wide availability of spare parts, and high standards of customer care; and
- **Pioneering technologies:** sustainable innovation from a global leader in manufacturing technology.

## Insurance

TMP's property, plant and equipment are covered by industrial all risk and electronic equipment insurance policies up to ₱8.0 billion with Malayan Insurance Co., Inc. This covers risks on sudden and accidental physical destruction subject to certain exclusions.

Locally manufactured parts and components are covered by a Marine Open Policy with BPI MS Insurance Corp. from the time the merchandise is loaded on board the ocean vessel at port anywhere in the world, to delivery at the TMP plant and third party logistics provider's warehouse for assembly and storage, until physical delivery to dealers. The Marine Open Policy for locally manufactured parts and components covers all risks including war, strikes and riots, subject to certain exclusions. TMP also maintains a Marine Open Policy for non-locally manufactured parts (such as equipment, maintenance parts and after-sales parts) under a BPI MS Insurance policy.

Imported CBU vehicles are covered by Marine Open Policy under Malayan Insurance Co., Inc. against all risks subject to exclusions provided in the policy (such as willful misconduct, ordinary leakage and unsuitability of packing). The insurance attaches from the time the units are discharged from Manila or Batangas port (for imported CBU vehicles from Japan) or from the time the units are loaded to the overseas vessel (for CBU vehicles from Thailand and Indonesia) up to the time the units are turned over to Metro Manila and Luzon dealers or shipped to port for Visayas and Mindanao dealers. The units are covered for the amount of the declared wholesale invoice price.

As of December 31, 2015, TMP had comprehensive general liability insurance to cover potential liability arising from product liability and premises operation claims to the extent not exceeding ₱112 million and ₱48 million, respectively.

**Properties**

TMP owns the land and buildings occupied by its manufacturing facility located at the TSEZ at Santa Rosa-Tagaytay Highway, Santa Rosa City, Laguna, Philippines. TMP's Marketing Division has its main office at the 31/F GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, Philippines.

TMP also owns the area previously occupied by its 6-hectare original manufacturing and logistics facility along the South Luzon Expressway in Bicutan, Parañaque City, Philippines. This land is partially leased to Toyota Bicutan, Paranaque which is part of Toyota Makati, Inc., a wholly-owned subsidiary of TMP. Part of the Paranaque property serves as a stockyard for new vehicles of Toyota Makati and Toyota Bicutan. TMP received approval to sell a portion of this property in November 2012.

For 2016, TMP has no plans for land acquisition as facilities expansion to meet growing demand can be accommodated in the existing TSEZ in Santa Rosa.

**Intellectual Property**

On December 1, 2015, TMP renewed its exclusive distributorship of Toyota products and at the same time, entered into an agreement for the exclusive distribution of Lexus products in the Philippines under the Toyota Distributor Agreement and the Lexus Distributor Agreement. These agreements are set to expire on November 30, 2018, but are expected to be renewed for an additional three years in accordance with past practice. TMC is the registered owner of certain Toyota and Lexus related brand names in the Philippines and has granted the right to use such names to TMP under the terms of the Toyota Distributor Agreement and Lexus Distributor Agreements.
TMP has also entered into a Technical Assistance Agreement with TMC, whereby TMP is licensed to manufacture Toyota vehicles and parts of proper and specified quality and obtain technical assistance from TMC. This agreement will expire on April 30, 2019 unless renewed. Under this agreement, TMP pays TMC royalties on all licensed products. Under the current Technical Assistance Agreement, TMP possesses licenses for the manufacture of the Innova, Vios, Camry, Corolla and Tamaraw models.

**Employees**

The following table provides a breakdown of TMP's employees for the periods indicated.

| | As of December 31 | | | As of June 30 |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| Regular | | | | |
| Senior Officers | 64 | 73 | 76 | 78 |
| Junior Officers | 412 | 408 | 442 | 467 |
| Rank and file | 1,031 | 1,124 | 1,218 | 1,325 |
| Subtotal | 1,507 | 1,605 | 1,736 | 1,870 |
| Outside contractors | 510 | 598 | 732 | 782 |
| **Total** | **2,017** | **2,203** | **2,468** | **2,652** |

***Note:***
*Senior Officers include all Assistant Vice Presidents and up.*
*Junior Officers include all Supervisors up to Section Managers.*
*Rank and File are all other Team Members.*

TMP's training focuses on developing a fundamental skills set for production workers, office workers, managers and leaders, which is aligned with the global Toyota training scheme. Further training and development is primarily based on on-the-job learning and periodic rotation, which allow individual employees to expand their knowledge and skills. Certain key positions, including manufacturing positions, are held by secondees from TMC and TMAP.

TMP has two certified and recognized labor unions, one for rank and file employees known as Toyota Motor Philippines Corporation Labor Organization ("TMPCLO") and one for supervisory employees known as Toyota Motor Philippines Corporation Supervisory Union ("TMPCSU").

TMPCLO was certified as the sole and exclusive bargaining agent of TMP's rank and file employees in June 2006. It negotiated a five-year collective bargaining agreement effective from July 1, 2011 to June 30, 2016. The next round of CBA negotiations shall commence in July 2016.

TMPCSU was established in 2001 and has a five-year collective bargaining agreement with TMP effective from July 1, 2011 to June 30, 2016. The next round of CBA negotiations shall commence in July 2016.

In addition, there was an unrecognized labor union responsible for a work stoppage in 2001. All subsequent issues related to the work stoppage in 2001 by the unrecognized labor union was resolved by the Supreme Court in favor of TMP on October 18, 2010.

TMP applies a progressive benefit structure with a set of base benefits applicable to all employees and a supplementary, variable scheme where individual employees choose a menu of benefits appropriate to their individual needs / situational preferences, subject to level of entitlement.

TMP has funded a non-contributory defined benefit retirement plan covering all of its regular employees. The plan is administered by trustees. The benefits are based on the years of service and percentage of final basic salary. TMP's normal retirement age is 55 years. Early retirement is allowed at 50 years.

TMP believes that relations with its employees are generally good. This is further evidenced by TMP being recognized as the "2011 Employer of the Year" by the People Management Association of the Philippines (PMAP).

In September 2012, TMP was conferred a Special Commendation Prize for People Program by the Asian Human Capital Award (AHCA) for its Team Relations Program. Through this award, TMP was recognized as one of the top companies across Asia which promotes open communication and transparency to address human resource and business challenges unique to Asia.

At the local front, TMP was bestowed the Secretary's Award of Distinction during the 8th Gawad Kaligtasan at Kalusugan by the Department of Labor and Employment in November 2012. This award affirms TMP's commitment to promote a strong safety and health culture in TMP.

Likewise, in September 2014, the Federation of Philippine Industries (FPI) recognized TMP as the Most Outstanding Corporation in the practice of health and safety. With TMP's continuous effort to put safety as a priority in its daily operations, it has achieved a record-breaking two million safe man-hours.

**Legal Proceedings**

In the normal course of business, TMP is subject to labor and customer claims. TMP believes that there are no outstanding claims against it that would have a material adverse effect on TMP's financial position, operating results or cash flows if adversely adjudicated.

The Head of the Legal and Compliance Department of GT Capital has provided certifications on the pending litigation of the Company and its subsidiaries as part of its exhibits to the Registration Statement.

## Regulatory and Environmental Matters

The automotive industry in the Philippines is subject to various laws and regulations. These regulations include environmental protection and conservation rules that regulate the levels of air, water, noise and solid waste pollution produced by automotive manufacturing activities and vehicle performance. TMP has in the past and expects that in the future it will continue to incur significant costs related to compliance with these regulations.

TMP takes its commitment to the environment very seriously. This commitment is evidenced when TMP became the first automotive manufacturer in the Philippines to obtain ISO 14001 certification for its environmental management systems. TMP continuously strives to improve its internal environmental performance through several initiatives, as follows:

- Efficient Production Processes: (1) using robotic painting systems to minimize volatile organic compound emissions and (2) treating waste water to a multi-stage cleaning process at the site's state-of-the art waste water treatment plant.
- Toyota Manufacturing Eco Center: (1) covering the building with the "Greenroof", planted vegetation over a waterproof membrane, that reduces heat absorption from the sun and lowers cooling costs; (2) implementing solar power at certain facilities; and (3) rapid composting waste organic materials in the TSEZ.
- Toyota Forest: maintaining a tree nursery in the TSEZ to support greening projects, tree-planting activities, and seedlings donations to various organizations.
- Clean & Green Project: teaching students the importance of tree-planting, waste segregation, and recycling

The vehicles produced and sold by TMP are also designed for better fuel economy and with what TMP believes to be high levels of safety features for sustainable mobility. For example, the Vios 1.3 has a registered fuel efficiency of 17.54 to 21.43 km/liter and the Innova 2.5 D-4D has a registered fuel efficiency of 13.16 to 14.29 km/liter (based on standard fuel tests carried out by TMP at constant 80 km controlled conditions). Specific technology systems also improve economic performance. The Variable Valve Timing-Intelligent and Direct Injection Common Rail engines offer improved engine performance, lower emissions and better fuel efficiency. The Hybrid Synergy Drive is a new type of power train that combines gasoline and electric power sources. Individual programs also reduce the amount of harmful chemicals used in the manufacturing process. TMC's "SoC-free Project" ensures all parts and materials installed, attached, or applied to the vehicles are within the allowable content limit of Substance of Concern elements ("SoC"), such as hexavalent chromium, mercury, cadmium and lead. In 2007, Toyota became the first automotive company in the Philippines to be SoC-free.

Under the CARS Program, the government allotted ₱9 billion worth of fiscal support to each participating vehicle manufacturer. Sixty percent (60%) or ₱5.4 billion of the said amount will be earmarked as Production Volume Incentive ("PVI") as participating car makers comply with the required minimum output of 200,000 units. The remaining ₱3.6 billion or 40% is allocated for Fixed Investment Support ("FIS"). As a participant under the CARS Program, TMP will follow stringent requirements in the production of the Vios. To avail of the highest possible incentives, TMP has to adhere to parts localization requirements and to produce 200,000 units of Vios over six years or 33,333 units per year.

## Corporate and Social Responsibility

TMP engages in corporate social responsibility activities to uplift Philippine society through effective coordination with stakeholders and institutional partners. Seeing the need for social development, TMP continues to undertake various projects that would holistically benefit different sectors of the society. These initiatives are done through flagship projects in partnership with established institutions or through its social and humanitarian arm, Toyota Motor Philippines Foundation ("TMPF").

With the advocacy to help develop higher education in the country, TMP donated ₱100 million to the University of the Philippines ("UP") Asian Center for the construction of the GT-Toyota Asian Cultural Center ("GT-

TACC") at UP Diliman. This donation was made in 2008, during TMP's 20th Anniversary and UP's Centennial year. Inaugurated in 2009, the GT-TACC is a one-hectare complex that is home to the GT-Toyota Hall of Wisdom and the GT-Toyota Asian Center Auditorium. Today, it has become a venue for various workshops and fora related to the Asia Pacific region's changing socio-political landscape.

TMP also gives significant importance to the improvement of technical education in the country. For this reason, in celebration of its 25th Anniversary in 2013, TMP formally opened the Toyota Motor Philippines School of Technology ("TMP Tech"), its world-class technical school inside the TSEZ in Santa Rosa City, Laguna. TMP Tech is equipped with up-to-date training equipment, top-notch facilities, as well as competent and experienced instructors ready to teach a superior TESDA-certified curriculum with equally superior instructor-to-student ratio. The school is envisioned to produce globally-competent, highly-skilled automotive technicians for the Toyota Family both in the Philippines and abroad. TMP Tech offers a two-year Automotive Servicing General Job Course. This course covers the Technical Education and Skills Development Authority (TESDA) National Certification ("NC") Levels I, II, III and IV, as well as Toyota-specific technical courses. As of June 2016, 241 students have graduated from this course. TMP Tech also offers a two-year Specialized Toyota Automotive Training Program ("STATP") to serve Toyota's partner distributor in the Kingdom of Saudi Arabia, Abdul Latif Jameel Imports & Distribution, Co., Ltd. ("ALJID"). This program initially started with TMP's Marketing Division – Customer Service Operations ("MKTG-CSO") in 2010. As of June 2016, a total of 171 students have graduated from this program. Overall, TMP Tech has produced 412 highly-skilled automotive technicians, who are now employed in the local dealer network and international distributors. In addition to the two programs, TMP Tech introduced the Capsulized Auto Repair Series ("CARS") in April 2016. CARS offers four short courses: Vehicle Periodic Maintenance, Gasoline Engine Servicing (+Basic Troubleshooting), Diesel Engine Servicing (+Basic Troubleshooting) and Automotive Electrical Servicing (+Basic Troubleshooting). These courses equip the participants with knowledge and skills required to keep an automobile in good running condition, to maintain its optimum performance, and prevent serious functional troubles. As of end-June, 16 students have graduated from CARS.

In helping improve the community, TMP also partnered with the City Government of Santa Rosa and Gawad Kalinga ("GK") Community Development Foundation for the "Toyota-City of Santa Rosa-GK Village" project. In 2013 the project completed the construction of 160 housing units in Santa Rosa City. As of 2015, TMP has donated a total of ₱24.00 Million for its development and continues to support the community through the construction and furnishing of a Multi-Purpose Hall which will be used as a livelihood center for the community.

Strengthening its environmental advocacy in the country, TMP, started the Adopt-a-Forest Project in August 2012. It is located in Makiling Botanic Garden inside the University of the Philippines Los Baños Campus in Laguna. Project components include the reforestation of ten hectares inside the Makiling Botanic Garden, creation of a 3-hectare Toyota Palm Garden, construction of a Nursery & propagation of Palm tree seedlings, refurbishment of an existing room to be developed into a 300-sqm "Toyota Environment Education Theater", production of pamphlets for information campaign, and organization of a National Conference about the importance of Palms. Together with its regional affiliate, Toyota Motor Asia Pacific Pte. Ltd. (TMAP), TMP has funded the project costing ₱1.3 million. In October 2015, TMP inaugurated the Toyota Environment Education Theater and the Toyota Palm Garden. Team Member volunteers also planted tree seedlings in the 10-hectare Adopt-a-Forest block.

Since its establishment in 1990, TMPF also continuously carries out programs in the areas of education, healthcare, environment and community service that improve the lives of Filipinos. TMPF's Toyota Automotive Education Program ("AEP"), in partnership with the country's leading technical schools and Toyota dealers nationwide, continues to produce skilled, highly-trained workers for the automotive industry through scholarships for vocational students. Under the AEP, TMPF helps raise the schools' technical capability through engine equipment and tools donations, as well as industry immersion of the instructors. In addition, TMP has implemented holistic learning programs in Pulong Sta. Cruz Elementary School ("PSCES"), its adopted school in its host community in Santa Rosa, Laguna.

Toyota also provides quality healthcare services and medical equipment donations to constituents of its host community in Santa Rosa, Laguna through the annual Medical and Dental Outreach Program. TMP provides free consultations, laboratory services, and medicines to thousands of local constituents with the help of its partners, the Makati Medical Center, Makati Dental Society, Manila Doctor's College, Carachem Pharmaceuticals and IAE Pharmaceuticals. To date, TMPF has served more than 101,000 patients from Santa Rosa City and Parañaque City since 1992.

Toyota also helps in the preservation of the environment. TMPF maintains a tree nursery inside the TSEZ, which also serves as a source for seedling donations to local government institutions and private organizations. Moreover, TMPF actively joins the annual International Coastal Clean-up drive organized by the Department of Environment and Natural Resources ("DENR"). In September 2015, over 30 volunteers from TMP and TMP Tech participated in the event at the Manila Bay area.

In other community service endeavors, TMP extends assistance to various charities nationwide.

**Awards and Recognition**

The company received several awards recognizing its excellence in various areas of its business.

With its commitment to give its customers the highest level of attention, Toyota ranked first in the JD Power Asia Pacific's 2014 & 2015 Sales Satisfaction Index ("SSI") Study which measures overall performance in the areas of delivery process, delivery timing, salesperson, paperwork, deal and dealer facility. Toyota also improved its ranking in the JD Power Asia Pacific's 2015 Customer Satisfaction Index ("CSI"), from fifth in 2014 to second in 2015.

In May 2015, TMP was recognized by Toyota's regional office, TMAP for its Marketing Excellence. TMP was given the Overall Marketing Award for its excellent customer service, record sales and market share performance in 2014.

In November 2015, TMP dominated the Auto Focus People's Choice Awards ("AFPCA"). After gathering the public's votes from the 6-month poll on social networking site (80%) and in consideration of total unit sales (20%), the Toyota Fortuner was hailed as the "Automobile of the Year" and the "Best Midsize SUV". Camry was also regarded as the AFPCA Hall of Fame Awardee for being the "Best Midsize Sedan" from 2007 to 2009 and from 2012 to 2015. Likewise, Lexus NX200T bagged the "Luxury Automobile of the Year" and "Best Luxury Compact SUV" Awards. Other Toyota and Lexus models were also recognized by consumers as the best in their respective segments, as follows:

| Vehicle | Award |
|---|---|
| Altis | Best Compact Sedan |
| Innova | Best MPV |
| Alphard | Best Luxury Van and Best Engine Performance and Safety Features for Luxury Van |
| FJ Cruiser | Best Design for Midsize SUV |
| Hiace | Best Utility Van |
| LS 460 | Best Luxury Large Sedan |
| ES 350 | Best Luxury Midsize Sedan |
| IS 350 | Best Luxury Compact Sedan |
| LX 570 | Best Luxury Large SUV |
| GX 460 | Best Luxury Midsize SUV |
| RCF | Best Luxury Sports Car |

In terms of overall Quality, TMP also received the Excellent Manufacturing Company Award from TMAP for being among the Top 3 Asian Manufacturing Companies. Toyota has, likewise, brought home Gold Awards from both the 2015 Quality Circle Regional Convention (QCRC) and the 2015 Productivity Improvement Circles

National Convention (PICNC). TMP has proven its excellence in quality in regional and national Quality Circles in the past 5 years.

Regarding environmental performance, TMP received the Global Eco Award for Best Performance in Waste Reduction from TMC in 2014. This is in recognition of TMP's effort in significantly reducing its waste generation per vehicle produced.

As a testament to TMP's commitment to being a vehicle of progress through active participation in nation-building, the company was recognized as the Most Outstanding Corporation in the Practice of Corporate Social Responsibility (CSR) by the Federation of Philippine Industries (FPI) in its 2013 Recognition Awards for Outstanding Sustainable Development Practices.

**Recent Financial Performance**

In the first six months of 2016 and for the years ended December 31, 2015, 2014 and 2013, TMP registered a net income attributable to equity holders of the parent company of ₱6.8 billion, ₱10.2 billion, ₱7.2 billion, and ₱4.2 billion, for the said periods respectively. For the financial highlights of TMP, please refer to the Component Companies Financial Performance under the MD&A section.

## BUSINESS – TMBC

## OVERVIEW

TMBC was incorporated on July 15, 1996 and its registered address is EDSA corner Roxas Boulevard, Pasay City. TMBC also does business under the names Toyota Dasmarinas-Cavite ("TDM") and Toyota Abad Santos, Manila (TAS). On June 15, 2012, TMBC became a joint-venture between the MBT Group, comprised of Titan Resources Corporation, FMIC and Toyota Cubao Inc. ("TCI"); and Mitsui & Co., Ltd. ("Mitsui"), one of Japan's largest general trading companies with the latter acquiring 40% share of the company.

TCI was incorporated on January 19, 1989 and its registered address is 926 Aurora Boulevard, Cubao, Quezon City. TCI also does business under the name Toyota Marikina Service Station ("TMSS").

On March 7, 2016, the SEC approved the merger of TMBC and TCI. Consequently, TMBC became the surviving entity and absorbed all of TCI's assets and liabilities. The consolidation of resources resulted in economies of scale, cost reduction, and better span of control. Prior to the merger, GT Capital owned 53.8% majority stake of TCI, with Mitsui owning 40%. The balance of the remaining TCI shares was held by individual stockholders. As of June 30, 2016, TMBC is 58.05% owned by GT Capital..

TMBC is authorized by TMP to distribute and retail Toyota products in the Philippines. TMBC's business fields are mainly divided into three categories: (1) vehicle sales, (2) parts sales and (3) aftersales services.

## PRINCIPAL PRODUCTS AND SERVICES

### Vehicle sales

As of June 30, 2016, TMBC sells a full lineup of Toyota models, sub-divided between passenger car and commercial vehicles category, as seen below:

| Type | Models |
|---|---|
| **Passenger Cars (PC)** | Vios, Yaris, Wigo, Prius, Corolla Altis, Camry, 86 |
| **Commercial Vehicles (CV)** | Innova, Avanza, Hiace, Previa, Alphard, Coaster, Hilux, Land Cruiser, FJ Cruiser, Fortuner, Rav4 |

### Parts sales

TMBC offers genuine Toyota parts, accessories, oils and chemicals. Toyota Genuine Parts and Accessories are made to the same exacting standards of the Toyota vehicles and are designed specifically for each model.

### After-sale services

TMBC's aftersales services include general job, preventive maintenance, express maintenance, body work and other ancillary businesses provided to Toyota car owners.

The table below shows the pro-forma consolidated breakdown of vehicle sales, parts sales and aftersales services, and their respective contribution to total revenue, for each of the last three years and for the six-month period ended June 30, 2016:

| | **Year ended December 31** | | | | | | **Period ended June 30** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | | **2016** | |
| **Category** | *Sales (₱ Mn)* | *% to Total Revenues* | *Sales (₱ Mn)* | *% to Total Revenues* | *Sales (₱ Mn)* | *% to Total Revenues* | *Sales (₱ Mn)* | *% to Total Revenues* |
| Vehicle sales | 12,690 | 92.7% | 15,426 | 93.1% | 17,302 | 93.0% | 10,633 | 93.3% |
| Parts sales | 662 | 4.8% | 756 | 4.6% | 850 | 4.6% | 461 | 4.0% |
| After sales Services | 343 | 2.5% | 390 | 2.3% | 442 | 2.4% | 302 | 2.7% |
| **Total** | **13,695** | **100%** | **16,572** | **100%** | **18,594** | **100.0%** | 11,396 | **100%** |

## DISTRIBUTION METHODS OF PRODUCTS AND SERVICES

TMBC provides its products and services to customers through the following dealers:

| *2015 Data* | TMBC | TDM | TAS | TCI | TMSS |
|---|---|---|---|---|---|
| Started Operations | Aug. 6, 1999 | Oct. 24, 2003 | Jan. 27, 2011 | Jan. 19, 1989 | Aug. 19, 1998 |
| Location | Pasay City, Metro Manila | Dasmariñas, Cavite | Manila City | Quezon City | Marikina City |
| Brand New Vehicles Sold | 5,876 | 3,251 | 3,275 | 4,215 | 2,024 |
| Units Received for Service | 28,330 | 28,768 | 14,705 | 18,911 | 15,014 |

GT Capital owns these five dealers out of the 52 Toyota outlets across the Philippines.

The table below sets out the geographic breakdown of the revenue for the periods indicated.

| Outlet | Year ended December 31 | | | | | | Period ended June 30 | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | 2014 | | 2015 | | 2016 | |
| | *Sales (₱ Mn)* | *% to Total Revenues* | *Sales (₱ Mn)* | *% to Total Revenues* | *Sales (₱ Mn)* | *% to Total Revenues* | *Sales (₱ Mn)* | *% to Total Revenues* |
| TMB | 4,484 | 32.7% | 5,253 | 31.7% | 5,723 | 30.8% | 3,437 | 30.1% |
| TDM | 2,474 | 18.1% | 3,050 | 18.4% | 3,397 | 18.3% | 2,005 | 17.6% |
| TAS | 2,483 | 18.1% | 2,965 | 17.9% | 3,098 | 16.6% | 1,742 | 15.3% |
| TCI | 3.031 | 22.1% | 3,757 | 22.7% | 4,180 | 22.5% | 2,618 | 23.0% |
| TMSS | 1,223 | 9.0% | 1,547 | 9.3% | 2,196 | 11.8% | 1,594 | 14.0% |
| **Total** | **13,695** | **100%** | **16,572** | **100%** | **18,594** | **100.0%** | 11,396 | **100%** |

### Components and Raw Materials

TMBC's inventory of Toyota vehicles and genuine parts is principally supplied by Toyota Motor Philippines Corporation. Likewise, TMBC does not have any major existing supply contracts.

## COMPETITION

### Market Trends

TMBC believes its direct and principal competitors are other Toyota dealers in the geographic areas in which they operate. As of June 30, 2016, Toyota Motor Philippines have 18 dealerships in Metro Manila and 34 dealerships in the provinces. Out of the total vehicles sold by these dealerships, TMBC accounted for 14.1% share as of June 30, 2016.

TMBC also competes with three-star workshops and to some extent, gasoline stations in offering after sales service.

### Advantage over competitors

TMBC boasts of its financial strength and wide marketing network within the GT Capital group. Majority of the business are client referrals from MBT and PS Bank, which serve as financing partners of the company. Moreover, TMBC enjoys the benefits of having a strong Toyota brand name, and the dominant position of Toyota in the Philippine automotive market.

## CUSTOMERS

The customers of TMBC can be divided into retail and fleet customers. Retail or individual clients are normally comprised of walk-in clients, referrals from banks, and repeat customers.

For the year 2015, TMBC's retail customer base is comprised of:

| | |
|---|---|
| First time car buyers | 31.3% |
| First time Toyota buyers | 20.2% |
| Repeat Toyota buyers | 24.1% |
| Repeat TMBC clients | 24.4% |
| Total | 100.0% |

In addition to general consumer sales, fleet accounts consist of taxi companies and corporate accounts purchasing vehicles in bulk.

The table below shows the TMBC's customer statistics per dealer outlet, respectively.

| Outlet | Six-month period ending June 30, 2016 | | | |
|---|---|---|---|---|
| | *Sales Volume to Fleet* | *% to Total Sales Volume* | *Sales Volume to Retail* | *% to Total Sales Volume* |
| TMB | 670 | 6.5% | 2,450 | 23.9% |
| TDM | 219 | 2.1% | 1,499 | 14.6% |
| TAS | 519 | 5.1% | 1,213 | 11.8% |
| TCI | 531 | 5.2% | 1,850 | 18.0% |
| TMSS | 323 | 3.1% | 999 | 9.7% |
| **TOTAL** | **2,262** | **22.0%** | **8,011** | **78.0%** |

| Outlet | As of December 31, 2015 | | | |
|---|---|---|---|---|
| | *Sales Volume to Fleet* | *% to Total Sales Volume* | *Sales Volume to Retail* | *% to Total Sales Volume* |
| TMB | 1,303 | 7.0% | 4,573 | 24.6% |
| TDM | 418 | 2.2% | 2,833 | 15.2% |
| TAS | 835 | 4.5% | 2,440 | 13.1% |
| TCI | 797 | 4.3% | 3,418 | 18.3% |
| TMSS | 194 | 1.0% | 1,830 | 9.8% |
| **TOTAL** | **3,547** | **19.0%** | **15,094** | **81.0%** |

## FINANCING TERMS

Customers are usually required to pay a 20% down payment, with the remaining balance payable in three to five years. They can either choose between bank financing or through GT Capital's financing arm, TFSPH. With a more aggressive "all-in" financing package and promotions from banks, financing the purchase of brand-new vehicles becomes accessible to a wide array of customers.

## INNOVATION AND PROMOTION

Most advertisements of vehicles on mass media are conducted by TMP on behalf of the dealerships of Toyota. Also TMBC independently conducts campaigns such as displays at shopping malls and other commercial areas.

## INTELLECTUAL PROPERTY

TMBC acquired the rights to use the "Toyota" brand names through the Toyota Dealership Agreement with TMP. If TMBC's annual performance can meet TMP's requirements, the dealership agreement is renewed every

February of each year. TMBC's dealership agreement is set to expire in February 2017, but is expected to be renewed for an additional year in accordance with TMP's annual performance target.

TMBC has also registered its logo with the Intellectual Property Office last March 26, 2013 with a validity of 10 years but is expected to be renewed upon expiration.

## REGULATORY AND ENVIRONMENTAL MATTERS

The Philippine automotive industry is subject to various laws and government regulations. These regulations include environmental protection and conservation rules that regulate the levels of air, water, noise and solid waste pollution produced by automotive manufacturing activities of TMP. If TMP complies with these regulations by spending more costs, TMBC may be affected indirectly. With regards to its general operations as a business entity, TMBC is also subject to the general trade related laws and policies, enforced through the Department of Trade and Industry. Moreover, Toyota Manila Bay is also subject to the enacted Presidential Directives and Issuances, the most recent of which is the "Philippine Lemon Law", an act strengthening consumer protection in the purchase of brand new motor vehicles, approved in July 15, 2014.

## EMPLOYEES

The following table provides a breakdown of TMBC's employees for the periods indicated.

| | As of December 31 | | | As of June 30 |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| Regular | 597 | 650 | 684 | 687 |
| Officers | 42 | 45 | 49 | 49 |
| Team Members | 555 | 605 | 635 | 638 |
| Probationary | 14 | 36 | 46 | 43 |
| Outside Contractors | 504 | 475 | 532 | 591 |
| Agency-contracted | 247 | 269 | 303 | 331 |
| Fixed term employee | 257 | 206 | 229 | 260 |
| **TOTAL** | **1,115** | **1,161** | **1,262** | **1,321** |

Currently, TMBC has no plans for additional hiring except in the ordinary course of business expansion.

## PROPERTIES

TMBC owns and leases several properties for its business operations. It currently has no plans for property acquisition, except where feasible, TMBC may explore properties to set up branches to improve its network coverage.

## LEGAL PROCEEDINGS

TMBC is not involved in any significant pending legal proceedings.

The Head of the Legal and Compliance Department of GT Capital has provided certifications on the pending litigation of the Company and its subsidiaries as part of its exhibits to the Registration Statement.

## RECENT FINANCIAL PERFORMANCE

In the first six months of 2016 and for the year ended December 31, 2015, 2014 and 2013, TMBC registered a net income of ₱168.8 million, ₱168.0 million, ₱147.4 million, and ₱281.3 million, for the said periods respectively. For the financial highlights of TMBC, please refer to the Component Companies Financial Performance under the MD&A section.

## BUSINESS - TFSPH

### Overview

TFSPH was established on August 16, 2002 and started operations in October 2002. TFSPH became a joint-venture between GT Capital and Toyota Financial Services Japan on September 2014 with the former acquiring 40% share of TFSPH from MBT and PSBank. Its principal office is located at 32/F, GT Tower International, 6813 Ayala Avenue corner H.V. dela Costa Street, Makati City.

### Principal Products or Services and their Markets indicating the Relative Contribution to Sales/Revenues

TFSPH's primary purpose is to engage in, carry on and undertake the general business of financing by extending credit facilities to (i) customers of Toyota vehicles dealers in the Philippines and (ii) commercial or industrial enterprise, including distributors and dealers, who are engaged in the distribution and sale of Toyota vehicles in the Philippines, through (a) purchasing, discounting, rediscounting or factoring commercial papers, account receivables or negotiable instruments, (b) inventory financing, (c) leasing, (d) sale-back arrangements, (e) hire purchase agreements, (f) direct lending with or without security, as well as to engage in quasi-banking operations approved by the Bangko Sentral ng Pilipinas on May 2008 and any other business of financing company that maybe directly or indirectly necessary, or useful for the accomplishment and furtherance of its primary purpose. TFSPH started its quasi-banking operations in April 2009.

Currently, TFSPH offers retail loans and finance lease to its individual and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles.

The table below shows the breakdown of the net interest income derived from lending/financing and other operating income (consisting of interest on deposits, service charges, fees, and gain or loss on sale of assets held for sale) and their respective contribution to total revenue for the last three years:

| Category | Year ended December 31 | | | | | | Six-month period ended June 30, 2016 | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | 2014 | | 2015 | | | |
| | *Amount (PhP M)* | *% to Total Revenues* | *Amount (PhP M)* | *% to Total Revenues* | *Amount (PhP M)* | *% to Total Revenues* | *Amount (PhP M)* | *% to Total Revenues* |
| Interest Income (Retail Loans) | 581.6 | 30.0% | 604.2 | 23.4% | 584.9 | 18.5% | 302.8 | 17.8% |
| Interest Income (Finance Lease) | 1,242.9 | 64.0% | 1,824.0 | 70.6% | 2,436.0 | 76.8% | 1,374.5 | 80.9% |
| Other Income | 116.2 | 6.0% | 153.6 | 6.0% | 149.7 | 4.7% | 20.9 | 1.2% |

### Distribution Methods of Products and Services

The table below sets out the geographic breakdown of units financed by TFSPH for the periods indicated.

| Location | Year ended December 31 | | | | | | Six-month period ended June 30, 2016 | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | 2014 | | 2015 | | | |
| | *Units* | *%* | *Units* | *%* | *Units* | *%* | *Units* | *%* |
| Metro Manila | 7,105 | 76.3% | 10,741 | 70.4% | 11,657 | 56.8% | 5,676 | 47.3% |
| Outside Metro Manila | 2,208 | 23.7% | 4,521 | 29.6% | 8,849 | 43.2% | 6,335 | 52.7% |
| **TOTAL** | **9,313** | **100.0%** | **15,262** | **100.0%** | **20,506** | **100.0%** | **12,011** | **100.0%** |

TFSPH enters into Dealer Financing Agreement which provides for the financing terms and conditions. TFSPH, in collaboration with Toyota distributor, TMP, sets individual and dealer targets on auto sales financing thru TFSPH.

## Competition

***Geographic area in which the business competes***

Please see **Distribution Methods of Products and Services** on page 96**.**

***Principal methods of competition***

TFSPH offers competitive interest rates and attractive financing products. TFSPH also focuses on efforts to significantly reduce loan processing time to enhance customer service, through the automation of processes. TFSPH continues to innovate products and services to make Toyota vehicle ownership more affordable to its customers by offering flexible payment terms.

***Principal Competitors***

Based on company data, the top six financing companies accounted for 90.2% of the total financed Toyota vehicles in 2015. TFSPH has the highest market share at 30.4% which is 9 percentage points higher than its closest competitor, PSBank at 21.0%. BDO and East West Bank have market shares of 15.7% and 11.5%, respectively.

***Advantage over competitors***

*Products*

- TFSPH is the only financing company that offers Finance Lease (Lease-to-Own) to retail customers where they can enjoy lower cash out lay – no chattel mortgage fees.
- TFSPH offers lower rates for Toyota Certified Used Vehicles compared to banks' used car rates in support of the Toyota Certified Used Vehicles program of TMP.

*Relationship with Distributor (TMP) and Dealers*

- TFSPH has joint sales programs with both TMP and dealers through exclusive promos and packages.

## Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held

Corporate licenses issued by SEC and BSP (Quasi Bank) have no specific expiration date.

## Government Approval of Principal Products or Services

TFSPH obtains approvals and permits from Bangko Sentral ng Pilipinas and Securities and Exchange Commission, and other regulatory bodies and agencies, as applicable, prior to the offering of its products and services to the public.

## Effect of Existing or Probable Government Regulations

***Capital Adequacy***

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. RWA consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP. TFSPH has complied with all externally imposed capital requirements throughout the year.

In December 2010, the Basel Committee for Banking Supervision published the Basel III framework (revised in June 2011) to strengthen global capital standards, with the aim of promoting a more resilient banking sector. On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards.

The Circular sets out a minimum Common Equity Tier 1 ("CET1") ratio of 6.0% and Tier 1 capital ratios of 7.5%. It also introduced a capital conservation buffer of 2.5% comprised of CET1 capital. BSP existing requirement for Total CAR remained unchanged at 10% and these ratios shall be maintained at all times. Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), and before the effectivity of BSP Circular No. 781 shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital. TFSPH is required to comply with this Circular effective on January 1, 2014.

TFSPH has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

***Applicable Tax Regulations***

Under Philippine tax laws, TFSPH is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax. Income taxes include 30%, regular corporate income tax and 20.00% final taxes paid, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Interest allowed as a deductible expense is reduced by an amount equivalent to 33% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of Entertainment, Amusement and Recreational ("EAR") expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expense, allowed as a deductible expense for a service company like TFSPH, is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. The regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against TFSPH's income tax liability and taxable income, respectively, over a three year period from the year of inception.

**<u>Research and Development Costs</u>**

For the last three fiscal years, TFSPH has not incurred any expenses for research and development.

**<u>Employees</u>**

The following table provides the breakdown of TFSPH employees for the periods indicated.

| | As of December 31 | | | As of June 30 |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| Senior Officers (AVPs and up) | 10 | 10 | 13 | 11 |
| Officers (SM and down) | 52 | 62 | 59 | 67 |
| Rank and File | 113 | 107 | 119 | 177 |
| Outsourced Services | 61 | 100 | 111 | 92 |
| **Total** | **236** | **279** | **302** | **347** |

TFSPH continues to ensure that its employees are properly compensated. TFSPH has not experienced any labor strikes and the management of TFSPH considers its relations with its employees to be harmonious.

**Risk Management**

TFSPH has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks.

*Risk Management Framework*

The BOD has overall responsibility for the oversight of TFSPH's risk management process. Supporting the BOD in this function are certain Board-level committees such as Corporate Governance Committee, Audit Committee, and senior management committees through the Executive Committee, Asset and Liability Committee, and Credit Committee.

*Credit Risk*

Credit risk is the risk of financial loss to TFSPH if counterparty to a financial instrument fails to meet its contractual obligations. TFSPH manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by Internal Audit Department and Risk Management Department.

*Liquidity Risk*

Liquidity risk is defined as the current and prospective risk to earnings or capital arising from TFSPH's inability to meet its obligations when they become due. TFSPH manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. To ensure that funding requirements are met, TFSPH manages its liquidity risk by holding sufficient liquid assets of appropriate quality.

*Market Risk*

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market factors. ALCO is a decision-making body for the management of all related market risks. TFSPH enforces a set of risk limits to properly monitor and manage the market risks. The risk limits are approved by the BOD.

**Recent Financial Performance**

In the first six months of 2016 and for the years ended December 31, 2015, 2014 and 2013, TFSPH registered a net income of ₱ 267.2 million, ₱515.5 million, ₱398.0 million, and ₱436.7 million, respectively, for the said periods respectively. For the financial highlights of TFSPH, please refer to the Component Companies Financial Performance under the MD&A section.

## BUSINESS – GTCAD

## OVERVIEW

GTCAD was incorporated on June 13, 2016 as the holding entity of the Company's Toyota auto dealerships for TSI.

The principal business interests of GTCAD is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any auto dealership or other 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.

On July 14, 2016, SEC approved the incorporation of TSI, a Joint Venture between GTCAD and JBT Global, with GTCAD owning 55% and JBT Global owning 45% of TSI's issued and outstanding capital stock. TSI will operate future Toyota dealerships of the joint venture.

**BUSINESS – MBT**

MBT is a universal bank based in the Philippines which provides, through itself and other members of the MBT Group, a full range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking and trust services.

As of December 31, 2015, the MBT Group was the second largest Philippine bank by asset size, with total assets of ₱1.8 trillion and capital of ₱193.8 billion, and the second largest Philippine bank in terms of net loans and receivables with an outstanding balance of ₱887.2 billion. MBT was also the third largest Philippine bank by total deposits with ₱1.3 trillion and controlled 13.4% of the Philippine banking system's total asset base as of December 31, 2015, according to the BSP's rankings.

The MBT Group offers corporate and commercial banking products and services, consumer banking products and services, trust banking services, credit card services, and investment banking services.

As of June 30, 2016, the MBT Group had a total of 954 branches in the Philippines, of which 699 were operated by MBT and 255 were operated by PSBank. The MBT Group had a total of 2,285 ATMs as of June 30, 2016. MBT's international operations consist of branches in Taipei, New York, Tokyo, Seoul, Pusan and Osaka, together with representative offices in Beijing and Hong Kong. MBT also has an extensive network of remittance centers in Asia, Europe and North America which has enabled it to become a leading provider of remittance services to OFWs.

MBT has been listed on the PSE since February 1981 after its initial public offering. Its market capitalization as of June 30, 2016 was ₱287.3 billion. As of December 31, 2013, 2014, and 2015, and June 30, 2016, the MBT Group's Tier 1 and total capital adequacy ratios as reported to BSP were 15.0%, 12.1%, 14.3% and 14.6%, and 16.7%, 16.0%, 17.8%, and 17.8%, respectively. The MBT Group's Tier 1 and total capital adequacy ratios as of December 31, 2013 were calculated under the Basel II guidelines while its CET1 and capital adequacy ratios as of December 31, 2014 and 2015, and June 30, 2016 were calculated under the Basel III guidelines.

**<u>History</u>**

MBT was established on September 5, 1962 by a group of Filipino businessmen led by MBT Group Chairman, Dr. George S. K. Ty, principally to provide financial services to the Filipino-Chinese community. MBT has continuously sought to diversify its business and now provides a broad range of banking products and services to all sectors of the Philippine economy through an extensive domestic branch network and internationally through a network of foreign branches and representative offices.

MBT was one of the first banks in the Philippines to gain a universal banking license, which was granted by the BSP in August 1981. This license allows MBT to engage in finance-related businesses such as savings and consumer banking, credit card and leasing products and services as well as "non-allied undertakings".

Since the establishment of its first office in Manila, MBT's operations in the Philippines, and in particular its domestic branch network, have expanded organically and through a series of acquisitions and mergers, including its acquisition of PSBank in 1983. Increased expansion of MBT's domestic branch network occurred following a change in 1993 to the BSP's policy of restricting the opening of additional bank branches in the Philippines and the liberalization of the Philippine banking industry.

MBT's international network of foreign branches and representative offices has grown since the opening of its first international branch in Taipei in 1975. Such growth was principally in response to the increased volume of remittances by overseas Filipino workers. As a result of the growth in MBT's international network, MBT has been able to augment its foreign exchange sources during periods of political instability in the Philippines in which access to foreign exchange has been otherwise limited.

## Competitive Strengths

The MBT Group believes that it has certain key strengths that provide competitive advantages over many of its competitors, including, among others:

**Top three player in the Philippines**

As of December 31, 2015, the MBT Group was the second largest Philippine bank by asset size, with total assets of ₱1.8 trillion and capital of ₱193.8 billion, and the second largest Philippine bank in terms of net loans and receivables with outstanding balance of ₱887.2 billion. MBT was also the third largest Philippine bank by total deposits with ₱1.3 trillion and controlled approximately 13.4% of the Philippine banking system's total asset base as of December 31, 2015, according to the BSP. The consolidated net income attributable to equity holders of MBT for the years ended December 31, 2013, 2014, and 2015, and six months ended June 30, 2015 and 2016 amounted to ₱22.5 billion, ₱20.1 billion, ₱18.6 billion, ₱9.3 billion, and ₱9.1 billion, respectively. MBT believes its financial strength contributes to its strong market position. MBT's strong financial condition gives the MBT Group flexibility to invest in new products, services, branches, information technology and other infrastructure required for the execution of its growth strategy.

**Each of MBT's product segments is among the leaders in the Philippine banking industry.**

*Retail Banking* - In retail banking, the MBT Group believes it has the largest car financing portfolio and the third largest housing portfolio based on internal and analyst estimates. In addition, it has the largest number of credit cards in force, through Metrobank Card Corporation ("MCC"), based on the March 2016 report of the Credit Card Association of the Philippines ("CCAP"), with over 1.5 million cards in force.

*Investment Banking* - With ₱71.6 billion in total assets as of December 31, 2015, MBT's subsidiary, First Metro Investment Corporation, is the largest domestic investment bank. It is recognized as one of the Best Performing Government Securities Eligible Dealers by the Bureau of Treasury. In terms of market share, First Metro continues to dominate the Philippine bond market as it successfully participated in 93% of the total bond issuances in 2015, raising a total of ₱332 billion. First Metro is selected by *Global Finance* magazine as the Philippines' Best Investment Bank in 2016. This is First Metro's second successive recognition as the country's best investment bank after winning the same award from *Euromoney* in 2015, becoming the first local investment bank to win the award. In 2015, it was conferred its seventh consecutive Best Bond House, and its first Best Mergers & Acquisitions win at the Triple A Country Awards of the Hong Kong-based finance publication *The Asset.* PSBank is a leading savings bank in the Philippines that focuses on attracting deposits from the general public. MBT co- operates with PSBank to help ensure wide market coverage for the MBT Group.

*Trust Business* - The MBT Group has the third largest trust business with assets under management of ₱357.0 billion based on publicly available reports submitted by Philippine banks to the BSP, as of December 31, 2015. MBT has been awarded Best Performing Government Securities Dealer from 2008 to 2011 by the Bureau of Treasury. In the trust banking space, MBT Trust was again recognized as the Top Fund Manager in the Philippines by the 2013 Towers Watson Survey in terms of Investment Performance of Retirement Funds. MBT ranked first under the All Trusteed Funds with at least five funds category. In addition, the MBT Group is also a leading provider of trade finance services to large corporates and middle market companies and one of the leading providers of remittance services.

MBT believes that its strong positions across diverse product segments allow it to cross-promote each segment to its customers to increase revenues and the flexibility to invest in new products and services. MBT believes that its leading position across a wide range of product categories allows it to serve as a "one-stop" financial center for its customers.

**Synergies and growth opportunities coming from the MBT Group**

The MBT Group also derives significant synergies from the diversified MBT Group and affiliated franchises such as First Metro, the largest Philippine investment bank in terms of assets; MCC, the largest card issuer, with over 1.5 million cards in force, based on the March 2016 report of the CCAP; and AXA, which is among the top five life insurance providers in the country, based on total assets, posting ₱22.9 billion in gross written premiums for 2015, and is also one of the leading providers of variable life insurance, with an 12.1% market share in 2015, based on gross premiums, according to the Philippine Insurance Commission. MBT's scale of operations, together with the MBT Group's financial resources, allows the MBT Group to cross-sell a wide range of financial products and services to its existing customers, as well as potentially capture a broader range of new clients.

**Well diversified domestic network with strong deposit franchise**

The MBT Group, through MBT and PSBank, operates one of the largest branch networks in the Philippines, with a total of 954 branches in the Philippines as of June 30, 2016. MBT believes its branch network is strategically located, both in Metro Manila and outside of Metro Manila, to take advantage of the economic growth throughout the country. In addition, the MBT Group's ATM network is the third largest in the Philippines, according to BSP statistics, with 2,285 ATMs as of June 30, 2016.

The MBT Group believes that it has a low cost of funding as compared to many of its key competitors. Through its extensive and strategically located branch network, the MBT Group is able to attract a large number of low cost depositors. Between December 31, 2013 to December 31, 2015, total deposits of the MBT Group increased from ₱1.0 trillion to ₱1.3 trillion, representing a compound annual growth rate of 11.3%. In addition, the MBT Group believes that its strong brand name and perceived financial strength allows it to attract higher levels of deposits at lower rates than many of its competitors. As of December 31, 2015, saving and demand deposits, which typically represent the lowest cost of funding for a bank, accounted for 56% of the MBT Group's total deposit base. In addition, the MBT Group has a low cost of deposits rate of 0.91% and a low cost of funds rate of 1.2%, which MBT believes are among the lowest in the Philippines.

**Core SME, middle-market and consumer segments as key drivers of growth**

The MBT Group maintains a balanced loan portfolio providing corporate and commercial banking products and services to a significant number of large and middle market corporations, as well as to SMEs, through a multi-channel distribution system, including its extensive branch network. Further, MBT and PSBank have focused on expanding their consumer banking business, principally through a directed marketing strategy, using their extensive domestic branch network and by direct sales channels.

The MBT Group has enjoyed strong loan portfolio growth over the past three years, with its total loan portfolio growing from ₱611.2 billion as of December 31, 2013 to ₱880.7 billion as of December 31, 2015, representing a compound annual growth rate of 20%. The MBT Group's loan portfolio consists mainly of corporate and commercial loans which comprised 72.5%, 74.7%,74.3%, 72.1%, and 73.9% of the MBT Group's total loan portfolio for the years ended December 31, 2013, 2014, and 2015, and six months ended June 30, 2015 and 2016, respectively.

Given the attractiveness of the SME and middle-market segment, the MBT Group has, in the last year, increased its growth into such segment, which achieved a growth rate of 15.5% from the year ended December 31, 2014 to the year ended December 31, 2015. The SME and middle-market segment is characterized by its high profitability and relatively low risk, coupled with strong customer loyalty and cross-selling opportunities that would present further upside for the MBT Group.

The MBT Group continued to report double-digit growth in the residential mortgage and auto finance sectors of the MBT Group's consumer loan portfolio, which grew by 14.9% and 26.0%, respectively, from the year ended

December 31, 2014 to the year ended December 31, 2015. The MBT Group maintains a balanced and diversified consumer loan portfolio, with home mortgage loans comprising 37.8%, auto loans comprising 41.9% and credit cards and other comprising 20.3%, of the MBT Group's total consumer loan portfolio as of December 31, 2015.

**Industry leading and consistently expanding margins**

The MBT Group's balanced mix of interest earning assets and low cost of funding have also bolstered the MBT Group's net interest margins which have consistently improved from 3.9% for the year ended December 31, 2013 to 3.7%, 3.54%, 3.55%, and 3.54% for the years ended December 31, 2014 and 2015, and the six months ended June 30, 2015 and 2016, respectively. For the last three years, the MBT Group's reported net interest margins have been the highest among its peer domestic banks, according to publicly filed financial statements of Philippine banks.

**Superior asset quality**

The MBT Group has benefitted from its prudent credit and risk management framework and policies as well as conservative lending practices, as it continues to maintain its superior asset quality with NPL ratios of 1.3%, 1.0%, 0.99%, 1.2%, and 1.08%, for the years ended December 31, 2013, 2014, and 2015, and the six months ended June 30, 2015 and 2016. The MBT Group's NPL ratio for the year ended December 31, 2015 was the lowest among the "Big 3" banks (i.e., MBT, BDO Unibank and Bank of the Philippine Islands) as of December 31, 2015, according to publicly filed financial statements. The MBT Group believes that its NPLs have stayed within reasonable levels, at ₱7.8 billion as of December 31, 2013, ₱7.8 billion as of December 31, 2014, ₱8.7 billion as of December 31, 2015, and ₱9.8 billion as of June 30, 2016. With its enhanced NPA management, restructuring and ROPA disposals, the MBT Group had an NPA ratio of 1.8%, 1.3%, 1.2%, and 1.2% as of December 31, 2013, 2014, and 2015, and June 30, 2016, respectively. The MBT Group's NPA ratio as of December 31, 2015 is the lowest among the "Big 3" banks and below the industry average of 1.6% as of December 31, 2015.

**Strong and experienced board of directors and management team**

The MBT Group has assembled a strong management team, led by Dr. George S.K. Ty, the founder of MBT. Dr. Ty and MBT's senior executive officers (consisting of those officers at the executive vice-president level and above) have, on average, over 30 years of experience in the banking sector and with a proven track record in the fields of banking and finance. The board of directors has a strong independent element, with five of its 12 members being independent Directors, and only three Directors related to the Ty Family. MBT believes that its management's extensive experience and financial acumen provide the MBT Group with a significant competitive advantage.

**Strategies**

MBT seeks to build on its recent successes by implementing a medium-term strategy focused on (a) rebalancing its loan portfolio to support its retail strategy, (b) prudently managing its treasury asset portfolio to maximize capital efficiency and return on capital, (c) continuing to generate low-cost funding through the strategic expansion of its branch and ATM networks, (d) expanding its suite of products and services in the retail and wealth management segments; and (e) ensuring prudent credit risk expansion through rigorous risk management practices.

**Rebalance loan portfolio to support retail strategy**

As of March 31, 2016, the MBT Group had a 20.8% market share of consumer loans in the Philippine banking system, which represented 25.7% of the MBT Group's total loan portfolio.

Despite having the largest car financing portfolio, and the third largest housing portfolio in the Philippines as of December 31, 2015, the MBT Group believes that there is still a significant opportunity for it to penetrate the retail loan segment, which it expects to have strong growth potential and loan appetite. To support its retail strategy, the MBT Group plans to provide more consumer loans in terms of home mortgage, auto and credit card loans.

It also intends to rebalance its corporate loan portfolio which represented 74.3% of its total loan portfolio as of December 31, 2015, by providing more loans to the SME and middle-market segment. The MBT Group believes that loans provided to this segment has high growth rates, offer greater interest spreads, and present relatively less credit risks via collateralization, as compared to top corporate loans, which are typically unsecured in nature.

Providing more consumer, SME and middle-market loans would allow the MBT Group to increase its customer base in these selected segments and allow it to cross-sell other products and services

**Manage treasury assets and accrual income**

Through its Treasury Group, MBT would prudently manage its treasury asset portfolio to maximize capital efficiency and return on capital. Apart from managing its domestic liquidity and funding position, it would also seek to optimize profits from its proprietary trading portfolio in domestic debt, domestic equity and foreign currency assets, as well as aim to maximize non-volatile and passive income streams from its proprietary trading portfolio and treasury operations for its customers. More recently, MBT has been focusing on rebalancing its securities portfolio, to reduce its exposure to market risk by increasing its proportion of HTM securities, providing accrual income.

**Continue to generate low-cost funding through strategic coverage expansion**

MBT believes that its extensive branch and ATM networks enable it to access a large number of retail customers. As of June 30, 2016, MBT has a total of 699 branches nationwide, with 314 in Metro Manila, while PSBank has a total of 255 branches nationwide, with 126 in Metro Manila. Further, MBT and PSBank, collectively, have a total of 2,285 ATMs nationwide, with 1,659 installed by MBT and 626 installed by PSBank.

MBT intends to strategically expand its large and diversified branch network strategically in both Metro Manila and provincial areas outside Metro Manila. MBT believes that there is a greater need for additional branches in provincial areas outside Metro Manila as these areas have traditionally been underserved by the leading Philippine banks. With the recent relaxation of the rules relating to branch licenses in Metro Manila, MBT intends to expand its coverage in the Metro Manila area where it believes it still has significant opportunity to grow. This would allow MBT to focus on its low-cost deposit growth and be best positioned to safeguard its margins.

**Expand product suite in retail and wealth management**

MBT, also via PSBank, currently offers a wide range of consumer deposit, mortgage and vehicle finance products and services, targeted primarily at its existing customers. MBT intends to introduce new products and services to its existing customers and attract new customers. It intends to focus on providing consumer financing solutions, remittance, foreign exchange, insurance and investment products and services, which would target both the retail and wealth management segments.

Concurrently, MBT intends to deploy more sales officers in its branches to introduce the existing and new products and services to customers, driving higher transaction volume. This would further promote cross-selling of MBT's financial products and services, increasing its customers' wallet share. Ultimately, this would help to increase the loyalty of its retail and high net worth individual customers, and create new sustainable revenue streams to bolster MBT's fee income.

**Ensure prudent credit expansion**

With increasingly strict corporate governance requirements and compliance targets under Basel III, MBT aims to promote continued focus on credit excellence, detailed attention on market and operational risks, and account for other important risks. It will continue to apply rigorous risk management practices that are supported by high-quality information systems and risk management tools.

## Principal Business Activities

The MBT Group's principal areas of business are corporate banking, commercial and SME banking, consumer banking, treasury, investment banking, and branch banking.. The following table sets out the amounts and percentages of revenue net of interest expense generated by each of these businesses in the years ended December 31, 2013, 2014, and 2015, and the six months ended June 30, 2015 and 2016:

| *Amounts in ₱ millions, except for %* | For the year ended December 31 | | | | | | For the six-month period ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2013 | | 2016 | | 2015 | |
| Corporate, commercial and SME Banking | 12,133 | 18.0% | 8,213 | 11.0% | 4,367 | 5.5% | 6,886 | 18.2% | 3,762 | 10.9% |
| Consumer banking | 15,021 | 22.3% | 13,861 | 18.5% | 11,639 | 14.8% | 8,608 | 22.7% | 7,241 | 21.0% |
| Branch banking | 20,478 | 30.4% | 25,746 | 34.4% | 26,083 | 33.1% | 10,282 | 27.2% | 14,514 | 42.0% |
| Treasury | 11,744 | 17.4% | 9,343 | 12.5% | 18,579 | 23.5% | 6,506 | 17.2% | 4,960 | 14.3% |
| Investment banking | 687 | 1.0% | 572 | 0.7% | 687 | 0.9% | 539 | 1.4% | 391 | 1.1% |
| Others(1) | 7,339 | 10.9% | 17,159 | 22.9% | 17,569 | 22.2% | 5,040 | 13.3% | 3,695 | 10.7% |
| Total Revenue(2) | 67,402 | 100.0% | 74,894 | 100.0% | 78,924 | 100.0% | 37,861 | 100.0% | 34,563 | 100.0% |

*Notes:*

*(1) Others include remittances, leasing, account financing and other support services.*

*(2) Total revenue consists of net interest income before provision for credit losses, service charges, fees and commissions, leasing and rental income, profit on assets sold or exchanged, recovery on written-off assets and other miscellaneous income.*

The MBT Group's core businesses are its corporate and commercial banking and consumer banking businesses. The following table sets out the gross amounts and percentages of loans made by these businesses as of December 31, 2013, 2014, and 2015, and the six months ended June 30, 2015 and 2016:

| *Amounts in ₱ millions, except for %* | For the year ended December 31 | | | | | | For the six-month period ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2013 | | 2016 | | 2015 | |
| Corporate loans(1) | 568,052 | 64.5% | 489,230 | 64.5% | 373,769 | 61.2% | 593,853 | 64.8% | 455,524 | 61.8% |
| Commercial loans(2) | 86,309 | 9.8% | 77,363 | 10.2% | 69,303 | 11.3% | 83,235 | 9.1% | 75,922 | 10.3% |
| Consumer loans | 226,336 | 25.7% | 192,299 | 25.3% | 168,147 | 27.5% | 239,827 | 26.1% | 205,801 | 27.9% |
| Total Loans | 880,697 | 100.0% | 758,892 | 100.0% | 611,219 | 100.0% | 916,915 | 100.0% | 737,247 | 100.0% |

*Notes:*

*(1) Loans made to large Philippine corporations, generally with total assets of more than ₱100 million.*

*(2) Loans made to micro industries and SMEs generally with total assets of ₱100 million and below.*

### Corporate, Commercial and SME banking

The MBT Group provides corporate and commercial banking products and services to a significant number of large and middle market corporations and their subsidiaries, as well as to SMEs in the Philippines, through a multi-channel distribution system, including its extensive branch network.

*Corporate banking*

The MBT Group offers a wide range of products and services to its corporate customers including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance and cash management products and services. It also provides omnibus credit lines for its large corporate customers, allowing customers to use such lines for short-term loans, trade financing or other forms of credit.

MBT has also obtained accreditation from various multinational export credit agencies and multilateral agencies to provide corporate clients with additional sources of medium- to long-term funding to finance imports of capital goods and equipment at fixed and floating rates for longer tenors.

MBT has also directed its efforts toward increasing low-cost deposits, representing demand and regular savings deposits, from its corporate banking clients. MBT believes it is a major depository bank for many of its corporate banking customers.

*Commercial and SME banking*

The MBT Group provides a wide range of banking products and services to its commercial middle-market customers. MBT classifies all customers engaged in business, other than corporate customers handled by its head office, as commercial banking customers. The Branch Lending Group was created in September 2006 to centralize efforts in the middle-market segment and offers both Peso-denominated and foreign currency loans to its commercial customers.

MBT has also directed its efforts towards increasing low-cost demand and savings deposits from commercial clients by increasing its market share of deposits for existing prime accounts and acquisition of new accounts.

**Consumer banking**

The MBT Group provides consumer banking services through MBT, PSBank and MCC. The MBT Group's principal consumer banking products and services include bank deposits, home mortgage loans, vehicle finance and consumer finance, including credit cards through MCC. Consumer loan applications are generally reviewed and pre-screened at the branches, as the MBT Group's primary distribution channel. Thereafter, applications are endorsed to the appropriate processing units for evaluation and approval.

The following table sets out consumer loans to individuals as of the date indicated:

| *Amounts in ₱ billions* | **Group** | **MBT** | **PSBank** | **MCC** |
|---|---|---|---|---|
| December 31, 2013 | 153.6 | 47.0 | 71.0 | 32.6 |
| December 31, 2014 | 179.7 | 52.8 | 84.5 | 38.8 |
| December 31, 2015 | 211.9 | 61.0 | 104.0 | 42.4 |
| June 30, 2016 | 223.6 | 64.2 | 109.8 | 44.4 |

While the operations of MBT are largely run separately from those of PSBank, the two banks co-operate to ensure wider market coverage for the MBT Group. MBT focuses on its own customer base, while PSBank targets the general public. Since 1981, when MBT acquired PSBank, MBT conducted a substantial proportion of its small personal deposit-taking and lending business for home purchases and vehicle finance through PSBank. In order to market consumer banking products and services to its own customer base more effectively, MBT established its own Consumer Lending Group in 1996.

*Philippine Savings Bank*

The MBT Group offers a range of retail and consumer banking products and services through PSBank, a subsidiary which is managed and operated independently of MBT. PSBank is a savings bank authorized by the BSP to engage in savings and mortgage banking in the Philippines. PSBank was listed on October 4, 1994 and became the first publicly listed savings bank in the Philippines and, as of December 31, 2015, was the second largest savings bank in the country in terms of total deposits and total assets according to BSP data.

PSBank offers a wide range of products and services primarily to the consumer market, principally to individuals, but also to SMEs in the form of support services such as vehicle financing. As of December 31, 2013, 2014, and

2015 and June 30, 2016, PSBank had total assets of ₱130.0 billion, ₱145.7 billion, ₱169.3 billion, and ₱176.5 billion, respectively, total deposits of ₱106.5 billion, ₱116.5 billion, ₱134.3 billion, and ₱139.3 billion, respectively, and a total loans and receivables of ₱82.9 billion, ₱95.8 billion, ₱113.9 billion, and ₱119.2 billion, respectively. PSBank's net income in 2013, 2014, 2015 and for the six months ended June 30, 2015 and 2016, was ₱2.9 billion, ₱2.3 billion, ₱2.4 billion, ₱1.1 billion, and ₱1.2 billion, respectively.

PSBank's branch network is operated separately from MBT's domestic network. However, to take advantage of MBT's brand recognition, PSBank also includes the phrase "MBT Group" in its logo. As of June 30, 2016, PSBank had a total of 255 branches, 126 of which were located in Metro Manila. 626 ATMs are installed in PSBank's branches, as well as a number of off-site locations. PSBank, like MBT, is a member of BancNet, a consortium of banks whose ATMs have been pooled for the common use of their respective customers.

PSBank offers a wide range of consumer banking products and services to its customers. Its deposit products and services include a number of demand, savings and time deposit accounts, denominated in Peso, U.S. Dollars and Euros. PSBank's range of consumer loan products includes loans for vehicle financing, home loans and personal loans. Home loans and vehicle financing contribute the majority to PSBank's loan portfolio. Personal loans are marketed to employees of MBT's corporate customers. PSBank's personal loans are offered either on the basis of payments being made directly by the borrower or, for employees of participating companies, by deduction of payments directly from the borrower's salary. Personal loans carry relatively higher interest rates, primarily due to the greater risk and higher operating and administrative expenses associated with these loans. Other services offered by PSBank include trust services, payment collection services, payroll services, and other consumer banking services. PSBank also offers certain products to a limited number of corporate banking customers.

PSBank undertakes a different customer acquisition strategy and has a different customer profile to that of MBT. PSBank's customer acquisition strategy involves sourcing new customers from various retail segments and through various sales channels. Auxiliary to new customer acquisition, additional business is also sourced via direct marketing, whereby MBT principally cross sells to its existing customers. MBT and PSBank focus on different customer segments and discourage cannibalization of each other's markets while co-operating to ensure wider market coverage. The average size of PSBank's deposits and loans is smaller than that of MBT, reflecting PSBank's focus on the broad mass market segment of the consumer banking market.

PSBank's principal source of funding is deposits from the general public. As of December 31, 2013, 2014 and 2015, and June 30, 2016, PSBank's total deposits represented 10.5%, 9.8%, 10.7%, and 11.1% of the MBT Group's total deposits, respectively. As of December 31, 2013, 2014 and 2015, and June 30, 2016, PSBank had total loans and receivables of ₱82.9 billion, ₱95.8 billion, ₱113.9 billion, and ₱119.2 billion, respectively, representing 13.6%, 12.6%, 12.8%, and 13.0% of the MBT Group's total loan portfolio.

As of December 31, 2013, 2014 and 2015, home mortgage, vehicle finance and personal loans represented 84.0%, 85.7% and 90.0% of PSBank's total loan portfolio, respectively.

As of December 31, 2013, 2014 and 2015, and June 30, 2016, PSBank's total NPLs represented 3.7%, 3.8%, 3.7%, and 3.7% of its total loan portfolio.

PSBank's Tier 1 capital adequacy ratio and total capital adequacy ratio as reported to the BSP were at 11.72% and 14.78%, as of June 30, 2016, 12.4% and 18.0%, as of December 31, 2015 compared with 13.3% and 19.6%, as of December 31, 2014, respectively, and 13.8% and 16.9% as of December 31, 2013. As of June 30, 2016, PSBank had a market capitalization of ₱25.2 billion.

*Metrobank Card Corporation*

MCC (formerly Unibancard Corporation), was incorporated on August 6, 1985. It is one of the pioneers in the credit card industry. MCC was created in June 2002 as the result of the three-way merger of the credit card operations of Unicard, AB Card Corporation and Solidcard Products Corporation. In October 2003, MBT went into a credit card joint venture with Australia New Zealand Banking Group Ltd. ("ANZ"). ANZ Funds Pty Ltd., a wholly owned subsidiary of ANZ, acquired 40% equity in MCC, while MBT holds 60%. The entry of ANZ into MCC provides MCC access to the technology platform and innovations needed for a more effective broadening of its card business.

MCC aims to be the leading payment solutions provider in the Philippines. It is dedicated to its customers, committed to its people and their development, steadfast in fulfilling its responsibility to the community, and consistent in delivering maximized shareholders' value.

MCC posted a ₱2.7 billion net profit after tax in 2015, which is 5.5% higher than the prior year. MCC also grew its customer base to over 1.5 million cards-in-force which yielded a 6% growth in billings and 5% growth in receivables. According to the Credit Card Association of the Philippines, in 2015, MCC maintained its 2014 industry rankings of 1st in terms of card base and 2nd ranking in receivables.

MCC continued to dominate in the premium card segment with sustained premium perks for the Metrobank Platinum MasterCard and Metrobank World MasterCard in partnership with premier restaurant and entertainment partners. MCC was recognized as having the Best  Credit Card Product by the Asian Banker in 2015.

Customers' purchasing power continued to be enhanced with strategic rewards tie-ups with key merchant partners, 0% instalment promotions, as well as the sustained availability of Cash2Go and Balance Transfer.

Even with its growth in card billings and receivables, MCC maintained its asset quality with a 4.66% past due rate. MCC continues to be an industry leader in portfolio management and proactive credit and collections strategies. Meanwhile, its merchant acquiring business line registered ₱91.2 billion in billings in 2015, representing a 16% increase from ₱78.3 billion in 2014. MCC maintained its 2nd ranking in the acquiring business. With an expected booming economy and healthy consumer spending in 2015, MCC will strive to continue providing its customers better products, bigger rewards, and enhanced customer experiences to increase its market share as it looks forward to achieving more milestones.

**Branch banking**

MBT's branch banking business offers a wide range of products and services from demand deposit accounts, savings and time deposits to lending facilities. In addition, dedicated trade finance and foreign exchange facilities are offered at certain branches where such services may be required. The branch banking business is different from the consumer banking group in that branch banking focuses primarily on deposit taking, branch related fee-based services and branch-based consumer lending (both home and auto), while consumer banking focuses both on individual depositors for their car and home loan needs as well as on corporate clients which require car fleet financing and large scale home developers.

The MBT Group, through MBT and PSBank, operates a total of 2,285 ATMs as of June 30, 2016. MBT is expanding the availability of its ATMs at its branches and off-site, principally in shopping malls and large factories. MBT has upgraded its ATM infrastructure to be EMV compliant.

**Treasury**

MBT's Treasury Group is focused on servicing customer requirements through the sales and trading of global markets products as well as providing support for the core banking business through asset and liability management. MBT's Treasury Group derives its revenue primarily from fixed income, foreign exchange, derivatives and interest rate differential activities. The customers of MBT's Treasury Group include domestic and offshore banks, insurance companies, financial institutions, corporations, SMEs, high net worth individuals and retail companies.

Through its treasury operations, MBT manages its required regulatory reserves and investment portfolio with a view to maximizing efficiency and return on capital. MBT also seeks to optimize profits from its trading portfolio by taking advantage of market opportunities.

**Investment banking**

The MBT Group's investment banking activities are principally undertaken through First Metro Investment Corporation, a majority-owned subsidiary of MBT.

First Metro, incorporated in 1972, is a leading investment bank in the Philippines with over 50 years of service in the development of the country's capital markets. Together with its subsidiaries – First Metro Securities Brokerage Corporation ("FMSBC") and First Metro Asset Management, Inc. ("FAMI"). First Metro offers a wide range of services, from debt and equity underwriting, loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research.

On October 12, 2012, First Metro filed a disclosure with the PSE stating its intention to voluntarily delist its shares and buy back all of its publicly-owned shares via a tender offer following the decision of its board of directors to operate as a non-listed entity. The delisting of the Company's shares from the Official Registry of the Exchange was subsequently approved by the PSE effective December 21, 2012. As a result of First Metro's buyback of its own shares, Metrobank's ownership in First Metro increased from 98.06% to 99.23% and 99.21% as of December 31, 2013 and 2012, respectively.

In 2015, First Metro became the first local investment bank to win Euromoney's Best Investment Bank in the Philippines. It was also hailed as the Best Investment Bank in the Philippines by Global Finance. In the same year, it was conferred its seventh consecutive Best Bond House, and its first Best Mergers & Acquisitions (M&A) House win at the Triple A Country Awards of the Hong Kong-based finance publication The Asset. In 2009, 2011, 2013, and 2014 First Metro was awarded Best Bond House in the Philippines by FinanceAsia; in 2012, Best Equity House; and in 2013, one of the Top 10 Best Managed Companies in the country. New York-based management consulting firm Stern Stewart & Co., in its Relative Wealth Added Index, ranked First Metro among the Top 11 Philippine companies and among the 100 best in ASEAN in 2009.

First Metro's total assets amounted to ₱82.8 billion, ₱69.9 billion, ₱71.6 billion, and ₱62.8 billion as of December 31, 2013, 2014 and 2015, and June 30, 2016, respectively. First Metro's total assets as of December 31, 2015 were 2% higher than as of December 31, 2014, and capital rose by 1% , which translates into a capital adequacy ratio of 38.26%. In 2013, 2014 and 2015, First Metro's net income was ₱11.5 billion, ₱2.3 billion and ₱385.5 million, respectively. For the six months ended June 30, 2015 and 2016, First Metro's net income was ₱577.7 million and ₱846.7 million, respectively. Year-on-year return on equity in June 30, 2016 was 6.55%. As of June 30, 2016, First Metro had 175 employees.

**Domestic And International Branch Network**

*Domestic Branch Network*

As of June 30, 2016, the MBT Group had a total domestic branch network of 954 branches, comprised of 699 branches of MBT and 255 branches of PSBank. MBT will continue to look to open new branches in order to maintain its market share. MBT's new branches are expected to be both in Metro Manila and outside of Metro Manila, in specific areas where MBT believes there is the greatest need for additional banking services.

The following table illustrates the reach of MBT and PSBank's network in recent years and sets forth the number of domestic branches as of December 31, 2013, 2014 and 2015, and June 30, 2016:

| | As of December 31 | | | As of June 30 | |
|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| Total MBT | 632 | 675 | 697 | 697 | 699 |
| Total PSBank | 224 | 245 | 248 | 248 | 255 |
| **Total Group branches** | **856** | **920** | **945** | **945** | **954** |

*International Branch Network*

MBT has a network of six strategically located branches outside of the Philippines, which, together with its representative offices, subsidiaries, and a network of correspondent banks, complements the domestic activities of the MBT Group. MBT's network outside the Philippines can be summarized as follows:

| Network | Location |
|---|---|
| Branches | Taipei, New York, Seoul, Busan, Tokyo, Osaka |
| Representative Offices | Hong Kong, Beijing |
| Subsidiaries | Metropolitan Bank (China) Ltd.<br>Metro Remittance (Hong Kong) Limited<br>First Metro International Investment Company Limited and Subsidiary<br>Metro Remittance Center, Inc. and Subsidiaries (Canada, USA, Bahamas, UK, Singapore, Japan) |

The sales breakdown of MBT per geographical unit, grouped into domestic (Philippines), Asia (ex-Philippines), USA, and Europe are as follows:

| *Amounts in ₱ millions* | Philippines | Asia (ex-PH) | USA | Europe | Total |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Interest income | ₱32,586 | ₱718 | ₱18 | ₱– | ₱33,322 |
| Interest expense | 7,360 | 350 | 3 | – | 7,713 |
| Net interest income | 25,226 | 368 | 15 | – | 25,609 |
| Non-interest income | 11,343 | 562 | 292 | 55 | 12,252 |
| Provision for credit and impairment losses | 3,045 | 154 | – | – | 3,199 |
| Total external net operating income | ₱33,524 | ₱776 | ₱307 | ₱55 | ₱34,662 |
| Non-current assets | ₱32,020 | ₱615 | ₱15 | ₱5 | ₱32,655 |
| **2015** | | | | | |
| Interest income | ₱31,430 | ₱706 | ₱17 | ₱– | ₱32,153 |
| Interest expense | 8,008 | 263 | 3 | – | 8,274 |
| Net interest income | 23,422 | 443 | 14 | – | 23,879 |
| Non-interest income | 9,986 | 438 | 231 | 29 | 10,684 |
| Provision for credit and impairment losses | 1,928 | 20 | 2 | – | 1,950 |
| Total external net operating income | ₱31,480 | ₱861 | ₱243 | ₱29 | ₱32,613 |
| Non-current assets | ₱27,000 | ₱669 | ₱17 | ₱7 | ₱27,693 |

## <u>Information Technology</u>

The MBT Group's strategy for providing better customer service, improving operations management and enhancing operating efficiency is dependent upon its IT systems. The MBT Group generally uses off-the-shelf hardware and software to create complex applications and infrastructure for its operations. This modular approach allows the MBT Group to modify its systems to address changing needs and incorporate new technology as necessary. This approach also allows the MBT Group to make modifications and upgrades more cost effectively than if it employed a wholly-proprietary systems architecture.

The MBT Group continues to undertake initiatives to combine, to the extent permitted by BSP regulations, the operating platforms of entities within the MBT Group, to develop common service systems and otherwise upgrade its centralized computing equipment, which now services all online requirements of MBT's branches, MBT's 24-hour point-of-sale facilities, MBT's ATM operations, PSBank's online system and Metrobank Card Corporation's credit card processing system.

**Internal Audit**

MBT's Internal Audit Group ("IAG") provides independent objective assurance and consulting services designed to add value and improve MBT's operations. IAG helps in achieving MBT's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes, including the IT systems and applications. It is independent from the operating units and reports directly to the Board through the Audit Committee, chaired and co-chaired by independent directors.

IAG's scope of work ensures that: risks are appropriately identified and managed; interaction with the various governance groups occurs as needed; significant financial managerial and operating information is accurate, reliable, and timely; employees' actions are in compliance with MBT's code of conduct, policies, standards, procedures and applicable laws and regulations; resources are acquired economically, used efficiently and adequately protected; programs, plans, and objectives are achieved; quality and continuous improvement are fostered in MBT's control process; and significant legislative or regulatory issues impacting MBT are recognized and addressed properly. The internal audit activity is performed in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

**Insurance**

The MBT Group's policy is to adequately insure all of its properties against fire and other usual risks. The MBT Group also maintains insurance for operational risks such as the loss of cash or securities through loss or theft, both through a program of self-insurance and by obtaining insurance from third party providers. The MBT Group does not have business interruption insurance covering loss of revenues in the event that its operations are affected by unexpected events. The MBT Group also has a policy of requiring appropriate insurance coverage for any collateral provided by its customers.

The MBT Group's insurance policies are subject to exclusions which are customary for insurance policies of the type held by MBT, including those exclusions which relate to war and terrorism-related events. The MBT Group believes that its insurance policies are appropriate for its business.

**Employees**

As of June 30, 2016, MBT had a total of 15,535 employees (excluding MBT's foreign branches), of which 6,765 were engaged in a professional management capacity and classified as bank officers, and 8,770 were classified as staff members.

The following table provides the total employee headcount for MBT (excluding MBT's foreign branches), as of June 30, 2016:

| | No. of Employees |
|---|---|
| Officers | 6,765 |
| Rank and File | 8,770 |
| **Total Headcount** | **15,535** |

All of MBT's regular rank and file employees, other than those expressly excluded under the collective bargaining agreement, are represented by a union affiliated with the Associated Labor Union – Trade Union Congress of the Philippines. In the fourth quarter of 2015, MBT successfully concluded a new Collective Bargaining Agreement for the years 2016 to 2018. MBT's management believes it has a good relationship with its staff.

## Properties

MBT's head office is located at MBT Plaza, Sen. Gil J. Puyat Avenue, 1200 Makati City. MBT owns the premises occupied by its head office, including most of its branches.

MBT holds clean titles to its properties except for one branch. MBT also leases premises occupied by the rest of its branches. Generally, lease contracts are for periods ranging from one year to 25 years and are renewable under certain terms and conditions.

Currently, MBT has no plans for property acquisition, except where feasible, MBT may explore properties to set up branches to improve its network coverage.

## Intellectual Property

The MBT Group has applied to the Intellectual Property Philippines Office in Makati City for, and received, intellectual property protection for all of its major brand names and trademarks, such as "MBT", the MBT logo, the tagline "You're in Good Hands" and the names of MBT's major products and services, such as MetroHome and MetroCar, various e-banking channels and various remittance services. The MBT Group has not been the subject of any disputes relating to its intellectual property rights.

## Legal Proceedings

On October 17, 2011, a consortium of eight banks (including MBT) filed a Petition for Certiorari, Prohibition and/or Mandamus (with Urgent Application for a Temporary Restraining Order ("TRO") and/or Writ of Preliminary Injunction) with the Supreme Court ("SC") against the Government, the BIR and its Commissioner, the Department of Finance and its Secretary, the Bureau of Treasury and the National Treasurer (the "Respondents"), asking the SC to annul BIR Ruling No. 370-2011 which imposes a 20% final withholding tax on the 10-year Zero-Coupon Government Bonds (also known as the PEACe bonds) that matured on October 18, 2011 and command the respondents to pay the full amount of the face value of the PEACe Bonds. On October 18, 2011, the SC issued the TRO enjoining the implementation of the said BIR ruling on the condition that the 20% final withholding tax be withheld by the petitioner banks and placed in escrow pending resolution of the Petition. However, to date, the respondents have not complied with the said TRO, i.e., they have not credited the banks' escrow accounts with the amount corresponding to the questioned 20% final tax. The case is still pending resolution with the SC.

As of June 30, 2016, the MBT Group was a party to various unresolved legal proceedings which arise in the ordinary course of its operations, including several suits and claims relating to the MBT Group's lending operations. In the opinion of MBT's management if such unresolved legal proceedings are decided adversely, they will not have a material adverse effect on the MBT Group or its consolidated financial condition.

The Head of the Legal and Compliance Department of GT Capital has provided certifications on the pending litigation of the Company and its subsidiaries as part of its exhibits to the Registration Statement.

## Regulatory Matters

The earnings of banks are affected not only by general economic conditions, but also by the policies of various governmental and regulatory authorities in the country and abroad.

Republic Act No. 7653 or the New Central Bank Act of 1993 (Republic Act No. 7653) and Republic Act No. 8791 or the General Banking Law vest the Monetary Board of the BSP with the power to regulate and supervise financial intermediaries in the Philippines.

The establishment and operation of banking institution in the Philippines is governed by the General Banking Act. The BSP acting through the Monetary Board, exercises overall supervision of, and regulates the industry. The BSP's Manual of Regulations for Banks ("MORB") is the principal source of rules and regulations for the operation of banks in the Philippines.

Under the General Banking Act, the Monetary Board of the BSP is responsible for regulating and supervising financial intermediaries. The implementation and enforcement of the BSP regulations is primarily the responsibility of the supervision and examination sector of the BSP.

The General Banking Act was revised in 2000. The revisions allow (1) the issuance of tier 2 capital and its inclusion in the capital ratio computation, and (2) the 100% acquisition of a local bank by a foreign bank. The second item removes the advantage of a local bank over a foreign bank in the area of branching.

In 2005, the BSP issued Circular No. 494 covering the guidelines in adopting the provision of Philippine Financial Reporting Standards ("PFRS") and Philippine Accounting Standards ("PAS") effective the annual financial reporting period beginning January 1, 2005. These new accounting standards aim to promote fairness, transparency and accuracy in financial reporting.

In July 2007, the risk-based Capital Adequacy Ratio ("CAR") under the Basel II accord, which assigns risk weights for credit, market and operational risks, was implemented by the BSP through BSP Circular No. 538. The circular, which covers all universal and commercial banks including their subsidiary banks and quasi-banks, also maintained the 10% minimum capital adequacy ratio for both solo and consolidated basis. Subsequently, the Internal Capital Adequacy Assessment Process guidelines were issued in 2009 for adoption by January 2011.

The BSP Monetary Board approved major revisions to the country‘s risk-based capital adequacy framework on July 1, 2007, to align the current framework with the Basel II standards as issued by the Basel Committee on Banking Supervision ("BCBS"), which is an international committee of banking supervisory authorities. Basel II standards make regulatory capital requirements more risk sensitive and reflective of all, or at least most, of the risks financial institutions are exposed to. In terms of minimum capital requirements, Basel II standards include the addition of specific capital requirements for credit derivatives, securitization exposures, counterparty risk in the trading book, and operational risk.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. The revised standards also distinguish further (i) Tier 1 capital, which is also referred to as Going-Concern Capital, and is composed of Common Equity and Additional Tier 1 capital; and (ii) Tier 2 capital, which is also referred to as Gone-Concern capital and establish new eligibility criteria for such capital instruments previously not implemented in regulatory capital instruments.

To align with the international standards, the BSP adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 with the issuance of BSP Circular No. 709 effective January 1, 2011.

In January 2012, the BSP announced that the country‘s universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from January 1, 2014. This thus allowed local banks one full year for a parallel run of the old and new guidelines prior to the effectiveness of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On December 26, 2012, the BSP issued the implementing guidelines for the adoption on January 1, 2014 of the revised capital standards under the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for Common Equity Tier 1 ("CET1") capital and Tier 1 ("T1") capital in addition to the Capital Adequacy Ratio ("CAR"). The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum T1 ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5%, which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 will be allowed to count these instruments as Basel III-eligible until end-2015. However, capital instruments that are not eligible in any of the three components of capital will be derecognized from the determination of the regulatory capital on January 1, 2014.

MBT believes that it is generally compliant with all the necessary regulations and government mandated licenses and permits.

**Competition**

The MBT Group faces competition in all its principal areas of business. Philippine and foreign banks are the MBT Group's main competitors, followed by finance companies, mutual funds and investment banks. Products in the industry have become highly commoditized, thus, competition is primarily felt in terms of pricing and service delivery, including turnaround time. The MBT Group seeks to gain a competitive advantage by offering innovative products and services, maximizing the functions of its extensive branch network, particularly in provincial areas, investing in technology, leveraging synergies within GT Capital Holdings, Inc. and building on relationships with MBT's key customers.

Mergers, acquisitions and closures reduced the number of players in the industry from a high of 50 to 36 universal and commercial banks as of June 30, 2016. Lending from universal and commercial banks posted a growth of 13.5% in the year ended December 31, 2015 based on statistics of the BSP. Some corporations also decided to access the debt market instead of seeking funds from the financial institutions. Corporate lending thus remained competitive resulting in even narrower spreads especially under a low interest rate environment. Pockets of growth were, however, seen in the middle corporate market, SMEs and consumer segments.

The soft demand for corporate loans prompted banks to venture more extensively into consumer lending. MBT, being a well-entrenched, long-term player, enjoys the advantage of having experience that includes origination, credit selection, collection and asset recovery activities.

The MBT Group believes its principal competitors are mainly the other large privately owned domestic banks, BDO Unibank ("BDO") and Bank of the Philippine Islands ("BPI"). Together, MBT, BDO, and BPI comprise the "Big 3" Philippine banks and combine for close to 50% market share across assets, loans, deposits, and capital.

The MBT Group believes that it has certain key strengths that provide competitive advantages over many of its competitors as discussed in *"Business – MBT - Competitive Strengths"* on page 102.

## Subsidiaries

The following table sets out summary information in respect of the MBT Group's subsidiaries as of and for the six months ended June 30, 2016:

| *Amounts in ₱ millions* Subsidiaries | Group's effective ownership | Activity | Issued capital stock(2) | Total assets (Unaudited) | Total revenues (Unaudited) | Net income (loss) (Unaudited) |
|---|---|---|---|---|---|---|
| Philippine Savings Bank: (Increased in July from 76% to 82.68%) | 75.98% | Savings Banking | 2,403 | 176,539 | 7,595 | 1,155 |
| First Metro Investment Corporation and subsidiaries | 99.24% | Investment Banking Holding Company | 4,209 | 67,786 | 2,837 | 847 |
| First Metro Securities Brokerage Corporation(1) | 100.00% | Stock Brokerage | 169 | 2,769 | 106 | 27 |
| PBC Capital Investment Corporation(1) | 100.00% | Investment House | 300 | 371 | 4 | 3 |
| SBC Properties, Inc.(1). | 100.00% | Real Estate | 130 | 68 | 0 | 0 |
| Prima Ventures Development Corporation(1) | 100.00% | Holding Company | 4 | 24 | 0 | 1 |
| First Metro Save & Learn Dollar Bond Fund, Inc.(1) | 94.55% | Management of Mutual Funds | 20 | 234 | 8 | 6 |
| First Metro Asia Focus Equity, Inc.(1) | 100.00% | Management of Mutual Funds | 1 | 152 | 1 | 0 |
| First Metro Asset Management, Inc.(1) | 70.00% | Management of Mutual Funds | 109 | 335 | 117 | 26 |
| FMIC Equities, Inc. | 100.00% | Holding Company | 13 | 13 | 0 | 0 |
| Resiliency (SPC), Inc.(1) | 100.00% | Financial Holding Company | 5 | 3 | 0 | 0 |
| First Metro Philippine Equity Exchange Traded Fund, Inc. (1) | 44.93% | Management of Mutual Funds | 695 | 981 | 129 | 124 |
| First Metro Save & Learn Fixed Income Fund, Inc.(1) | 17.11% | Management of Mutual Funds | 1,168 | 2,647 | 66 | 1 |
| First Metro Save & Learn Equity Fund, Inc.(1) | 22.16% | Management of Mutual Funds | 1,284 | 7,120 | 317 | 195 |
| First Metro Save & Learn Balanced Fund, Inc.(1) | 20.14% | Management of Mutual Funds | 817 | 2,263 | 36 | (9) |
| First Metro Insurance Brokers Corporation(1) | 100.00% | Insurance Company | 16 | 3 | 0 | 0 |
| Metrobank Card Corporation (A Finance Company) | 60.00% | Credit Card Services | 1,000 | 53,044 | 6,569 | 1,418 |
| Metropolitan Bank (China) Ltd. | 100.00% | Banking | 10,076 | 52,693 | 831 | (52) |
| ORIX Metro Leasing and Finance Corporation and subsidiaries | 59.85% | Leasing, Finance | 2,996 | 32,076 | 2,235 | 539 |
| *Circa 2000 Homes, Inc. | 100.00% | Real Estate | 800 | 343 | 105 | 77 |
| Metropolitan Bank (Bahamas) Limited | 100.00% | Holding Company | 46 | 656 | 67 | 47 |
| First Metro International Investment Company Limited and subsidiary | 99.85% | Investments and deposit taking | 231 | 919 | 4 | (1) |
| Metro Remittance (Hong Kong) Limited | 100.00% | OFW Remittances | 26 | 166 | 53 | 1 |
| Metro Remittance (Singapore) Pte. Ltd. | 100.00% | OFW Remittances | 16 | 302 | 58 | 16 |
| Metro Remittance Center, Inc. | 100.00% | OFW Remittances | 64 | 222 | 111 | 2 |
| Metro Remittance (USA), Inc. | 100.00% | OFW Remittances | 159 | 139 | 14 | (3) |
| Metro Remittance (UK) Limited | 100.00% | OFW Remittances | 31 | 60 | 24 | 1 |
| Metro Remittance (Japan) Co. Ltd. | 100.00% | OFW Remittances | 102 | 64 | 31 | 1 |
| *MBT Technology, Inc. | 100.00% | Computer Services | 200 | 28 | 0 | 0 |

Notes:

*[* In the process of dissolution.]*

1) *First Metro, directly or indirectly through its subsidiaries, holds the interests shown above in First Metro Securities Brokerage Corporation, PBC Capital Investment Corporation, SBC Properties, Inc., Prima Ventures Development Corporation, First Metro Save & Learn Dollar Bond Fund, Inc., First Metro Asia Focus Equity Fund, Inc., First Metro Asset Management, Inc., FMIC Equities, Inc., Resiliency (SPC), Inc., First Metro Philippine Equity Exchange Traded Fund, Inc., First Metro Save & Learn Fixed Income Fund, Inc., First Metro Save & Learn Equity Fund Inc., First Metro Save & Learn Balanced Fund, Inc. and First Metro Insurance Brokers Corporation. The financial information relating to First Metro includes its equity investments in those subsidiaries and its own associates.*
2) *Foreign currency denominated amounts have been translated into Philippine Pesos using the historical rate as of the transaction date for issued capital stock, Philippine Dealing System closing rate as of June 30, 2016, for total assets and Philippine Dealing System annual average rates for total revenue and net income (loss).*

*Each of the MBT Group's subsidiaries listed above have been incorporated in the Philippines, other than Metropolitan Bank (China) Ltd., Metropolitan Bank (Bahamas) Limited, First Metro International Investment Company Limited ("First Metro International"), Metro Remittance (Hong Kong), Limited, Metro Remittance (Singapore) Pte. Ltd., Metro Remittance Center, Inc., Metro Remittance Center (USA), Inc., Metro Remittance (UK) Limited and the Metro Remittance (Japan) Company Limited.*

A brief description of the MBT Group's significant subsidiaries is provided below.

*Philippine Savings Bank*
See "– Principal Business Activities – Consumer Banking – Philippine Savings Bank."

*First Metro Investment Corporation*
See "- Principal Business Activities – Investment Banking – First Metro Investment Corporation."

*Metrobank Card Corporation*
See "– Principal Business Activities – Consumer Banking – Metrobank Card Corporation."

*Metropolitan Bank (China) Ltd.*
MBCL is a wholly owned subsidiary of MBT established in the People's Republic of China with the approval of China Banking Regulatory Commission on January 14, 2010. In accordance with the "Regulations of the People's Republic of China on the Administration of Foreign-Funded Bank" ("中华人民共和国外资银行管理条"), MBCL is licensed to carry out all of the following businesses in foreign currency and provides RMB businesses to non-Chinese citizens such as: accepting deposits; granting short-term, medium-term and long-term loans; handling acceptance and discount of negotiable instruments; buying and selling government bonds, corporate bonds and non-stock negotiable securities in other foreign currency; providing L/C services and guaranties; handling domestic and overseas settlement; buying and selling foreign currencies either for itself or on behalf of its clients; selling insurance on commission basis; providing bank cards; inter-bank funding; providing service of safety deposit box; providing credit standing investigation and consultation service; and other business activities approved by CBRC.

MBCL started its operations on March 2, 2010. Its headquarters is located in Nanjing, Jiangsu Province. It is the first wholly foreign-owned bank incorporated in Jiangsu Province, China. Former MBT Shanghai Branch and Pudong Sub-Branch were absorbed by MBCL. MBCL's branch network consists of MBCL Nanjing Branch, Shanghai Branch, Pudong Sub-Branch, Changzhou and Quanzhou Branch.

On August 14, 2014, MBT infused an additional investment of RMB200 million, or ₱1.4 billion, into MBCL as approved by the BSP on March 12, 2014.

*Metropolitan Bank (Bahamas) Limited*
This is a wholly owned subsidiary of MBT based in The Bahamas. It holds 26.7% of the outstanding capital stock of First Metro International Investment Company Limited ("FMIIC") based in Hong Kong.

**BUSINESS – Fed Land**

**OVERVIEW**

With 45 years of industry experience, the Ty family companies have become established leaders in the Philippine real estate sector having completed more than 50 residential and commercial projects throughout their combined operating history. Having established Federal Homes in 1972 in Binondo, the Ty family's real estate business grew rapidly and as its pace of growth accelerated, additional entities were established to undertake the family's expanding property operations. In an effort to rationalize this growing exposure to the segment, the Ty family elected to consolidate its real estate development interests within GT Capital under its subsidiary, Fed Land.

Fed Land today is the dedicated Philippine real estate development company of the Ty family. This consolidation exercise, which brought together the human resources and best practices of all the Ty family real estate companies, was intended to initiate the next phase of growth for the real estate business and further facilitate leveraging on synergies with other operating divisions within GT Capital.

Leveraging on the strong track record of the Ty family companies established over the years in the residential segment, Fed Land's principal focus remains in the residential space, particularly in condominium developments in key urban and suburban communities. In addition, Fed Land also benefits from the Ty family's experience as a retail and commercial project developer, having developed distinctive properties in Metro Manila's Makati central business district including GT Tower International and Philippine AXA Life Center.

In line with its strategic plan, Fed Land has exhibited very strong growth across key operating and financial metrics. The table below summarizes the growth achieved in real estate sales and net profit for the period of 2013 to 2015.

| (amounts in ₱ millions except %) | **2013** | **2014** | **2015** | **% growth (CAGR) 2013-2015** |
|---|---|---|---|---|
| Real Estate Sales | 5,451 | 6,997 | 7,534 | 17.6% |
| Rent Income. | 631 | 768 | 830 | 14.7% |
| Net income | 1,019 | 1,513 | 1,614 | 25.85% |

As of June 30, 2016, Fed Land's land bank comprised 100 hectares of land (excluding 50 hectares held through joint ventures), mostly situated in prime locations such as Manila, Makati, Fort Bonifacio, and Marikina in Metro Manila, and in nearby provinces such as Biñan, Laguna and Cavite. Fed Land also has access to additional substantial land that is owned by other entities of the Ty family and their locations are adjacent to Fed Land's properties.

Currently, Fed Land has 30 ongoing projects in various stages of completion. Fed Land's high-quality residential projects include MBT/Grand Hyatt Hotel and Grand Hyatt Residences, Bay Garden Residences, Oriental Garden Makati, Marco Polo Residences and The Capital Towers, among others, and are largely focused on the middle/high income segment. In addition to standalone residential and commercial developments, Fed Land's key integrated township projects include Grand Central Park (including the landmark MBT/Grand Hyatt Project), Metropolitan Park and Tropicana Garden City.

Going forward, Fed Land plans to continue to acquire, and develop prime land from independent third-party sources as well as from affiliated entities. In line with its development focus, Fed Land, through the cumulative efforts of its subsidiaries, expects to drive its development income by focusing on developing high-quality residential properties in prime locations, while organically increasing the proportion of its recurring revenue through the continued development of integrated townships and leasing out of commercial facilities within these developments.

## HISTORY

The Ty family began its real estate development business in 1972 through Federal Homes and continued to develop real estate projects through other companies. Fed Land was incorporated in the Philippines in 1997 as Tal Holdings Corporation. Tal Holdings Corporation changed its name in 2002 when the Ty family reorganized its real estate businesses and consolidated its real estate interests in Fed Land. As part of its consolidation in Fed Land, the Ty family brought the top business, technical and operations personnel from the various Ty-family real estate companies together within one entity. Federal Homes' real estate operations are now limited to landholdings as development activities have been transferred to Fed Land. Through Fed Land and other companies, the Ty family has completed more than 50 residential buildings and commercial properties. Some of the key residential and commercial projects completed by the Ty family real estate companies include Skyland Plaza, The Grand Midori Towers, Marco Polo Twin Residences, GT Tower International, and Metrobank Financial Center.

## COMPETITIVE STRENGTHS

Fed Land believes that its principal strengths are the following:

### Dedicated real estate developer of the Ty family with a 45-year operational track record

Fed Land is the dedicated vehicle of the Ty family for real estate development in the Philippines. Fed Land benefits from the Ty family's strong track record of real estate development spanning 45 years. During this time, Fed Land and other Ty family companies have completed more than 50 projects in various sectors, including residential, office, retail and hotel properties. By ensuring rigorous quality-control processes across its projects, Fed Land has developed a reputation for high-quality developments. The Ty family's extensive track record has also enabled Fed Land to develop a strong network of reliable construction companies, architects, designers and both domestic and international sales and leasing agents to contribute to the optimal execution of its development cycle, from raw-land acquisition to sales and leasing. Fed Land believes that having an established track record as a reliable developer is a key driver in its ability to attract buyers for its development projects as well as to procure the best personnel and third-party contractors.

### Strong and diversified project portfolio to support sustained and profitable growth

Fed Land's project portfolio consists of properties in prime locations with high growth potential. In Fort Bonifacio, Taguig, Fed Land is developing a ten-hectare master-planned project known as Grand Central Park that features high-rise condominiums, retail establishments, offices and hotel amenities. This project will contain, as its centerpiece, a luxury hotel-office-residential building which will house Metrobank Center/Grand Hyatt Hotel and Grand Hyatt Residences. In General Trias, Cavite, Fed Land is developing 12 mid-rise condominiums, as well as houses, lots and apartments that will be complemented by retail and commercial establishments. In Cebu, Fed Land is developing the high-end Marco Polo Residences, comprising a five-tower development project, which is complemented by the Marco Polo Plaza - Cebu, a five-star hotel. These projects are expected to generate strong real estate sales and considerable lease income with their mixed-use, township features. In addition, since the above-mentioned projects include retail and commercial developments, the projects are expected to attract a steady volume of patrons.

### Large, quality land bank in strategic locations throughout the Philippines

Fed Land has an extensive land bank in attractive and high-quality locations, including major cities and central business districts. For example, Fed Land's Grand Central Park project is located in Fort Bonifacio, which is considered as the new central business district in Metro Manila. In addition, Fed Land's land bank in the Manila Bay area should stand to benefit from the increased investment in that area due to large-scale development projects such as casinos and integrated resorts. As of June 30, 2016, Fed Land had an available land bank for development of approximately 100 hectares.

Although Fed Land continues to consider strategic land banking either through additional joint venture partnerships or property purchases, it expects that its existing land bank will be sufficient for development projects for approximately 20 years. Fed Land's land bank consists of land located primarily within Metro Manila, including in the prime areas of Fort Bonifacio, Makati City, Pasay City, Marikina and Manila. Fed Land also has substantial land holdings in Biñan and Sta. Rosa in Laguna, General Trias in Cavite and in Cebu. Fed Land believes that it has one of the highest-quality land banks among Philippine real estate developers, and that its current projects and strategic land bank consisting of lots in prime locations will allow it to benefit from continued strong demand for residential projects and retail amenities.

## STRATEGIES

Fed Land's strategy is to capitalize on its expertise, track record and large high-quality land bank to significantly accelerate development of its residential and commercial properties, supported by the strong underlying economic growth and favorable social trends in the Philippines. Fed Land considers its key strategies to be the following:

### Deliver on strong project pipeline with a diversified product offering to middle and high-end markets

Having consolidated the other Philippines real estate development business of the Ty family into Fed Land, Fed Land is currently executing a comprehensive growth plan to fully capitalize on the company's land bank, expertise and market recognition. As part of this growth plan, Fed Land intends to increase its coverage of the growing middle market while retaining its strong position in the high-end market. Historically, a majority of Fed Land's revenue was derived from sales of upper-middle and high-end residential projects. While Fed Land intends to continue strengthening its leadership in these markets, it plans to expand sales to the broader middle market. Fed Land believes this is a significant market that includes groups such as OFWs, BPO workers and small business owners, all of which are groups that stand to benefit from the strong growth in the Philippine economy. In order to achieve this revenue diversification, Fed Land plans to offer stand-alone residential high-rise condominiums in key central business districts such as Makati, Fort Bonifacio and Ortigas that are attractive to young professionals and OFWs. Fed Land's "Horizon Land" brand, which targets the broader middle-market, will play a key role in increasing sales of units under ₱3.20 million, which qualify as non-VAT transaction.

### Increasing focus on master-planned communities and recurring-income base

Fed Land and its affiliates own substantial parcels of land in prime areas of Metro Manila and its periphery. Fed Land develops these properties into master-planned communities consisting of residential condominium towers, supporting amenities, and complementing commercial and retail establishments. Fed Land intends to increasingly focus on its master-planned communities because it believes that self-sustaining communities with a full suite of amenities are attractive to buyers due to their ease, comfort and safety. Fed Land believes that by building such self-sustaining communities, they are able to broaden their revenue stream from recurring retail and office income as well as increase sales prices for residential properties as the community becomes increasingly vibrant.

Fed Land plans to accelerate development of its current portfolio of master-planned communities. These developments include the Metropolitan Park in the Bay Area, Grand Central Park in Fort Bonifacio, Tropicana Gardens in Marikina, Peninsula Garden Midtown Homes in Manila and Florida Sun Estates in Cavite. As Fed Land accelerates construction, it is able to increase residential sales to complement its office and retail projects within the same township, which helps build critical mass of residents and workers in the master-planned developments. As the community offers more retail, office and transportation amenities, real estate values are expected to increase and Fed Land expects to command higher sales prices for its residential products.

In addition, Fed Land intends to focus on developing BPO office facilities within its master-planned communities. The BPO sector in the Philippines has experienced significant growth in recent years, due to the country's young, educated and English-speaking work force. Fed Land believes that the BPO sector will continue to grow in the near future. In response, Fed Land intends to cater to this growing market and have it play a key role in creating dynamic master-planned communities where people come to work, live and enjoy recreational activities.

**PROPERTY DEVELOPMENT PROJECTS**

Fed Land has a diverse portfolio of property development projects that focus on master-planned communities and residential developments. Many of Fed Land's residential development projects are components of Fed Land's master-planned communities. However, Fed Land also develops stand-alone residential projects. Residential properties are developed and sold while commercial and retail properties are generally developed and leased to generate recurring income. Prior to its formation, the Ty family real estate companies were historically focused on developing stand-alone residential condominiums and commercial properties.

The following table sets out the contribution of residential and commercial developments as a percentage of Fed Land's total revenue.

| As a Percentage of Fed Land's Total Revenue | | | | |
|---|---|---|---|---|
| | Year ended December 31 | | | Six-month period ended |
| Category | 2013 | 2014 | 2015 | June 30, 2016 |
| Real Estate Sales | 92% | 94% | 95% | 93% |
| Retail | 8% | 6% | 5% | 7% |

Planned future projects include stand-alone residential condominiums and office buildings as well as projects located within master-planned townships. Planned projects also include subdivision communities consisting of lots only and house-and-lot projects.

***Master-planned Community Developments***

Fed Land and its affiliates own substantial tracts of land in prime areas in Metro Manila and its periphery. Fed Land develops these properties into fully master-planned communities consisting of residential condominium towers, supporting amenities and complementing commercial, retail and institutional establishments. Fed Land believes that by creating a core mix of residential and commercial properties, it can create self-sustaining communities that are attractive places in which to live, work and enjoy recreational activities.

***Metropolitan Park***

Metropolitan Park is a 38-hectare, mixed-use township project located in Pasay City, Metro Manila. Fed Land owns 6.98 hectares while the remainder is held by various other companies also owned by the Ty family. Metropolitan Park is adjacent to Manila Bay and two major highways, Roxas Boulevard and Epifanio Delos Santos Avenue (EDSA), as well as The Mall of Asia, one of the largest shopping malls in the Philippines in terms of area. Manila Bay has recently experienced significant investment due to the development of casinos and integrated resorts in the area.

Of the 38 hectares within Metropolitan Park, approximately 9% is built-up, approximately 2% is currently under construction and 90% is earmarked for future development.

***Six Senses Resort (SSR)*** is Federal Land's landmark undertaking in ***Metropolitan Park*** following its successful Bay Garden and Bay Garden Club and Residences projects. SSR is envisioned to be another signature development of Federal Land and similar to the Bay Garden Project, SSR targets the high-end market with its exclusivity, luxurious units, and expansive amenity deck. The project consists of 6 towers totaling about 900 residential units on a common podium. SSR was conceptualized by renowned architectural firm, Arquitectonica. Five (5) towers had been launched from 2012 to 2015; with the last tower targeted for launch this year. Similar to the preceding towers, Tower 6 will comprise less than 200 units per tower. Each tower is estimated to have a saleable area of about 11,500 $m^2$ per tower. Surrounding the SSR project will be a plaza with cafes, restaurants and al fresco dining, offering a relaxing natural environment.

***Palm Beach West*** is Horizon Land's second project in ***Metropolitan Park*** after its successful Palm Beach Villas (PBV). The project consists of four (4) towers on a common podium that will accommodate commercial establishments, parking, and amenities. Majority of its product offering are compact 2BR units ideal for start-up families. The first tower, Misibis was launched last March 2015 and is scheduled for completion in 2019. The second tower, Siargao is scheduled for launch this year.

***Grand Central Park***

Grand Central Park is a ten-hectare master-planned project that features high-rise condominiums, retail establishments, offices and hotel amenities located in Fort Bonifacio, Taguig. This project will contain, as its centerpiece, a luxury hotel-office-residential building which will house Metrobank Center/Grand Hyatt Hotel and Grand Hyatt Residences.

The Metrobank Center/Grand Hyatt Hotel and Grand Hyatt Residences Project is a mixed-use development which is expected to consist of premium office floors, a luxury Grand Hyatt Hotel, and first-class branded residential apartments sharing a common podium that will be occupied by high-end retail establishments. The project will have two towers. The first tower will be a 66-storey structure and is envisioned to be the country's tallest mixed-use building. The building's lower half will be dedicated to office floors for sale or long-term lease. The upper half of the building is expected to be occupied by the Grand Hyatt Hotel. The hotel will have 441 rooms, a coffee shop and specialty restaurants, a large ballroom and function rooms and fitness facilities including a pool, gym and spa. Fed Land has entered into a management services agreement with Grand Hyatt Hotel to manage the hotel for a period of 20 years.

The second tower, the Grand Hyatt Residences is a 45-storey first class residential building that will offer 248 apartment units, with a total saleable area of 39,271 sq. m. The Metrobank Center/Grand Hyatt Project is being developed by Fed Land in a joint venture with Orix Risingsun II, a company controlled by the Orix Corporation of Japan. The joint venture development is being undertaken by BLRDC which is the joint venture entity that is owned by Fed Land and Orix Risingsun II, based on an ownership interest of 70% and 30%, respectively. Fed Land has assigned to BLRDC the management services agreement executed with Grand Hyatt Hotel**.**

The Big Apple (TBA) consists of 4 towers on a 5-level podium located in Grand Central Park. TBA is envisioned to embody the New York lifestyle particularly through its retail and amenity offering. The first 3 towers of TBA had been launched; the fourth tower 8 Park Avenue ("8PA") is scheduled for launch this year. Similar to the previous towers, majority of 8PA's product offering will be 1BR units.

***Marco Polo Residences***

Marco Polo Residences consist of a high-end, five-tower residential complex in Cebu City situated beside the Marco Polo Plaza Hotel, Cebu's only five-star hotel. Together with the hotel, this residential complex sits atop a hill, 800 feet above sea level, overlooking Cebu City. It will enjoy a view of the sea, mountains and cityscape. Marco Polo Residences is the first branded residential development in Cebu City and is designed with five-star hotel-like amenities. Plans for the project include the residents of the development being able to avail themselves of certain hotel services such as food delivery, concierge, laundry services and apartment cleaning services. The first two towers have been turned over to residents, while the third and fourth are ongoing construction. The last remaining tower for launch in the Marco Polo Residences complex is the Marco Polo Parkplace. The project is envisioned to be a 25-storey building with 270 residential units. As in the case of the other towers, the last tower will enjoy views of metropolitan Cebu and Cebu Harbor. Tower 5 is for launch early next year.

***Peninsula Garden Midtown Homes***

Peninsula Garden Midtown Homes is an eight-tower, garden-inspired, gated, residential condominium development located in Paco, Manila. The project targets early nesters and investors. Its main selling points are safety and security, large open spaces and proximity to schools and places of work. The amenities being offered include a swimming pool, garden, daycare center, library, indoor fitness and game room, multipurpose court, and multipurpose hall. Five (5) towers have been completed with one for completion next year. The last two towers for launch are Mango and Mimosa Towers. The primary product of PGMH is the compact 2BR unit with an area of about $33m^2$.

***Florida Sun Estates***

Florida Sun Estates is an 18-hectare community development in General Trias, Cavite composed of mid-rise condominium buildings, open lot and H&L packages. The first three phases of the horizontal development Jacksonville, Miami and Tampa are practically sold out. The final phase of the subdivision project is expected to be launched early next year. The last phase is designed to offer 120 residential lots and house and lot packages.

***Four Season Riviera***

Four Season Riviera is a four-tower residential condominium project situated in the country's Chinatown, in Binondo, Manila. It is located near commercial institutions, famous landmarks and transportation hubs. The project targets the affluent Filipino-Chinese community as well as Chinese nationals from the mainland who do business in the Philippines. The four towers will share a common podium that will accommodate commercial establishments, parking and amenities. The project is adjacent to the Pasig River and features a view of the river. Project amenities on the podium floor include a swimming pool, children's pool, gym and fitness center, jogging path, and multi-purpose hall surrounded by a landscaped garden area. This four-tower project will include approximately 700 residential units. The first two towers have been completed. Tower 3 is scheduled for launch in 2017.

***Residential Developments***

Fed Land has historically focused on the development of upper-middle and high-end market residential condominiums. Taking into consideration factors such as location, competitive landscape and target market in the areas where a project will be located, Fed Land's current and future planned residential projects focus on three types of residential developments: township condominium, stand-alone condominium and house-and-lot subdivision.

Set out below are details of Fed Land's recently-completed and ongoing residential projects as of June 30, 2016.

| Projects | Target Market | GFA ($m^2$) | Location | Launch |
|---|---|---|---|---|
| **For completion in 2016:** | | | | |
| Marco Polo Two Residences | High Income | 36,596 | Cebu | 2011 |
| PGMH Narra | Low Income | 13,747 | Manila | 2011 |
| PGMH Mandarin | Low Income | 12,060 | Manila | 2012 |
| Park West | High Income | 80,828 | Taguig | 2011 |

| Projects | Target Market | GFA ($m^2$) | Location | Launch |
|---|---|---|---|---|
| **Ongoing:** | | | | |
| PGMH Mahogany | Low Income | 13,990 | Manila | 2013 |
| PGMH Mango | Low Income | 15,302 | Manila | 2016 |
| FSR Lotus | Mid Income | 33,612 | Manila | 2012 |
| One Wilson | High Income | 47,304 | Manila | 2013 |
| Central Park West | High Income | 44,641 | Taguig | 2012 |

| | | | | |
|---|---|---|---|---|
| Madison Park West | High Income | 74,478 | Taguig | 2012 |
| Time Square West | High Income | 81,160 | Taguig | 2014 |
| Marco Polo Parkwiew (Tower 3) | High Income | 37,702 | Cebu | 2012 |
| Marco Polo Oceanview | High Income | 27,639 | Cebu | 2014 |
| The Capital Towers - Rio | Low Income | 32,961 | Quezon City | 2012 |
| Paseo de Roces ("PDR") Legazpi | Low Income | 25,755 | Makati | 2011 |
| PDR Salcedo | Low Income | 32,443 | Makati | 2015 |
| PBV Boracay | Low Income | 15,900 | Macapagal | 2013 |
| PBV Panglao | Low Income | 15,900 | Macapagal | 2014 |
| Palm Coast Villa 1 | Low Income | 17,589 | Macapagal | 2015 |
| SSR I-Tune | Mid Income | 20,667 | Macapagal | 2012 |
| SSR I-Sight | Mid Income | 20,667 | Macapagal | 2013 |
| SSR I-Touch | Mid Income | 20,685 | Macapagal | 2013 |
| SSR I-Scent | Mid Income | 20,455 | Macapagal | 2014 |
| SSR I-Yum | Mid Income | 20,455 | Macapagal | 2015 |
| iMET | Mid Income | 26,432 | Macapagal | 2015 |
| The New BlueWave Phase 1 | Mid Income | 33,470 | Macapagal | 2014 |
| The New BlueWave Phase 2 | Mid Income | 55,670 | Macapagal | 2015 |

***Commercial Developments***

Fed Land has a portfolio of commercial buildings and properties that include office properties and retail outlets that Fed Land leases to tenants. Fed Land is also the property manager for these projects. The leases and management fees provide Fed Land with recurring income that enhances its revenues and strengthens its cash flows. Fed Land intends to increase its recurring income with the leasing and management of its ongoing commercial developments once they are completed.

**Retail Buildings**

Fed Land has developed, owns and operates retail properties in Pasay City and Marikina City under the "Blue Wave" brand name. These malls were developed by Federal Brent Retail, Inc., a joint venture between Fed Land and Mr. Edward William Tan, a businessman involved in petroleum distribution, with ownership interests of 52% and 48%, respectively.

Details for these retail properties are set out in the table below.

| | **As of December 31, 2015** | | | **As of June 30, 2016** | | |
|---|---|---|---|---|---|---|
| | **Leasable area ($m^2$)** | **Revenue (₱ mn)** | **No. of tenants** | **Leasable area ($m^2$)** | **Revenue (₱ mn)** | **No. of tenants** |
| Blue Wave – Metropolitan Park | 650 | 5.3 | 5 | 650 | 194 | 8 |
| Blue Wave – Marikina City | 12,864 | 101.4 | 78 | 12,864 | 56 | 84 |
| Blue Bay Walk | 13,687 | 86.2 | 70 | 13,687 | 34 | 66 |

*Blue Wave – Metropolitan Park* started operations in September 2003. It is a complex of one- and two-storey buildings that house retail and dining facilities and a major Petron Corporation ("Petron") gasoline station. The complex occupies 27,000 sq. m. of land that is leased from a company owned by the Ty family. The mall houses 48 retail and dining establishments catering to the mid-market. The complex was, as of June 30, 2016, 100% occupied. Its tenants include Starbucks, Kentucky Fried Chicken ("KFC"), Jollibee, Pizza Hut, Pancake House and Gerry's Grill. The retail and dining establishments are built around a center courtyard that offers music and entertainment in the evenings.

*Blue Wave – Marikina City* started operations in May 2005. It is comprised of two buildings. The first building is a three-storey mall that houses 77 retail and dining establishments, an events venue and four cinemas with a capacity of 300 persons each. As of June 30, 2016, the said structure 96% occupied. Major tenants include Starbucks, Kentucky Fried Chicken, Shakey's Pizza Parlor, Mang Inasal, Yellow Cab, Max's Chicken, Jollibee and Watson's department store. The complex has a Petron gasoline station. The second building is a two-storey structure located across the road from the first building. The ground floor is being leased to Robinsons' Supermarket while the second floor is being leased to a BPO Office. In addition, it has seven retail stalls at street level.

Leases at the Blue Wave Malls are typically for periods ranging from two to five years, covered by lease agreements that generally require tenants to supply a three-month security deposit. Rent is based on a percentage of sales in addition to a fixed minimum base. As of June 30, 2016, around 30% of Blue Wave Malls' retail leases were scheduled to expire within one year and most of these leases are currently being reviewed.

*Blue Bay Walk.* Fed Land launched in 2014 the Manila Bay's first ever commercial strip - the Blue Bay Walk. With a leasable area of approximately 1.3 hectares and about 100 units available for lease, Blue Bay Walk is the newest lifestyle hub to rise in the bay area. It offers a selection of upscale boutiques, shops, restaurants and entertainment.

One of Fed Land's current commercial development projects is the Metrobank Center/Grand Hyatt Project. The project will occupy 12,984 m$^2$ of land located at the fast-growing and progressive Fort Bonifacio. The Metrobank Center/Grand Hyatt Hotel and Grand Hyatt Residences Project is a mixed-use development which is expected to consist of premium office floors, a luxury Grand Hyatt Hotel, and first-class branded residential apartments sharing a common podium that will be occupied by high-end retail establishments. The project will have two towers. The first tower will be a 66-storey structure and is envisioned to be the country's tallest mixed-use building. The building's lower half will be dedicated to office floors for sale or long-term lease. The upper half of the building is expected to be occupied by the Grand Hyatt Hotel. The hotel will have 441 rooms, a coffee shop and specialty restaurants, a large ballroom and function rooms and fitness facilities including a pool, gym and spa. Fed Land has entered into a management services agreement with Grand Hyatt Hotel to manage the hotel for a period of 20 years.

Federal Land, Inc. intends to add more recurring income to its portfolio. In the next 5 years, 3 malls in strategic locations will be opened. These are the first 3 phases of the New Blue Wave Mall in Macapagal which will add 42,000 m$^2$ of leasable area, Big Apple at the Fort that will add 30,000 m$^2$ of leasable area over a period of 3 years, and expansion of Blue Wave Mall in Marikina that will add 8,500 m$^2$ of leasable area. Retail spaces on the ground level of its residential developments will be maximized. These moves will add a total of about 100,000 m$^2$ of retail leasable area.

**Office buildings**

| | **As of December 31, 2015** | | | **As of June 30, 2016** | | |
|---|---|---|---|---|---|---|
| | **Leasable area (m$^2$)** | **Revenue (₱ mn)** | **No. of tenants** | **Leasable area (m$^2$)** | **Revenue (₱ mn)** | **No. of tenants** |
| GT Tower International | 36,018 | 375 | 29 | 36,018 | 170 | 44 |
| Philippine AXA Life Centre | 7,575 | 54 | 26 | 7,575 | 22 | 31 |

The major office properties that generate lease income for Fed Land are the GT Tower International and the Philippine AXA Life Centre. Both are high-rise office buildings located in Metro Manila's Makati central business district.

GT Tower International is a 47-storey grade-A office building, offering approximately 43,000 m$^2$ of quality office space located along Ayala Avenue in Makati City. The development has unrivalled technical specifications and a high level of building amenities. As of June 30, 2016 occupancy rate is 96%.

The office property at Philippine AXA Life Centre measures 7,479 $m^2$ of floor area, comprising 26 units. The units are owned by Horizon Land, a wholly-owned subsidiary of Fed Land. Leases at the Philippine AXA Life Centre are typically for periods ranging from three to five years and generally require tenants to pay a three-month security deposit. Rent is paid on a fixed per sq. m. basis. Lease contracts also provide for a pre-agreed annual increase over the term of the lease. Fed Land believes there is a high demand in the market for office space in the Makati central business district. As of June 30, 2016, the vacancy rate for the Philippine AXA Life Centre was approximately 11%.

**Land Bank**

Fed Land's land bank consists of vacant or undeveloped land owned by Fed Land, most of which is in Metro Manila and Biñan, Laguna. As of June 30, 2016, Fed Land directly owned a land bank of approximately 100 hectares. In addition to directly acquiring land for future projects, Fed Land has also adopted a strategy of entering into joint venture arrangements with land owners for the development of raw land into future project sites for property development projects. Fed Land has access to additional land owned by the Ty family that is located adjacent to Fed Land properties and that it may acquire directly or develop through future joint venture arrangements.

**Land Acquisition**

Fed Land sources land for its projects either through direct purchase or through joint venture arrangements primarily with land owners that belong to the Ty family group of companies, most notably, the MBT Group.

Fed Land believes that its land bank is sufficient to meet its medium-term development plan, but it is constantly looking for opportunities to make strategic land purchases.

**Project Development and Construction**

After Fed Land does a site evaluation and decides to develop a piece of property, Fed Land begins the project development process. The first step in the process is for Fed Land to obtain regulatory approvals and clearances from various government agencies, including the Department of Environment and Natural Resources (DENR) and the Department of Agrarian Reform (DAR), as well as the LGU having jurisdiction over the area where the project will be located.

The site development process involves planning the potential project, determining the suitable market segment, master planning and design. Development timetables vary by project, depending on scale and design. Detailed plans require government approvals and permits. Once a project has received a development permit from the Housing and Land Use Regulatory Board (HLURB) or the relevant local government unit, Fed Land obtains a certificate of registration and a permit to sell from the HLURB and then pre-sales of residential units as well as initial development work on the project site can begin. Expansion of the project will depend on the sales level. Typically, as one phase is sold, a new phase will begin construction and the process is repeated until project completion.

Fed Land finances project development through a combination of pre-sales, internally-generated funds and borrowings. Fed Land maintains some degree of flexibility in timing the progress of its development projects to match the progress of pre-sales. As a result, the progress of a development is greatly influenced by the level of pre-sales.

To supplement its in-house architects and designers, Fed Land contracts with third-party architects and design experts, including international designers, to help plan its developments.

Site development and construction work for Fed Land's projects is contracted out to various independent contractors. Fed Land retains relationships with approximately 15 to 20 independent contractors. Fed Land is not and does not expect to be dependent on any single or a limited number of suppliers or contractors. Typically, Fed Land enters into fixed-price contracts with its contractors, with the cost of materials typically included as part of the contract price. Site development work typically takes three to 12 months depending on the scale and size of the project, while building construction takes 12 to 48 months.

Construction material is usually provided by the contractors in accordance with their contracts and supplier's credit is normally for 60 to 90 day terms.

**Sales and Customer Financing**

Buyers of Fed Land's residential projects pay for their purchases in cash or through bank financing or in-house financing.

Cash acquisitions are typically discounted by negotiation to allow for accelerated payment schedules and other bulk payments. This is to encourage buyers to pay upfront for their property acquisition.

Bank financing through mortgage loans is a more typical means of payment than cash purchases. Bank financing is available to buyers who qualify under a particular commercial bank's credit risk criteria. Fed Land has arrangements with several banks for the provision of financing for their purchases. Banks usually take security over the property and sometimes seek repayment guarantees from the Home Guaranty Corporation ("HGC"), a government-owned and controlled corporation that operates as a credit guaranty program in support of the government's efforts to promote home ownership.

In-house financing refers to Fed Land's internal financing procedures. This is available to select buyers of middle market projects who do not qualify for bank financing because of limited documentation, such as low-income workers, OFWs and entrepreneurs. Under its in-house financing program, Fed Land typically finances 70%-80% of the total purchase price of the residential unit being sold. The loans are then repaid through equal monthly installments over periods ranging from five to ten years. The interest rates charged by Fed Land for in-house financing are typically set at approximately 18% per annum, depending on the term of the loan entered into, with the financing agreement providing for an escalation of the interest rate in the event of a general rise in interest rates charged by banks and other financial institutions. Fed Land retains the title to the property until full payment of the loan. If the buyer defaults on payment of its monthly installments, Fed Land has the right to cancel the sale and retain payments made by the buyers, subject to grace periods and refunds, as required by Philippine law. Fed Land plans to further develop its in-house financing capabilities in order to increase its customer base and sales volumes in the low-income, OFW and entrepreneur market.

**Marketing And Sales**

*Residential sales*

Fed Land's projects used to be marketed domestically through its two separate subsidiaries, Omni-Orient Marketing Network, Inc. and Fedsales Marketing, Inc. In November 29, 2013, Fed Land received SEC approval to absorb the said entities to form an in-house sales and marketing unit. This unit is staffed by a trained group of property consultants and sales specialists that exclusively market Fed Land's projects. There were approximately 500 active property sellers and specialists affiliated with this unit as of June 30, 2016. Fed Land also engages accredited independent brokers for its project.

International sales and marketing, which primarily target overseas Filipinos, are handled by Fed Land's in-house international sales division based in Manila. In addition, Fed Land maintains marketing agreements with accredited brokers based in Japan, Korea, Canada, USA, Italy, Spain, U.K. and France to sell Fed Land projects in these areas.

Fed Land has recently instituted a strategy of selling to overseas Chinese, most notably in the cities of Nanjing and Shanghai. Fed Land believes that rising real estate prices in China over the last several years has caused Chinese investors to seek real estate investment opportunities in other Asia-Pacific countries. Given the Philippines' close proximity to China, favorable visa programs and large Filipino-Chinese population, Fed Land believes the Philippines is uniquely positioned to take advantage of this growing demand.

Fed Land conducts advertising and promotional campaigns through the internet and print media, including billboards, flyers, and brochures designed specifically for the target market. Fed Land also maintains a website at www.federalland.com.ph that provides descriptions of, and updates on, current projects. Advertising and promotional campaigns are conceptualized and conducted by Fed Land's marketing personnel and by third party advertising companies.

The age range of Fed Land's customers is generally between 31 to 60 years old. More than 70% of the total buyers are professionals or executives who hold middle to upper-middle management positions according to internally generated statistics. The remaining buyers are non-executive employees, OFWs or entrepreneurs.

*Commercial leasing*

Fed Land relies primarily on professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, CB Richard Ellis and Colliers) to find tenants for its retail and office space.

**Property Management and After Sales Services**

Fed Land attends to its clients' and unit owners' needs through its property management department. The department handles the timely turnover of units to buyers and maintains a customer care hotline for receiving queries and addressing concerns regarding the purchased units. Fed Land's goal is to provide "value for investment" by providing high levels of customer satisfaction and quality service within 24-hours of receipt of customer calls.

In the past, Fed Land has typically appointed professional property management companies to manage individual buildings and handle its maintenance and upgrades, if any. This applies to condominium buildings that Fed Land has completed and is in the process of turning over to the buyers as well as buildings owned by Ty family companies that are for lease. In 2011, Fed Land established its own property management company called Omni Orient Management Corp. ("OOMC") as a wholly-owned subsidiary. The intention is to gradually transfer the property management contracts of all Fed Land projects to OOMC. This is expected to allow Fed Land to have better control in managing its buildings and ensure that high standards are maintained with respect to service to residents and building maintenance and upgrades. A team of experienced and well-trained building managers, engineers and technicians are deployed in every project from the beginning of the turnover process. Their functional task is to manage day-to-day operations, ensure proper maintenance of the common areas, supervise improvements and provide assistance to the building-related needs of the residents.

In addition to providing property management services, Fed Land also assists condominium buyers by assigning members of its management team to the initial board of directors of the newly set-up condominium association. As soon as the association is prepared to set-up its own board of directors, a general membership meeting is called to conduct an election for the new set of directors to be elected among qualified homeowners. TLC will then report to the newly elected board of directors.

## Competition

The Philippine real estate development industry is highly competitive. Although Fed Land can be considered currently as a niche player, major competitor in township developments are Ayala Land, Inc. ("ALI"), through subsidiary Alveo Land Corp. and SM Prime Holdings, Inc ("SMPH"). through subsidiary SM Development Corporation.

ALI's total assets as at March 31, 2016 and December 31, 2015 were ₱481.7 billion, ₱442.3.b billion respectively. Meanwhile, SMPH's total assets as June 30, 2016 and December 31, 2015 were ₱440.3 billion and ₱433.8 billion, respectively.

Fed Land believes that it is a strong competitor in the mid-high end market due to the quality of its products and the materials used in construction and finishing. Fed Land also believes its association with the MBT Group allows it to reach a wide network of potential customers, including the lucrative overseas-based investor market.

## Research and Development

Fed Land's research and development activities focus on construction materials, engineering and sales and marketing research. Fed Land does not consider the expense for such research and development activities to be material.

## Insurance

During construction and development, each project is insured under the policies of the primary contractor. When Fed Land assumes control of the development following the completion of the project, it will insure the project until it is transferred to the control of the managing condominium corporation. Fed Land insurance covers both real and personal property, as required under Philippine law. Its policies are subject to customary deductibles and exclusions and include coverage for, among other things, buildings and improvements, machinery and equipment, furniture, fixtures and fittings against damage from fire and natural perils, machinery breakdown, third-party liability to the public and construction works. Fed Land does not carry business interruption insurance.

## Intellectual Property

Fed Land has intellectual property rights on the use of the various trademark and names for its development projects, including Oriental Garden Residences, Oriental Gardens Makati, Marquinton Residences, Bay Gardens, Blue Wave at Metropolitan Park and Blue Wave at Marikina City. Most of Fed Land's projects have been issued a Certificate of Registration by the Intellectual Property Office. Fed Land believes that its trademark and the names of its development projects play a significant role in its effort to create brand recall and strengthen its position in the real estate industry.

Fed Land has applications pending for intellectual property rights relating to its various development and projects. Several applications have already been processed but await the release of the certificate of registration from the Philippine Intellectual Property Office. Among the project names currently submitted for certification include: FEDS City, Four Season Riviera, The MET, Embarcadero, my HOBS, Six Senses Resort, The Big Apple, One Xavier Mansion, Marco Polo Parkview and Grand Central Park, among others.

Details of Fed Land's other applicable licenses are set out below:

| Registered logo / Brand | Registration date |
|---|---|
| Federal Land – GT Capital Holdings (keeping you in mind) | June 23, 2016 |
| Six Senses Residences | May 19, 2016 |
| Veritown Fort | Dec. 17, 2015 |
| Omni Orient – A Federal Land Subsidiary | May 14, 2015 |
| Villa Valencia (the bamboo silhouette logo) | March 12, 2015 |
| Blue Bay Walk | Dec. 04, 2014 |
| The Capital (with the letter "C" logo) | Dec. 04, 2014 |
| The Oriental Place ( with the letter "TP" logo) | Dec. 04, 2015 |
| Big Apple Mall | Pending Approval |
| Grand Central Park – North BGC | Pending Approval |
| Time Square West (with "TS" logo) | March 13, 2014 |
| One Wilson ("W" logo) | Feb. 06, 2014 |
| 8 Park Avenue | Jan. 02, 2014 |
| Santa Monica South | Aug. 01, 2013 |
| Palm Beach Villas | Aug. 01, 2013 |
| Tropicana Promenada | June 06, 2013 |
| Park Metro | April 05, 2013 |
| Kew ( "Q" logo) | Nov. 22, 2012 |
| Shanghai Park | Nov. 01, 2012 |
| Rio | Nov. 01, 2012 |
| Embarcadero – The Fiesta Town | Sep. 22, 2016 |
| One Bloomberg Place | June 07, 2012 |
| Central Park West | June 07, 2012 |
| Park West ("PW" logo) | Mar. 12, 2012 |
| Club Le Pav | May 24, 2012 |
| Park East Residences | May 03, 2012 |
| Paseo de Roces (with a crown logo) | April 19, 2012 |
| Peninsula Garden Midtown Homes | March 29, 2012 |
| Riverview Mansion – Where new beginnings flow | March 29, 2012 |
| One Lilac Place | March 29, 2012 |
| Club MET | March 08, 2012 |
| Four Seasons Riviera – Manila's Best Kept Secret | Feb. 09, 2012 |
| My HOBS | Dec. 29, 2011 |
| Park West of Hyatt ("PW" logo) | Dec. 15, 2011 |
| Two Residences Marco Polo Drive | Aug. 04, 2011 |
| Tropicana Garden City – Your New Garden City in the East | Aug. 04, 2011 |
| Florida Sun Estate – The Newest Sunshine State in the East | Aug. 04, 2011 |
| One Paris | Aug. 04, 2011 |
| Oriental Garden Residences | Dec. 24, 2009 |
| Oriental Garden Heights | Oct. 02, 2009 |
| Metropolitan Technological Complex | Sept. 15, 2008 |
| Marquinton Garden Terraces | Nov. 10, 2008 |
| Global Finance Center | Sept. 15, 2008 |
| The Capital Towers – Your Own Big Space | May 26, 2008 |
| Marquinton Residences | June 08, 2006 |
| Oriental Gardens Makati | Jan. 13, 2006 |
| Madison Park West | July 23, 2012 |
| One Xavier Mansion | Dec. 27, 2012 |
| ***For Horizon Land and Bonifacio Landmark Realty and Dev't Corp*** | |
| The Plaza at Florida Sun Estates | Jan. 14, 2016 |
| "Landmark" Bonifacio Landmark Realty and Dev't Corp. | Jan. 01, 2016 |

## Employees

As of June 30, 2016, full-time employees of Fed Land totaled 342. The following table provides a breakdown of Fed Land's employees for the periods indicated. Operational employees include project managers and designers. Technical employees include engineers and architects. Administrative employees include human resources, accounting and information technology staff.

| | As of December 31 | | | As of June 30 |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| Operations and Technical | 97 | 109 | 97 | 105 |
| Administrative | 239 | 202 | 239 | 237 |
| Total | 336 | 311 | 336 | 342 |

Fed Land does not expect a significant increase in the number of its employees in the near term, despite the increasing number of on-going projects.

Fed Land has no collective bargaining agreements with its employees and none of its employees belong to a labor union. Fed Land does not have employee stock option plans.

Fed Land recruits its employees through on-campus recruitment, job-fairs, and job-posting through newspaper ads and internet postings. Staff and office managers receive skills development through in-house development training programs, as well as professional training. The training programs are designed to increase their effectiveness at their current assignments and prepare them for future roles. Fed Land also identifies candidates with leadership potential for executive and leadership training programs, for the enhancement of functional, behavioral, and technical expertise. Annual employee performance and appraisal reports are conducted at the end of every year. Fed Land currently has no plans of hiring additional employees, except where necessary to complement its commercial lending, business intelligence, product development, customer service, sales, administration, business development, and for expansion and diversification.

## Legal Proceedings

As of June 30, 2016, Fed Land was a party to various unresolved legal proceedings which arise in the ordinary course of its operations, including several suits and claims relating to its operations. In the opinion of Fed Land's management if such unresolved legal proceedings are decided adversely, they will not have a material adverse effect on Fed Land; its consolidated financial condition; its operations and financial position;or on its opearating results or cash flows.

The Head of the Legal and Compliance Department of GT Capital has provided certifications on the pending litigation of the Company and its subsidiaries as part of its exhibits to the Registration Statement.

## Regulatory Matters

Presidential Decree No. 957, otherwise known as The Subdivision and Condominium Buyer's Protective Decree ("P.D. 957"), and *Batas Pambansa Blg*. 220 ("B.P. 220"), as amended, are the principal statutes, which regulate the development and sale of real property as part of a condominium project or subdivision.

P.D. 957 and B.P. 220 cover subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Philippine government, which together with the respective LGU, enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the pertinent LGU of the area in which the project is situated. The development of subdivision and condominium projects can commence only after the LGU has issued the development permit.

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project, and (ii) issuance of the barangay clearance, the HLURB locational clearance, DENR" permits, and, as applicable, DAR conversion or exemption orders as discussed below. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Further, all subdivision plans and condominium project plans are required to be filed with and approved by the HLURB. Approval of such plans is conditioned on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the HLURB and the written conformity or consent of the duly organized homeowners association, or in the absence of the latter, by the majority of the lot buyers in the subdivision.

Owners of, or dealers in, real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects to the public. Dealers, brokers and salesmen are also required to register with the HLURB pursuant to Republic Act No. 9646 or the Real Estate Service Act of the Philippines.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party for reasons such as insolvency or violation of any of the provisions of P.D. 957. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with the applicable laws and regulations.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at economic and socialized housing, must comply with B.P. 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with P.D. 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act, as amended, further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB and other existing laws. To comply with this requirement, the developers may choose to develop for socialized housing an area equal to 20% of the total area of the main subdivision project or allocate and invest an amount equal to 20% of the main subdivision total project cost, which shall include the cost of the land and its development as well as the cost of housing structures therein, or they may engage in development of a new settlement through purchase of socialized housing bonds, slum upgrading, participation in a community mortgage program, the undertaking of joint-venture projects and the building of a large socialized housing project to build a credit balance.

Republic Act No. 6552, otherwise known as the Realty Installment Buyer Act (the "Maceda Law"), applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installment are granted a grace period of one month for every year of paid installment to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installment have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installment and who default on installment payments are given a 60-day grace period to pay all unpaid installment before the sale can be cancelled, but without right of refund.

Condominium Projects

Republic Act No. 4726, otherwise known as The Condominium Act ("R.A. No. 4726"), as amended, likewise regulates the development and sale of condominium projects. R.A No. 4726 requires the annotation of the master deed on the title of the land on which the condominium project shall be located. The master deed contains, among other things, the description of the land, building/s, common areas and facilities of the condominium project. A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restrictions of the condominium project. However, whenever a condominium corporation holds the common areas, such corporation shall constitute the management body of the project.

**Recent Financial Performance**

In the first six months of 2016 and for the years ended December 31, 2015, 2014, and 2013, Fed Land registered a net income attributable to equity holders of the parent company of ₱705 million, ₱1,560 million, ₱1,486 million, and ₱998 million, for the said periods respectively. For the financial highlights of Fed Land, please refer to the Component Companies Financial Performance under the MD&A section.

## BUSINESS – PCFI

### Overview

PCFI, more popularly known as Profriends, was incorporated on February 23, 1999 as a real estate development company primarily to own, use, improve, develop subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds. PCFI was founded on a common vision of creating communities and transforming lives by providing quality and affordable homes.

The company's initial projects consisted of small pocket developments catering to the low and middle income markets, offering house and lot packages ranging from ₱500,000 to ₱3.0 million. It has since expanded operations to include the construction of medium-rise buildings, as well as the development of larger, master planned estates, complete with lifestyle amenities for the convenience of its residents.

Today, PCFI is one of the leading property developers focusing on the affordable housing segment, as well as retail space and business process outsourcing (BPO) office leasing. In over 16 years, PCFI has built and sold over 36,000 affordable homes in the provinces of Cavite and Iloilo.

In August of 2015, GT Capital invested ₱7.24 billion for a 22.68% economic stake in PCFI with an option to increase to 51.0% within the next 3 years. Subsequently on June 30, 2016, pursuant to the MOA, GT Capital subscribed to an additional 28.3% equity stake for an additional Php8.76 billion increasing its direct equity stake in PCFI to 51.0%.

PCFI's partnership with GT Capital aims to strengthen the property developer's ability to be a leading player in the affordable housing segment, considered as the sweet spot in the Philippine property sector. PCFI aims to contribute to serving the market's urgent need to overcome the supply shortage of homes, which is estimated to number around three million as of end-2015.

GT Capital's acquisition of PCFI is seen as mutually beneficial for both companies. PCFI contributes to the strategic partnership with its expertise in the affordable property development and its strategic land bank, while GT Capital brings to the table its robust financial capability and access to capital. The partnership allows for opportunities to develop synergies between PCFI and other GT Capital component companies. Collaboration in providing financing options to home buyers and leveraging on complementary market offerings are just some of the synergistic opportunities that may be tapped. Being part of the GT group also allows PCFI to have access to management and market insights that cut across the various and diverse business interests of GT Capital that can contribute in having a more holistic view of the business environment. The venture adds a new dimension to GT Capital's property development portfolio and effectively expands its product and service offerings in the sector.

The acquisition also complements Fed Land's property development projects. GT Capital now offers Fed Land's upper-mid to high-end vertical projects as well as PCFI affordable horizontal and mixed-use townships in key areas near Metro Manila, effectively fusing GT Capital's property sub-segments.

PCFI's registered office is at PCFI Center, 55 Tinio St., Barangay Addition Hills, Mandaluyong City.

### Housing Industry

The Subdivision and Housing Developers Association (SHDA) in partnership with the Center for Research and Communication at University of Asia and the Pacific has undertaken a study ("The Housing Industry Road Map of the Philippines: 2012-2030"), which classifies the overall housing supply in the Philippines into five different categories (socialized, economic, low-cost, mid-income, and high-end). The price ranges upon which this classification is based are detailed in the table below.

**Housing Supply Classifications**
***(amounts in ₱)***

| Segments | Price Range | Housing Price Used | | Interest Rate | Term (yrs) | Loan Value |
|---|---|---|---|---|---|---|
| Socialized Housing | Below | 300,000 | 400,000[1] | 6.0% | 25 | 100% |
| Economic Housing | 400,001[1] | 400,000 | 1,250,000 | 8.5% | 20 | 90% |
| Low-Cost | 1,250,001 | 1,250,000 | 3,000,000 | 10.5% | 20 | 80% |
| Mid-End | 3,000,001 | 3,000,000 | 6,000,000 | 10.5% | 15 | 80% |
| High-End | 6,000,001 | 6,000,000 | and above | 10.5% | 15 | 80% |

*Sources: SHDA, Various banks as cited in "The Housing Industry Road Map of the Philippines: 2012-2030"*

*Note 1: Subsequent to "The Housing Industry Road Map of the Philippines: 2012-2030" study,* ***the price ceiling for socialized housing was revised to ₱450,000*** *by HUDCC (Housing & Urban Development Coordinating Council)*

The SHDA report highlights that, aside from the prices, different segments also vary in loan terms and interest rates e.g., socialized housing, where most buyers come from lower-income classes, typically has a lower interest rate and longer loan term.

From the price range and loan terms indicated above, the annual amortization for each category and required minimum income for a home buyer in each category were derived, assuming a 30% threshold for annual amortization as a percentage of annual household income.

**Required Income for Each Housing Segment**
***(amounts in ₱)***

| Segments | Annual Amortization | Required Annual Income | Required Annual Income[1] |
|---|---|---|---|
| Socialized Housing | 23,468.02 | 78,226.72 | At least 78,000 |
| Economic Housing | 38,041.55 | 126,805.17 | At least 130,000 |
| Low-Cost | 121,493.27 | 404,977.55 | At least 405,000 |
| Mid-End | 324,595.20 | 1,081,984.01 | At least 1,100,000 |
| High-End | 649,190.41 | 2,163,968.02 | At least 2,200,000 |

*Sources: SHDA, Center for Research and Communication (University of Asia and the Pacific)*
*Note 1: Rounding to facilitate easier matching with the income survey of NSO*

The total housing backlog in the Philippines as of 2011 registered at approximately 3.9 million households. Mass housing comprised approximately 79% of this housing backlog, particularly in the economic housing segment (up to ₱1.25 million unit price).

The table in the following page shows the distribution of housing surplus/(deficit) in various regions of the Philippines. For the economic housing segment, all regions across the Philippines showed a deficit, with NCR (Metro Manila) requiring an estimated 267,418 units, the highest across all regions. (See Table 1)

NCR also had high deficit in the low-cost segment, with 86,550 housing units. On the other hand, the region posted a surplus of 89,869 housing units and 84,818 units in the mid-income and high-end segments respectively. This provides an indication of how the housing supply in Metro Manila has historically been focused more on mid-income and high-end segments.

In order to derive housing needs from 2012-2030, the authors of "The Housing Industry Road Map of the Philippines: 2012-2030" report used the Family Income and Expenditure Survey (FIES) 2009 and population projections data of the United Nations to derive the increase in household per income bracket, as indicated beforehand. The increase in household was also grouped according to the respective housing segments.

**Table 1: Regional Analysis Housing Surplus/Deficit By Segments**

| | Socialized | Economic | Low Cost | Mid-End | High-End | Total |
|---|---|---|---|---|---|---|
| **Total** | (663,282) | (1,962,077) | (462,160) | 250,403 | 224,011 | (2,613,105) |
| NCR (Metro Manila) | 125,882 | (267,418) | (86,550) | 89,869 | 84,818 | (53,399) |
| CAR | 13,703 | (44,223) | (12,418) | 751 | 999 | (41,188) |
| I – Ilocos | 56,148 | (170,177) | (37,869) | 3,802 | 898 | (147,198) |
| II - Cagayan Valley | 42,780 | (81,967) | (15,618) | (3,208) | (830) | (58,840) |
| III - Central Luzon | 35,667 | (220,405) | (26,627) | 51,653 | 41,117 | (118,595) |
| **IVA - CALABARZON** | **111,899** | **(211,298)** | **(45,877)** | **68,650** | **64,066** | **(12,560)** |
| IVB - MIMAROPA | (59,968) | (83,866) | (17,157) | 123 | 206 | (160,662) |
| V – Bicol | (123,076) | (114,442) | (21,434) | 3,485 | 3,017 | (252,450) |
| **VI - Western Visayas** | **(99,965)** | **(146,938)** | **(36,327)** | **18,466** | **13,555** | **(251,209)** |
| VII - Central Visayas | (63,151) | (142,493) | (49,081) | 15,123 | 15,780 | (223,822) |
| VIII - Eastern Visayas | (107,576) | (72,175) | (25,060) | 650 | (1,114) | (205,275) |
| IX - Zamboanga Peninsula | (73,056) | (42,527) | (9,413) | (448) | 339 | (125,105) |
| X - Northern Mindanao | (38,902) | (81,145) | (18,776) | 3,586 | 1,427 | (133,810) |
| XI – Davao | (41,413) | (95,773) | (12,698) | 1,515 | 3,403 | (144,966) |
| XII - SOCCSKSARGEN | (48,858) | (88,679) | (28,278) | (2,983) | (265) | (169,063) |
| XIII - Caraga | (37,976) | (39,237) | (13,336) | (523) | (404) | (91,476) |
| ARMM | (130,156) | (59,313) | (5,642) | (109) | - | (195,220) |

Sources: *"The Housing Industry Roadmap of the Philippines: 2012-2030" report by SHDA, Center for Research and Communication (University of Asia and the Pacific) which used data from HLURB, HUDCC, UN World Population Prospectus. NSO and computation by authors of the same report*

**Table 2: Housing Demand and Supply Profile, 2001-2011**

| Market Segment | Housing Demand | Housing Supply | Surplus/(Deficit) |
|---|---|---|---|
| Socialized Housing | 1,143,048 | 479,765 | (663,283) |
| Economic Housing | 2,503,990 | 541,913 | (1,962,077) |
| Low Cost Housing | 704,406 | 242,246 | (462,160) |
| Mid Cost Housing | 72,592 | 322,995 | 250,403 |
| High End Housing | 18,235 | 242,246 | 224,011 |

**Table 3: Total Housing Backlog**

| | |
|---|---|
| ***Those who can't afford*** | ***832,046*** |
| ***Housing Backlog 2001-2011*** | **3,087,520** |
| ***Total Housing Backlog (2011)*** | **3,919,566** |

**Table 4: Estimated Housing Backlog by 2030**

| Particulars | Units Per Year | No. of Years | Total Units |
|---|---|---|---|
| **Current Housing Backlog** | | | 3,919,566 |
| **Est. new housing need (2012-2030)** | 345,941 | 18 | 6,226,540 |
| **Housing production capacity** | 200,000 | 18 | (3,600,000) |
| **Backlog by 2030** | | | 6,546,106 |

*Source: "The Housing Industry Road Map of the Philippines: 2012-2030" – Subdivision and Housing Developers Association of the Philippines*

Based on this analysis, from 2012 to 2030 approximately 6.2 million housing units will be required to address the housing needs in the Philippines. Mass housing demand is expected to comprise approximately 76% of this expected housing need (41% for economic housing, 25% for socialized housing and 10% for low cost housing). On the other hand, the mid-income housing segment and high-end segments are projected to account for only approximately 1% and 0.2% respectively, of new housing demand from 2012 to 2030. In terms of housing supply projections, the report assumes that production will average 200,000 units every year from 2012 to 2030.

Based on the above key assumptions and calculations in the report, housing backlog in the Philippines is projected to persist and grow to reach 6.5 million households by 2030.

## Strategies

In order to effectively serve the vast opportunity presented by the large housing backlog in the Philippines, PCFI aims to carry out the following strategies:

**Be at the forefront of delivering complete product offerings that are tailor-fit to the needs of the market**

Having been in the business of developing communities for the low to middle income housing segments for more than 17 years, PCFI has harnessed a core competency of developing products that fit the needs of the market it wishes to serve. Houses are designed with the family in mind – this is why PCFI' house models usually feature 3 bedrooms and 2 toilet and baths offered at affordable prices. Housing units go through a rigorous design and development process that takes into consideration efficient space planning, architectural and engineering design, as well as choices of materials to be used in order to best serve the unique needs of a family looking to buy a home.

The complete product offering goes beyond the housing unit itself. Financing options are designed to ensure that products are truly affordable to the market both in the equity and amortization stages of the different financing schemes. Various key elements in community development such as security, transportation, education, and commercial facilities are likewise integral to making the product offering tailor-fit to the everyday needs of the target market segments. PCFI constantly invests in consumer-insight generation initiatives that aim to be in touch with evolving market needs.

**Go beyond housing through integrated township developments**

From developing pocket housing communities, PCFI has shifted to developing large-scale master planned township developments that offer residential, commercial, and institutional components. The company's flagship development, the 1,600 hectare Lancaster New City (LNC) in Cavite, serves as an existing proof of concept of such a large scale township development. The township development approach does not only allow for a strong and complete product offering for home buyers but also allows PCFI to offer more than just the residential housing component to its market.

LNC offers housing packages at various price points; in addition, it supplemented LNC with education, transport, and commercial developments to offer a complete range of services to residents. The St. Edward Integrated School system offers primary and secondary education in multiple campuses spread around various locations within LNC. It also has a transport hub which offers shuttle services within LNC as well as a bus terminal which links LNC to key points in Metro Manila and Cavite. Lastly, LNC also has its own commercial development, designed to be a major BPO hub. The existing and planned commercial areas within LNC aim to provide work opportunities for people living inside the development. The integrated township development model is at the heart of PCFI' "live, learn, work, play" approach which aims to target the different needs of homebuyers comprising the underserved segments.

**Leverage on economies of scale created by the township model**

The integrated township model also allows PCFI to leverage on economies of scale brought about by the high volume nature of operations. Large capex items and fixed costs such as warehouses, fabrication facilities, machines and equipment are spread over the 300-500 housing units constructed in Lancaster New City every month. The approach to construction is managed using principles more akin to a manufacturing plant rather than the traditional construction site. The construction technology used goes through constant improvements and upgrades that result in continuously improving capacity to deliver quality housing units. These allow PCFI to offer well designed homes at affordable prices.

## Competitive Strengths

### Value-for-money products

PCFI provides quality house and lot packages with features and specifications at par with its competitors, made available at more affordable prices. Its projects are strategically located near vital establishments including commercial areas, transport terminals, schools, hospitals, and workplaces. The provision of subdivision amenities further enhances the value of its products, coupled with the availability of affordable financing packages and friendly customer service. It strongly believes in the importance of market research, commissioning independent studies that can provide additional insights for value adding offering for its target market. These are evident in enhancements to its home design and community planning as well as financing packages. As the projects of PCFI progressed from pocket to estate developments, it made innovation a norm in the design and construction process, constantly finding means to improve product features and efficiency. This way, and through economies of scale, costs are kept to a minimum even while keeping value adding features intact, at prices affordable to buyers.

### Financial strength

PCFI has consistently exhibited a strong and stable financial position borne of prudent credit and financial management. With sales reliant on mid-level office workers, small business owners and OFWs, bank credit standards are applied in the underwriting process at the onset, keeping collection efficiency, a key result area currently at over 98%. At this level, collection efficiency is highly manageable, allowing PCFI to maintain adequate liquidity levels through regular mortgage take-outs by various financial institutions. Periodic portfolio risk assessment is undertaken and seen as vital to efficient and effective financial management.

### Robust Sales Network

PCFI's sales and marketing network is composed of over 6,000 exclusive in-house agents and non-exclusive brokers who receive commissions, incentives and rewards at par with industry standards. This is complemented by various forms of support, which include the provision of marketing supplies, manning assistance during events, transportation, and continuous product training and skills development. Sales promos are launched from time to time to incite lead generation and closing. To promote engagement, a systematic approach to sales is implemented in order to give the agents a sense of ownership in their area of responsibility – hand- holding their buyers at the onset and providing assistance during the early stages of the payment and documentation process to preserve PCFI's portfolio quality. Even without sales offices abroad, PCFIis able to tap the OFW market through the ability of its agents to utilize various means of promoting its products, resulting to 49% of sales coming from the overseas market.

## Property Development Projects

LNC is the largest project of PCFI with a total land area of 1,600 hectares as of June 30, 2016. This project spans the municipalities of Kawit, Imus and General Trias in Cavite. Since 2007, when the initial pocket sized villages were launched, more than 20,000 housing units have been sold, with a significant acceleration in sales velocity noted since the opening of the CAVITEX in 2011, as it effectively reduced travel time between Cavite and Manila.

To further add value to the property, PCFI will undertake the development of a private road network link to Daang-Hari in Bacoor Cavite, making LNC easily accessible as well to and from other parts of Metro Manila and Laguna. Further, the construction and future opening of the CALAx is, likewise, expected to add value to the property.

Approximately 400 hectares of this master-planned, mixed-use development have already been developed. LNC is currently home to around 22,000 residents and hosts the Church of the Holy Family, the St. Edward Integrated School System, and Downtown Lancaster.

Bellefort Estates, located in Bacoor, Cavite, is the first middle income priced development of PCFI with a total land area of 116 hectares as of June 30, 2016. It offers three house models at a price range of ₱2.5 million to ₱5.3 million. The project is very accessible to major commercial establishments – shopping malls, supermarkets, as well as schools and hospitals. More than 500 units have been sold since its launch.

Road network developments, such as the Daang-Hari - South Luzon Expressway (SLEX) Interchange, a project under the Government's Public-Private Partnership (PPP) Program, provide additional access to the property.

Carmona Estates is located near the Carmona Exit of the SLEX, and is just a few minutes away from the Carmona town proper and public market. It has a total land area of 88 hectares as of June 30, 2016. This project was initially launched in 2004 and has since expanded it to 13 phases, with over 5,000 housing units sold. Carmona Estates carries 5 house models priced at ₱1.1 million to ₱2.7 million.

Iloilo Estates (Parc Regency Residences, Parc Regency Greens and Monticello Villas) is PCFI' initial venture outside Cavite, and is located in the province of Iloilo. It has a total land area of 171 hectares as of June 30, 2016. Launched in the fourth quarter of 2007, the development is continuously expanding in consonance with Iloilo's growth and development as an emerging business hub. These projects are located in the town of Pavia, a 15-minute drive from Iloilo City. Monticello Villas offers three lower-priced house models at a range of ₱900,000 to ₱1.3 million; Parc Regency Residences sells five house models at prices ranging from ₱1.8 million to ₱3.1 million.

Micara Estates in Tanza, Cavite, is the first development of Micara Land, Inc., the affordable housing subsidiary of PCFI, established in 2014. This maiden project offers affordable house and lots on a 73.5 hectare property located in the progressive town of Tanza, Cavite, a mere 30 minutes from the Coastal Metro Bus Station via CAVITEX. Micara Estates offers two affordable house models at a price range of ₱620,000 to ₱850,000. It also now has a commercial center - Micara Plaza. The development also provides for a school, a transport hub, a multi-purpose hall and other recreational amenities to service the residential community

**Commercial Developments**

PCFI has embarked on commercial developments to complement its residential estates and serve as sources of recurring income. Management and administration of PCFI commercial developments is under Marcan Development Corporation, a 100 percent owned subsidiary of PCFI.

Downtown Lancaster is a 29-hectare fully integrated commercial and lifestyle business district, located inside Lancaster New City, Cavite. This mixed-use business and retail park shall cater to office workers and residential communities inside Lancaster New City.

- The Square in Downtown Lancaster is a modern strip-mall commercial center, architecturally designed to accommodate one or two-storey structures. It has a Gross Leasable Area (GLA) of 29,612m$^2$.

- Suntech iPark is the first PEZA accredited campus IT Park in Cavite that caters to the growing needs of the country's BPO industry. This world-class technopark can accommodate 10 BPO office buildings which translate to a total GLA of 118,396 m$^2$. The first low-rise building of Suntech iPark, with a GLA of 5,331.05 m$^2$, has already been leased out.

Micara Plaza is a 1.2-hectare the commercial area within Micara Estates, Tanza , now operational with a gas station and various retail establishments.

## Land Bank / Land Acquisition

PCFI's land bank includes undeveloped land, most of which is in Kawit, Imus, General Trias, Bacoor, and Carmona in Cavite; and Pavia and Passi in Iloilo. As of June 30, 2016, total land bank is approximately 2,048.5 hectares. Below is a breakdown of PCFI's existing land bank:

| Property | Area (in $m^2$) |
|---|---:|
| Lancaster | 16,005,672 |
| Bellefort | 1,156,144 |
| Iloilo | 1,708,897 |
| Carmona | 878,655 |
| Micara | 735,242 |

Land acquisition is undertaken primarily for the expansion of existing projects, specifically, Lancaster New City, Bellefort Estates and Iloilo Estates. The company sources land for its project through direct purchase from various land owners. PCFI believes that its land bank is sufficient to meet its medium-term development plan, but it is constantly looking for opportunities to make strategic land purchases.

## Project Development and Construction

There are three stages in the estate development of PCFI – 1) land development to include the clearing of the land, pipe-laying and road construction; 2) the pre-cast tilt-up system that covers the fabrication of all modular parts and putting all these together; and, 3) finishing to install all functional and aesthetic features of the house.

PCFI conducts rigorous training on various trade specializations to enhance competency, achieve operational efficiency and ensure that its proprietary construction technology is implemented properly. Its own pool of engineers is visible on site to oversee critical functions in project construction to monitor its contractors.

The Tilt-up Pre-cast Construction System ("Pre-cast System") applies to 90% of PCFI developments and is already in its 8th generation of upgrade. It was first introduced in the latter half of 2006, resulting in a significant decrease in PCFI cost of sales. This technology allows for indicative timetables for delivery of completed housing units to buyers, with the assurance that they have passed standards of structural soundness and quality control. Likewise, construction costs are indirectly reduced with the elimination of wastage from production inefficiencies.

## Sales and Customer Financing

PCFI resorts to a pre-selling method whereby house and lot packages are generally sold prior to house construction and are turned over only upon completion of the required down payment or equity contribution, the terms of which vary depending on the financing scheme and/or prevailing sales promos. House construction usually takes about four (4) to six (6) months and commences only some time nearing full equity payment, thereby minimizing construction and payment risk.

PCFI maintains a sales network consisting of over 6,000 exclusive in-house sales agents and non-exclusive brokers, who receive commissions and incentives at par with industry standards. PCFI provides various forms of support to its sales force, which include the provision of marketing paraphernalia, manning support/assistance onsite and in selected malls, tripping support and sales training and development. Sales promos are launched from time to time; and rewards and recognition programs are provided for high sales performers.

Sales and marketing strategies focus on increasing awareness of the brand and product offerings. Efforts are undertaken to increase and enhance visibilities through print, various media press releases, strategically located billboards, bus wraps, and improved marketing brochures/flyers.

PCFI also employs the services of third party market research firms to conduct regular studies/surveys to support overall business and sales strategies. Recent studies include consumer/market profiling, consumer acceptance/preferences of house models in specific areas, and brand awareness.

Buyers of PCFI' residential projects pay for their purchases in cash or through bank financing or in-house financing. Cash and/or full equity/downpayments are typically discounted to allow for accelerated payment schedules and other bulk payments. This is to encourage buyers to pay upfront for their property acquisition.

Customers' end user financing is also available through partner banks –MBT, BDO, EastWest Bank, United Coconut Planters Bank, Security Bank Corporation, Philippine National Bank, China Bank Savings, and BPI Savings Bank.

In-house financing is made available to select buyers who do not qualify for bank financing because of limited documentation, such as low-income workers, OFWs and entrepreneurs. Under its in-house financing program, PCFI typically finances 80% of the total contract price of the residential unit. The loans are then repaid through equal monthly installments over a period ranging from five to ten years, with interest rates at 18% per annum for the 5-year term; and 21% per annum for loan terms over 5 to 10 years.

PCFI retains the title to the property until full payment of the loan. If the buyer defaults on payment of its monthly installments, PCFI has the right to cancel the sale and retain payments made by the buyers, subject to grace periods and refunds, as required by Philippine law.

Meanwhile, Pag-IBIG or HDMF Financing is also made available for buyers of the more affordable house models. Over the last five years PCFI has shifted significantly from in-house financing to bank financing for end user loans.

PCFI's existing portfolio consists of 85% bank financing and 15% in-house financing.

**Competition**

With respect to housing developments in Cavite and Iloilo focusing on the affordable housing segment, PCFI's major competitors would include companies serving the same market such as Vista Land and Lifescapes, Inc. (Vista Land), particularly the *Lumina Homes* and *Camella Homes* brands, and 8990 Holdings, Inc.

Vista Land is one of the largest home builders in the country with total assets of Php153 Billion as of 2015 and has presence in over 35 provinces and 86 cities and municipalities all over the country. Vista Land's *Camella Homes* and *Communities Philippines* brands account for majority of its revenue portfolio but the company also has interests in commercial and mall developments.

8990 Housing Development Corporation on the other hand also serves the affordable housing segment through its *Deca Homes*, *Urban Deca Homes*, *and Urban Deca Towers* brands. With total assets of Php36B as of 2015, 8990's housing brands offer horizontal and vertical affordable housing in key markets such as Metro Manila, Pampanga, and Iloilo. 8990 Holdings' also has a non-residential portfolio through Azalea Hotels and Resorts as well as Deca Homes Resorts and Residences.

Other competitors in the affordable housing segment would also include Ayala Land, Inc. (particularly the Bella Vita Land, Inc., Amaia Land, Inc. and Avida Land, Inc. brands), and Megaworld Corporation (particularly the *Suntrust Properties* brand).

PCFI believes that it is a strong competitor in the affordable housing market due to the strategic location, design, quality and price of its products. PCFI also believes that its association with the GT Capital group allows it to reach a wider network of potential customers, including the lucrative overseas-based market.

## Research and Development

PCFI research and development activities focus on construction materials, engineering, sales and marketing. PCFI maintains a research and development facility in Lancaster New City aimed at testing new construction materials, research on construction process improvements, and research on enhancing overall product quality. PCFI does not consider the expense for such research and development activities to be material.

## Insurance

PCFI has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, PCFI carries all-risks insurance during the project construction stage. Similarly, it also requires all of its purchasers to carry fire insurance and sales redemption insurance, for which it pays the annual premium upfront to the insurer and charges purchasers on a monthly basis. For its vertical projects, PCFI requires its general contractors to carry all-risks insurance for the period of building construction.

## Intellectual Property

PCFI has intellectual property rights on the use of the various trademark and names for its development projects, including the following:

| Trademark Name | Registration Date |
|---|---|
| Property Company of Friends, Inc. | September 11, 2014 |
| Lancaster New City Cavite | July 2, 2015 |
| Micara Land, Inc. | April 30, 2015 |
| Illustrata Residences | September 11, 2014 |
| Amicus Holdings, Inc. | March 13, 2014 |
| Monticello Villas | July 16, 2015 |
| Park Regency Residences | July 16, 2015 |
| Downtown Lancaster | October 29, 2015 |
| The Square | October 29, 2015 |
| Central Greens | October 29, 2015 |
| Suntech iPark | October 29, 2015 |

PCFI believes that its trademark and the names of its development projects play a significant role in its effort to create brand recall and strengthen its position in the real estate industry.

PCFI has applications pending for intellectual property rights relating to its various development and projects. Several applications have already been processed and are awaiting release of the certificate of registration from the Philippine Intellectual Property Office. Among the project names, currently submitted for certification include: Park Regency Greens and Profriends Group, Inc.

## Employees

As of June 30, 2016, full-time employees of PCFI totaled 1,599. The following table provides a breakdown of its employees:

| Type | No. of Employees |
|---|---:|
| Executives (AVP and up) | 53 |
| Supervisors-Managers | 282 |
| Junior Officers | 418 |
| Rank and File | 846 |
| **Total** | **1,599** |

PCFI expects a potential addition of approximately 200 employees within the next 12 months, distributed across key functional areas such as construction, sales & marketing, client relations, and operations. Total headcount can reach up to 1,800 employees in the next twelve (12) months.

**Legal Proceedings**

PCFI is subject to various civil lawsuits and legal actions arising in the ordinary course of business. However, PCFI does not consider any of these as material as they will not affect the daily operations of its business, nor will they exceed 10% of the current assets of PCFI or have any material effect on PCFI's financial position.

The Head of the Legal and Compliance Department of GT Capital has provided certifications on the pending litigation of the Company and its subsidiaries as part of its exhibits to the Registration Statement.

**Recent Financial Performance**

In the first six months of 2016 and for the calendar year ended December 31, 2015, PCFI registered a net income of ₱750 million and ₱2,060 million, for the said periods respectively.

For the financial highlights of PCFI, please refer to the Component Companies Financial Performance under the MD&A section.

**BUSINESS–AXA PHILIPPINES**

**Overview**

GT Capital has interests in the life insurance business through its 25.3% ownership of shares in AXA Philippines, the Philippines' second largest insurance company in terms of total net insurance premium ₱22.8 billion in 2015. AXA Philippines is a joint venture between the AXA Group, one of the world's largest insurance groups, and the MBT Group, one of the Philippines' largest financial conglomerates. To complement its life insurance business, AXA Philippines announced in April 2016 the completion of the acquisition of 100% interest in Charter Ping An Insurance Corporaton ("Charter Ping An"), the fifth largest non-life insurance company in terms of Gross Premiums Written in the Philippines. AXA Philippines is now a provider of a comprehensive suite of products, personal and group insurance in the Philippines, covering life insurance and investment-linked insurance products, savings and investment, health coverage, and property and casualty insurance. AXA Philippines distributes its products in the Philippines through a multi-channel distribution network comprised of agents, bancassurance, and corporate solutions.

For the six months ended June 30, 2016, AXA Philippines' gross premiums were ₱9.58 billion and net insurance premiums were ₱9.54 billion compared to gross premiums of ₱11.94 billion and net insurance premiums of ₱11.88 billion for the six months ended June 30, 2015, respectively. In 2013, 2014, and 2015, AXA Philippines gross premiums were ₱18.30 billion, ₱18.40 billion, and ₱22.90 billion, while its net insurance premiums were ₱18.30 billion, ₱18.30 billion, and ₱22.80 billion, respectively. AXA Philippines recorded a net income of ₱1.2 billion, ₱1.2 billion, and ₱1.4 billion, for the years ended 2013, 2014 and 2015, and Php714 million, and Php854 million for six months ended June 30, 2015 and 2016, respectively.

For the three months ended June 30, 2016, Charter Ping An's gross premiums written were ₱1.4 billion and net premiums written were ₱693 million compared to gross premiums written of ₱1.1 billion and net premiums written of ₱522 million for the three months ended June 30, 2015, respectively. Charter Ping An reported a net income of ₱5 million and ₱13 million, for the three months ended June 30, 2015 and 2016, respectively.

AXA Philippines is part of the AXA Group, one of the world's largest insurance groups and asset managers. With its headquarters in Paris, the AXA Group operates in Western Europe, North America, the Asia Pacific region and in certain regions of Africa and the Middle East. The AXA Group conducts its operations in the Philippines through its 45% interest in AXA Philippines. The AXA Group's remaining joint venture partners are GT Capital, with a 25.3% shareholding and FMIC, which owns 28.2%, with 1.5% held by other shareholders.

Over the past years, AXA Philippines has developed into a multi-line, multi distribution channel company offering traditional and unit-linked products for individual and group clients with a nationwide coverage through 931 MBT and PSBank branches, being serviced by 700 salaried financial executives and 32 AXA Philippines branch offices that are home to its growing network of 3,000 exclusive financial advisors.

**History**

AXA Philippines' predecessor company, The Cardinal Life Insurance Corporation was incorporated in the Philippines in 1962 to engage in selling personal and group insurance, including life insurance, accident and other insurance products. In 1977, The Cardinal Life Insurance Corporation was renamed Pan-Philippines Life Insurance Corporation. In 1997, Pan-Philippines Life Insurance Corporation was renamed Metro Philippines Life Insurance Corporation.

The AXA Group, through its Asia Pacific subsidiary, AXA Asia Pacific Holdings Limited ( "AXA APH") (then known as National Mutual Holdings Limited), an Australian company, signed the AXA Shareholders Agreement on January 27, 1999 to form a joint venture with FMIC and Ausan Resources Corporation ("Ausan"), through the acquisition of 45 % of the capital stock of the Metro Philippines Life Insurance Corporation with the purchase of a portion of shares held by Ausan and all of the shares held by Topsphere Realty Development Company Inc., as well as a subscription of new shares. As a result, the company's name was changed from Metro Philippines Life Insurance Corporation to Philippine AXA Life Insurance Corporation in 1999.

In 2003, AXA Philippines received a license to sell variable or investment-linked life insurance products by the Philippine Insurance Commission. In 2004, AXA Philippines received BSP approval to conduct bancassurance activities in the Philippines. AXA Philippines then became the pioneer bancassurance provider in the Philippines through its relationship with MBT.

In 2009, Ausan's shareholdings in AXA Philippines were transferred to GT Capital. In 2011, AXA SA acceded to AXA APH and assumed all rights and obligations of AXA APH under the AXA Shareholders Agreement.

On November 5, 2015, GT Capital and AXA Philippines executed a Sale and Purchase Agreement wherein GT Capital Holdings agreed to sell its 100% equity stake in Charter Ping An. The transaction was completed in April 2016.

The acquisition of Charter Ping An is expected to support faster growth of new clients, development of an effective employer distribution channel, increase retention through higher cross-selling ratios and differentiated positioning as the Protection Company.

## Competitive Strengths

AXA Philippines believes that its principal strengths are the following:

### A leading insurance provider in the Philippines

AXA Philippines, by end-2015, strengthened its market share to 12.1% from 11.6% in 2014, maintaining its number two position in the life insurance industry according to the Insurance Commission rankings. This was due to strong growth across all product lines and distribution channels resulting to total premium income of ₱22.9 billion, coming from ₱18.4 billion in 2014.

### Pioneer and market leader for bancassurance in the Philippines

The AXA Group pioneered the bancassurance concept in the Philippines in 2004 through its tie up with the MBT Group. As of June 30, 2016, AXA Philippines distributes 70% of its insurance products through its bancassurance relationship with MBT and PSBank. The MBT Group, which is one of the largest Philippine banks in terms of asset size, net loans and receivables and total deposits as of December 31, 2015, has a large and diverse customer base, both in major cities and provincial areas of the Philippines. AXA Philippines reaches out to the MBT Group's large and diverse customer base by placing AXA Philippines financial executives in key MBT Group branches. AXA Philippines believes that its relationship with the MBT Group is among the strongest and most productive bancassurance relationships in the Philippines. AXA Philippines also believes its first mover advantage and extensive experience in bancassurance distribution will continue to provide it with a distinct competitive advantage in the Philippine life insurance market.

### Value-enhancing strategic partnerships with MBT

Apart from the area of bancassurance, AXA Philippines has also benefited from its affiliation with MBT in several other ways. AXA Philippines' relationship with MBT is a key element of AXA Philippines' marketing strategy. AXA Philippines' relationship with the MBT Group enhances AXA Philippines' profile with customers in the Philippines and provides local credibility to an internationally known brand. AXA Philippines directly markets to MBT credit card holders, who are able to pay insurance premiums directly through their credit cards. Operationally, MBT manages AXA Philippines' investment-linked product funds. MBT Group employees are also AXA Philippines customers, as AXA Philippines is the primary individual insurance provider to the MBT Group. In terms of management, AXA Philippines is also able to draw up on the resources of the MBT Group to enhance its management's resources and leverage MBT's knowledge of financial products and local consumer preferences. AXA Philippines' partnership with MBT provides benefits across its marketing, operations and management policies and practices; it believes that this will help drive its future premium growth.

**Strong, well-recognized global brand and reputation**

AXA Philippines' affiliation with the AXA Group provides it with strong brand recognition and financial credibility, both of which contribute to AXA Philippines' ability to attract new customers to its insurance products and introduce new products to existing customers. The 'AXA' brand was the top insurance brand in the world as well as the 48th best brand across all categories according to Interbrand in 2015. The AXA Group's leading market position in the global insurance industry is also important for attracting and retaining talented and skilled agents, employees, brokers and managers who in turn work to build AXA Philippines' client base and overall growth of its operations. In addition, AXA Philippines' relationship with the wider AXA Group allows it to benefit from their product introductions and resources, particularly those which have been successful in other markets.

**Competitive advantage among top players**

The relationship with Charter Ping An gives AXA Philippines a unique advantage among top players with strong brand names to have full protection suite of both general insurance and life in its portfolio - allowing for synergies, opportunities for cross-sell and increasing its reach to customers.

**Strategies**

AXA Philippines sees the continued growth of the insurance industry fueled by the positive outlook for the Philippine macro-economic fundamentals and demographic changes, which in turn has resulted to a growing middle class. Investment-linked products will continue to dominate product mix as consumers increase their awareness on investment instruments and look for higher returns to their savings.

AXA Philippines looks to sustain its strong position in the market as it continues to focus on:

**Accelerating the growth of its distribution channels - Agency and Bancassurance**

AXA Philippines plans to continue to strengthen its distribution footprint while increasing the level of professionalism and productivity of its distributors so that its customers can continue to benefit from the best financial advice and solutions it can offer.

**Providing customer-centric propositions**

AXA Philippines has always taken pride in bringing innovative and relevant solutions to its customers. In 2015 for example, AXA Philippines launched the first critical illness product in the local market that provides coverage up to age 100. Central to meeting its ambition, it is offering superior value propositions that address the whole range of customers' financial needs be it basic protection, health, retirement or investments, also recognizing the different servicing and communication demands of the different customer segments.

**Extension of our product range with the acquisition of Charter Ping An**

The acquisition of Charter Ping An will allow AXA Philippines to provide customers the convenience of having life, health and general insurance solutions in one place and this will help grow its customer base and build deeper relationships with them.

**Delivering superior customer experience**

AXA Philippines aims to deliver superior customer experience in terms of service and how it interacts with its customers through the digitalization and simplification of its processes. It looks forward to increasing its presence in digital platforms, including a self-service portal for its customers, for a more convenient transaction with them. It also continues to make investments in digital assets and data so it can understand its customers' needs better.

## Products

**Overview**

AXA Philippines offers a range of life and non-life insurance and investment-linked insurance products in the Philippines.

The following table sets forth AXA Philippines' regular premium/single premium breakdown of its total premium income for the periods indicated:

| *(₱ in millions, except for %)* | **As of December 31** | | | | | | **As of June 30** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | | **2016** | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Regular Premium | 4,919.76 | 26.85% | 6,231.55 | 33.86% | 7,759.98 | 33.85% | 4,656.35 | 48.59% |
| Single Premium | 13,400.23 | 73.15% | 12,172.93 | 66.14% | 15,163.27 | 66.15% | 4,927.55 | 51.41% |
| **Total** | **18,320.00** | **100.00%** | **18,404.48** | **100.00%** | **22,923.25** | **100.00%** | **9,583.90** | **100.00%** |

The following table sets forth AXA Philippines' regular premium/single premium breakdown of its annual premium equivalent for the periods indicated:

| *(₱ in millions, except for %)* | **As of December 31** | | | | | | **As of June 30** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | | **2016** | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Regular Premium | 2,059.05 | 60.59% | 2,732.48 | 69.18% | 3,245.52 | 68.14% | 1,835.40 | 78.87% |
| Single Premium | 1,339.54 | 39.41% | 1,217.25 | 30.82% | 1,517.18 | 31.86% | 491.84 | 21.13% |
| **Total** | **3,398.59** | **100.00%** | **3,949.73** | **100.00%** | **4,762.70** | **100.00%** | **2,327.24** | **100.00%** |

*Products*

**Life**

Life insurance contracts offered by AXA Philippines primarily include: (i) traditional whole life participating policies; (ii) investment-linked products; and (iii) various non-participating products mostly catering to start-up life protection and savings needs.

| *Type* | *Features* |
|---|---|
| *Life-traditional and investment-linked* | Ensures that the family will continue to live in comfort even after the sudden loss of the breadwinner |
| *Health and critical illness* | Covers the cost of unexpected critical illness and major health-related expenses |
| *Retirement* | Secures funds for the worry-free retirement |
| *Education, Savings and investments* | Helps you achieve your future goals and ensure your needs for the years to come |

**Non-life**

Charter Ping An offers a wide array of insurance products designed to provide protection or indemnification to counterparties against financial loss, damage or liability arising from an unknown or contingent event. These insurance products are as follows:

| *Type* | *Features* |
|---|---|
| *Motor Car Insurance* | Provides comprehensive coverage for vehicles. Standard coverage includes Own Damage (OD)/Theft, Excess Bodily Injury (EBI) and Third Party Property Damage (TPPD). |
| *Fire Insurance* | Provides coverage for property/ies (i.e., building, contents, improvements, etc.) against unforeseen losses due to perils. It is a product that is designed to protect hard-earned investments in the midst of the vulnerability of modern society to natural catastrophes. |
| *Offer Bond* | Bond is a three-party agreement where Charter Ping An (i.e., the surety company) assures the performance of an obligation of the Bond Applicant (Principal/Obligor) to a Third Party (Obligee/Bond Beneficiary), by virtue of contract or as required by law. |
| *Marine Insurance* | Covers losses or damages of cargo regardless of the nature of the mode of conveyances (be it by land, sea or air), acquired or held between the point of origin and final destination. |
| *Personal Accident Insurance* | Provides monetary compensation for death or bodily injury as a result of accidental, violent, external and visible means. It provides financial security in case of unforeseen events or accidents. |
| *Engineering Insurance* | Provides a comprehensive and adequate protection to contract works/erection works, construction plant and equipment and/or machinery, and computer data and equipment. It also covers third-party claims for property damage and bodily injury in connection with the construction and erection works. |
| *Casualty Insurance* | Pays, on behalf of the insured, all sums which the insured shall be legally liable to pay for all reason of liability imposed on the insured by law for compensation due to bodily injury and/or property damage occurring during the period of insurance within the geographical limits as a result of the occurrence and happening in connection with the insured's business. |

**<u>Distribution Channels</u>**

**Life**

The distribution network is the starting point of AXA Philippines' relationship with its customers. AXA Philippines' distribution strategy focuses on strengthening traditional channels and developing new ones, such as the internet and strategic partnerships. Increasing scale and productivity are the main initiatives to strengthen distribution channels. AXA Philippines believes the diversification of its distribution channels can help develop new relationships with potential AXA Philippines customers.

AXA Philippines distributes its products through four main channels: agents, bancassurance, and corporate solutions that include brokers and in-house distribution channels for corporate accounts. The table below sets out AXA Philippines' annual new premiums for the period indicated:

| | **As of December 31** | | | **As of June 30** |
|---|---|---|---|---|
| **(Amounts in Php millions)** | **2013** | **2014** | **2015** | **2016** |
| Agents | 987.38 | 1,282.71 | 1,557.22 | 771.56 |
| Bancassurance | 2,348.02 | 2,598.83 | 3,127.33 | 1,507.04 |
| Others | 63.20 | 68.19 | 78.15 | 48.64 |
| **Total** | **3,398.60** | **3,949.73** | **4,762.69** | **2,327.23** |

*Note: Annual new premium is calculated as 100% of annualized regular premium plus 10% of single premium.*

*Agents*

Direct written premiums are generated through exclusive agents, as only exclusive agents are allowed for life insurance distribution under Philippine regulations. Exclusive agents are prohibited from distributing insurance products for any other life insurance companies. Exclusive agents accounted for approximately 33% of AXA Philippines' total new business in both 2014 and 2015. AXA Philippines uses agents throughout its 32 branches located in strategic locations in Metro Manila, Cebu and Davao, as well as elsewhere throughout the Philippines. In addition to the 32 branches owned or leased by AXA Philippines, there are also several franchise branches that are owned and operated by exclusive agents and co-branded under the AXA Philippines name. AXA Philippines believes that its agency distribution channel is important to its future success and intends to double its current total number of 3,000 agents as of June 30, 2016 to 6,000 by 2020.

All of AXA Philippines' agents are required to enter into agency agreements before distributing AXA Philippines products. Agents are not considered to be AXA Philippines employees. These agreements set out the terms under which agents act for AXA Philippines, the activities they are authorized to carry out on AXA Philippines' behalf, prohibited activities, types of products they are authorized to sell and the criteria for payment of commission. In addition, agents are required to be licensed by the Philippine Insurance Commission. Agents are responsible for submitting a customer's information and their application for an insurance policy to be processed by the head office.

*Bancassurance*

Bancassurance refers to the sales of insurance through banking institutions. AXA Philippines utilizes financial executives, who are AXA Philippines employees placed within key MBT branches throughout the Philippines, to provide insurance advisory services to bank-sourced clients. AXA Philippines' bancassurance related products are aimed at complementing MBT's existing line of financial products, thereby providing MBT customers with a complete set of financial and insurance solutions. MBT and AXA Philippines also cross-market their products through joint advertising campaigns and promotional offers, such as tie-ups with MCC. MBT-based financial executives accounted for 67% of AXA Philippines' total new business premiums in both 2014 and 2015. The cross-marketing of AXA Philippines products at MBT branches is the main component of AXA Philippines' marketing efforts.

**Non-life**

Charter Ping An's interactions with its clients or policyholders are through its distribution networks, sales channels, partners and those with mutual business interests:

*Branches*

Charter Ping An has 21 branches nationwide, located in Manila, Quezon City, Muntinlupa, Caloocan, Calamba (Laguna), Batangas, Naga, Tarlac, Dasmariñas (Cavite), San Fernando (Pampanga), Baguio City, Urdaneta (Pangasinan), Isabela, Iloilo, Bacolod, Cebu, Cagayan de Oro, Davao and General Santos.

*Sales Channels*

Charter Ping An's products and services are sold through its intermediaries, namely licensed agents, licensed Brokers, MBT (through the Bancassurance platform) and synergy with the GT Capital group.

*Partners*

Several service providers and partners are necessary for product enhancements, including car dealers, accredited repair shops and adjusters for claims.

## Marketing

### Life

AXA Philippines recognizes that customers have different financial needs as (1) savings & investments; (2) education; (3) retirement; and, (4) protection, and hence develops its marketing strategies and product solutions to address these needs.

To support AXA Philippines' ambition to be the preferred and most customer-centric insurer, the company has implemented and continues to focus on improving the entire customer journey, being present and delivering best customer experience in every touchpoint --- from research and consideration, to purchase, to after-sales servicing, all the way to claims. This will be achieved through transformation in all aspects of the business --- distribution, operations, and digital.

Part of its strategy to be the preferred insurance company is to create greater awareness for the brand, and to position itself as a global leader. AXA Philippines continues to invest in brand-building activities through integrated marketing communications that include above-the-line, below-the-line, and digital efforts. In 2014, AXA launched a Health campaign to create awareness for the need to prepare for critical illness and promote AXA's new health products. In 2015, launched a campaign to promote its corporate credentials (i.e. number of customers, worldwide presence) and establish that it is a global insurance brand that is financially strong and stable. In 2016, AXA will be launching a revived version of its health campaign to promote its new health bundles as well as its new health insurance product, with worldwide coverage, Global Health Access.

### Non-life

In 2016, the Company initiated several drives to elevate awareness and branding:

- Launching of sales rallies effective the whole year of 2016
- Sponsorship of events to promote AXA Philippines such as *Binibining Pilipinas*, and the sponsorship and organization of *Million Producers Nights* for top producers, sportsfests for Intermediaries (i.e. agents, insurance brokers, dealers and affiliates) and other annual intermediary events
- Partnership program with Toyota Motor Philippines for the exclusive *Toyota Insure Program* among all Toyota car dealers nationwide.
- It was also in 2016 that AXA Philippines earned a distinction from the World Finance Global Insurance Awards (London) as the Best General Insurer for Philippines.

## Underwriting

The processes through which AXA Philippines underwrites insurance policies are documented and standardized.

AXA Philippines' underwriting process is handled by the Underwriting Department under the umbrella of Transformation and Operations, following company-approved guidelines. An underwriting manual, which documents AXA Philippines' underwriting process and guidelines, is maintained by AXA Philippines. This document serves as useful reference for underwriters on the necessary step sand consideration on risk evaluation.

## Claims Management

The Claims Unit of the Life Operations Division (namely, death, disability, medical and personal accident claims) handles the evaluation and adjudication of all claims.

Upon receipt of the complete claim requirements, a claim will be processed by the Claims Unit that later issues a recommendation and/or routes the file with the rest of the Underwriting and Claims Committee for further evaluation and endorsement to approver for processing benefit proceeds.

Approval of a claim requires concurrence of an approver bearing the limits of authority for the subject amount after which a claims processor will proceed to the settlement process, effect a recommendation in the system, and await pay advice.

Denied claims are routed to Policy Services and Benefits Fulfillment Head regardless of the amount for final disposition. Claims denied beyond the authority of the Policy Services and Benefits Fulfillment Head authority are further referred to a higher officer that bears the proper authority for the amount, opinion, concurrence and final disposition.

Release of proceeds, both for approved and denied claims (such as a return of premiums or account value) for valid claimants are then carried out by the Claims Unit where the appropriate documentation is completed.

## Investments

AXA Philippines' investment portfolio is an integral part of its business. AXA Philippines' financial strength, underwriting capacity and results of operations depend, in significant part, on the quality and performance of its investment portfolio. To maintain an adequate yield to support future policy liabilities, AXA Philippines' management is required to reinvest the proceeds of maturing securities and to invest premium receipts while continuing to maintain satisfactory investment quality. AXA Philippines adopts an investment strategy of investing primarily in what it believes to be high quality securities while maintaining diversification to avoid significant exposure to any particular issuer, industry and/or country. AXA Philippines' investment strategy includes producing cash flows required to meet maturing insurance liabilities. AXA Philippines invests in equities for various reasons, including diversifying its overall exposure to interest rate risk. Generally, insurance regulations restrict the type of assets in which an insurance company may invest. In addition, investments abide by AXA Philippines' standards on financial risk management covering market risks, liquidity and counterparty exposure among others.

AXA Philippines' investment policy and strategic asset allocation is managed by an investment management department. MBT provides fund management services for AXA Philippines' investment-linked products under arms-length agreement.

Set out below is the value of AXA Philippines' investment portfolio (excluding investment in unit-linked funds) by investment category for the periods indicated. This investment portfolio does not include AXA Philippines' assets held to cover investment-linked liabilities.

| (₱ in millions, except for %) | As of December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | 2014 | | 2015 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| **Equity Securities** | | | | | | |
| Listed | 683.32 | 6.82% | 841.79 | 7.55% | 831.97 | 6.76% |
| Unlisted | 12.18 | 0.12% | 14.08 | 0.13% | 15.58 | 0.12% |
| **Debt Securities** | | | | | | |
| Government | 6,357.19 | 63.41% | 6,244.18 | 55.98% | 6,835.58 | 55.53% |
| Private | 245.76 | 2.45% | 475.71 | 4.26% | 1,448.44 | 11.77% |
| **Bank deposits** | | | | | | |
| Time deposits | 2,727.15 | 27.20% | 3,578.08 | 32.08% | 919.42 | 7.47% |
| **Other (UITF)** | - | 0% | - | 0% | 2,258.98 | 18.35% |
| **Total** | **10,025.60** | **100%** | **11,153.84** | **100%** | **12,309.98** | **100%** |

The following table sets out AXA Philippines' investment return and average annual yields for the periods indicated:

| **(₱ in millions, except for %)** | **As of December 31** | | | | | |
|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | |
| | **Amount** | **% of total** | **Amount** | **% of total** | **Amount** | **% of total** |
| Dividend income from trading and non-trading securities | 17.64 | 3.41% | 19.49 | 3.76% | 17.01 | 3.70% |
| Interest income from trading and non-trading securities | 498.95 | 96.59% | 498.61 | 96.24% | 443.19 | 96.30% |
| Other | - | | - | | - | |
| **Total** | **516.59** | **100%** | **518.10** | **100%** | **460.20** | **100%** |

*Equity securities*

The equity portfolio is denominated in Philippine Pesos. All investments must be Philippine peso-denominated to remove any currency risk exposure. The equity portfolio will invest in equities listed in the PSE. It may also invest in an equity fund subject to the governing investment committees and regulator's approval. Investments in equities may be managed in-house or by a third party manager and shall be subject to the approved investments parameters.

As of June 30, 2016, AXA Philippines' investments in equity securities consist of approximately 97.96% listed and 2.04% non-listed equity securities which pertains mostly to club shares. A significant portion of AXA Philippines' equity investments consist mainly of shares in MBT which make up 3.90% of AXA's equity investment portfolio. All of AXA Philippines' equity investments in securities consist of shares in Philippine companies.

*Debt securities*

The bond portfolio is invested in Peso and US dollar denominated Government bonds. AXA Philippines may also invest in the following:

| Peso-denominated bonds | USD-denomianted bonds |
|---|---|
| • The Government's Peso bonds;<br>• Quasi-sovereign ("ROP") bonds; and<br>• Supra-national bonds. | • The Government's US dollar denominated bonds; and<br>• Supra-nationals at least two notches above the Government's credit rating. |

Investment in corporate bonds may be undertaken subject to risk and sensitivity analysis as required on a case by case basis. Approval of governing investment committees and the local regulator will be sought prior to investment.

As of June 30, 2016, AXA Philippines' debt securities that consisted of investments in Government or Government guaranteed bonds amounted to ₱6.61 billion, or 81.80% of AXA Philippines' total bond portfolio.

*Bank deposits*

AXA Philippines maintains primarily Peso and U.S. dollar cash deposits in the Philippines. To ensure the availability of adequate cash for day-to-day operations and to meet claim payments which may be required from time-to-time, AXA Philippines maintains call deposits and term deposits, the majority of which are for terms between three days and 90 days. As of December 31, 2013, 2014 and 2015, and June 30, 2016, AXA Philippines had bank deposits valued at ₱2.73 billion, ₱3.58 billion, ₱0.92 billion, and ₱2.12 billion respectively, representing approximately 27.20%, 32.08%, 7.47%, and 17.19% respectively, of its investment assets and having an investment return of 0.25% to 1.50%, 0.25% to 1.85%, 0.10% to 1.70%, and 0.10% to 1.70%, respectively. AXA Philippines' bank deposits are placed with MBT, PS Bank, Citibank, Land Bank, HSBC, Banco de Oro, China

Bank, Union Bank, Bank of the Philippine Island and Philippine National Bank.

**Competition**

*Life*

AXA Philippines faces competition in the Philippines for its products. Competition in the life insurance industry is based on many factors. AXA Philippines believes the principal competitive factors that affect its business are distribution channels, quality of sales force and advisors, price, investment management performance, historical performance of investment-linked insurance contracts and quality of management. AXA Philippines' major competitors in the Philippines are also affiliated with international insurance companies. Many insurance companies in the Philippines offer products similar to those offered by AXA Philippines and in some cases, use similar marketing techniques and banking partnership support. AXA Philippines' principal competitors are Philippine American Life, Sun Life of Canada, PruLife of the UK and Manufacturers Life.

The table below shows the total premium income and percentage of total market share for AXA Philippines and its principal competitors as of December 31, 2014 and 2015

| Amounts in ₱ millions, except for percentage | 2014 | | 2015 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| 1. Sunlife of Canada | 30,732.67 | 19.47% | 32,811.20 | 17.40% |
| 2. AXA Philippines | 18,348.47 | 11.63% | 22,820.89 | 12.10% |
| 3. Philippine American Life (AIA) | 18,311.49 | 11.60% | 21,169.79 | 11.23% |
| 4. BPI Philam Life | 14,483.17 | 9.18% | 20,798.90 | 11.03% |
| 5. Pru Life of the UK (Prudential plc) | 15,450.74 | 9.79% | 19,809.81 | 10.51% |
| 6. Manufacturers Life | 13,357.41 | 8.46% | 13,919.35 | 7.38% |
| 7. Insular Life | 11,697.39 | 7.41% | 12,653.76 | 6.71% |
| 8. Grepalife Financial | 7,044.88 | 4.46% | 10,145.89 | 5.38% |
| 9. Generali Pilipinas | 4,988.82 | 3.16% | 6,364.14 | 3.38% |
| 10. PNB Life Insurance, Inc | 4,619.01 | 2.93% | 5,833.02 | 3.09% |

*Source: Philippine Insurance Commission*

Total market in 2014 and 2015 amounted to ₱157.83 billion and ₱188.53 billion, respectively.

*Non-life*

Based on the Insurance Commission's industry ranking for the last five years, the average industry growth in terms of GPW was 8.9% while Charter Ping An's average growth was 16.6%. In terms of GPW, Charter Ping An maintained its 5th ranking in the GPW, and its 4th ranking in the NPW in terms of 2015 industry performance.

The top ten non-life insurance companies control 64.9% share in the insurance industry in terms of GPW. In 2015, Charter Ping An's market share was at 5.9%.

The Philippine insurance industry has generated stable results despite high exposure to natural catastrophes. The government drives a national and natural catastrophe protection schemes. The issues on capital requirements, regulatory requirements, tax and consolidation remain. There is an increasing consciousness and demand for microinsurance which contributed to the stable growth of the insurance industry.

Primary products sold in the country are the traditional lines. Motor Car insurance, remains to be the main driver in terms of premium volume.

As of December 2015, the Philippine insurance industry is composed of 69 non-life insurance companies and 4 composite life and non-life companies.

## Product Research and Development

The development of new products is organized, managed and coordinated primarily within AXA Philippines.

### Product Development and Pricing

Through its relationship with the AXA Group, AXA Philippines draws up on the experience of AXA Group companies in other markets. In particular, AXA Philippines adopts the successful or innovative products that have been launched in other markets for introduction into the Philippine market. The investment-linked insurance products, for example, are based on the AXA Group's earlier introduction of this product in HongKong.

AXA Philippines follows the AXA Group's Asian businesses' product management and development guidelines which are set forth in the Regional Product Blueprint (the "RPB") as published by the AXA Group's regional office in Hong Kong. Products are either developed locally in the Philippines and approved by the regional office in Hong Kong, or sent to AXA Philippines from the Hong Kong regional office or the AXA Group headquarters in Paris for local approval and implementation. All new products are subject to approval by the Philippine Insurance Commission. The RPB prescribes every new product or product modification from the concept stage using market research, customer and distributor insights and competitor movements. If local management approves a concept, the next stages are the feasibility, design and planning stages. In these stages, key product features, volume projections, profit metrics, marketing and risk measures are evaluated locally and regionally before any product is approved and moved to the next stages of implementation and launch. Once a product is launched, its actual performance is regularly reviewed against volumes committed in the design and planning stages. Products that do not perform as anticipated may be redesigned or may be pulled out from AXA Philippines' portfolio.

The pricing of AXA Philippines' products is determined using the various assumptions, profit requirements, risk appetite, competitiveness and pricing strategy as developed by AXA Philippines and approved by the regional office in Hong Kong. All new products, including price changes to existing products, must be approved by the Philippine Insurance Commission.

Any related costs to product development pertain to the salaries and training expenses incurred for the product team who manages the product development cycle.

## Reinsurance

AXA Philippines reinsures a portion of the risks it underwrites in an attempt to limit volatility in surpluses due to catastrophic events and other concentration risks. Philippine regulations require insurance companies to cede up to 10% of their cessions to unauthorized reinsurers to the National Reinsurance Company. AXA also uses reinsurance to leverage its underwriting capacity. Total gross premiums covered by third party reinsurers in 2015 was ₱102.40 million.

## Capital Management

AXA Philippines manages its capital through its compliance with Philippines statutory requirements on solvency margins for insurance companies, minimum paid-up capital and minimum net worth. AXA Philippines also complies with Philippine statutory regulations on Risk-based Capital ("RBC") to measure the adequacy of its statutory surplus in relation to the risks inherent in its business.

## Risk Management

AXA Philippines has established a risk management function with clear terms of reference and with the responsibility for developing policies on insurance, financial, operational, and other risks. It abides by the AXA

Asia Enterprise Risk Management framework wherein the three lines of defense are used to managing risk. The first line of defense comprising of Line management and staff are responsible for day to day risk taking management and decision making and have primary responsibility for establishing and maintaining an effective control environment. Risk Management function and Compliance which form the second line of defense are the separated functions, which are responsible for developing, facilitating and monitoring effective risk and control frameworks and strategies. Internal Audit under the third line of defense provides independent assurance on the effectiveness of the system of internal control.

## Properties

AXA Philippines owns the premises occupied by its corporate office at the ground floor of the Philippine AXA Life Centre in Makati. AXA leases 33$^{rd}$, 35$^{th}$ and Ground-2$^{nd}$ floors of GT Tower from Fed Land and MBT, respectively, both with lease contracts ending December 2017.

AXA Philippines owns certain investment properties including office space, seven condominium units and 16 parking slots at the Skyland Plaza in Makati.

Charter Ping An's head office is located at Skyland Plaza, Sen. Gil Puyat Avenue corner Tindalo St., Makati City. It owns the premises except for a portion of the Executive Office located at the ground floor which it leases from FMIC and Skyland Plaza Condominium Corporation.

Charter Ping An's has 21 branches nationwide with 1 Satellite office: 4 in Metro Manila; 8 in North Luzon (including 1 satellite office); 4 in South Luzon; 3 in Visayas; and 3 in Mindanao. It owns the premises where its Binondo office is located and the rest of the branches are leased either from MBT or from other lessors. The term of the lease ranges from one to three years renewable under mutually acceptable terms and conditions.

## Intellectual Property

Under the terms of the joint venture agreement between AXA SA and other shareholders, AXA Philippines has the right to use the 'AXA' name in the Philippines. AXA Philippines does not own any intellectual property rights. All the AXA trademarks are owned by AXA SA. AXA Philippines holds a Certificate of Authority from the Insurance Commission, which is valid until 31 December 2018.

Charter Ping An holds the trade mark "Charter Ping An Insurance Corporation" which was registered with the Intellectual Property Office on 8 November 2012 as per Certificate of Registration Number 4-2012-002127. Its validity is until November 8, 2022, or ten (10) years from the date of registration.

## Employees

As of June 30, 2016, AXA Philippines had 418 full-time employees and 783 sales employees as shown below:

| Type | No. of Employees |
|---|---:|
| Senior Officers | 7 |
| Managers and Officers/Supervisors | 218 |
| Rank and File | 193 |
| Sales | 783 |
| **Total** | **1,201** |

AXA Philippines has no collective bargaining agreements with its employees and none of its employees belong to a labor union. AXA Philippines believes its relationships with its employees are generally good. Currently, AXA Philippines has no plans for additional hiring except in the ordinary course of business expansion.

As of June 30, 2016, Charter Ping An had 407 full-time employees and 9 consultants. The breakdown of full-time employees is provided below:

| Type | No. of Employees |
|---|---|
| Senior Officers (AVP-SVP) | 20 |
| Junior Officers and Supervisors | 110 |
| Rank and File (Clerk I-Assistant II) | 277 |
| **Total** | **407** |

*Employee Pension Plan*

AXA Philippines maintains a non-contributory defined benefit pension plan that covers any regular and permanent employee of AXA Philippines who has completed six months of continuous employment. The plan requires contributions to be made to a fund, which is funded solely by contributions from AXA Philippines and administered by MBT as the trustee. AXA Philippines' pension plan consists of a financial package that provides retirement, disability, death and separation benefits based on a pre-determined schedule.

**Reserves**

Insurance companies are required to maintain reserves to ensure that it will be able to meet its obligations to its policy holders. A life insurance company is required to annually make, on a net premium basis, a valuation of all policies, additions there to, unpaid dividends and all other obligations outstanding on December 31 of the preceding year. The aggregate net reserves on the company's policies shall be deemed its reserve liability for policy holders to provide, for which it shall hold funds in secure investments equal to such net reserves.

For ordinary plans, the legal policy reserve is the sum of the interpolated terminal reserves plus the unearned net premium. AXA Philippines maintains legal policy reserves to meet its future benefit obligations under its long-term life and health insurance policies. The legal policy reserves are calculated on the basis of actuarial assumptions, including those regarding mortality and morbidity rates, interest rates and administrative expenses.

Future dividend reserves are set as the earned portion of the dividends due at the end of the policy year. For disability riders and group policies, reserves are equal to unearned premium reserves.

Incurred but not reported ("IBNR") claims for AXA Philippines' group business is calculated based on competition ratios derived from the analysis conducted on the pattern of reported deaths occurring within a one-year historical period. IBNR for life business is based on the product of the actual death claims paid for the year and one-year experience ratio of IBNR to the death claims paid. IBNR for medical claims is computed as the one-month average disability and hospitalization benefits paid for the year.

Figures for accumulated dividends are generated by AXA Philippines' accounting systems. However, reasonableness checks are routinely conducted to ensure that the figures are in accordance with AXA Philippines' dividend policy.

The establishment of reserves is an inherently uncertain process, and therefore, there is no assurance AXA Philippines' ultimate losses will not differ from its initial estimates.

**Regulatory Matters**

The ICP mandates that no corporation, partnership or association of persons shall transact any insurance business in the Philippines until after it shall have secured a certificate of authority for that purpose from the Insurance Commission. In addition, the ICP provides that existing insurance companies already doing business in the Philippines must have a net worth of Five Hundred Fifty Million Pesos (₱550,000,000.00) by December 31, 2016. The increase in capitalization aims to boost the insurance industry to better compete globally and will provide additional cushion against risks for the protection of the insured. Also, the investment area of insurance companies have expanded to include investments of up to 25% of their admitted assets in obligations issued or guaranteed by local or foreign banks. Further, the ICP provides that the insurance companies should comply with the financial reporting frameworks adopted by the Insurance Commission for purposes of creating the statutory financial reports and the annual statements to be submitted to the Insurance Commission.

Among other reforms, the amendment brought about by Republic Act No. 10607 include the recognition of financial products such as Bancassurance or cross-selling wherein the bank may present and sell to its customers by an insurance company of its insurance products within its premises, under such rules and regulations which the Insurance Commission and the BSP may promulgate.

*Risk-Based Capital (RBC) requirements*

In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid-up capital, contributed and contingency surplus, and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that:

a. The RBC ratio is less than 125% but is not below 100%
b. The RBC ratio has decreased over the past year
c. The difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The following table shows how the RBC ratio was determined by the Company based on its calculations:

| | 2015 | 2014 |
|---|---|---|
| Net worth | ₱4,289,969,277 | ₱2,810,602,924 |
| RBC requirement | 898,494,325 | 819,654,205 |
| RBC Ratio | 477% | 343% |

The final RBC ratio can be determined only after the accounts of the Company have been examined by the IC specifically as to admitted and non-admitted assets as defined under the Code.

## Legal Proceedings

The Company is a defendant in several lawsuits arising from the normal course of carrying out its insurance business. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position.

Currently, there are eight (8) major cases which can materially affect Charter Ping An. However, Charter Ping An has strong legal positions in these cases and the outstanding amount of claims involved is not material to GT Capital Group.

The Head of the Legal and Compliance Department of GT Capital has provided certifications on the pending litigation of the Company and its subsidiaries as part of its exhibits to the Registration Statement.

## Recent Financial Performance

In the first six months of 2016 and 2015, and for the years ended December 31, 2015, 2014, and 2013, AXA Philippines registered a net income of ₱854 million, ₱714 million, ₱1.4 billion, ₱1.2 billion and ₱1.2 billion, respectively.

For Charter Ping An, the company registered a net income of ₱13 million and ₱5 million for the first three months ended June 2016 and 2015, respectively.

For the financial highlights of AXA Philippines, please refer to the Component Companies Financial Performance under the MD&A section.

## BUSINESS – MPIC

Metro Pacific Investments Corporation ("MPIC") was incorporated in the Philippines and registered with the Philippine SEC on March 20, 2006 as an investment holding company. MPIC's common shares of stock are listed in and traded through the PSE. On August 6, 2012, MPIC launched Sponsored Level 1 American Depositary Receipt ("ADR") Program with Deutsche Bank as the appointed depositary bank in line with the Parent Company's thrust to widen the availability of its shares to investors in the United States.

MPIC was 52.1% and 55.8% owned by Metro Pacific Holdings, Inc. ("MPHI") as at December 31, 2015 and 2014, respectively. The reduction of MPHI's economic interest in MPIC resulted from an overnight placement on February 9, 2015.

On May 27, 2016, the following transactions took place:

- The placing of 3.6 billion new MPIC ordinary common shares to GT Capital Holdings, Inc. at a price of ₱6.10 per share for a total cash consideration of ₱21.96 billion. This will be received by MPIC as a deposit for share subscription while MPIC increases its Authorized Share Capital pursuant to shareholder approvals received in 2015. Upon completion of the subscription, GT Capital would hold 11.4% of the enlarged common share capital base of MPIC.

- GT Capital will also acquire a further 1.3 billion shares from MPHI, the majority shareholder of MPIC, which would then increase GT Capital"s overall holding in the common share capital of MPIC to 15.6%.

- Immediately prior to the issue of new common shares by MPIC as described above, MPHI has subscribed to 4.1 billion newly issued Class A voting preferred shares of MPIC at par value for a total consideration of ₱41.3 million. Following all these transactions MPHI continues to hold an overall majority of the share capital of MPIC, with a 55.0% voting interest.

- MPIC announced that its associate, Beacon Electric, through a wholly owned subsidiary Beacon PowerGen Holdings Inc., has entered into a Share Purchase Agreement with GT Capital Holdings to acquire an aggregate 56% of the ordinary and issued share capital of Global Business Power for an aggregate consideration of ₱22.06 billion. Global Power is one of the leading independent power producers in the Visayas region and Mindoro island, with a combined gross maximum capacity of 704 MW comprising 696.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied within Mindoro island.

MPIC is a leading infrastructure holding company in the Philippines. MPIC's intention is to maintain and continue to develop a diverse set of infrastructure assets through its investments in water utilities, toll roads, electricity distribution and generation, healthcare services and light rail. MPIC is therefore committed to investing through acquisitions and strategic partnerships in prime infrastructure assets with the potential to provide synergies with its existing operations.

### Businesses

MPIC is organized into the following segments based on services and products:

- *Water utilities*, which relate to the provision of water and sewerage services by Maynilad Water Holding Company, Inc. (MWHCI) and its subsidiaries Maynilad Water Services, Inc. (Maynilad) and Philippine Hydro, Inc. (PHI), and bulk water supply and distribution by MetroPac Water Investments Corporation (MPWIC) outside Metro Manila.

- *Toll operations,* which primarily relate to operations and maintenance of toll facilities by Metro Pacific Tollways Corporation (MPTC) and its subsidiaries Manila North Tollways Corporation (MNTC) and Cavitex

Infrastructure Corporation (CIC), and associates, Tollways Management Corporation (TMC) and CII Bridges and Roads Investment Joint Stock Co. (CII B&R), and MPIC's associate, Don Muang Tollway Public Ltd (DMT).

- *Power distribution and generation*, which primarily relates to the operations of Manila Electric Company (MERALCO) in relation to the distribution and supply of electricity and Global Business Power in relation to power generation.

  The investment in MERALCO is held both directly and through a joint venture, Beacon Electric. While, the investment in Global Power is held through Beacon Electric's wholly-owned subsidiary, Beacon PowerGen Holdings Inc.

- *Healthcare*, which primarily relates to operations and management of hospitals, nursing and medical schools and such other enterprises that have similar undertakings by Metro Pacific Hospital Holdings, Inc. (MPHHI).

- *Rail*, which primarily relates to Metro Pacific Light Rail Corporation (MPLRC) and its subsidiary, Light Rail Manila Corporation (LRMC), the operations and maintenance of the Light Rail Transit (LRT) and construction of the LRT1 south extension; and systems-related services such as the ticketing services provided by AF Payments Inc. (AFPI, formerly Automated Fare Collection Services, Inc).

- *Logistics,* which primarily relates to the services provided by MetroPac Logistic Company, Inc. (MLCI) through its subsidiary MetroPac Movers Inc. (MMI), MMI is to provide services in logistics, shipping, freight forwarding and e-commerce fulfillment.

- *Others*, which represent holding companies and operations of subsidiaries involved in real estate and provision of services.

## OWNERSHIP

### Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its articles of incorporation and the by-laws. As of June 30, 2016, the current authorized capital stock of the Company is ₱5,000,000,000.00 divided into 298,257,000 Common Shares with a par value of ₱10.00 per share, 20,000,000 Perpetual Preferred Shares with a par value of ₱100.00 per share, and 174,300,000 Voting Preferred Shares with a par value of ₱0.10 per share. As of date, 174,300,000 Common Shares and 174,300,000 Voting Preferred Shares are issued and outstanding. All of the issued and outstanding Common Shares are listed in the PSE.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have the following issued and oustanding shares: (a) 174,300,000 Common Shares, (b) 12,000,000 Preferred Shares and (c) 174,300,000 Voting Preferred Shares. Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have the following issued and outstanding shares: (a) 174,300,000 Common Shares, (b) 8,000,000 Preferred Shares and (c) 174,300,000 Voting Preferred Shares.

**Top 20 Shareholders of Common Shares**
(as of June 30, 2016)

| | Name of Stockholder | Outstanding No. of Shares | % to Total |
|---|---|---|---|
| 1 | Grand Titan Capital Holdings, Inc. | 94,656,110 | 54.3064% |
| 2 | PCD Nominee - <Non-Filipino> | 59,881,402 | 34.3554% |
| 3 | PCD Nominee - <Filipino> | 19,158,091 | 10.9914% |
| 4 | Ty, George Siao Kian | 200,000 | 0.1147% |
| 5 | Ty, Alfred | 100,000 | 0.0574% |
| | Ty, Arthur | 100,000 | 0.0574% |
| 6 | Ty, Mary Vy | 99,000 | 0.0568% |
| 7 | Bloomingdale Enterprises, Inc. | 30,650 | 0.0176% |
| 8 | de Castro, Salud D. | 20,000 | 0.0115% |
| 9 | Chan, Asuncion C. | 6,000 | 0.0034% |
| 10 | Choi, Anita C. | 4,000 | 0.0023% |
| 11 | Mar, Peter or Annabelle C. Mar | 3,000 | 0.0017% |
| 12 | Baguyo, Dennis G. | 2,250 | 0.0013% |
| 13 | Choi, Davis C. | 2,000 | 0.0011% |
| | Choi, Dennis C. | 2,000 | 0.0011% |
| | Choi, Diana C. | 2,000 | 0.0011% |
| | Croslo Holdings, corp. | 2,000 | 0.0011% |
| 14 | Sycip, Washington Z. | 1,800 | 0.0010% |
| 15 | Chua, Josephine Ty | 1,500 | 0.0009% |
| 16 | Chua, Robert S. | 1,200 | 0.0007% |
| 17 | Ang, Gerry G. | 1,000 | 0.0006% |
| | Bautista, Carmelo MariaLluza | 1,000 | 0.0006% |
| | Belmonte, Miguel | 1,000 | 0.0006% |
| | Beshouri, Christopher P. | 1,000 | 0.0006% |
| | Cua, Solomon | 1,000 | 0.0006% |
| | Paras, Wilfredo A. | 1,000 | 0.0006% |
| | Puno, Roderico | 1,000 | 0.0006% |
| | Valencia, Renato C. | 1,000 | 0.0006% |
| 18 | Cham, Margaret T. ITF Iñigo | 700 | 0.0004% |
| | Cham, MargaretT. ITF Margarit | 700 | 0.0004% |
| | Cham, Margaret T. ITF Paolo | 700 | 0.0004% |
| | Chua, Alexander Gabriel Ty ITF | 700 | 0.0004% |

| | | | |
|---|---|---|---|
| | Chua, Alexander Gabriel Ty ITF | 700 | 0.0004% |
| | Chua, Kenneth Gabriel TyITF | 700 | 0.0004% |
| | Chua, Kenneth Gabriel Ty ITF | 700 | 0.0004% |
| | Dy Buncio, Aanjanette Ty ITF | 700 | 0.0004% |
| | Dy buncio, Anjanette Ty ITF | 700 | 0.0004% |
| | Dy buncio, Anjanette TyITF | 700 | 0.0004% |
| | Ty, Alesandra T. ITFalexa | 700 | 0.0004% |
| | Ty, alesandra vy ITF | 700 | 0.0004% |
| | Ty, Alfred Vy ITF Andrei | 700 | 0.0004% |
| | Ty, Alfred Vy ITF Aryane | 700 | 0.0004% |
| | Ty, Alfred Vy ITF Augusto | 700 | 0.0004% |
| | Ty, Arthur Vy ITF Alisa | 700 | 0.0004% |
| | Ty, Arthur Vy ITF Andrew Ryan | 700 | 0.0004% |
| | Ty, Arthur Vy ITF Aric Justin | 700 | 0.0004% |
| 19 | Mediacom Equities, Inc. | 640 | 0.0004% |
| 20 | Chua, Jeanne Frances T. ITF | 500 | 0.0003% |
| | Esteban, Linda S. | 500 | 0.0003% |
| | Kawpeng, Christopher C. | 500 | 0.0003% |
| | Kawpeng, Daniel C. | 500 | 0.0003% |
| | Kawpeng, David C. | 500 | 0.0003% |
| | Kawpeng, Edwin C. | 500 | 0.0003% |
| | Kawpeng, Tomas C. | 500 | 0.0003% |

**Top 20 Shareholders of Voting Preferred Shares**

| | Name of Stockholder | Outstanding No. of Shares | % to total |
|---|---|---|---|
| 1 | Grand Titan Capital Holdings | 170,490,640 | 97.8145% |
| 2 | First Metro Sec Brok Corp FAO | 948,197 | 0.5440% |
| 3 | HSBC Mla OBO A/C000-596619-550 | 857,025 | 0.4917% |
| 4 | Ty, George S.K. | 360,224 | 0.2067% |
| 5 | HSBC Mla OBO A/C000-597740-550 | 227,420 | 0.1305% |
| 6 | Ty, Alfred | 180,112 | 0.1033% |
| | Ty, Arthur | 180,112 | 0.1033% |
| 7 | Ty, Mary Vy | 178,311 | 0.1023% |
| 8 | Abacus Sec. Corp. | 123,991 | 0.0711% |
| 9 | HSBC Mla OBO A/C000-215954-567 | 88,100 | 0.0505% |
| 10 | Adapa New Asia Master Fund Ltd | 55,000 | 0.0316% |
| 11 | CBNA Mla OBO SK 6001689543 | 51,360 | 0.0295% |
| 12 | Litonjua, Eduardo K. | 41,520 | 0.0238% |
| 13 | Investors Securities Inc. | 40,130 | 0.0230% |
| 14 | Papa Securities Corporation | 40,074 | 0.0230% |
| 15 | The First Resources Management | 36,690 | 0.0210% |
| 16 | R. Nubla Securities, Inc | 33,830 | 0.0194% |
| 17 | de Castro, Salud | 30,000 | 0.0172% |
| 18 | HSBC Mla OBO A/C026-030536-566 | 27,060 | 0.0155% |
| 19 | PCCI Securities Brokers Corp. | 26,935 | 0.0155% |
| 20 | HSBC Mla OBO A/C026-215954-567 | 23,900 | 0.0137% |

# BOARD OF DIRECTORS AND MANAGEMENT OF THE COMPANY

Set forth below are the directors and officers of the Company and their business experience for the past five (5) years as of June 30, 2016.

**Board of Directors of GT Capital**

The Board is entrusted with the responsibility for the Company's overall management and direction. As provided in the Company's Articles of Incorporation and By-laws, it shall be composed of eleven (11) directors, at least two of whom shall be independent directors. The roles of the Chairman and President are separate and clearly defined while the independent directors are expected to provide a source of independent advice and judgment and considerable knowledge and experience to the Board's deliberations. Directors are elected by the shareholders for a period of one year. There are no restrictions on re-election, except with respect to independent directors. See "– Term of office".

The Chairman has a vote in resolutions of the Board, which must be passed by a majority vote of those present at a meeting. The senior executive officers carry out the Company's day-to-day operations under the direction of the Board.

The current members of the Board of Directors of GT Capital are as follows:

| Name | Age | Citizenship | Position | Date First Elected |
|---|---|---|---|---|
| Dr. George S.K. Ty | 83 | Filipino | Group Chairman | July 20, 2007 |
| Arthur V. Ty | 49 | Filipino | Chairman | July 20, 2007 |
| Francisco C. Sebastian | 62 | Filipino | Co-Vice Chairman | May 30, 2014 |
| Alfred V. Ty | 48 | Filipino | Co-Vice Chairman | July 20, 2007 |
| Carmelo Maria L. Bautista | 58 | Filipino | President/Director | August 5, 2011 |
| Roderico V. Puno | 53 | Filipino | Director | August 5, 2011 |
| Dr. David T. Go | 62 | Filipino | Director | May 30, 2014 |
| Jaime Miguel G. Belmonte | 52 | Filipino | Independent Director | July 11, 2012 |
| Christopher P. Beshouri | 53 | American | Independent Director | May 14, 2013 |
| Wilfredo A. Paras | 69 | Filipino | Independent Director | May 14, 2013 |
| Peter B. Favila | 67 | Filipino | Independent Director | May 11, 2015 |

The following is a brief description of the business experience of each of the directors:

**Dr. George S.K. Ty** served as GT Capital's Chairman of the Board since its inception in July 2007 until July 11, 2012. He is the current Group Chairman of GT Capital. Dr. Ty is also the founder of MBT, a listed company, and served as its Chairman from 1975 until 2006 when he became Group Chairman of the MBT Group of Companies. Dr. Ty graduated from the University of Santo Tomas and received his Doctorate in Humanities, Honoris Causa from the same university. He is concurrently the Chairman of the Board of Trustees of the Metrobank Foundation, Inc. and of the board of directors of TMP.

**Arthur Vy Ty** was elected as GT Capital's Chairman in May 2016. He previously served as the Company's Vice Chairman since its inception in 2007 before assuming the Chairmanship in 2012 up to June 2014. He was the President of MBT, a listed company, from 2006 to 2012 and was appointed as its Chairman in April 2012. He also serves as the Vice Chairman of Philippine Savings Bank (PSBank), a listed company, and Metrobank Foundation, Inc. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York in 1991.

**Francisco C. Sebastian** was elected as GT Capital's Co-Vice Chairman in May 2016. He served as Chairman of GT Capital since June 2014. He joined the MBT Group in 1997. He was initially appointed President of First

Metro Investment Corporation, a post he kept for 14 years until he was made Chairman in 2011. Concurrently, he was appointed Vice Chairman of MBT in 2006. Mr. Sebastian has been elected as Director of MPIC, a listed company, on June 3, 2016. He earned his AB degree in Economics Honors, Magna Cum Laude, from the Ateneo de Manila University in 1975. He worked in Hong Kong as an investment banker from 1977 to 1984 with Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984 until he joined MBT in 1997, he owned and managed his own business and financial advisory firm in Hong Kong, Integrated Financial Services Ltd. He is now the Chairman of First Metro Investment Corporation (FMIC), after having served as its President for 13 years.

**Alfred Vy Ty** has been a Co-Vice Chairman of the Company since February 14, 2012 and has served as a director of the Company since 2007. He is also a Director of MBT and MPIC, both listed companies, and Vice Chairman of TMP. He graduated from the University of Southern California with a degree major in Business Administration in 1989. Some of his other current roles and positions include: Chairman, Lexus Manila, Inc.; Chairman, Federal Land, Inc. (Fed Land); Chairman, PCFI; and Board of Trustee Member, Metrobank Foundation, Inc.

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

**Roderico V. Puno** has been a director of the Company since August 5, 2011 and is a Managing Partner of Puno & Puno Law Offices. He earned his Bachelor of Arts Major in Political Science from the Ateneo de Manila University in 1985, his Bachelor of Laws degree from the same University in 1989, and his Masters of Law from Northwestern University in Chicago. He is a widely recognized expert in energy law and also specializes in general corporate law, banking and project finance, real estate, utilities regulation, securities, and infrastructure. He is currently Corporate Secretary of Atlas Consolidated and Mining and Development Corporation, and First Philippine Industrial Park.

**Dr. David T. Go** has been a director of GT Capital since May 2014. He acquired his Doctor of Philosophy Degree (International Relations) from New York University in 1982. He currently serves as Director, Senior Executive Vice President, and Treasurer of TMP. He is also the Vice Chairman of Toyota Autoparts Phils., Inc.; Board Adviser and Treasurer of TFSPH; President of Toyota Motor Philippines Foundation, Inc.; Trustee of Toyota Savings and Loan Association; Chairman of Toyota San Fernando, Inc., Toyota Makati, Inc., Toyota Manila Bay Corporation. (TMBC), and Toyota Sta. Rosa Laguna Inc.; Director of Lexus Manila, Inc.; and President of Toyota Motor Phils. School of Technology, Inc.

**Jaime Miguel G. Belmonte**, was elected Independent Director of GT Capital on July 11, 2012. He is also the President and Chief Executive Officer of The Philippine Star (since 1998); President and Chief Executive Officer of Business World (since 2015); President and Publisher of Pilipino Star Ngayon (since 1994) and PM-Pang Masa (since 2003); and President of Pilipino Star Printing Company (since 1994). Mr. Belmonte is also the President of Cebu-based The Freeman and Banat News (since 2004), Vice Chairman of Stargate Media Corporation (since 2014), Publisher of People Asia Magazine, and member of the Board of Advisers of Manila Tytana College (since 2008). He earned his undergraduate degree from the University of the Philippines-Diliman.

**Christopher P. Beshouri** was elected as Independent Director of GT Capital on May 14, 2013. He is Group President and COO of VICSAL Development Corporation, a diversified conglomerate owned and led by the Gaisano Family, with holdings in Retail (Metro Retail stores), Property (Taft, HT Land), and Financial Services (banking, investment banking, brokerage, and trust). Prior to joining VICSAL, Mr. Beshouri was with McKinsey and Company for more than 15 years, where he held 3 distinct roles: President / CEO of Philippines (2005-2013), Chief of Staff of Asia (2004-2005), and Associate Principal (1997-2004). Mr. Beshouri also worked as a Senior Financial Economist and Director at the United States Treasury from 1989 to 1997, where he focused on financial markets and banking regulation. In addition, Mr. Beshouri was an Adjunct Professor of Georgetown University, College of Business from 1996-1997, a Consultant for the West Africa Country Operations of the World Bank in 1988, a Financial Auditor of the Catholic Relief Services from 1987 to 1988, and an Analyst and Research Assistant for the Federal Reserve Bank of Atlanta from 1984 to 1986. Mr. Beshouri holds a Bachelor of Arts Degree (Dual Major in Economics and Public Policy) from the Michigan State University, and a degree in Master of Public Affairs from Princeton University.

**Wilfredo A. Paras** was elected as Independent Director of GT Capital on May 14, 2013. He currently holds various positions in Philippine corporations, such as: Independent Director of Philex Mining Corporation, a listed company, (2011-present); Director of Oil Mills Goup of CIIF- Granexport Manufacturing Corporation, Cagayan de Oro Oil Mills Corporation, Iligan Coconut Oil Mills Corporation (2011-present); Member of the Board of Trustees of Dualtech Training Center (2012-present); and President of WAP Holdings, Inc. (2007-present). He also served as the Executive Vice President/Chief Operating Officer and Director of JG Summit Petrochemical Corporation; and was also the President of Union Carbide Philippines, the President/Director of Union Carbide-Indonesia, Managing Director of Union Carbide Singapore and Business Director for Union Carbide Asia-Pacific. Mr. Paras holds a degree in Bachelor of Science (BS) Industrial Pharmacy from the University of the Philippines and a Master in Business Administration (MBA) from the De la Salle University Graduate School of Business. He finished a Management Program of the University of Michigan, Ann Arbor, Michigan, USA.

**Peter B. Favila** was elected as Independent Director on May 12, 2015. Prior to this, he served as GT Capital's Board Advisor since October 23, 2014. He is presently a Consultant to the Bangko Sentral ng Pilipinas (BSP) after completing his fixed term as Member of the Monetary Board. Likewise, Mr. Favila is a member of the Supervisory Committee of the (ABF) Philippines Index Bond Fund and of the Advisory Council of the Asian Bankers Association. He is a member of the Board of Trustees of the Ramos for Peace and Development Foundation, Inc. (RPDev) and Trustee of the Alay sa Kawal Foundation, Inc. With more than 40 years of experience in the field of banking and finance, he held various executive positions in both the public and private sector. In 2005, he was appointed Secretary of the Department of Trade and Industry (DTI) where in concurrent capacity he chaired several attached agencies to DTI until the end of his term in 2010. Mr. Favila, in the private sector, had served as Senior Vice President of Metropolitan Bank and Trust Co., President/CEO of Security Banking Corporation, Vice-Chairman/President/CEO of Philippine National Bank, and President/CEO of Allied Banking Corporation. Prior to his stint in government service, he was elected as Chairman of the Philippine Stock Exchange (PSE). Mr. Favila is a recipient of various recognitions and awards prominent of which are the Republic of the Philippine's Order of Lakandula with the rank of Bayani conferred by President Gloria Macapagal-Arroyo; the Gran Cruz Orden de Isabel la Catolica conferred by King Juan Carlos I of Spain; the Order of the Rising Sun, Gold and Silver Star conferred by His Majesty Emperor Akihito of Japan. Mr. Favila earned his Bachelor of Science degree in Commerce from the Santo Tomas University and completed his Advance Management Program at the Wharton School, University of Pennsylvania. He is an adopted member of Class 1982 of the Philippine Military Academy.

**Board Meetings**

The Board meets regularly to ensure a high standard of business practice for GT Capital and its stakeholders and to ensure soundness, effectiveness, and adequacy of its internal control environment. In 2015, the Board had five (5) board meetings, inclusive of one (1) organizational meeting, three (3) regular meetings, and one (1) special meeting. As of June 30, 2016, the Board has had five (5) meetings.

## Term of office

The directors are elected during each regular meeting of the Company's stockholders and hold office for one year and until their successors are elected and qualified. SEC Memorandum Circular No. 9 Series of 2011 sets the term of an independent director at five consecutive years. After this period, an independent director shall be eligible for re-election as such after a two-year period. In case of re-election, such person may serve as an independent director for another consecutive five (5) years, after which he is perpetually barred from serving as an independent director of GT Capital. However, in GT Capital's Manual on Corporate Governance, a re-elected independent director may only serve for another four (4) consecutive years. The Company's By-laws have been recently amended to reflect that the Company's regular meetings of stockholders are to be held on the second Wednesday of May of each year, or on the day following, if the second Wednesday of May is a legal holiday.

## Involvement in certain legal proceedings of directors and executive officers

None of the members of the Board, nor any of the Company's executive officers, has been or is involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to the date of this Prospectus. None of the members of the Board, nor any of the Company's executive officers, has been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country. None of the members of the Board nor any of the Company's executive officers have been or are subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities. None of the members of the Board nor any of the Company's executive officers have been found by a domestic or foreign court of competent jurisdiction (in a civil action), commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

## Corporate Governance

The Company adopted its original Manual on Corporate Governance (the "Governance Manual") on December 2, 2011. The latest Governance Manual, as amended, was submitted to the Securities and Exchange Commission on December 17, 2014. The policy of corporate governance is based on the Governance Manual. The Governance Manual lays down the principles of good corporate governance to be followed by the entire organization. The Governance Manual provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance, to foster long-term success and to secure the Company's sustained competitiveness in a manner consistent with its fiduciary responsibility. Included in the Board of Directors' yearly Self-Assessment is the evaluation of its compliance with this function. Moreover, the Company's Human Resources ("HR") and Administration Department, in coordination with the relevant heads of each department, monitors and ensures compliance with the Company's policies, including the Governance Manual, and if necessary, imposes the appropriate disciplinary action. In addition, each department is audited by the Company's Internal Audit Department to further verify compliance with existing policies and procedures.

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

The Governance Manual embodies the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Governance Manual further provides for the rights of all shareholders and the protection of the interests of minority stockholders. Violation of the Governance Manual may result in the imposition of a penalty ranging from a reprimand to dismissal, depending on the frequency and gravity of the violation.

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

The Company intends to align its corporate governance standards and practices with best practice in accordance with the ASEAN Corporate Governance Scorecard.

To date, there has been no deviation from GT Capital's Manual on Corporate Governance.

***Executive Committee***

The Executive Committee exercises the Board's powers in the interim periods between Board meetings. The Committee, however, cannot approve resolutions or take action with regard to the following: (a) matters requiring shareholders' approval; (b) filling of vacancies in the Board; (c) amendment or repeal of GT Capital's Articles of Incorporation and By-laws or the adoption of new By-laws; (d) amendment or repeal of any resolution of the Board; and (e) declaration of cash dividends.

The Executive Committee is composed of:

| | |
|---|---|
| 1. Arthur Vy Ty | (Chairman) |
| 2. Alfred Vy Ty | (Vice Chairman) |
| 3. Francisco C. Sebastian | (Member) |
| 4. Carmelo Maria Luza Bautista | (Member) |
| 5. Mary Vy Ty | (Adviser) |

***Audit Committee***

The Audit Committee, among its other duties and responsibilities, assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. The Audit Committee also has oversight functions over GT Capital's external auditor and is responsible for its appointment and the monitoring of non-audit fees paid to the external auditor.

The Audit Committee consists of four directors, all of whom are non-executive directors. At least one member has accounting and finance background, as well as audit experience, and the Chairman is an independent director.

The Audit Committee is composed of:

| | |
|---|---|
| 1. Wilfredo A. Paras | (Chairman) |
| 2. Christopher P. Beshouri | (Member) |
| 3. David T. Go | (Member) |
| 4. Peter B. Favila | (Member) |
| 5. Pascual M. Garcia, III | (Adviser) |

***Nominations Committee***

The Nominations Committee is composed of three voting directors, of which a majority are independent, as far as practicable. The Chairman must always be independent. Its key function is the evaluation of candidates for director and the shortlisting of nominees for election to the Board, as well as those nominated in other positions requiring appointment by the Board in accordance with specified qualifications and disqualifications.

The Nominations Committee is composed of:

| | |
|---|---|
| 1. Wilfredo A. Paras | (Chairman) |
| 2. Carmelo Maria Luza Bautista | (Member) |
| 3. Peter B. Favila | (Member) |

***Compensation Committee***

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

The Compensation Committee is composed of:

| | |
|---|---|
| 1. Jaime Miguel G. Belmonte | (Chairman) |
| 2. Christopher P. Beshouri | (Member) |
| 3. Alfred Vy Ty | (Member) |

***Corporate Governance Committee***

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

The Corporate Governance Committee is composed of:

| | |
|---|---|
| 1. Christopher P. Beshouri | (Chairman) |
| 2. Wilfredo A. Paras | (Member) |
| 3. Jaime Miguel G. Belmonte | (Member) |

***Risk Oversight Committee***

The Risk Oversight Committee is composed of at four members, of which three (3) are independent. Its Chairman is a non-executive director, and its members shall possess a range of expertise and adequate knowledge of the institution's risk exposures, in order for the Committee to develop appropriate strategies for addressing identified key risk areas. The Committee is responsible for institutionalizing and overseeing GT Capital's risk management program and monitoring the risk management policies and procedures of GT Capital's subsidiaries in relation to its own.

The Risk Oversight Committee is composed of:

| | |
|---|---|
| 1. Peter B. Favila | (Chairman) |
| 2. Wilfred A. Paras | (Member) |
| 3. Christopher P. Beshouri | (Member) |
| 4. Roderico V. Puno | (Member) |

**Executive officers of GT Capital**

GT Capital's executive officers are responsible for the day-to-day management and operations of the Company. The following table sets forth information regarding its executive officers.

| Name | Age | Citizenship | Position | Title |
|---|---|---|---|---|
| Carmelo Maria Luza Bautista | 58 | Filipino | President/Director | President |
| Francisco H. Suarez, Jr | 56 | Filipino | Executive Vice President | Chief Financial Officer |
| Anjanette T. Dy Buncio | 47 | Filipino | Treasurer | Treasurer |
| Alesandra T. Ty | 36 | Filipino | Assistant Treasurer | Assistant Treasurer |
| Antonio V. Viray | 76 | Filipino | Corporate Secretary | Corp. Secretary |
| Jocelyn Y. Kho | 61 | Filipino | Assistant Corporate Secretary | Assistant Corporate Secretary |
| Jeanne Frances T. Chua | 50 | Filipino | Assistant Corporate Secretary | Assistant Corporate Secretary |
| Jose B. Crisol, Jr. | 49 | Filipino | First Vice President | Head of Investor Relations |
| Winston Andrew L. Peckson | 64 | Filipino | First Vice President | Chief Risk Officer |
| Susan E. Cornelio | 44 | Filipino | Vice President | Human Resources & Administration |
| Richel D. Mendoza | 44 | Filipino | Vice President | Chief Audit Executive |
| Elsie D. Paras | 43 | Filipino | Vice President | Deputy CFO |
| Reyna Rose P. Manon-og | 34 | Filipino | Vice President | Controller |
| Renee Lynn Miciano-Atienza | 34 | Filipino | Assistant Vice President | Head of Legal and Compliance |

The following is a brief description of the business experience of each of the executive officers:

**Carmelo Maria Luza Bautista.** See "– Board of Directors of GT Capital".

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

**Anjanette Ty Dy Buncio** was appointed as GT Capital's Treasurer in May 2015. Prior to this, she has served as the Company's Assistant Treasurer since 2007. She holds several other positions in other companies among which are as Vice Chairman and Director of Metrobank Card Corporation; and Director and Senior Vice President of Fed Land. She graduated from the International Christian University in Tokyo, Japan with a Bachelor of Science degree in Economics.

**Alesandra T. Ty** was appointed Assistant Treasurer of GT Capital on 14 February 2012. She graduated from the Ateneo de Manila University with a Bachelor of Science degree in Legal Management. She then earned her Masters in Business Administration at the China Europe International Business School in Shanghai, China. She is currently Director and Treasurer of AXA Philippines; Director of ORIX Metro Leasing and Finance Corporation, Federal Homes, Inc., and Sumisho Motorcycle Finance Corp.; the Corporate Treasurer of Metrobank Card Corporation; Corporate Secretary of Metrobank Foundation, Inc.; and Executive Vice President of Grand Titan.

**Antonio V. Viray** joined the Company as Assistant Corporate Secretary and became Corporate Secretary in 2009. Concurrently, he is the Corporate Secretary of MBT and PCFI. He was formerly a Director, Senior Vice-President, and General Counsel of MBT. He was also a Senior Vice-President & Corporate Secretary of PSBank, a listed company, and Director of Solidbank. At present, he is also the Corporate Secretary of Global Treasure Holdings, Inc. and Grand Titan. He is also Of Counsel of Feria Tantoco Daos Law Office. He obtained his Bachelor of Laws from the University of Sto. Tomas and Master of Laws from Northwestern University.

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

**Jeanne Frances T. Chua** was appointed as Assistant Corporate Secretary on May 12, 2015. She concurrently serves as Director of PSBank. She holds a Bachelor of Science degree in Finance from Santa Clara University.

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

**Winston Andrew L. Peckson** serves as First Vice President and Chief Risk Officer of GT Capital. He was appointed to the position in February 2016. Mr. Peckson brings to the Company over 40 years of experience in banking. Concurrent to his position, he is a Director of the First Metro ETF Fund, and a Fellow of the Institute of Corporate Directors. Before joining GT Capital, he served as a Consultant for the Treasury and Investment Banking Group of FMIC. Prior to his stint with FMIC, he was the Head of Treasury Marketing of Philippine National Bank (PNB). Before this, he was also Vice President and General Manager of ABN AMRO Bank NV's Manila Offshore Branch, a position he held for 10 years. Other previous positions held were: Vice President and Corporate Treasury Advisor of Bank of America – Manila Branch, CEO and Director of Danamon Finance Company (HK) Ltd. (DFCL), Manager for Corporate Banking of Lloyds Bank PLC – Hong Kong Branch, Vice President for Commercial Banking of Lloyds Bank PLC – Manila Offshore Branch, and Branch Banking Head of Far East Bank & Trust Company. He obtained his Bachelor of Arts Degree, Major in Psychology and Minor in Business Administration from the Ateneo De Manila University and earned his Masters Degree in Business Management from the Asian Institute of Management.

**Susan E. Cornelio** joined the Company on July 4, 2012 as the Head of the Human Resources Division. Prior to this, she served as Vice President and Head of the Compensation and Benefits Department of Sterling Bank of Asia. Before this, she was Assistant Vice President and Head of the Compensation and Benefits Department of United Coconut Planters Bank. Her other past employments include: MBT, ABN AMRO, Solidbank, and Citytrust, among others. She holds a degree of Bachelor of Science major in Accounting from the Sta. Isabel College and a Master Certificate in Human Resources from Cornell University's School of Industrial and Labor Relations.

**Richel D. Mendoza** joined the Company on October 1, 2013 as its Chief Audit Executive. She served as Board Director of the Institute of Internal Auditors (IIA) Philippines from 2004-2012 prior to her appointment as its Chief Operating Officer in 2012. Richel is a seasoned internal audit practitioner with 17 years of experience from listed company Roxas Holdings, Inc., serving as Senior Auditor in one of its subsidiaries until she became the Group Internal Audit Head. She gained her audit background from SGV and Co. Richel has a Masters in Business Administration degree from De La Salle University Graduate School of Business and a Bachelor of Science degree in Business Administration Major in Accounting from University of the East, Magna Cum Laude. Richel is a Certified Public Accountant, a Certified Internal Auditor (CIA), and an IIA accredited Quality Assurance Validator, Trainer and CIA Reviewer. She completed the Diploma Program in Corporate Finance at the Ateneo De Manila Professional Schools.

**Elsie D. Paras**, serves as GT Capital's Vice President for Corporate Planning and Business Development and Deputy Chief Finance Officer. She was appointed to the position on January 5, 2015. Prior to joining the Company, she served as Finance Manager and Deputy CFO of SIA Engineering Philippines, a joint venture of Cebu Air and SIA Engineering of Singapore. Before this, she was a Manager for Strategic Consulting for Jones Lang La Salle MENA in Dubai. Her other previous employments include: Business Development Manager for Commercial Centers of Robinsons Land Corporation and Project Development Manager at Ayala Land, Inc. for middle income housing among others. She attained her Masters in Business Management, Major in Finance from the Asian Institute of Management in 2001. She was also a participant in the International Exchange Student Program of HEC School of Management of France. Prior to her MBM, she worked for six years in equity research and investment banking. She graduated with honors from the University of the Philippines with a Bachelor of Science degree in Business Economics.

**Reyna Rose P. Manon-og**, was appointed the Company's controller in October 2011. Prior to joining the Company, she spent seven years at SGV & Co. wherein she held various positions including Director; and another two years in United Coconut Planters Bank as Assistant Vice President and Head of its Financial Accounting Department. She is a Certified Public Accountant and a cum laude graduate of Bicol University.

**Renee Lynn Miciano-Atienza** serves as Head of GT Capital's Legal & Compliance Department. She has been with GT Capital since 2012, serving as Senior Legal & Compliance Officer. Prior to joining the Company, she was the Head of the Investigation and Enforcement Department of the Capital Markets Integrity Corporation (CMIC). Before joining CMIC, she was the Officer-in-Charge of the Prosecution and Enforcement Department of the PSE. She was also Legal Counsel for the Office of Senator Miguel Zubiri, and prior to entering law school, a Trader for United Coconut Planters Bank. She earned her Bachelor of Science degree in Management from the Ateneo De Manila University and finished her Juris Doctor degree in the same university.

**Significant Employees**

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

**Chief Information Officer and Investor Relations Officer**

The Company's CFO, Mr. Francisco H. Suarez, Jr. is also its Chief Information Officer. His contact details are as follows:

| | |
|---|---|
| Telephone Number | +632 836 4500 |
| Email Address | francis.suarez@gtcapital.com.ph |
| Office Address | 43/F GT Tower International, 6813 Ayala Avenue cor.HV dela Costa St., 1227 Makati City |

See "– Board of Directors and Senior Management of GT Capital – Executive Officers of GT Capital" for a brief profile of Mr. Suarez.

Mr. Jose B. Crisol, Jr. is the Company's Investor Relations Officer, His contact details are as follows:

| | |
|---|---|
| Telephone Number | +632 836 4500 |
| Email Address | jose.crisol@gtcapital.com.ph |
| Office Address | 43/F GT Tower International, 6813 Ayala Avenue cor.HV dela Costa St., 1227 Makati City |

See "– Board of Directors and Senior Management of GT Capital – Executive Officers of GT Capital" for a brief profile of Mr. Crisol.

## Executive Compensation of GT Capital

***Summary compensation table***

The following table identifies the Company's President and four most highly-compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2014, 2015, and 2016 estimate. The amounts (in ₱ millions) set forth in the table below have been prepared based on what the Company paid its executive officers for the periods abovementioned.

| Name and Principal Position | Year | Salary | Bonus | Others | Total |
|---|---|---|---|---|---|
| Named Executive Officers* | 2016E** | 29.288 | 13.084 | n.a. | 42.372 |
| | 2015 | 27.565 | 13.803 | n.a. | 41.368 |
| | 2014 | 22.345 | 14.455 | n.a. | 36.800 |
| All other Officers as a Group | 2016E** | 18.787 | 3.324 | n.a. | 22.111 |
| | 2015 | 17.559 | 3.106 | n.a. | 20.665 |
| | 2014 | 13.940 | 4.470 | n.a. | 18.410 |
| Total | 2016E** | 48.075 | 16.408 | n.a. | 64.483 |
| | 2015 | 45.124 | 16.909 | n.a. | 62.033 |
| | 2014 | 36.285 | 18.925 | n.a. | 55.210 |

**Named executive officers include: Carmelo Maria Luza Bautista (President), Francisco H. Suarez, Jr. (Chief Financial Officer), Joselito V. Banaag (Head, Legal and Compliance)***, Jose B. Crisol (Head, Investor Relations and Corporate Communications), and Susan E. Cornelio (Head, Human Resources).*
*** Figures for the year 2016 are estimates.*
**** Resigned effective November 8, 2015*

***Employment contracts between the Company and named executive officers***

The Company has no special employment contracts with the named executive officers.

***Warrants and options outstanding***

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

***Stock option plan***

The Company has no employee stock option plan.

***Family Relationships***

Mary Vy Ty is the wife of Dr. George SK Ty. Arthur Vy Ty, Alfred Vy Ty, Anjanette T. Dy Buncio and Alesandra T. Ty are the children of Dr. George SK Ty and Mary Vy Ty. Jeanne Frances T. Chua is the niece of Dr. George SK Ty. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the Company other than the ones disclosed herein.

## Security Ownership of Management and Certain Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of June 30, 2016 were as follows:

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Name of Beneficial Ownerand Relationshipwith RecordOwner | Citizenship | No. of Shares Held | Percent ( % ) |
|---|---|---|---|---|---|
| Preferred | Grand Titan Capital Holdings, Inc. (Grand Titan) 4th Floor Metrobank Plaza, Sen. Gil Puyat Ave., Makati City Grand Titan is the parent company of the Issuer. | Same as the Record Owner<br><br>Arthur Vy Ty, Chairman of Grand Titan, is authorized to vote the shares held by Grand Titan. | Filipino | 170,490,640 | 97.8145% |
| Common | | | | 94,656,110 | 54.3064% |
| Common | PCD Nominee Corp. (Non-Filipino) [1] | Various Scripless Stockholders The Corporation has not been | Foreign | 59,881,402 | 34.3554% |

| | | | | | |
|---|---|---|---|---|---|
| | 37/F The Enterprise Center, Ayala Avenue, Makati City | advised of any stockholder under PCD Nominee | | | |
| Common | PCD Nominee Corp. (Filipino) [1] 37/F The Enterprise Center, Ayala Avenue, Makati City | Filipino or Non-Filipino who holds more than 5% of the common stock of the Corporation. | Filipino | 19,158,091 | 10.9914% |

*(1) PCD Nominee Corporation (PCNC) is a wholly owned subsidiary of the Philippine Central Depository (PCD) and acts as trustee-nominee for all shares lodged in the PCD system where trades effected on the Philippine Stock Exchange are finally settled and lodged. Persons who opt to trade through the PCD do not receive stock certificates as an evidence of ownership, as trading using the PCD is completely paperless. Beneficial ownership of shares lodged with the PCNC (Filipino/Non-Filipino) remains with the lodging stockholder.*

## Security Ownership Of Directors and Management

As of June 30, 2016, the following table sets forth security ownership of the Company's Directors and Officers:

| Title of Securities | Name of Beneficial Owner of Common Stock | Amount and Nature of Beneficial Ownership | | Citizenship | Percent of Class |
|---|---|---|---|---|---|
| | | Direct | Indirect | | |
| Common | George Siao Kian Ty | 200,000 | 0 | Filipino | 0.11% |
| Common | Arthur Vy Ty | 100,000 | 2,100 | Filipino | 0.06% |
| Common | Alfred Vy Ty | 100,000 | 2,100 | Filipino | 0.06% |
| Common | Francisco C. Sebastian | 100 | 10,000 | Filipino | 0.00% |
| Common | Carmelo Maria Luza Bautista | 1,000 | 10,000 | Filipino | 0.01% |
| Common | Roderico V. Puno | 1,000 | 0 | Filipino | 0.00% |
| Common | David T.Go | 100 | 0 | Filipino | 0.00% |
| Common | Peter B. Favila | 0 | 200 | Filipino | 0.00% |
| Common | Jaime Miguel G. Belmonte | 1,000 | 0 | Filipino | 0.00% |
| Common | Wilfredo A. Paras | 1,000 | 0 | Filipino | 0.00% |
| Common | Christopher P. Beshouri | 1,000 | 0 | American | 0.00% |
| Common | Anjanette T. Dy Buncio | 0 | 42,100 | Filipino | 0.02% |
| Common | Alesandra T. Ty | 0 | 1,700 | Filipino | 0.00% |
| Common | Antonio V. Viray | 0 | 0 | Filipino | 0.00% |
| Common | Jeanne Frances T. Chua | 200 | 500 | Filipino | 0.00% |
| Common | Jocelyn Y. Kho | 0 | 0 | Filipino | 0.00% |
| Common | Francisco H. Suarez, Jr. | 0 | 5,000 | Filipino | 0.00% |
| Common | Jose B. Crisol, Jr. | 0 | 0 | Filipino | 0.00% |
| Common | Winston L. Peckson | 0 | 121 | Filipino | 0.00% |
| Common | Susan E. Cornelio | 0 | 0 | Filipino | 0.00% |
| Common | Richel D. Mendoza | 0 | 0 | Filipino | 0.00% |
| Common | Reyna Rose P. Manon-Og | 0 | 0 | Filipino | 0.00% |
| Common | Elsie D. Paras | 0 | 0 | Filipino | 0.00% |
| Common | Renee Lynn Miciano-Aienza | 0 | 25 | Filipino | 0.00% |
| **Total** | | **405,400** | **73,846** | | **0.26%** |
| | | **479,246** | | | |

### *Voting Trust Holders of 5% or More*

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

### *Changes in Control*

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

# CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The GT Capital group, in the 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, capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are conducted fairly and at an arm's length basis and are subject to review by the Company's Corporate Governance Committee.

Related party transactions are also discussed in the accompanying financial statements of the Company.

**TMP'S RELATED PARTY TRANSACTIONS**

As a member of the GT Capital Group, TMP continues to benefit from this affiliation in several ways. GT Capital has a 40% interest in TFSPH, which is a joint venture between GT Capital and Toyota Financial Services Corporation of Japan. TFSPH provides financing to both the general public and Toyota dealerships for the purchase of cars and the acquisition of vehicle inventories, respectively. While TMP does not have any ownership interest in TFSPH, TFSPH's financing promotions for retail and wholesale customers help to support sales of TMP's products. MBT's credit card subsidiary, MCC, and TMP have also developed a Toyota Mastercard, a loyalty and credit card in one, where rewards earned on purchases made with the Toyota Mastercard can be used to purchase items at any Toyota dealership. In addition, certain GT Capital companies maintain fleet accounts for the purchase of Toyota cars for their business operations. In terms of management, TMP is also able to draw upon the significant managerial experience of the GT Capital companies to complement its own managerial resources.

**TMBC'S RELATED PARTY TRANSACTIONS**

TMBC has some transactions with the following related parties:

a) Maintains savings, current accounts and short-term cash investments with MBT and Philippine Savings Bank.
b) Purchase vehicles, parts and accessories from TMP.
c) Swaps vehicle inventory with Toyota Makati, Toyota San Fernando, and Toyota Plaridel.
d) Contract of lease with Federal Land, Inc., Horizon Land Property Development Corporation and Oxfordshire Holdings, Inc. for the dealership facilities, stockyard and parking area.
e) Contract of sublease with MBTC for office space and branch facilities.
f) Management of retirement plan assets by MBTC.
g) Charter Ping An – insurance of motor vehicles
h) MBT Credit Card Corporation – tie up with Toyota Mastercard

**TFSPH'S RELATED PARTY TRANSACTIONS**

<u>TFSPH enters into transactions with TMP and Toyota dealers nationwide.</u>

As the financing arm of TMP, TFSPH collaborates with both TMP and Toyota dealers for joint sales programs and promotions as well as integration of operations to fully support Toyota sales. When Toyota dealers sell cars to customers, they offer TFSPH with its *flexible and affordable financial packages* that customers can choose from.

**MBT'S RELATED PARTY TRANSACTIONS**

a. MBT, in its regular conduct of 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, and leasing agreements. Transactions with related parties are made at normal market prices.

For a description of the related party transactions of MBT, see also the respective note on Related Party Transactions in MBT's financial statements.

b. Parties are generally 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 or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

c. The MBT Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral terms, as those prevailing at the time for comparable transactions with unrelated parties. These transactions did not involve more than the normal risk of collectability or present other unfavorable conditions.

d. In the ordinary course of business, the MBT Group has DOSRI loan transactions (as discussed in BSP Circular No. 423 dated March 15, 2004, as amended). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the MBT Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of total loan portfolio, whichever is lower, of MBT, PSBank, FMIC and ORIX Metro.

e. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts:

| | **2013** | **2014** | **2015** | **As of June 30, 2016** |
|---|---|---|---|---|
| Total outstanding DOSRI accounts | ₱6,438 | ₱5,636 | ₱6,713 | ₱8,846 |
| Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans | 0.00% | 0.00% | 0.00% | 0.00% |
| Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans | 1.05% | 0.74% | 0.76% | 0.96% |
| Percent of DOSRI accounts to total loans | 1.05% | 0.74% | 0.76% | 0.96% |
| Percent of unsecured DOSRI accounts to total DOSRI accounts | 12.55% | 20.54% | 14.04% | 22.85% |
| Percent of past due DOSRI accounts to total DOSRI accounts | 1.31% | 0.00% | 5.68% | 0.20% |
| Percent of nonaccruing DOSRI accounts to total DOSRI accounts | 1.31% | 0.00% | 5.68% | 0.20% |

f. BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of June 30, 2016 and December 31, 2015, the total outstanding loans, other credit accommodations and guarantees to each of MBT's subsidiaries and affiliates did not exceed 10.0% of MBT's net worth, and the unsecured portion did not exceed 5.0% of such net worth and the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 2.6% of MBT's net worth.

g. The BSP issued Circular No. 654 which allows a separate individual limit to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of twenty-five (25.0%) of the net worth of the lending bank/quasi-bank: provided, that the unsecured portion thereof shall not exceed 12.5% of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/quasi-bank; except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of June 30, 2016 and December 31, 2015, the total outstanding loans, other credit accommodations and guarantees to each of MBT's subsidiaries and affiliates engaged in energy and power generation did not exceed 25.0% of MBT's net worth, as reported to the BSP, and the unsecured portion did not exceed 12.5% of such net worth.

h. Total interest income on the DOSRI loans in 2015, 2014 and 2013 amounted to ₱107.2 million, ₱117.0 million, and ₱275.5 million, respectively, and ₱83.9 million and ₱73.2 million in the periods ended June 30, 2016 and 2015, respectively, for the MBT Group.

i. Other significant related party transactions of MBT are discussed in Note 31 to the MBT Group's audited financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013. Transactions with subsidiaries have been eliminated in the consolidated financial statements.

**FED LAND'S RELATED PARTY TRANSACTIONS**

Fed Land, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances and reimbursement of expenses, leasing agreements, acquisition of undeveloped land and management agreements.

1. Land for Development
   In 2015, Fed Land purchased three parcels of land all located at Macapagal and four parcels of land in the Ortigas area from Hill Realty and MBT, respectively, for a total consideration of ₱6.7 billion. These parcels of land were acquired at their fair market values at the time of the acquisition.

2. Management Fees
   Management fee pertains to the income received from a joint venture of Fed Land with Bonifacio Landmark Realty and Development Corp (BLRDC) Fed Land Orix Corporation ("FLOC") and MBT.

3. Lease agreements
   In 2015, Fed Land also leased/renewed leases of its mall and offices to some of its associates and affiliates. The lease terms ranged from 5 to 10 years.

**PCFI'S RELATED PARTY TRANSACTIONS**

In its regular conduct of business, PCFI has entered into bank financing transactions with MBT and First Metro Investment Corporation, principally consisting of promissory and corporate notes, in order to finance its working capital and real estate development. Transactions are made at an arm's length basis.

**AXA'S RELATED PARTY TRANSACTIONS**

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are 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.

Related party transactions consist mainly of the following:

| Entities with joint control over the Company | Terms | Conditions |
|---|---|---|
| MBT | | |
| Savings, current and time deposits accounts | 5 days, 0.10 % to 0.375% | Unsecured, no impairment |
| Interest income | 5 days, 0.10 % to 0.375% | Unsecured, no impairment |
| Service fees | 0.10% to 0.30% of NAV | Unsecured, no impairment |
| Commission expense | Interest-free, settlement in cash | Unsecured, no impairment |
| Pension liability | Interest-free, settlement in cash | Unsecured, no impairment |
| Trust fees | Interest-free, settlement in cash | Unsecured, no impairment |
| Rent expense | Interest-free, settlement in cash | Unsecured, no impairment |
| Rent income | Interest-free, settlement in cash | Unsecured, no impairment |
| Premium income | Interest-free, settlement in cash | Unsecured, no impairment |
| Claims | Interest-free, settlement in cash | Unsecured, no impairment |
| Gross experience refund | Interest-free, settlement in cash | Unsecured, no impairment |
| FMIC | | |
| Premium income | Interest-free, settlement in cash | Unsecured, no impairment |
| AXA S.A. | | |
| Shared service costs | Interest-free, settlement in cash | Unsecured, no impairment |
| Various expenses | Interest-free, settlement in cash | Unsecured, no impairment |
| **Unit-linked funds** | | |
| Asset management fees | 1.30% to 2.10% of NAV | Unsecured, no impairment |
| Redemptions | Interest-free, settlement in cash | Unsecured, no impairment |
| **Other related parties** | | |
| Philippine Savings Bank | | |
| Savings, current and time deposits accounts | 90 days, .25 % to 1.75% | Unsecured, no impairment |
| Interest income | 90 days, .25 % to 1.75% | Unsecured, no impairment |
| Rent expense | Interest-free, settlement in cash | Unsecured, no impairment |
| Premium income | Interest-free, settlement in cash | Unsecured, no impairment |
| Claims | Interest-free, settlement in cash | Unsecured, no impairment |
| Gross experience refund | Interest-free, settlement in cash | Unsecured, no impairment |
| Federal Land | | |
| Settlement of receivable | Interest-free, settlement in cash | Unsecured, no impairment |
| Premium income | Interest-free, settlement in cash | Unsecured, no impairment |
| Charter Ping An Insurance Corporation | | |
| Premium income | Interest-free, settlement in cash | Unsecured, no impairment |
| Gross experience refund | | |
| Orix Metro Leasing and Finance Corporation | | |
| Premium income | Interest-free, settlement in cash | Unsecured, no impairment |
| Toyota Motor Philippines Corporation | | |
| Premium income | Interest-free, settlement in cash | Unsecured, no impairment |
| Claims | Interest-free, settlement in cash | Unsecured, no impairment |
| Gross experience refund | Interest-free, settlement in cash | Unsecured, no impairment |
| AXA Paris | | |
| Various expenses | Interest-free, settlement in cash | Unsecured, no impairment |
| AXA Malaysia | | |
| Various expenses | Interest-free, settlement in cash | Unsecured, no impairment |
| AXA SA | | |
| Various expenses | Interest-free, settlement in cash | Unsecured, no impairment |
| AXA Global Life | | |
| Various expenses | Interest-free, settlement in cash | Unsecured, no impairment |
| Key management personnel | | |
| Due from officers and employees | 8% interest bearing, settlement in cash or salary deduction | Unsecured, no impairment |

## MPIC'S RELATED PARTY TRANSACTIONS

In its regular conduct of business, MPIC and its subsidiaries, has entered into transactions with GT Capital's subsidiaries and associates, namely, TMP, PCFI, MBT and First Metro Investment Corporation, principally consisting of loans, various time deposits, purchase of company fleet and Operations and Maintenance Agreement involving toll banners for the group's respective working capital, capital expenditure and operational requirements. Transactions are made at normal market prices.

# MARKET PRICE OF AND DIVIDENDS ON THE ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

## Market Information

The Company's Common Shares are listed and traded at the PSE since April 20, 2012. The high and low trading prices for each period since the listing of the Common Shares are as follows:

| | 2014 | |
|---|---|---|
| 1st Quarter (Jan 1 to Mar 31) | 850.00 | 718.00 |
| 2nd Quarter (Apr 1 to June 30) | 890.00 | 785.00 |
| 3rd Quarter (July 1 to Sept 30) | 1,060.00 | 853.00 |
| 4th Quarter (Oct 1 to Dec 31) | 1,148.00 | 1,004.00 |
| | **2015** | |
| 1st Quarter (Jan 1 to Mar 31) | 1,364.00 | 1,040.00 |
| 2nd Quarter (Apr 1 to June 30) | 1,455.00 | 1,218.00 |
| 3rd Quarter (July 1 to Sept 30) | 1,449.00 | 1,120.00 |
| 4th Quarter (Oct 1 to Dec 31) | 1,377.00 | 1,215.00 |
| | **2016** | |
| 1st Quarter (Jan 1 to Mar 31) | 1,456.00 | 1,215.00 |
| 2nd Quarter (Apr 1 to June 30) | 1,520.00 | 1,340.00 |

**Source: Bloomberg*

As of October 13, 2016, the closing price of the Company's Common Shares is ₱1,330.00 per share.

## Dividends

As a policy, GT Capital has an annual target dividend payout of ₱3.00 per share, payable out of its unrestricted retained earnings available. Such declaration takes into consideration factors such as restrictions that may be imposed by current and prospective financial covenants; projected levels of operating results, working capital needs and long-term capital expenditures; and regulatory requirements on dividend payments, among others.

In 2013, 2014 and 2015, the Company paid cash dividends to its stockholders as follows:

| Date of declaration | Record date | Payment date | Class of stock | Total amount (in millions) | Per share |
|---|---|---|---|---|---|
| August 12, 2013 | September 10, 2013 | October 2, 2013 | Common | 522.90 | 3.00 |
| March 11, 2014 | April 8, 2014 | May 2, 2014 | Common | 522.89 | 3.00 |
| March 13, 2015 | April 17, 2015 | May 4, 2015 | Common | 522.87 | 3.00 |

On March 10, 2016, the Board of Directors of the Company approved the declaration of cash dividends as follows:

| Date of declaration | Record date | Payment date | Class of stock | Total amount (in millions) | Per share |
|---|---|---|---|---|---|
| March 10, 2016 | April 8, 2016 | May 4, 2016 | Common | 1,045.80 | 6.00 |
| March 10, 2016 | April 8, 2016 | May 4, 2016 | Voting Preferred | 0.66 | 0.00377 |

## Recent Sale of Unregistered or Exempt Securities

On January 10, 2013, GT Capital launched and priced an overnight placement of 23,027,000 Common Shares (the "Placement") to institutional buyers priced at ₱620.00 per share. Grand Titan Holdings, Inc., GT Capital's controlling shareholder, sold existing shares and subsequently subscribed to 16,300,000 new Common Shares issued by GT Capital, at the same price as the Placement. GT Capital filed a Notice of Exemption with the SEC for the issuance of Voting Preferred Shares under the SRC Rule 10.1(e): the sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

On March 13, 2015, the Board of the GT Capital approved the issuance of 174,300,000 Voting Preferred Shares with a par value of ₱0.10 per share through a 1:1 Stock Rights Offering, to all stockholders of record as of March 25, 2015, offered to eligible stockholders from April 1 to 8, 2015 and issued on April 13, 2015. This transaction is also exempt under SRC Rule 10.1(e).

**Effect on Common Equity Holders**

The Preferred Shares will not have any dilutive effect on the rights of the holders of the Common Shares of GT Capital, as these are non-voting, non-convertible and non-participating.

**Foreign Equity Holders**

As of June 30, 2016, the percentage of the outstanding total capital stock of GT Capital held by foreigners is 17.559%

| Class of Shares | Total Outstanding Shares | Shares Allowed to Foreigners | Local Shares | Foreign Shares | Unlisted Shares |
|---|---|---|---|---|---|
| Common Shares | 174,300,000 | 69,720,000 | 114,415,798 | 59,884,202 | Listed |
| Voting Preferred Shares | 174,300,000 | 69,720,000 | 172,973,839 | 1,326,161 | Unlisted |
| **TOTAL** | **348,600,000** | **139,440,000** | **287,389,637** | **61,210,363** | |
| *Percentage Holdings* | **100.000%** | **40.000%** | **82.441%** | **17.559%** | |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

*Prospective investors should read the following discussion and analysis of the Issuer's consolidated financial position and financial performance together with (i) the report of independent auditors, (ii) the audited consolidated financial statements as at and for the years ended December 31, 2015, 2014 and 2013 and the notes thereto, and (iii) the unaudited interim condensed consolidated financial statements as at and for the period ended June 30, 2016.*

*This discussion contains forward-looking statements and reflects the current views of GT Capital with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors and Other Considerations" and elsewhere in this Prospectus.*

## FACTORS AFFECTING RESULTS OF OPERATIONS

GT Capital is a holding company which conducts all of its operations through its subsidiaries and associates. As a holding company, GT Capital derives virtually all of its consolidated revenues from the revenues of its consolidated subsidiaries, namely Fed Land, GBP, TMP, PCFI and TMBC, and as equity in net earnings of its associates and jointly controlled entities, namely MBT, AXA Philippines, TFSPH and MPIC. For a discussion of the factors affecting the results of operations of GT Capital's subsidiaries and associates, please refer to the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting Results of Operations" for each of the GT Capital companies contained elsewhere in this Prospectus.

## CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both (i) relevant to the presentation of GT Capital's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex. In order to provide an understanding of how GT Capital's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, GT Capital has identified certain critical accounting policies. For a complete discussion of GT Capital's critical accounting policies and significant accounting judgments and estimates, see Notes 2 and 3 to GT Capital's financial statements included in this Prospectus.

## DESCRIPTION OF KEY LINE ITEMS

*Revenue from Automotive Operations*
Revenue from automotive operations arises from sale of manufactured vehicles and trading of completely builtup vehicles and local and imported parts. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer (including certain "bill and hold" sales, wherein in the buyer takes title and accepts billing), usually on dispatch of goods. Revenue from automotive operations also include service fees earned by the dealerships from installation of parts and repairs and maintenance of vehicles and are recognized as revenue when the related services have been rendered.

*Net Fees*
Net fees consist of energy fees for the energy and services supplied by the Generation Subsidiaries as provided for their respective Electric Power Purchase Agreements with respective customers. Energy fees are recognized based on the actual delivery of energy generated and made available to customers multiplied by the applicable tariff rate,

net of adjustments, as agreed upon between the parties. Power sold through the WESM is also included in net fees. Net fees are net of discounts provided by the Generation Subsidiaries and their customers.

*Equity in Net Income of Associates and Jointly Controlled Entities*
Equity in net income of associates and jointly controlled entities represents GT Capital's share in the results of operations of its associates and joinly controlled entities based on its effective ownership in those associates and jointly controlled entities. Only companies in which GT Capital Group exercise significant influence are equitized. Equity-accounted associates and jointly controlled entities consist of MBT, AXA Philippines, TFSPH and MPIC at GT Capital level and Federal Land Orix Corporation ("FLOC"), Bonifacio Landmark Realty and Development Corporation ("BLRDC"), Crown Central Properties Corporation and Alveo Federal Land Communities, Inc. ("AFLCI") at Fed Land level.

*Real estate sales*
Real estate sales in a given accounting period reflect the amount for which down payments have been paid based on the percentage of completion method. Required down payments range from 10% to 50% of the total contract price, depending on the type of property being purchased, and buyers are given anywhere from one to 50 months to complete the down payment, depending on the project involved. Revenue recognition begins once a certain percentage of the down payment is collected from a buyer and a certain percentage of the project is completed. Revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

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

*Interest income on real estate sales*
Interest income on real estate sales is derived partly from interest paid by customers who have obtained in-house financing from Fed Land and PCFI. Interest rates on these customer loans currently range from 8.0% to 21.0% per annum, depending on the term of the loan. This line item also reflects accretion of interest on deferred sales using the effective interest rate method.

*Interest income*
Interest income earned from banks represents interest earned from short-term placements, deposits and savings accounts maintained with banks.

*Rent Income*
Rent income consists of income from various office and commercial spaces rented out by Fed Land, including the GT Tower International, the Blue Wave Malls, several units at the Phil AXA Life Centre and Florida Sun Estate.

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

*Other Income*
Other customer-related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract. Other income includes sale of scrap and sludge oil which is recognized when there is delivery of goods to the buyer and recovery from insurance which is recognized when the right to receive payment is established. Other income also includes gain on sale of shares of stock, gain on sale of fixed assets, dividend income, ancillary income and other income

***Costs and Expenses***

*Cost of goods and services sold*
Cost of goods sold for vehicles and spare parts includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the costs of storing and transporting the products. Vendor returns and allowances are generally deducted from cost of goods sold and services. Other cost of goods sold includes Fed Land's gasoline and food products, and are recognized when goods are delivered which is usually at the point of sale in stores. Cost of services is recognized when services are rendered.

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

*Power plant operations and maintenance expenses*
Power plant operations and maintenance expenses reflects power plant operations, purchased power and repairs and maintenance and others. Power plant operations mainly represent cost of coal and start-up fuel costs and purchased power from the National Power Corporation. Repairs and maintenance and others mainly represent cost of materials and supplies consumed and the cost of restoration and maintenance of the power plants.

*General and administrative expenses*
General and administrative expenses consist of salaries, wages and employee benefits, commissions, advertising and promotions, light, water and other utilities, depreciation and amortization, taxes and licenses, outside services, rent, professional fees, office supplies, transportation and travel, royalty and service fees, entertainment, amusement and recreation, retirement expense, repairs and maintenance and miscellaneous expenses.

*Cost of real estate sales*
Cost of real estate sales reflects the cost of residential units sold and the sales of which have been recorded as real estate sales. The cost of residential units sold before project completion is determined based on, among other factors, the cost of land, expenses for regulatory approvals, project personnel costs, site development costs, construction costs and other project cost estimates. Cost of real estate sales are recognized in line with sales.

*Interest expense*
Interest expense relates to interest incurred on the interest-bearing debt obligations of GT Capital and subsidiaries.

**Consolidated Statements of Income –**
**For the Six Months Ended June 30, 2016 and For the Six Months ended June 30, 2015**

| GT CAPITAL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF INCOME | Unaudited Six Months Ended June 30 | | Increase (Decrease) | |
|---|---|---|---|---|
| **(In millions, except for Percentage)** | **2016** | **2015** | **Amount** | **Percentage** |
| REVENUE | | | | |
| Automotive operations | ₱80,350 | ₱56,497 | ₱23,853 | 42% |
| Net fees | 6,840 | 8,916 | (2,076) | (23%) |
| Real estate sales and interest income on real estate sales | 6,266 | 3,533 | 2,733 | 77% |
| Equity in net income of associates and jointly-controlled entities | 4,951 | 2,751 | 2,200 | 80% |
| Rent income | 443 | 374 | 69 | 18% |
| Sale of goods and services | 282 | 273 | 9 | 3% |
| Interest income | 352 | 238 | 114 | 48% |
| Commission income | 105 | 17 | 88 | 518% |
| Gain on previously held interest | 140 | – | 140 | 100% |
| Gain on sale of subsidiaries | 2,083 | – | 2,083 | 100% |
| Other income | 634 | 625 | 9 | 1% |
| | 102,446 | 73,224 | 29,222 | 40% |
| COST AND EXPENSES | | | | |
| Cost of goods and services sold | 54,260 | 35,081 | 19,179 | 55% |
| Cost of goods manufactured and sold | 14,566 | 12,694 | 1,872 | 15% |
| General and administrative expenses | 7,462 | 4,996 | 2,466 | 49% |
| Cost of real estate sales | 3,699 | 2,333 | 1,366 | 59% |
| Power plant operation and maintenance expenses | 3,273 | 4,900 | (1,627) | (33%) |
| Interest expense | 2,358 | 1,951 | 407 | 21% |
| Cost of rental | 144 | 143 | 1 | 1% |
| | 85,762 | 62,098 | 23,664 | 38% |
| Income Before Income Taxes From Continuing Operations | 16,684 | 11,126 | 5,558 | 50% |
| Provision For Income Tax | 2,640 | 1,916 | 724 | 38% |
| Net Income from Continuing Operations | 14,044 | 9,210 | 4,834 | 52% |
| Net Income (loss) from Disposal Group | (164) | 46 | (210) | (457%) |
| NET INCOME | **₱13,880** | **₱9,256** | **₱4,624** | **50%** |
| | | | | |
| Net Income Attributable to: | | | | |
| Equity holders of the parent company | | | | |
| Profit for the period from continuing operations | ₱9,273 | ₱5,576 | ₱3,697 | 66% |
| Profit (loss) for the period from disposal group | (164) | 46 | (210) | (457%) |
| | 9,109 | 5,622 | 3,487 | 62% |
| | | | | |
| Non-controlling interest | | | | |
| Profit for the period from continuing operations | ₱4,771 | ₱3,634 | ₱1,137 | 31% |
| Profit for the period from disposal group | – | – | – | – |
| | 4,771 | 3,634 | 1,137 | 31% |
| | **₱13,880** | **₱9,256** | **₱4,624** | **50%** |

GT Capital's consolidated net income attributable to equity holders of the Parent Company grew by 62% from Php5.62 billion for the six months ended June 30, 2015 to Php9.11 billion for the six months ended June 30, 2016. The increase was principally due to the 40% growth in consolidated revenues from Php73.22 billion to Php102.45 billion.

The revenue growth came from: (1) increase in the combined auto sales of TMP and TMBC from Php56.50 billion to Php80.35 billion contributing 78% of total revenue; (2) increase in the combined real estate sales and interest income on real estate sales of Fed Land and PCFI from Php3.53 billion to Php6.27 billion; (3) higher equity in net income of associates which grew from Php2.75 billion to Php4.95 billion; and (4) gain on sale of investment in subsidiaries amounting to Php2.08 billion.

Core net income attributable to equity holders of the Parent Company improved by 16% from Php5.35 billion for the six (6) months ended June 30, 2015 to Php6.21 billion in the same period of 2016. Core net income for 2015 amounted to Php5.35 billion after excluding the Php0.24 billion non-recurring income of Global Business Power Corporation ("GBPC") comprising collection of insurance proceeds and Php0.03 billion amortization of fair value adjustments arising from business combinations. Core net income for 2016 amounted to Php6.21 billion after excluding Php3.14 billion one-time gains from the sale of investments in subsidiaries, net of related taxes and expenses and adding back the Php0.20 billion non-recurring reinsurance cost of Charter Ping An and Php0.04 billion amortization of fair value adjustments arising from business combination.

The financial statements of Fed Land, TMP, PCFI and TMBC are included in the consolidated financial statements of the Group. The investments in other component companies MBT, AXA Philippines, TFSPC, and MPIC, are reported through equity accounting.

In May 2016, GT Capital increased its direct stake in GBPC from 51.27% to 56.00% and subsequently sold the entire 56.00% to Beacon Powergen Holdings, Inc., a wholly-owned subsidiary of Beacon Electric, a joint venture between MPIC and PLDT Communications and Energy Ventures, Inc. As a result, GT Capital relinquished control over GBPC and GBPC ceased to be a subsidiary of GT Capital effective May 31, 2016. Accordingly, GT Capital reflected the results of operations of GBPC up to May 31, 2016 and did not consolidate the income statement of GBPC starting June 1, 2016. The details of the deconsolidation are discussed in the Notes to the Financial Statements.

Also, in May 2016, GT Capital acquired a 15.55% direct stake in MPIC.

The results of operations of Charter Ping An are reflected as a one-line item under "Net income from disposal group" in the consolidated statement of income as required by the Philippine Financial Reporting Standards 5. The details are also discussed extensively in the Notes to the 2015 Consolidated Audited Financial Statements.

Of the eight (8) component companies, Fed Land, TMP, PCFI, TMBC, AXA Philippines and MPIC posted growth in net income for the period in review while Metrobank and TFSPC registered declines in net income.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 42% from Php56.50 billion in the first half of 2015 to Php80.35 billion in the first half of 2016 driven by a 31% growth in wholesale volume from 56,674 units to 74,461 units.

Net fees from GBPC declined by 23% from Php8.92 billion to Php6.84 billion since GT Capital ceased consolidating GBPC's results of operations starting June 1, 2016 arising from GT Capital's disposal of its investment in GBPC in May 2016.

Real estate sales and interest income on real estate sales increased by 77% from Php3.53 billion in the first half of 2015 to Php6.27 billion in the first half of 2016 with Fed Land and PCFI contributing Php3.39 billion and Php2.88 billion, respectively.

Equity in net income of associates and jointly-controlled entities increased by 80% from Php2.75 billion to Php4.95 billion due to: (1) net income contribution of MPIC for the month of June 2016 amounting to Php388.80 million arising from GT Capital's acquisition of 15.55% of MPIC in May 2016; (2) increase in the net income of AXA Philippines from Php713.75 million to Php866.75 million; (3) recognition of gains on sale of GBPC by FMIC to Orix and MGEN, previously deferred in 2013 amounting to Php1.84 billion; and (4) recognition of gain on sale of Charter Ping An by FMIC to GT Capital, previously deferred in 2014 amounting to Php78.22 million.

Rent income mainly from the GT Tower International office building and Blue Bay Walk increased by 18% from Php373.77 million to Php443.35 million.

Interest income increased by 48% from Php238.17 million to Php352.23 million due to an increase in cash available for short-term investments.

Commission income grew by Php87.70 million from Php16.66 million in the first half of 2015 to Php104.36 million in the first half of 2016 due to an increase in booked sales of Grand Hyatt.

Gain on previously-held interest amounted to Php140.14 million representing gain on the re-measurement of GT Capital's investment in TMBC which was previously accounted for as an investment in a jointly-controlled entity. TMBC, thus, became a subsidiary of GT Capital upon SEC's approval of the merger of TMBC and TCI with TMBC as the surviving entity in March 2016 and in accordance with the revised agreement among its shareholders.

Gain on sale of subsidiaries pertain to the gains realized from the sale of the Parent Company's investment in GBPC and Charter Ping An amounting to Php1.85 billion and Php0.23 billion, respectively. Such gain represent the excess of the consideration received from the sale over the carrying value of the net assets of GBPC and Charter Ping An.

Consolidated costs and expenses increased by 38% from Php62.10 billion to Php85.76 billion. TMP contributed Php62.15 billion comprising cost of goods and services sold, cost of goods manufactured and sold, general and administrative expenses and interest expenses. TMBC contributed Php9.38 billion composed of cost of goods and services sold, general and administrative expenses and interest expenses. GBPC accounted for Php5.53 billion comprising power plant operation and maintenance expenses, general and administrative expenses and interest expenses. Fed Land contributed Php3.61 billion consisting of cost of real estate sales, cost of goods and services sold, cost of rental, general and administration expenses and interest expenses. GT Capital contributed Php2.60 billion representing general and administrative expenses and interest expenses. PCFI contributed Php2.49 billion consisting of cost of real estate sales, general and administration expenses and interest expenses.

Cost of goods and services sold increased by 55% from Php35.08 billion to Php54.26 billion with TMP's and TMBC's completely built-up units (CBU) and spare parts accounting for Php45.22 billion and Php8.85 billion, respectively.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP grew by 15% from Php12.69 billion in the first half of 2015 to Php14.57 billion in the first half of 2016.

General and administrative expenses grew by 49% from Php5.00 billion to Php7.46 billion. TMP accounted for Php2.31 billion consisting of advertisements and promotional expenses, salaries and wages, taxes and licenses and delivery and handling expenses. GT Capital contributed Php1.30 billion consisting of taxes and licenses, professional fees and salaries and wages. GBPC contributed Php1.48 billion representing salaries and wages, amortization of intangible asset, taxes and licenses, outside services, administrative and management fees, and insurance expenses. Fed Land accounted for Php0.98 billion composed of salaries and wages, commission expenses, taxes and licenses and advertising and promotions expenses. PCFI contributed Php0.86 billion consisting of salaries and wages, commission expenses, advertising and promotional expenses and taxes and licenses; and TMBC contributed Php0.53 billion representing salaries and wages, commission expenses and taxes and licenses and advertising and promotional expenses.

Cost of real estate sales grew by 59% from Php2.33 billion to Php3.70 billion due to an increase in real estate sales. Fed Land contributed Php2.23 billion while PCFI accounted for the remaining Php1.47 billion.

Power plant operations and maintenance declined by 33% from Php4.90 billion to Php3.27 billion since GT Capital ceased consolidating GBPC's results of operations starting June 1, 2016 arising from GT Capital's disposal of investment in GBPC in May 2016.

Interest expense increased by 21% from Php1.95 billion in the first half of 2015 to Php2.36 billion in the first half of 2016 with GT Capital, GBPC, PCFI, TMP, Fed Land and TMBC accounting for Php1.30 billion, Php0.78 billion, Php135 million, Php75 million, Php62 million and Php3 million, respectively.

Provision for income tax increased by 38% from Php1.92 billion to Php2.64 billion due to increase in taxable income.

| GT CAPITAL HOLDINGS, INC. | Unaudited | Audited | Increase (Decrease) | |
|---|---|---|---|---|
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Million Pesos, Except for Percentage)** | **June 30, 2016** | **December 31, 2015** | **Amount** | **Percentage** |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | ₱22,640 | ₱37,861 | (₱15,221) | (40%) |
| Short-term investments | 4,446 | 1,861 | 2,585 | 139% |
| Receivables | 32,298 | 25,417 | 6,881 | 27% |
| Inventories | 55,554 | 53,247 | 2,307 | 4% |
| Due from related parties | 419 | 370 | 49 | 13% |
| Prepayments and other current assets | 6,384 | 7,674 | (1,290) | (17%) |
| | 121,741 | 126,430 | (4,689) | (4%) |
| Assets of disposal group classified as held-for-sale | – | 8,434 | (8,434) | (100%) |
| **Total Current Assets** | 121,741 | 134,864 | (13,123) | (10%) |
| **Non Current Assets** | | | | |
| Noncurrent receivables | 9,751 | 9,186 | 565 | 6% |
| Land held for future development | 29,756 | 27,356 | 2,400 | 9% |
| Available-for-sale investments | 576 | 3,195 | (2,619) | (82%) |
| Investments in associates and jointly-controlled entities | 92,397 | 60,265 | 32,132 | 53% |
| Investment properties | 10,715 | 10,797 | (82) | (1%) |
| Property and equipment | 10,102 | 51,972 | (41,870) | (81%) |
| Goodwill and intangible assets | 9,959 | 17,001 | (7,042) | (41%) |
| Deferred tax assets | 1,360 | 1,771 | (411) | (23%) |
| Other noncurrent assets | 584 | 878 | (294) | (33%) |
| **Total Noncurrent Assets** | 165,200 | 182,421 | (17,221) | (9%) |
| **TOTAL ASSETS** | **₱286,941** | **₱317,285** | **(₱30,344)** | **(10%)** |
| | | | | |
| **LIABILITIES AND EQUITY** | | | | |
| Current Liabilities | | | | |
| Accounts and other payables | ₱25,285 | ₱22,407 | ₱2,878 | 13% |
| Short-term debt | 27,663 | 7,318 | 20,345 | 278% |
| Current portion of long-term debt | 3,916 | 6,757 | (2,841) | (42%) |
| Current portion of liabilities on purchased properties | 353 | 637 | (284) | (45%) |
| Customers' deposit – current | 4,495 | 3,691 | 804 | 22% |
| Dividends payable | – | 2,860 | (2,860) | (100%) |
| Due to related parties – current | 175 | 174 | 1 | 1% |
| Income tax payable | 1,149 | 1,013 | 136 | 13% |
| Other current liabilities | 615 | 520 | 95 | 18% |
| | 63,651 | 45,377 | 18,274 | 40% |
| Liabilities of disposal group classified as held-for-sale | – | 6,444 | (6,444) | (100%) |
| **Total Current Liabilities** | 63,651 | 51,821 | 11,830 | 23% |
| **Noncurrent Liabilities** | | | | |
| Long-term debt – net of current portion | 50,823 | 82,021 | (31,198) | (38%) |
| Bonds payable | 21,834 | 21,801 | 33 | 0% |
| Liabilities on purchased properties - net of current portion | 1,976 | 2,146 | (170) | (8%) |
| Pension liability | 1,541 | 2,219 | (678) | (31%) |
| Deferred tax liabilities | 9,961 | 10,826 | (865) | (8%) |
| Other noncurrent liabilities | 2,250 | 2,609 | (359) | (14%) |
| **Total Noncurrent Liabilities** | 88,385 | 121,622 | (33,237) | (27%) |
| **TOTAL LIABILITIES** | **₱152,036** | **₱173,443** | **(₱21,407)** | **(12%)** |
| | | | | |
| **EQUITY** | | | | |
| Equity attributable to equity holders of the Parent Company | | | | |
| Capital stock | ₱1,760 | ₱1,760 | ₱– | 0% |
| Additional paid-in capital | 46,695 | 46,695 | – | 0% |
| Treasury shares | – | (6) | 6 | 100% |

| GT CAPITAL HOLDINGS, INC. | Unaudited | Audited | Increase (Decrease) | |
|---|---|---|---|---|
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Million Pesos, Except for Percentage)** | **June 30, 2016** | **December 31, 2015** | **Amount** | **Percentage** |
| Retained earnings | | | | |
| Unappropriated | 41,170 | 33,267 | 7,903 | 24% |
| Appropriated | 8,760 | 8,760 | – | 0% |
| Other equity adjustments | 5,713 | 576 | 5,137 | 892% |
| Other comprehensive income | 605 | (918) | 1,523 | 166% |
| | 104,703 | 90,134 | 14,569 | 16% |
| Non-controlling interest | 30,202 | 53,708 | (23,506) | (44%) |
| **TOTAL EQUITY** | 134,905 | 143,842 | (8,937) | (6%) |
| **TOTAL LIABILITIES AND EQUITY** | **₱286,941** | **₱317,285** | **(₱30,344)** | **(10%)** |

The major changes in GT Capital's consolidated statement of financial position from December 31, 2015 to June 30, 2016 are as follows:

Consolidated assets of the Group declined by 10% or Php30.34 billion from Php317.28 billion as of December 31, 2015 to Php286.94 billion as of June 30, 2016. Total liabilities declined by 12% or Php21.41 billion from Php173.44 billion to Php152.03 billion while total equity decreased by 6% or Php8.94 billion from Php143.84 billion to Php134.90 billion.

The decline in the consolidated assets, liabilities and equity of GT Capital is mainly attributable to the sale of its entire investment in GBPC on May 27, 2016. Immediately after the sale, GT Capital relinquished control over GBPC and GBPC ceased to be a subsidiary of GT Capital effective May 31, 2016. Accordingly, GT Capital deconsolidated all the assets, liabilities and non-controlling interest of GBPC effective May 31, 2016. The notes to the interim condensed consolidated financial statements also presents the details of the deconsolidated assets and liabilities of GBPC.

Cash and cash equivalents declined by Php15.22 billion from Php37.86 billion to Php22.64 billion with TMP, PCFI, GT Capital-Parent Company, Fed Land, and TMBC accounting for Php13.56 billion, Php6.96 billion, Php1.09 billion, Php0.86 billion and Php0.17 billion, respectively.

Short-term investments more than doubled from Php1.86 billion to Php4.45 billion mainly from PCFI's short-term money market placements.

Receivables increased by 27% from Php25.42 billion to Php32.30 billion with: 1) GT Capital contributing Php11.08 billion consisting of receivables from Beacon Powergen Holdings, Inc. including the related accrued interest due on or before August 27, 2016 arising from the sale of its investment in GBPC; 2) PCFI contributing Php10.93 billion consisting of installment contract receivables and other receivables; 3) TMP contributing Php5.18 billion consisting of trade receivables with credit terms ranging from one (1) to thirty (30) days; 4) Fed Land contributing Php2.16 billion, majority of which were installment contract receivables, trade receivables and other receivables; 5) TMBC contributing Php2.01 billion comprising trade receivables from the sale of vehicles, spare parts and after-sales services; and 6) Php0.94 billion receivable from GBPC representing the future distribution of Vivant shares.

Due from related-parties increased by 13% from Php0.37 billion to Php0.42 billion mainly from PCFI's related-parties.

Prepayments and other current assets declined by 17% from Php7.67 billion to Php6.38 billion comprising input VAT, advances to contractors and suppliers and prepaid expenses from Fed Land (Php3.85 billion); PCFI (Php1.52 billion);TMP (Php873 million); TMBC (Php110 million) and GT Capital (Php30 million).

Assets of disposal group classified as held-for-sale comprising Charter Ping An's current and non-current assets including reinsurance assets, receivables, and available-for-sale (AFS) investments was derecognized in April 2016 upon completion of the sale of the Parent Company's investment in Charter Ping An to AXA Philippines.

Non-current receivables increased by 6% from Php9.19 billion to Php9.75 billion mainly PCFI and Fed Land's booked real estate sales.

Non-current inventories consisting of PCFI's land held for future development increased by 9% from Php27.36 billion to Php29.76 billion.

Available-for-sale (AFS) investments declined by Php2.62 billion from Php3.20 billion to Php0.58 billion due to the deconsolidation of GBPC's AFS investments.

Investments in associates and jointly-controlled entities increased by Php32.13 billion from Php60.27 billion to Php92.40 billion primarily due to: 1) acquisition of 15.55% ownership over MPIC amounting to Php29.90 billion; 2) equity in net income amounting to Php4.95 billion; 3) equity in other comprehensive income amounting to Php2.15 billion; 4) Php0.34 billion additional investment in Metrobank and 5) Php0.02 billion additional investment in Alveo Federal Land Communities, Inc. offset by 1) disposal of indirect investment in GBPC amounting to Php3.56 billion; 2) Php0.85 billion effect of business combination for TMBC from a jointly-controlled corporation to a fully consolidated subsidiary; and 3) dividends received from Metrobank amounting to Php0.81 billion.

Property and equipment declined by Php41.87 billion from Php51.97 billion to Php10.10 billion mainly due to the deconsolidation of GBPC's property and equipment.

Goodwill and intangible assets declined by Php7.04 billion from Php17.00 billion to Php9.96 billion due to the deconsolidation of GBPC's intangible assets comprising power purchase agreements.

Deferred tax assets dropped by 23% from Php1.77 billion to Php1.36 billion due to the deconsolidation of GBPC's deferred tax assets.

Other noncurrent assets declined by 33% from Php878.19 million to Php584.74 million due to the deconsolidation of GBPC's non-current input tax and non-current prepaid rent.

Accounts and other payables increased by 13% from Php22.41 billion to Php25.29 billion with TMP, Fed Land, PCFI, TMBC and GT Capital accounting for Php17.95 billion, Php3.91 billion, Php1.84 billion, Php0.96 billion and Php0.63 billion, respectively.

Short-term loans payable increased by Php20.34 billion from Php7.32 billion to Php27.66 billion due to loan availments of GT Capital-Parent Company (Php19.00 billion), Fed Land (Php0.59 billion), TMP dealership subsidiaries (Php0.01 billion) and consolidation of TMBC's short-term loans of Php1.24 billion offset by loan payments by PCFI (Php0.50 billion).

Current-portion of long-term debt decreased by 42% from Php6.76 billion to Php3.92 billion primarily due to the deconsolidation of GBPC.

Current portion of liabilities on purchased properties declined by 45% from Php636.52 million to Php352.79 million due to Fed Land's payment of scheduled annual principal amortization.

Customers' deposits increased by 22% from Php3.69 billion to Php4.50 billion mainly due to an increase in reservation sales from PCFI's horizontal development projects.

Dividends payable amounting to Php2.86 billion as of December 31, 2015 was fully paid in April 2016.

Income tax payable grew by 13% from Php1.01 billion to Php1.15 billion due to an increase in taxable income of certain subsidiaries.

Other current liabilities increased by 18% from Php520.35 million to Php614.91 million due to an increase in output tax of TMP and PCFI.

Liabilities of disposal group classified as held-for-sale comprising Charter Ping An's current and non-current liabilities such as Insurance Contract Liabilities was derecognized in April 2016 upon completion of the sale of the Parent Company's investment in Charter Ping An to AXA Philippines.

Retirement benefit obligation declined by 31% from Php2.22 billion to Php1.54 billion due to the deconsolidation of GBPC's pension liability.

Long-term debt, net of current portion, decreased by 38% from Php82.02 billion to Php50.82 billion due to the deconsolidation of GBPC's long-term debt.

Noncurrent portion of liabilities on purchased properties declined by 8% from Php2.15 billion to Php1.98 billion due to its reclassification to current portion.

Deferred tax liabilities declined by 8% from Php10.83 billion to Php9.96 billion due to the deconsolidation of GBPC's deferred tax liabilities.

Other non-current liabilities declined by 14% from Php2.61 billion to Php2.25 billion due to the deconsolidation of GBPC's decommissioning liabilities and reversal of TMP's provisions.

Treasury shares representing investment in shares of stock in GT Capital, held by Charter Ping An, were derecognized due to GT Capital's sale of its investment in Charter Ping An in April 2016.

Unappropriated retained earnings increased by 24% from Php33.27 billion to Php41.17 billion due to the Php9.11 billion consolidated net income earned in the first six (6) months of 2016, offset by the 1) Php1.05 billion cash dividends declared in March 2016 and 2) Php0.16 billion effect of closing the cumulative other comprehensive income arising from the remeasurement of the retirement liabilities of GBPC, Charter Ping An and TMBC to retained earnings.

Other equity adjustments grew by Php5.14 billion due to GT Capital's acquisition of an additional 28.32% direct equity interest in PCFI.

Other comprehensive income improved by Php1.52 billion from an unrealized loss of Php0.92 billion to an unrealized gain of Php0.61 billion due to mark-to-market gains recorded on available-for-sale investments of GT Capital's subsidiaries and associates.

Non-controlling interest (NCI) declined by Php23.51 billion from Php53.71 billion to Php30.20 billion due to: 1) Php19.39 billion NCI of GBPC deconsolidated; 2) Php9.77 billion acquisition of 28.32% NCI in PCFI; and 3) Php4.86 billion NCI share in dividends declared by subsidiaries; offset by 1) Php4.77 billion NCI share in the net income for the six (6) months ended June 30, 2016 ; 2) Php0.50 billion NCI share in the other comprehensive income; and 3) Php0.61 billion set-up of NCI in TMBC.

**Key Performance Indicators (in Million Pesos, except %)**

| **Income Statement** | **June 30, 2015 (Unaudited)** | **June 30, 2016 (Audited)** |
|---|---|---|
| Total Revenues | 73,224 | 102,446 |
| Net Income attributable to GT Capital Holdings | 5,622 | 9,109 |
| **Balance Sheet** | **December 31, 2015 (Audited)** | **June 30, 2016 (Unaudited)** |
| Total Assets | 317,285 | 286,941 |
| Total Liabilities | 173,443 | 152,036 |
| Equity attributable to GT Capital Holdings | 90,134 | 104,703 |
| Return on Equity | 14.30% | 15.73%* |

**Annualized net income attributable to GT Capital Holdings divided by the average equity; where average equity is the sum of equity attributable to GT Capital Holdings at the beginning and end of the period/year divided by 2.*

***Component Companies Financial Performance***

**<u>Automobile Assembly and Importation, Dealership and Financing</u>**

### Toyota Motor Philippines (TMP)

| **in Million Pesos, except for ratios** | **1H2015** | **1H2016** | **Inc/Dec)** | **%** |
|---|---|---|---|---|
| Sales | 53,405.1 | 71,266.1 | 17,861.0 | 33.4 |
| Gross Profit | 8,812.1 | 11,206.4 | 2,394.3 | 27.2 |
| Operating Profit | 6,830.9 | 8,909.5 | 2,078.6 | 30.4 |
| Net income attributable to Parent | 5,119.4 | 6,816.0 | 1,696.6 | 33.1 |
| | **FY2015** | **1H2016** | | |
| Total Assets | 32,290.4 | 35,889.3 | 3,598.9 | 11.1 |
| Total Liabilities | 17,060.9 | 23,643.3 | 6,582.4 | 38.6 |
| Total Equity | 15,229.5 | 12,246.0 | (2,983.5) | (19.6) |
| Total Liabilities to Equity ratio | 1.1x | 1.9x | | |

TMP's consolidated sales registered a 33.4% growth from Php53.4 billion in the first half of 2015 to Php71.3 billion in the first half of 2016 as wholesale volume grew by 31.4% from 56,674 units to 74,461 units. TMP retail sales volume, likewise, grew by 25.9% from 57,717 units to 72,642 units. The improvement was attributed to the continued strong sales for the Vios, Hiace, Fortuner, Wigo, Hilux and Avanza models.

Overall market share improved from 35.3% as of March 31, 2016 to 38.5% as of June 30, 2016 due to higher sales volume arising from the launching of the Full Model Change (FMC) Fortuner in March and Innova in April, respectively. These two (2) models were the second and third best sellers of TMP in the first half of 2016 accounting for 25% of total sales. For the second quarter, combined sales of the two (2) models accounted for a higher 34% of total sales.

For the month of June 2016, Toyota exhibited record retail sales of 14,886 units, of which 3,370 units came from FMC Fortuner and 1,776 units came from FMC Innova, thereby resulting to a 40.3% overall market share.

The higher sales volume, sales price increase, lower spare parts costs, and higher spare parts profit, and higher export profit was offset by unfavorable foreign exchange, increase in operating and overhead expenses and sales of low margin models exceeding sales of high margin models. This resulted in a slight decline in gross profit and operating margin from 16.5% and 12.8% to 15.7% and 12.5%, respectively. Net profit margin, on the other hand, was steady at 9.7%. Consolidated net income attributable to equity holders, however, grew by 33.1% from Php5.1 billion to Php6.8 billion mainly due to the aforementioned profit increasing factors.

In the first half of 2016, TMP inaugurated one (1) new dealer outlet - Toyota Tarlac in Tarlac City thereby bringing TMP's majority-owned dealerships to six (6) outlets. TMP also owns Toyota Makati with one (1) branch

Toyota Bicutan, Toyota San Fernando in Pampanga with one (1) branch in Plaridel Bulacan, both located in Luzon and Lexus Manila, situated in Bonifacio Global City, Taguig City.

**Toyota Financial Services Philippines Corporation (TFSPC)**

| in Million Pesos, except for ratios | 1H2015 | 1H2016 | Inc/(Dec) | % |
|---|---|---|---|---|
| Gross Interest Income | 1,336.7 | 1,569.2 | 232.5 | 17.4 |
| Net Interest Income | 852.4 | 980.6 | 128.2 | 15.0 |
| Net Income | 302.3 | 267.2 | (35.1) | (11.6) |
| Finance Receivable | 30,687.0 | 36,378.9 | 5,691.9 | 18.5 |
| | **CY2015** | **1H2016** | | |
| Total Assets | 41,430.4 | 47,937.7 | 6,507.3 | 15.7 |
| Total Equity | 4,145.7 | 4,622.3 | 476.6 | 11.5 |

TFSPC recorded a 15.0% growth in net interest income from Php852.4 million in the first half of 2015 to Php980.6 million in the first half of 2016, as gross loans and receivables increased by 18.5% from Php30.7 billion to Php36.4 billion on a year-on-year basis. Service fees and other income, however, declined by 86% from Php100 million to Php13.9 million.

Booking volume grew by 22.7% from 9,808 units to 12,031 units in the first half of 2016 attributed to the strong sales volume of Toyota vehicles.

Net income, however, declined by 11.6% from Php302.3 million to Php267.2 million due to: (1) a 19.9% increase in provision for impairment and credit losses caused by increases in mandatory provisions and past due accounts; and (2) a 21.6% increase in operating expenses, mainly rental, management and professional fees, and collection fees.

**Toyota Manila Bay Corporation (TMBC)**

| In Million Pesos, except for ratios | 1H2015* | 1H2016* | Inc/(Dec) | % |
|---|---|---|---|---|
| Net Sales | 8,771.8 | 11,396.5 | 2,624.7 | 29.9 |
| Gross Profit | 477.9 | 700.2 | 222.3 | 46.5 |
| Net Income | 59.9 | 168.4 | 108.5 | 180.9 |
| | **FY2015*** | **1H2016** | | |
| Total Assets | 3,863.8 | 4,595.7 | 731.9 | 18.9 |
| Total Liabilities | 2,797.2 | 3,378.5 | 581.3 | 20.8 |
| Total Equity | 1,066.6 | 1,217.2 | 150.6 | 14.1 |

**pro-forma consolidated figures*

On March 7, 2016, the SEC approved the merger of TMBC and TCI. TMBC was the surviving corporation and absorbed the entire assets and liabilities of TCI. As of March 1, 2016, TMBC consolidated the financials of TCI on a line-by-line basis.

Consolidated sales, comprising of vehicle sales, spare parts and maintenance services, grew by 30% from Php8.8 billion in the first half of 2015 to Php11.4 billion in the first half of 2016. Vehicle sales, accounting for 93.3% of TMBC's revenues, increased by 30.8% from Php8.1 billion to Php10.6 billion. Retail sales volume grew by 19.7% from 8,585 units to 10,273 units due to strong demand of FMC Fortuner and Innova, thereby resulting to a 42.9% increase in gross profit per unit from Php28,757 to Php41,099. For the second quarter of 2016, FMC Fortuner contributed Php122.5 million out of the Php289.1 million in gross profit generated.

Sales from spare parts and maintenance services, accounting for a combined 6.7% of revenues, increased by 19.9% and 17.3%, respectively.

Consolidated net income for the first half of 2016 almost tripled, from Php59.9 million to Php168.4 million due to higher vehicle sales and increased ancillary income from financing and insurance commissions.

TMBC owns five (5) auto dealer outlets namely Toyota Manila Bay, Toyota Abad Santos, Toyota Cubao and Toyota Marikina, all situated within Metro Manila; and Toyota Dasmariñas in Cavite.

## Banking

### Metrobank

| In Billion Pesos, except for percentages and ratios | 1H2015 | 1H2016 | Inc/(Dec) | % |
|---|---|---|---|---|
| Interest income | 32.1 | 33.3 | 1.2 | 3.6 |
| Net income attributable to equity holders | 9.3 | 9.1 | (0.2) | (2.4) |
| Net interest margin on average earning assets | 3.6% | 3.5% | | |
| Operating efficiency ratio | 56.5% | 57.6% | | |
| Return on average assets | 1.2% | 1.0% | | |
| Return on average equity | 11.0% | 19.3% | | |
| | **CY2015** | **1H2016** | **Inc/(Dec)** | **%** |
| Total assets | 1,760.7 | 1,730.9 | (29.8) | (1.7) |
| Total liabilities | 1,557.4 | 1,522.1 | (35.3) | (2.3) |
| Equity attributable to equity holders of the parent company | 193.8 | 198.3 | 4.5 | 2.3 |
| Asset to equity ratio | 869.4% | 873.1% | | |
| Loans to deposit ratio | 61.2% | 72.9% | | |
| Debt to equity ratio | 764.4% | 767.8% | | |
| Tier 1 capital adequacy ratio | 16.3% | 14.6% | | |
| Total capital adequacy ratio | 20.3% | 17.8% | | |
| Non-performing loans ratio | 1.2% | 1.1% | | |

*Notes:*

*(1) Operating efficiency ratio is the ratio of total operating expenses (excluding provisions for credit and impairment loss and income tax) to total operating income (excluding share in net income of associates and joint venture).*

*(2) Capital adequacy ratios in the first half of 2015 and 2016 were computed based on Basel III standards.*

*(3) Net non-performing loans ratio is the ratio of net non-performing loans divided by total loans – excluding interbank loans.*

Metrobank's consolidated net income dropped from Php9.3 billion in the first half of 2015 to Php9.1 billion in the first half of 2016. This was primarily due to an 11.6% increase in operating expenses from Php19.5 billion to Php21.8 billion and a 64.1% increase in provision for credit and impairment losses from Php2.0 billion to Php3.2 billion.

Net interest income grew by 7.2% from Php23.9 billion in the first half of 2015 to Php25.6 billion in the first half of 2016 mainly due to the growth in loans and receivables reaching Php920.5 billion driven by strong loan demand in the commercial and consumer segments and lower interest expenses on deposit liabilities. Net interest margin was steady at 3.5%.

Non-interest income amounted to Php12.5 billion, 14.4% higher as compared to the same period of previous year. The major components include trading and securities and foreign exchange gains, (Php3.6 billion); service charges, fees and commissions, (Php5.2 billion); and miscellaneous income (Php3.8 billion).

Total assets decreased from Php1.8 trillion as of December 31, 2015 to Php1.7 trillion as of June 30, 2016 primarily due to the decrease in available-for-sale investments offset by an increase in due from Bangko Sentral ng Pilipinas (BSP) and loans and receivables.

Likewise, total liabilities decreased by 2.3% from Php1.6 trillion to Php1.5 trillion due to lower balances in Securities Sold Under Repurchase Agreement (SSURA). CASA deposits increased by 10% while time deposits decreased by 13% contributing to lower cost of deposits.

## Property Development

### Federal Land (Fed Land)

| In Million Pesos, except for percentages and ratios | 1H2015 | 1H2016 | Inc/(Dec) | % |
|---|---|---|---|---|
| Real Estate Sales * | 3,533.0 | 3,573.8 | 40.8 | 1.2 |
| Revenues | 4,633.1 | 4,629.6 | (3.5) | (0.1) |
| Net income attributable to equity holders | 679.8 | 705.0 | 25.2 | 3.7 |
| GP Margin | 34% | 37% | | |
| | **FY2015** | **1H2016** | **Inc/(Dec)** | **%** |
| Total assets | 64,543.8 | 65,360.4 | 816.6 | 1.3 |
| Total liabilities | 29,549.3 | 29,732.2 | 182.9 | 0.6 |
| Total equity | 34,994.5 | 35,628.2 | 633.7 | 1.8 |
| Current ratio | 4.5x | 4.2x | | |
| Total Liabilities to equity ratio | 0.8x | 0.8x | | |

* *Includes interest income on real estate sales*

Fed Land's total revenue registered a flat performance at Php4.6 billion as of the first half of 2016 vis-a-vis the same period of the previous year as real estate sales including interest income on real estate sales grew from Php3.5 billion to Php3.6 billion as three (3) projects were launched in 2015 compared to five (5) and four (4) projects in 2013 and 2014, respectively. The company also completed two (2) vertical residential condominium projects namely Park West Tower situated in Grand Central, Bonifacio Global City, Taguig City and Marco Polo Residences Tower 2 located in Cebu City. Average overall percentage-of-completion of ongoing development projects improved from 31.0% in the first half of 2015 to 34.0% in the first half of 2016.

For the first half of 2016, Fed Land launched one (1) project, Peninsula Garden Midtown Homes (PGMH) Tower 7 (Mango), a vertical residential condominium project situated in Paco, Manila.

Reservation sales, on the other hand, declined by 17% from Php6.9 billion in the first half of 2015 to Php5.7 billion in the first half of 2016.

Rent income increased by 7.4% from Php387.5 million to Php416.3 million, with the GT Tower office tower accounting for Php202 million. Other contributors were the Blue Bay Walk retail and commercial complex located along the Bay Area, Macapagal Avenue, Pasay City, Florida Sun Estates, and the Philippine AXA Life Center Condominium.

Equity in net earnings from an associate and a jointly-controlled entity declined by 50.9% from Php233.9 million to Php114.9 million as most of the earnings contribution from the Grand Hyatt project situated in The Grand Central, Bonifacio Global City, Taguig City were recognized in the previous years.

Net income attributable to equity holders of the Parent Company improved by 3.7% from Php679.8 million in the first half of 2015 to Php705.0 million in the first half of 2016 as gross profit from real estate sales improved from 34.0% to 36.6%.

Total assets increased by 1.3% primarily due to new inventories recognized from Paseo de Roces, Palm Beach Villas Tower 1 (Boracay) and PGMH Tower 6 (Mahogany) projects, offset by a decrease in receivables owing to projects not yet completed. Accounts and other payables grew by 6.2% attributable to payments received from unit buyers that have not yet qualified for revenue recognition and payables due to contractors.

## Property Company of Friends, Inc. (PCFI)

| In Million Pesos, except for percentages and ratios | 1H2015 | 1H2016 | Inc/(Dec) | % |
|---|---|---|---|---|
| Real Estate Sales * | 2,815.6 | 3,144.0 | 328.4 | 11.7 |
| Revenues | 2,842.9 | 3,168.8 | 325.9 | 11.5 |
| Net income attributable to equity holders | 411.3 | 750.1 | 338.8 | 82.4 |
| GP Margin | 57% | 57% | | |
| | **CY2015** | **1H2016** | **Inc/(Dec)** | **%** |
| Total assets | 35,881.6 | 46,165.4 | 10,283.8 | 28.7 |
| Total liabilities | 18,933.7 | 19,706.4 | 772.7 | 4.1 |
| Total equity | 16,947.9 | 26,459.0 | 9,511.1 | 56.1 |
| Current ratio | 2.3x | 3.1x | | |
| Total Liabilities to equity ratio | 1.1x | 0.7x | | |

* *Includes interest income on real estate sales*

On June 30, 2016, GT Capital subscribed to an additional 28.3% equity stake in PCFI for Php8.76 billion, pursuant to an agreement entered into by GT Capital and PCFI on August 6, 2015. This increased GT Capital's economic stake in PCFI from 22.7% to 51%.

The initial subscription by GT Capital of its 22.7% stake in PCFI, pursuant to the aforementioned agreement, also included ceding by the Maplecrest Group, Inc. (formerly Pro Friends Group, Inc.), then PCFI's principal shareholder, of control in favor of GT Capital. Consequently, the financial statements of PCFI have been fully consolidated into GT Capital since August 31, 2015.

Established in 1999, PCFI is one of the country's leading property developers, focusing on the country's affordable housing segments, and retail and office space leasing. PCFI has built and sold over 36,000 affordable homes in the provinces of Cavite and Iloilo. Its flagship and largest project is the Lancaster New City (LNC) which spans the municipality of Kawit and cities of Imus and General Trias in Cavite province. Aside from LNC, ongoing PCFI projects include the Bellefort Estates in Bacoor and Dasmarinas, in Cavite, the Parc Regency Residences in Iloilo province and the Carmona Estate in Carmona, Cavite.

PCFI total revenues grew by 11.5% from Php2.8 billion in the first half of 2015 to Php3.2 billion in the first half of 2016, mainly due to an increase in real estate sales as a result of catch up in construction and improvement in interest income from real estate sales. Gross profit margin was maintained at 57%.

Net income almost doubled from Php411.2 million to Php750.1 million in the first half of 2016, attributable to increases in real estate sales and interest income from real estate sales and lower expenses mainly commission, sales and marketing, taxes and licenses, depreciation and amortization, and interest on borrowings.

Total assets and equity increased by 28.7% and 56.1%, respectively, as a result of GT Capital's additional subscription of Php8.76 billion in PCFI.

Customers' deposits grew by 59.6% from Php1.1 billion to Php 1.7 billion due to additional reservations and collections from accounts waiting for revenue recognition.

## Life and Non-Life Insurance

### Charter Ping An Insurance Corporation (Charter Ping An)

The following are the financial highlights of Charter Ping An for the first quarter of 2015 and 2016 ending March 31.

| In Million Pesos | 1Q2015 | 1Q2016 | Inc/(Dec) | % |
|---|---|---|---|---|
| Gross Premiums | 828.9 | 1,032.1 | 203.2 | 24.5% |
| Gross Underwriting Contribution | 138.2 | (64.1) | (202.3) | (146.4%) |
| Net Income | 44.3 | (173.1) | (217.4) | (491.1%) |
| | **FY2015** | **1Q2016** | **Inc/(Dec)** | **%** |
| Total Assets | 7,872.9 | 8,111.5 | 238.6 | 3.0% |
| Total Liabilities | 6,411.3 | 6,804.2 | 392.9 | 6.1% |
| Total Equity | 1,461.6 | 1,307.3 | (154.3) | (10.6%) |

Charter Ping An generated a 24.5% increase in gross premium written (GPW) from Php828.9 million in the first quarter of 2015 to Php1.0 billion in the first quarter of 2016 due to a reallocation of GPW from property to motor car insurance lines with a combined 73% share of GPW as of March 31, 2016.

Charter Ping An, however, incurred additional reinsurance costs from property insurance of Php198 million arising from catastrophic property losses experienced in 2015 and prior years which were booked in March thereby resulting to higher premium ceded expenses which more than doubled from Php108.0 million as of the first quarter of 2015 to Php366.1 million as of the first quarter of 2016. Charter Ping An thereby incurred a net loss of Php173.1 million for the period in review.

On April 4, 2016, GT Capital sold its 100% direct equity stake in Charter Ping An to AXA Philippines. GT Capital continues to have indirect interest in Charter Ping Anthrough its 25.3% interest in AXA Philippines, while First Metro Investment Corporation (FMIC) has a 28.2% interest in AXA Philippines. FMIC is a subsidiary of Metrobank in which GT Capital also has 25.4% interest.

**Philippine AXA Life Insurance Corporation (AXA Philippines)**

The following are the major performance measures used by AXA Philippines for the first half of 2015 and 2016.

| In Million Pesos, except ratios | Stand-alone | | | | Consolidated* |
|---|---|---|---|---|---|
| | **1H2015** | **1H2016** | **Inc/(Dec)** | **%** | **1H2016** |
| Gross Premiums | 11,936.7 | 9,583.9 | (2,352.8) | (19.7%) | 10,803.4 |
| Net income after tax | 713.7 | 853.6 | 139.9 | 19.6% | 866.7 |
| Premium Margin | *17.6%* | *22.5%* | | | |
| Net Profit Margin | *6.0%* | *9.0%* | | | |
| | **FY2015** | **1H2016** | **Inc/(Dec)** | **%** | **1H2016** |
| Total Assets | 79,978.1 | 89,977.7 | 9,999.6 | 12.5% | 97,049.2 |
| Total Liabilities | 74,810.4 | 83,737.5 | 8,927.1 | 11.9% | 90,760.8 |
| Total Equity | 5,167.7 | 6,240.2 | 1,072.5 | 20.8% | 6,288.4 |
| Solvency ratio | *477.0%* | *309.0%* | | | *166%* |

**Includes Charter Ping An for three months, effective April 1, 2016*

AXA Philippines posted a 2.8% decline in new business from life insurance expressed in Annualized Premium Equivalent from Php2.4 billion for the first half of 2015 to Php2.3 billion for the first half of 2016 due to lower demand for unit-linked products arising from volatile capital markets. As a result, gross premiums decreased by 19.7% from Php11.9 billion in the first half of 2015 to Php9.6 billion in the first half of 2016, mainly attributable to a decline in single premium products by 39.4% with a reported sales mix of 51%/49% from the previous 69%/31% (Single Premium vs. Regular Premium). By distribution platform, bancassurance and sales agency accounted for 70% and 30% of premium revenues, respectively. Asset management fees, however, rose by 20.2% from Php491.0 million in the first half of 2015 to Php590.0 million in the first half of 2016, consistent with the growth in Assets under Management.

Notwithstanding the decline in gross premiums, net income grew by 19.6% from Php713.7 million in the first half of 2015 to Php853.6 million in the first half of 2016 due to higher asset management fees and realized and unrealized gains on bonds and equities which grew from Php27 million to Php95 million.

Total equity at the Parent level increased by 20.8% or Php1.1 billion, driven by the acquisition of Charter Ping An in April 2016 which is reflected in the increase in investments in subsidiary by Php2.1 billion, partially offset by the increase in trade and other liabilities by Php394 million.

For the six-month period ended June 30, 2016, AXA Philippines, including Charter Ping An, as a wholly-owned subsidiary, generated consolidated gross premium of Php10.8 billion with a consolidated net income of Php866.7 million. Of consolidated net income, Php13.1 million came from Charter Ping An from April to June 30, 2016.

**Power and Infrastructure**

### Global Business Power Corporation (GBPC)

The following are the major performance measures used by GBPC for the first five months of 2015 and 2016 ending May 31.

| In Million Pesos, except ratios | 5M2015 | 5M2016 | Inc/(Dec) | % |
|---|---|---|---|---|
| Net Fees* | 7,058.3 | 6,839.7 | (218.6) | (3.1%) |
| Net income attributable to equity holders | 839.1 | 859.3 | 20.2 | 2.4% |
| Kilowatt-hour sales (in millions) | 1,402.0 | 1,458.5 | 56.5 | 4.0% |
| | **FY2015** | **5M2016** | **Inc/(Dec)** | **%** |
| Total assets | 74,360.8 | 73,771.3 | (589.5) | (0.8%) |
| Total liabilities | 43,945.6 | 42,020.5 | (1,925.1) | (4.4%) |
| Total equity | 30,415.2 | 31,750.8 | 1,335.6 | 4.4% |

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

For the first five months of 2016, GBPC's net fees, comprising energy fees and fuel pass-through costs, declined from Php7.1 billion in 2015 to Php6.8 billion in 2016. Despite the 4.0% growth in kilowatt-hour sales from 1.4 billion kilowatt-hours in 2015 to 1.5 billion kilowatt-hours in 2016, net fees declined mainly due to lower fuel prices.

Power plant operation and maintenance decreased by 14.7% from Php3.9 billion to Php3.4 billion due to lower fuel costs including lower purchased power expenses. Net income attributable to equity holders slightly improved from Php839.1 million to Php859.3 million.

On May 26, 2016, GT Capital acquired FMIC's 4.73% direct equity stake in GBPC for a total consideration of Php3.26 billion. This brought GT Capital's equity stake in GBPC to 56%.

On May 27, 2016, GT Capital sold its 56% equity stake in GBPC to Beacon PowerGen Holdings, Inc., a wholly owned subsidiary of Beacon Electric, an associate of MPIC, for a total consideration of Php22.06 billion. Immediately after the sale, the Parent Company relinquished control over GBPC and GBPC ceased to be a subsidiary of the Parent Company effective May 31, 2016. Accordingly, the financial statements of GBPC was deconsolidated from the interim condensed consolidated financial statements of the Group at that date.

On June 30, 2016, Orix P&E Philippines Corporation exercised its tag-along rights in relation to its holdings of GBPC shares and sold its 22% ownership stake in GBPC to the Parent Company for a total consideration of Php8.67 billion. On the same day, the Parent Company sold the same shares to JG Summit Holdings, Inc. for the same amount of consideration.

**Metro Pacific Investments Corporation (MPIC)**

On May 27, 2016, MPIC sold 3.6 billion new common shares to GT Capital with a total subscription price of Php21.96 billion. This was received as a deposit for future stock subscription pending increases in its authorized capital stock pursuant to shareholder approvals received in 2015. On the same date, GT Capital entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with GT Capital as the buyer and MPHI as the seller of 1.3 billion common shares of MPIC for a total consideration of Php7.93 billion. After said transactions, GT Capital's overall holding in MPIC's common share capital effectively was at 15.55%.

GT Capital's 15.55% ownership over MPIC gives GT Capital sufficient representation in the Board of Directors and Board's sub-committees of MPIC. Given this, GT Capital has the ability to exercise significant influence over the operating and financial policies of MPIC. Accordingly, GT Capital accounted for its investment in MPIC as an associate using equity method of accounting effective June 1, 2016.

MPIC is the one of the largest infrastructure conglomerates in the Philippines, which has exposure in high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics.

For the one (1) month ended June 30, 2016, MPIC's share in the consolidated operating core income amounted to Php2.4 billion, primarily reflecting the following:

- Increase in the effective shareholding in Meralco from 32.48% to 41.22%, and 42% effective share in GBPC beginning June 2016
- Higher contribution by the Tollway business which includes contribution from Don Muang Tollway Public Ltd (DMT)
- Growth in the Healthcare sector mainly due to an increased effective ownership in Riverside Medical Center Inc., contribution from new hospitals, Manila Doctors Hospitals and Sacred Heart Hospital of Malolos, and higher number of patients served across all hospitals

The consolidated operating core income represents MPIC's share in the stand-alone core income of its operating companies, net of consolidation adjustments. Including head office operating expenses, interest expenses and non-recurring items, reported net income for the one (1) month ended June 30, 2016 amounted to Php2.5 billion in 2016.

**Consolidated Statements of Income**
**For the Year Ended December 31, 2015 and For the Year Ended December 31, 2014**

| GT CAPITAL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF INCOME | Audited Year Ended December 31 | | Increase (Decrease) | |
|---|---|---|---|---|
| (In million Pesos, except for percentage) | 2015 | 2014 (As restated) | Amount | Percentage |
| **REVENUE** | | | | |
| Automotive operations | **₱120,802** | ₱108,816 | ₱11,986 | 11% |
| Net fees | **18,391** | 18,973 | (582) | (3%) |
| Real estate sales | **9,000** | 5,841 | 3,159 | 54% |
| Interest income on real estate sales | **1,462** | 1,157 | 305 | 26% |
| Equity in net income of associates and jointly controlled entities | **5,616** | 3,420 | 2,196 | 64% |
| Sale of goods and services | **636** | 603 | 33 | 5% |
| Rent income | **841** | 765 | 76 | 10% |
| Interest income on deposits and investments | **511** | 364 | 147 | 40% |
| Commission income | **194** | 80 | 114 | 143% |
| Other income | **1,778** | 1,087 | 691 | 64% |
| | **159,231** | 141,106 | 18,125 | 13% |
| **COSTS AND EXPENSES** | | | | |
| Cost of goods and services sold | **74,941** | 70,597 | 4,344 | 6% |
| Cost of goods manufactured and sold | **27,838** | 24,213 | 3,625 | 15% |
| General and administrative expenses | **10,858** | 10,392 | 466 | 4% |
| Power plant operation and maintenance expenses | **9,477** | 10,328 | (851) | (8%) |
| Cost of real estate sales | **6,487** | 4,334 | 2,153 | 50% |
| Interest expense | **3,932** | 3,240 | 692 | 21% |
| Cost of rental | **272** | 270 | 2 | 1% |
| | **133,805** | 123,374 | 10,431 | 8% |
| **Income Before Income Taxes From Continuing Operations** | 25,426 | 17,732 | 7,694 | 43% |
| **Provision For Income Tax** | **4,517** | 2,681 | 1,836 | 68% |
| **Net Income from Continuing Operations** | **20,909** | 15,051 | 5,858 | 39% |
| **Net Income from Disposal Group** | **50** | 100 | (50) | (50%) |
| **NET INCOME** | **20,959** | 15,151 | 5,808 | 38% |
| **Net Income Attributable to:** | | | | |
| Equity holders of the parent company | 12,119 | 9,153 | 2,966 | 32% |
| Non-controlling interests | 8,840 | 5,998 | 2,842 | 47% |
| | **₱20,959** | ₱15,151 | ₱5,808 | 38% |

GT Capital Holdings, Inc. ('GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company grew by 32% from ₱9.2 billion in 2014 to ₱12.1 billion in 2015. The increase was principally due to the 13% increase in consolidated revenues from ₱141.1 billion in 2014 to ₱159.2 billion in 2015.

The revenue growth came from the following component companies:

(1) auto sales from TMP and Toyota Cubao, Inc. ("TCI") as combined sales increased from ₱108.8 billion to ₱120.8 billion accounting for 76% of total revenue;
(2) higher real estate sales and interest income on real estate sales from Fed Land and PCFI which grew by 49% from ₱7.0 billion to ₱10.5 billion ;
(3) higher equity in net income of associates and jointly-controlled entities (JCEs) which grew by 64% from ₱3.4 billion to ₱5.6 billion; and
(4) Increase in other income from ₱1.1 billion to ₱1.8 billion.

Core net income attributable to equity holders of the Parent Company recorded 26% growth from ₱9.1 billion to ₱11.4 billion after excluding the following:

(1) ₱0.4 billion non-recurring income of Global Business Power Corporation ("GBPC") comprising collection of insurance proceeds;
(2) ₱0.2 billion gain recognized by Fed Land from its land asset swap, net of tax; and
(3) ₱0.1 billion amortization of fair value adjustments arising from business combination.

GT Capital finalized on August 20,2015 the acquisition of an initial 22.68% of PCFI for ₱7.24 billion, upon fulfillment of all closing conditions, including execution of an irrevocable proxy covering 51% of the total issued and outstanding capital stock of PCFI (the "Irrevocable Proxy") by Pro Friends Group, Inc. (the selling shareholder) in favor of GT Capital. By virtue of its payment for the 22.68% interest and the Irrevocable Proxy, GT Capital consolidated PCFI's financial statements beginning September 1, 2015.

On November 5, 2015, GT Capital signed a Sale and Purchase Agreement to sell 100% of its direct equity stake in Charter Ping An to AXA Philippines. The completion of the transaction is subject to closing conditions including receipt of regulatory approvals and is expected to be completed within the first half of 2016. With the impending sale, Philippine Financial Reporting Standards (PFRS) 5 prescribe the presentation of CPA's results of operations separate from the "Income from Continuing Operations", wherein all income, expenses and income taxes of CPA in 2015 are presented under "Income from Disposal Group". For comparability, 2014 and 2013 Consolidated Statements of Income were also restated to show CPA's 2014 and 2013 results of operations separate from the "Income from Continuing Operations".

Fed Land, PCFI, GBPC, TMP and TCI are consolidated in the financial statements of the Company. The other component companies MBT, AXA Philippines, TMBC, and TFSPH are accounted for through equity accounting. As previously discussed, the operations of CPA is presented separately in the income statement under "Income from Disposal Group".

Of the ten component companies, TMP, GBPC, AXA Philippines TFSPH, Fed Land, TMBC and TCI posted growths in their respective net income. MBT, PCFI, and CPA reported declines in their respective net income for the year.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 11% from ₱108.8 billion to ₱120.8 billion principally driven by the 13% increase in wholesales volume from 108,658 units to 122,817 units and continued expansion in the dealer outlets from 45 to 49.

Net fees realized from the power generation companies of GBPC declined by 3% from ₱19.0 billion to ₱18.4 billion due to lower fuel pass-through costs as coal and oil prices declined in the global market. GBPC's coal fired plants also experienced mandatory preventive maintenance shutdowns and plant downtimes for the year due to operational issues.

Real estate sales and interest income on real estate sales rose by 50% from ₱7.0 billion to ₱10.5 billion. Fed Land's sales contributed ₱7.5 billion in 2015, mostly from its middle-market development projects. PCFI's low cost and economic housing projects contributed ₱2.9 billion representing sales from September to December 2015.

Equity in net income of associates and JCEs, increased by 64% from ₱3.4 billion to ₱5.6 billion due to the following:

(1) Improved core net income of MBT from ₱10.5 billion to ₱18.0 billion;
(2) Growth in net income of AXA Philippines from ₱1.2 billion to ₱1.4 billion; and
(3) Higher net income of TFSPH from ₱397.9 million to ₱515.5 million.

Sale of goods and services increased by 5% from ₱603.0 million to ₱635.8 million primarily due to GBPC's sale of coal to third parties. This account also includes Fed Land's sale of petroleum products, on a wholesale and retail basis, in the Blue Wave malls.

Rent income from the lease of GT Tower International office building, the Blue Wave malls, Blue Bay Walk and Philippine AXA Life Center Condominium grew by 10% from ₱764.5 million to ₱840.5 million.

Interest income on deposits and investments increased by 40% from ₱363.8 million to ₱510.9 million due to an increase in cash available for short-term placements by GT Capital and subsidiaries.

Commission income more than doubled from ₱79.5 million to ₱194.2 million due to increases in the unit sales of Grand Hyatt Residences and Marco Polo Residences Tower 3.

Other income grew by 64% from ₱1.1 billion to ₱1.8 billion due to the following:

(1) ₱787.3 million from Fed Land comprising real estate forfeitures, gain on asset swap, management fees and other income;
(2) ₱617.8 million from GBPC consisting of insurance claims, dividend income and other income; and
(3) ₱279.6 million from TMP's ancillary income from its majority-owned dealers, gain on sale of fixed assets, dividend income and other income.

Consolidated costs and expenses increased by 8% from ₱123.4 billion to ₱133.8 billion with the following breakdown:

(1) ₱101.0 billion from TMP comprising cost of goods manufactured and sold, cost of goods and services sold, general and administrative expenses and interest expenses;
(2) ₱14.6 billion from GBPC consisting of power plant operations and maintenance, general and administrative expenses and interest expenses;
(3) ₱8.1 billion from Fed Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses;
(4) ₱6.4 billion from TCI consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(5) ₱2.0 billion from GT Capital representing interest expenses and general and administrative expenses; and
(6) ₱1.7 billion from PCFI comprising cost of real estate sales, general and administrative expenses and interest expenses.

Cost of goods and services sold increased by 6% from ₱70.6 billion to ₱74.9 billion with TMP's and TCI's completely built-up units and spare parts accounting for ₱74.4 billion and the balance of ₱0.5 billion from Fed Land's petroleum service station business.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP grew by 15% from ₱24.2 billion in 2014 to ₱27.8 billion in 2015.

General and administrative expenses rose by 4% from ₱10.4 billion to ₱10.9 billion. TMP accounted for ₱4.6 billion comprising advertising and sales promotion expenses, salaries, taxes and licenses and delivery and handling. GBPC contributed ₱3.4 billion representing salaries, taxes and licenses, other general and administrative expenses, amortization of intangible assets-power purchase agreements, outside services, insurance and provision for impairment losses. Fed Land contributed ₱2.0 billion comprising salaries, commissions, taxes and licenses, advertising expenses and other general and administrative expenses. TCI accounted for ₱0.4 billion consisting of salaries, advertising and promotions, commission and utilities expenses. PCFI contributed ₱0.3 billion comprising of salaries, commissions, professional fees, advertising and taxes and licenses. The remaining ₱0.2 billion came from GT Capital's salaries, professional fees and taxes and licenses.

Power plant operations and maintenance expenses consisting of purchased power and repairs and maintenance from the power generation companies of GBPC declined by 8% from ₱10.3 billion to ₱9.5 billion mainly due to the decline in fuel cost and purchased power expenses.

Cost of real estate sales increased by 50% from ₱4.3 billion to ₱6.5 billion arising from the increase in real estate sales. Fed Land contributed ₱5.3 billion while PCFI accounted for the remaining ₱1.2 billion

Interest expense increased by 21% from ₱3.2 billion to ₱3.9 billion with GBPC, GT Capital, Fed Land, TMP, PCFI and TCI accounting for ₱1.8 billion, ₱1.8 billion, ₱142.0 million, ₱100.4 million, ₱99.6 million and ₱13.4 million, respectively.

Provision for income tax increased by 68% from ₱2.7 billion to ₱4.5 billion mainly increases in taxable income from TMP, Fed Land and GBPC.

Income from disposal group amounting to ₱50 million represent the after tax-operating income of CPA.

Net income attributable to non-controlling interest grew by 47% from ₱6.0 billion to ₱8.8 billion due to an increase in the net income of subsidiaries which are not wholly-owned.

Consolidated net income attributable to equity holders of the Parent Company increased by 32% from ₱9.2 billion in 2014 to ₱12.1 billion in 2015.

| GT CAPITAL HOLDINGS, INC. | Audited | | | |
|---|---|---|---|---|
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | **Year Ended December 31** | | **Increase (Decrease)** | |
| **(In million Pesos, except for percentage)** | **2015** | **2014** | **Amount** | **Percentage** |
| **ASSETS** | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | ₱37,861 | ₱29,702 | ₱8,159 | 27% |
| Short-term investments | 1,861 | 1,309 | 552 | 42% |
| Receivables | 25,417 | 16,223 | 9,194 | 57% |
| Reinsurance assets | - | 3,880 | (3,880) | (100%) |
| Inventories | 53,247 | 31,426 | 21,821 | 69% |
| Due from related parties | 370 | 171 | 199 | 116% |
| Prepayments and other current assets | 7,674 | 5,468 | 2,206 | 40% |
| Assets of disposal group classified as held-for-sale | 8,434 | - | 8,434 | 100% |
| Total Current Assets | 134,864 | 88,179 | 46,685 | 53% |
| Noncurrent Assets | | | | |
| Noncurrent receivables | 9,186 | 4,897 | 4,289 | 88% |
| Available-for-sale investments | 3,195 | 4,127 | (932) | (23%) |
| Land held for future development | 27,356 | - | 27,356 | 100% |
| Investments in associates and jointly controlled entities | 60,265 | 47,451 | 12,814 | 27% |
| Investment properties | 10,797 | 8,643 | 2,154 | 25% |
| Property and equipment | 51,972 | 44,801 | 7,171 | 16% |
| Goodwill and intangible assets | 17,001 | 17,805 | (804) | (5%) |
| Deferred tax asset | 1,771 | 1,726 | 45 | 3% |
| Other noncurrent assets | 878 | 634 | 244 | 38% |
| Total Noncurrent Assets | 182,421 | 130,084 | 52,337 | 40% |
| **TOTAL ASSETS** | **₱317,285** | **₱218,263** | **99,022** | **45%** |
| **LIABILITIES AND EQUITY** | | | | |
| Current Liabilities | | | | |
| Accounts and other payables | ₱22,407 | ₱19,280 | ₱3,127 | 16% |
| Insurance contract liabilities | - | 5,665 | (5,665) | (100%) |
| Short-term debt | 7,318 | 2,347 | 4,971 | 212% |
| Current portion of long-term debt | 6,757 | 3,061 | 3,696 | 121% |
| Current portion of liabilities on purchased properties | 637 | 783 | (146) | (19%) |
| Customers' deposit – current | 3,691 | 2,549 | 1,142 | 45% |
| Dividends payable | 2,860 | 2,034 | 826 | 41% |
| Due to related parties – current | 174 | 176 | (2) | (1%) |
| Income tax payable | 1,013 | 476 | 537 | 113% |
| Other current liabilities | 520 | 882 | (362) | (41%) |
| Liabilities of disposal group classified held-for-sale | 6,444 | - | 6,444 | 100% |
| **Total Current Liabilities** | **51,821** | **37,253** | **14,568** | **39%** |
| **Noncurrent Liabilities** | | | | |
| Long-term debt net of current portion | 82,021 | 42,118 | 39,903 | 95% |
| Bonds payable | 21,801 | 21,775 | 26 | 0% |
| Liabilities on purchased properties – net of current portion | 2,146 | 2,729 | (583) | (21%) |
| Pension liability | 2,219 | 2,261 | (42) | (2%) |
| Deferred tax liabilites | 10,826 | 3,532 | 7,294 | 207% |
| Other non-current liabilities | 2,609 | 2,653 | (44) | (2%) |
| **Total Noncurrent Liabilities** | **121,622** | **75,068** | **46,554** | **62%** |
| **Total Liabilities** | **₱173,443** | **₱112,321** | **61,122** | **54%** |

| | Audited | | Increase (Decrease) | |
|---|---|---|---|---|
| **(In million Pesos, except for percentage)** | **2015** | **2014** | **Amount** | **Percentage** |
| EQUITY | | | | |
| Equity attributable to equity holders of Parent Company | | | | |
| Capital Stock | ₱1,760 | ₱1,743 | ₱17 | 1% |
| Additional paid-in capital | 46,695 | 46,695 | - | - |
| Treasury Shares | (6) | (2) | (4) | 200% |
| Retained Earnings | | | | |
| Unappropriated | 33,267 | 24,432 | 8,835 | 36% |
| Appropriated | 8,760 | 6,000 | 2,760 | 46% |
| Other comprehensive loss | (918) | (103) | (815) | 791% |
| Other equity adjustments | 576 | 582 | (6) | (1%) |
| | **90,134** | **79,347** | **10,787** | **14%** |
| Non-controlling interest | 53,708 | 26,595 | 27,113 | 102% |
| **Total Equity** | **₱143,842** | **₱105,942** | **37,900** | **36%** |
| **TOTAL LIABILITIES AND EQUITY** | **₱317,285** | **₱218,263** | **99,022** | **45%** |

The major changes in the balance sheet items of the Company from December 31, 2014 to December 31, 2015 are as follows:

Total assets of the Group increased by 45% or ₱99.0 billion from ₱218.3 billion as of December 31, 2014 to₱317.3 billion as of December 31, 2015. Total liabilities increased by 54% or ₱61.1 billion from ₱112.3 billion to ₱173.4 billion while total equity rose by 36% or ₱37.9 billion from ₱105.9 billion to ₱143.8 billion.

In August 2015, GT Capital acquired control over PCFI by virtue of the Irrevocable Proxy and the ₱7.24 billion payment representing a 22.68% direct equity interest. As a result, GT Capital consolidated PCFI‘s balance sheet on a line-by-line basis.

In November 2015, GT Capital signed Sale and Purchase Agreement with AXA to sell 100% of its direct equity stake in CPA. As a result, Philippine Financial Reporting Standards (PFRS) 5 prescribe a separate presentation of CPA’s assets and liabilities under “Assets of disposal group classified as held for sale”, and “Liabilities of disposal group classified as held for sale”, respectively.

Cash and cash equivalents increased by ₱8.2 billion reaching ₱37.9 billion with GBPC, TMP, GT Capital, PCFI, Fed Land and TCI accounting for ₱14.9 billion, ₱13.5 billion, ₱6.9 billion, ₱1.4 billion, ₱1.1 billion and ₱69.8 million, respectively.

Short-term investments increased by 42% from ₱1.3 billion to ₱1.9 billion, with TMP and GBPC contributing ₱1.8 billion and ₱67.0 million, respectively.

Receivables increased by 57% from ₱16.2 billion to ₱25.4 billion with PCFI contributing ₱9.3 billion comprising of installment contract receivables and other receivables; Fed Land contributing ₱6.9 billion, a majority of which were installment contract receivables, rent receivable and other receivables: TMP contributing ₱5.1 billion consisting of trade and non-trade receivables; GBPC contributing ₱3.4 billion representing outstanding billings for energy fees and passed-through fuel costs arising from the delivery of power and other receivables; and TCI accounting for ₱706.5 million representing trade receivables from the sale of automobiles and after-sales maintenance services.

Inventories increased by ₱21.8 billion from ₱31.4 billion to ₱53.2 billion with Fed Land contributing ₱34.2 billion comprising land and improvements, condominium units for sale and inventory with construction-in-progress; PCFI contributing ₱11.3 billion comprising of landbank, land improvements, materials inventory, ongoing construction of house inventory and condominium units for sale; and TMP contributing ₱6.0 billion mostly finished goods. The balance of ₱1.8 billion came from GBPC representing coal and spare parts and supplies (₱1.5 billion) and TCI representing automobiles and spare parts (₱182 million).

Due from related parties increased by ₱199 million from ₱171 million to ₱370 million primarily due to consolidation of PCFI's due from related parties amounting to ₱218 million, which was offset by collections of ₱19 million from Fed Land's related parties.

Prepayments and other current assets grew by 40% from ₱5.5 billion to ₱7.7 billion with Fed Land contributing ₱4.0 billion consisting of advances to contractors and suppliers, prepaid expenses, current input tax, deferred input tax and creditable withholding taxes; GBPC contributing ₱2.0 billion consisting advances to contractors and suppliers, current input tax, deferred input tax and prepaid expenses; PCFI contributing ₱946.0 million comprising of advances to contractors and suppliers, cash advances to agents, and input tax; and TMP contributing ₱711.7 million comprising of ad valorem tax deposit and prepaid expenses. The balance of ₱82 million came from TCI (₱52 million) and GT Capital (₱30 million).

Assets of disposal group classified as held for sale comprising CPA'S current and non-current assets including reinsurance assets, receivables, and Available-for-sale (AFS) investments amounted to ₱8.4 billion.

Noncurrent receivables from Fed Land (₱4.1 billion) and PCFI (₱4.7 billion) unit buyers who opted for long-term payment arrangements and various GBPC electric cooperatives (₱0.4 billion) rose by 88% from ₱4.9 billion to ₱9.2 billion.

Noncurrent inventories consisting of PCFI's undeveloped land amounted to ₱27.4 billion.

Available-for-sale investments declined by 23% from ₱4.1 billion to ₱3.2 billion primarily due to a change in the presentation of CPA's available-for-sale investments to "Assets of Disposal Group Classified as Held-For-Sale", and offset by mark-to-market gain on GBP's AFS investments.

Investments in associates and jointly-controlled entities increased by 27% from ₱47.5 billion to ₱60.3 billion due to: 1) ₱8.3 billion additional investment in MBT via stock rights offering; 2) ₱0.5 billion investment of Fed Land in a joint venture with Alveo Land Corporation, a wholly-owned subsidiary of Ayala Land, Inc., through Alveo Federal Land Communities, Inc.; 3) ₱5.6 billion share in net income of associates and JCE; 4) (₱1.1 billion) share in other comprehensive loss; and 5) ₱0.2 billion effect of intra-group elimination on sale of inventories and land within the group; offset by ₱0.7 billion cash dividends received from associates and JCE.

Investment properties-net increased by 25% or ₱2.2 billion from ₱8.6 billion to ₱10.8 billion due to the consolidation of PCFI's investment properties into GT Capital.

Property and equipment increased by 16% or ₱7.2 billion from ₱44.8 billion to ₱52.0 billion mainly due to 1) ₱5.7 billion of GBPC's ongoing construction in Panay Energy Unit 3 Plant Expansion, net of depreciation; 2) ₱0.9 billion of TMP's ongoing capital expenditure projects, net of depreciation; and 3) ₱0.6 billion from PCFI's fixed assets.

Other noncurrent assets reached ₱878.1 million, consisting of: (1) ₱462.6 million in non-current deposits of PCFI, Fed Land and TMPI; (2) ₱342.3 million in non-current input tax of Fed Land, TMP and GBPC; and 3) ₱73.2 million noncurrent prepaid expenses, retirement assets other assets.

Accounts and other payables increased by 16% from ₱19.3 billion to ₱22.4 billion with TMP, GBPC, Fed Land, PCFI, TCI and GT Capital accounting for ₱11.4 billion, ₱5.0 billion, ₱3.7 billion, ₱1.8 billion, ₱355.4 million and ₱186.2 million, respectively.

Short-term debt increased by ₱5.0 billion from ₱2.3 billion to ₱7.3 billion due to the consolidation of PCFI's loans (₱4.5 billion), additional loan availments by Fed Land (₱480.0 million), TMP's dealer subsidiaries (₱1.1 billion) and TCI (₱1.8 billion) offset by loan payments made by TMP's dealer subsidiaries (₱1.0 billion) and TCI (₱1.9 billion).

Current portion of long-term debt more than doubled from ₱3.1 billion to ₱6.8 billion due the net effect of 1) consolidation of PCFI's current portion of long-term debt (₱1.3 billion), 2) reclassification of Fed Land's debt (₱2.0 billion) and GBPC's debt (₱2.9 billion) from non-current to current offset by payment of GBPC's debt (₱2.5 billion).

Current portion of liabilities on purchased properties declined by 19% from ₱783.0 million to ₱636.5 million due to principal payment made by Fed Land.

Customers' deposits increased by 45% from ₱2.5 billion to ₱3.7 billion mainly due to the consolidation of PCFI's customer deposits of ₱1.2 billion.

Dividends payable increased by ₱0.8 billion due to the net effect of GBPC's set-up of 2015 cash dividends payable in 2016 offset by the payment of 2014 cash dividends in April 2015.

Income tax payable increased by ₱537.7 million from ₱475.8 million to ₱1.0 billion due to an increase in the subsidiaries' taxable income.

Other current liabilities declined by 41% from ₱881.7 million to ₱520.3 million mainly due to the ₱298.8 million settlement of advances to GBPC's stockholders and ₱125.1 million reclassification of Charter Ping An's other current liabilities to "Liabilities of disposal group classified as held for sale".

Liabilities of disposal group classified as held for sale amounted to ₱6.4 billion comprising Charter Ping An's current and non-current liabilities such as Insurance Contract Liabilities.

Pension liabilities declined by 2% from ₱2.3 billion to ₱2.2 billion with TMP, GBPC, PCFI, Fed Land and TCI contributing ₱1.3 billion, ₱629.1 million, ₱118.6 million, ₱116.8 million and ₱74.9 million, respectively.

Long-term debt-net of current portion increased by ₱39.9 billion from ₱42.1 billion to ₱82.0 billion due to: 1) ₱24.9 billion loan availment of GT Capital, net of ₱0.1 billion deferred financing cost, to finance its investment in the MBT stock rights offering, investment in the Series B preferred shares of Fed Land and investment in PCFI; 2) ₱6.8 billion loan availment of GBPC, net of ₱0.2 billion transaction cost to partially finance the construction of GBPC's power plants; 3) ₱3.8 billion availment of Fed Land to finance the acquisition of additional land bank and working capital requirements; (4) consolidation of ₱9.8 billion long-term loans of PCFI to finance acquisition of land bank and working capital requirements, these were offset by 1) the reclassification of GBPC and Fed Land's debt amounting to ₱2.9 billion and ₱2.0 billion, respectively from non-current to current and 2) ₱0.5 billion amortization of fair valued adjustments in GBPC's long-term debt.

Liabilities on purchased properties, net of current portion, declined by 21% from ₱2.7 billion to ₱2.1 billion due to Fed Land's scheduled principal payments.

Deferred tax liabilities increased by ₱7.3 billion from ₱3.5 billion to ₱10.8 billion due to the set-up of ₱7.3 billion deferred tax liability arising from the fair value increase in the net assets of PCFI as a result of the preliminary purchase price allocation and consolidation of PCFI.

Other noncurrent liabilities reached ₱2.6 billion, composed of long-term accrued expenses of TMP, (₱1.4 billion); non-current retention payable and deferred output tax of Fed Land (₱1.0 billion);, asset retirement obligation and decommissioning liability of GBPC (₱0.2 billion).

Capital stock increased by ₱17 million due to GT Capital's issuance of voting preferred shares in April 2015.

Treasury shares amounted to ₱6 million representing investment in shares of stock by Charter Ping An in GT Capital common shares of stock.

Unappropriated retained earnings increased by 36% from ₱24.4 billion to ₱33.3 billion due to: 1) the ₱12.1 billion consolidated net income earned in 2015; and 2) ₱6.0 billion reversal of 2014 appropriation of retained earnings, offset by ₱0.5 billion cash dividends declared in March 2015 and ₱8.8 billion appropriation of retained earnings.

Appropriated retained earnings increased by ₱2.8 billion due to the ₱8.8 billion 2015 appropriation for additional investments in PCFI offset by a ₱6.0 billion reversal of 2014 appropriation of investment in Series "B" Fed Land's preferred shares.

Other comprehensive loss increased by ₱815.4 million from ₱102.5 million to ₱917.9 million due to mark-to-market losses recorded on available-for-sale investments of GT Capital's subsidiaries and associates.

Non-controlling interest (NCI) doubled by ₱27.1 billion from ₱26.6 billion to ₱53.7 billion primarily due to: 1) ₱24.3 billion set-up of non-controlling interest from the preliminary purchase price allocation of PCFI; 2) ₱8.8 billion NCI share in the net income of TMP and GBP; and 3) ₱0.3 billion NCI share in other comprehensive income offset by ₱6.3 billion NCI share in dividends declared by TMP and GBPC.

## Key Performance Indicators

The following are the key performance indicators of the Company for the years ended December 31, 2013, 2014, and 2015.

Key Performance Indicators (in Million Pesos, except %)

| **Income Statement** | **2013** | **2014** | **2015** |
|---|---|---|---|
| Total Revenues** | 104,983 | 141,106 | 159,231 |
| Net Income attributable to GT Capital Holdings | 8,640 | 9,153 | 12,119 |
| | | | |
| **Balance Sheet** | | | |
| Total Assets | 192,360 | 218,263 | 317,285 |
| Total Liabilities | 99,796 | 112,321 | 173,443 |
| Equity attributable to GT Capital Holdings, Inc. | 70,526 | 79,347 | 90,134 |
| Return on Equity * | 13.9% | 12.2% | 14.3% |

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

## MBT

The following are the major performance measures used by MBT for 2013, 2014 and 2015.

| (In Million Pesos, except %) | 2013 | 2014 | 2015 |
|---|---|---|---|
| Net income attributable to equity holders | 22,488 | 20,113 | 18,625 |
| Average total assets | 1,212,606 | 1,491,555 | 1,682,616 |
| Average shareholders' equity (attributable to equity holders) | 126,310 | 142,508 | 171,944 |
| Return on Average Assets | 1.9% | 1.3% | 1.1% |
| Return on Average Equity | 17.8% | 14.1% | 10.8% |
| Average shareholders' equity (as a % of average total assets) | 10.4% | 9.6% | 10.2% |
| Net income attributable to equity holders | 22,488 | 20,113 | 18,625 |
| Average total assets | 1,212,606 | 1,491,555 | 1,682,616 |
| Dividend Payout Ratio | 9.4% | 13.6% | 14.7% |
| Cost to average assets | 4.8% | 3.9% | 3.3% |
| Tier 1 Capital Adequacy ratio | 15.0% | 12.1% | 14.3% |
| Total Capital Adequacy ratio | 16.7% | 16.0% | 17.8% |
| Non Performing Loans ratio | 1.3% | 1.0% | 1.0% |
| Non Performing Loans coverage | 164.1% | 165.2% | 110.7% |

*Notes:*

*(1) Dividend payout ratio is the ratio of cash dividends to net income after tax (excluding non-controlling interest).*

*(2) Cost to average assets is the ratio of operating expenses (including interest expenses but excluding depreciation and amortization) to average total assets.*

*(3) Capital adequacy ratios as of December 31, 2014 and 2015 were computed based on Basel III standards, while capital adequacy ratios as of December 31, 2013 were computed based on Basel II standards. The common equity Tier 1 capital adequacy ratio is not applicable under Basel II standards.*

*(4) Net non-performing loans ratio is the ratio of net non-performing loans divided by total loans – excluding interbank loans.*

*(5) Non-performing loans coverage is the ratio of allowance for credit loan losses to total non -performing loans.*

MBT registered a 7% decline in consolidated net income attributable to equity holders from ₱20.1 billion in 2014 to ₱18.6 billion in 2015. The decline was attributed to lower other operating income by ₱10.7 billion and share in net income of associates and a joint venture by ₱0.03 billion offset by higher net interest income by ₱3.2 billion and decrease in total operating expenses and provision for income tax by ₱4.91 billion and ₱1.22 billion, respectively.

Net interest income grew by 7% from ₱45.8 billion in 2014 to ₱49.0 billion in 2015 due to growth in the middle market, small-and-medium scale enterprises and consumer loans, and trading and investment securities. Non-interest income, however, dropped by 37% from ₱29.1 billion in 2014 to ₱18.4 billion in2015 arising from lower profit from the disposal of foreclosed properties, and decrease in trading and securities gains.

Total resources reached a record high of ₱1.8 trillion in 2015, a 10% increase from ₱1.6 trillion level in the previous year. The improvement came from the issuance of stock rights in April 2015 with total net proceeds of ₱31.5 billion, (the 26% increase in bills payable and securities sold under repurchase agreements) and 6% expansion in total deposits to ₱1.3 trillion resulting in a 17% growth in net loans and receivables to ₱887.2 billion in 2015. MBT opened 23 branches to increase its domestic presence to 945 branches. This network is supplemented by 2,226 ATMs nationwide.

Non-performing loans (NPL) ratio improved at a new low or under the 1.0% level in 2015, while NPL coverage decreased from 165.2% in 2014 to 110.7% in 2015.

MBT's BASEL III total capital adequacy ratio ("CAR") remained well-above the regulatory limit at 17.8% with Common Equity Tier 1 ("CET1") of 14.3%.

## TMP

The following are the major performance measures used by TMP for 2013, 2014 and 2015.

| (In Million Pesos, except for ratios) | 2013 | 2014 | 2015 |
|---|---|---|---|
| Sales | 80,676.6 | 104,886.9 | 114,346.2 |
| Gross Profit | 10,256.6 | 14,628.9 | 18,355.2 |
| Operating Profit | 5,719.1 | 9,859.1 | 13,898.9 |
| Net income attributable to Parent | 4,219.0 | 7,210.0 | 10,193.9 |
| Total Assets | 23,750.0 | 26,706.7 | 32,290.3 |
| Total Liabilities | 14,464.1 | 14,779.7 | 17,060.9 |
| Total Equity | 9,285.9 | 11,927.0 | 15,229.4 |
| Total Liabilities to Equity ratio | 1.6x | 1.2x | 1.1x |

TMP exhibited a 9% growth in consolidated sales from ₱104.9 billion in 2014 to ₱114.3 billion in 2015. Aside from auto assembly and importation, TMP directly owns four (4) dealer outlets namely: Toyota Makati with two (2) branches, Toyota Makati and Toyota Bicutan; Toyota San Fernando in Pampanga with three (3) branches in Toyota San Fernando, Toyota Plaridel Bulacan and Toyota Tarlac all located in Luzon, Lexus Manila, situated in Bonifacio Global City, Taguig City and Toyota Sta. Rosa Laguna Inc.

In 2015, TMP exhibited record retail sales of 125,027 units, an 18% increase from that of previous year. With this feat, TMP earned its 14$^{th}$ consecutive Triple Crown award which means Number 1 in passenger car sales, Number 1 in commercial vehicle sales and Number 1 in overall sales. Overall market share grew from 36.3% in 2013 to 39.4% in 2014 and 38.9% in 2015. The sales improvement was attributed to the launching of the all-new Vios in July 2013, new model introductions in 2014 and 2015 for the Corolla Altis, Wigo, Yaris, Hi Lux, and Alphard, volume increments for all models, and aggressive sales and promotions across the dealership network spanning 49 branches nationwide.

The sales volume growth, managed cost efficiencies, favorable foreign exchange rates and models mix resulted in continuous improvements in gross profit margin from 14.0% to 16.0%, operating profit margin from 9.4% to 12.2% and net profit margin from 6.9% to 9.0%, respectively. Consolidated net income attributable to equity holders grew by 41% from ₱7.2 billion in 2014 to ₱10.2 billion in 2015.

## Global Business Power

The following are the major performance measures used by GBPC for 2013, 2014 and 2015.

| (In Million Pesos, except for ratios) | 2013 | 2014 | 2015 |
|---|---:|---:|---:|
| Net Fees* | 16,944.1 | 18,973.4 | 18,391.5 |
| Net income attributable to equity holders | 1,937.1 | 2,284.4 | 2,941.8 |
| Total assets | 59,770.3 | 68,433.4 | 74,360.8 |
| Total liabilities | 36,051.1 | 38,657.8 | 43,945.6 |
| Total equity | 23,719.2 | 29,775.6 | 30,415.2 |
| Current ratio | 1.6x | 2.0x | 1.8x |
| Total Liabilities to equity ratio | 1.5x | 1.3x | 1.4x |

**Comprising energy fees realized by the operating companies as stipulated in their respective Power Purchase Agreements with their respective customers, net of adjustment.s*

GBPC's net fees decreased by 3% from ₱19.0 billion in 2014 to ₱18.4 billion in 2015 due to lower fule pass-through costs as oil and coal prices declined in the global market. GBPC's coal-fired plants also experienced mandatory preventive maintenance shutdowns and plant downtimes for the year dues to operational issues. Kilowatt hour sales, however, increase by 9% from 3.3 billion kilowatt-hours in 2014 to 3.6 billion kilowatt-hours in 2015.

Net income attributable to equity holders of the Parent Company increased by 29% from ₱2.3 billion in 2014 to ₱2.9 billion in 2015. This included gross insurance recoveries amounting to ₱473 million on business interruption brought about by Typhoon Yolanda in November 2013. Excluding gross insurance recovery, net income grew by 14% to ₱2.6 billion in 2015.

Panay Energy's Unit 3, a 50MW coal-fired plant in Panay, Iloilo which began construction in June 2014, is expected to be commissioned during the second half of 2016.

**Federal Land**

The following are the major performance measures used by Fed Land for 2013, 2014 and 2015.

| (In Million Pesos, except for ratios) | 2013 | 2014 | 2015 |
|---|---|---|---|
| Real Estate Sales * | 5,451.5 | 6,997.9 | 7,534.0 |
| Revenues | 7,895.7 | 9,375.2 | 10,311.3 |
| Net income attributable to equity holders | 1,004.3 | 1,486.4 | 1,560.0 |
| Total assets | 43,231.1 | 53,325.6 | 64,553.2 |
| Total liabilities | 24,664.3 | 25,379.0 | 29,558.7 |
| Total equity | 18,566.8 | 27,946.6 | 34,994.5 |
| Current ratio | 3.9x | 4.7x | 4.5x |
| Total Liabilities to equity ratio | 1.3x | 0.9x | 0.8x |

** Includes interest income on real estate sales*

Fed Land recorded 10% growth in total revenue from ₱9.4 billion in 2014 to ₱10.3 billion in 2015. The revenue improvement came from: (1) real estate sales and interest income on real estate sales which rose by 8% from ₱7.0 billion to ₱7.5 billion driven by increased sales recognized from ongoing high-end and middle market development projects situated in Pasay, Mandaluyong, Bonifacio Global City, Manila and San Juan; and (2) rent income which grew by 8% from ₱769 million to ₱830 million owing to annual price escalation. As a result of the revenue growth, net income attributable to shareholders increased by 5% from ₱1.5 billion to ₱1.6 billion in 2015.

For 2015, Fed Land launched three (3) new vertical residential condominium projects namely Paseo de Roces II (Chino Roces, Makati City), Six Senses Resort 5 (Macapagal, Pasay City) and Palm Beach Villa 3 (Macapagal, Pasay City).

**PCFI**

The following are the major performance measures used by PCFI for 2014 and 2015.

| (In Million Pesos, except for ratios) | 2014 | 2015 |
|---|---|---|
| Real Estate Sales * | 10,594.8 | 6,997.6 |
| Revenues | 10,741.8 | 7,046.7 |
| Net income attributable to equity holders | 3,574.3 | 2,060.4 |
| Total assets | 30,789.6 | 35,881.6 |
| Total liabilities | 20,125.3 | 18,933.7 |
| Total equity | 10,664.3 | 16,947.9 |
| Current ratio | 1.6x | 2.4x |
| Total Liabilities to equity ratio | 1.9x | 1.1x |

** Includes interest income on real estate sales*

On August 20, 2015, GT Capital finalized the acquisition of an initial 22.68% stake in PCFI for ₱7.24 billion, with an option to increase its direct shareholding to 51% within the next three years. The ₱7.24 billion capital infusion by GT Capital was utilized to pay down debt, accelerate house construction and other general corporate purposes.

Established in 1999, PCFI is one of the country's leading property developers, focusing on the low cost and economic housing segment and retail space and BPO office leasing. PCFI has built and sold over 36,000 affordable homes in the provinces of Cavite and Iloilo. Its flagship and largest project is Lancaster New City (LNC) which spans the areas of Kawit, Imus and General Trias in Cavite province, island of Luzon. Aside from LNC, ongoing projects include the Bellefort Estates in Bacoor and Dasmarinas in Cavite, the Parc Regency Residences in Iloilo province, and the Carmona Estate in Carmona Cavite.

In consideration of GT Capital's initial equity stake and attainment of effective control, PCFI's financial statement was consolidated into GT Capital's financials effective September 1, 2015.

Total revenues, mainly real estate sales, reached ₱2.95 billion for the last four (4) months of 2015 covering the period of September 1 to December 31, 2015. Cost of sales and expenses, excluding depreciation and interest expenses, amounted to ₱1.52 billion. Net income from September 1 to December 31, 2015 amounted to ₱1.26 billion.

**AXA Philippines**

The following are the major performance measures used by AXA Philippines for 2013, 2014 and 2015.

| (In Million Pesos) | **2013** | **2014** | **2015** |
|---|---|---|---|
| Gross Premiums | 18,320.0 | 18,404.5 | 22,923.3 |
| Net income after tax | 1,184.0 | 1,223.9 | 1,383.5 |
| Total Assets | 54,951.3 | 68,007.2 | 79,978.1 |

AXA Philippines generated a 21% increase in new business expressed in Annualized Premium Equivalent from ₱4.0 billion in 2014 to ₱4.8 billion in 2015 due to strong equities market in the first half and sales initiatives launched in the second half. Gross premiums, thus, increased by 24.6% from ₱18.4 billion in 2014 to ₱22.9 billion in 2015, mainly attributable to the single premium products that grew by 25%. Asset management fees, likewise, rose by 27% from ₱785 million in 2014 to ₱1.0 billion in 2015, consistent with unit linked Assets under Management. Net income level grew by 13% from ₱1.2 billion in 2014 to ₱1.4 billion in 2015.

**Toyota Financial Services Philippines Corporation**

The following are the major performance measures used by TFSPH for 2013, 2014 and 2015.

| (In Million Pesos) | **2013** | **2014** | **2015** |
|---|---|---|---|
| Finance Revenue | 1,704.6 | 2,234.7 | 2,828.2 |
| Net Operating Profit | 901.1 | 952.1 | 1,209.3 |
| Net Income | 436.7 | 398.0 | 515.5 |
| Finance Receivable | 20,301.8 | 28,357.0 | 33,304.4 |
| Total Assets | 29,577.4 | 39,424.8 | 44,278.4 |
| Total Equity | 2,725.6 | 3,842.7 | 4,369.4 |

TFSPH recorded a 24% growth in gross interest income from ₱2.4 billion in 2014 to ₱3.0 billion in 2015 as net earning assets increased by 17% from ₱28.4 billion in 2014 to ₱33.3 billion in 2015 with a penetration rate of 16% relative to Toyota Motors' annual auto sales. Net income for the year improved by 30% from ₱398.0 million to ₱515.5 million, partly due to downward adjustments on provisioning following implementation of new risk-based methodology implemented in March 2015 and increase in taxes and licenses, litigation and credit investigation.

### Charter Ping An

The following are the major performance measures used by CPA for 2013, 2014 and 2015.

| (In Million Pesos) | 2013 | 2014 | 2015 |
|---|---|---|---|
| Gross Premium Written | 3,513.9 | 4,002.5 | 4,114.1 |
| Net Premium Written | 1,823.6 | 1,912.1 | 2,158.6 |
| Gross Underwriting Contribution | 529.6 | 478.9 | 419.2 |
| Net Income | 190.0 | 105.0 | 42.4 |
| Total Assets | 9,211.3 | 8,493.0 | 7,872.9 |

CPA registered a 3% growth in gross premium written from ₱4.0 billion in 2014 to ₱4.1 billion in 2015. The increase is due to the reallocation of gross premium written from Property to Motor car, with combined share of 70% of total portfolio. Net income, however, decreased by 60% from ₱105.0 million in 2014 to ₱42.4 million in 2015 due to higher losses on property and motor car lines and property and catastrophic losses.

### Toyota Manila Bay

The following are the major performance measures used by TMBC for 2013, 2014 and 2015.

| (In Million Pesos) | 2013 | 2014 | 2015 |
|---|---|---|---|
| Net Sales | 9,440.7 | 11,268.1 | 12,324.4 |
| Gross Profit | 653.1 | 651.4 | 677.7 |
| Net Income | 110.3 | 129.8 | 142.0 |
| Total Assets | 1,934.1 | 2,370.0 | 2,509.2 |
| Total Liabilities | 1,402.8 | 1,720.5 | 1,717.7 |
| Total Equity | 531.3 | 649.5 | 791.5 |

TMBC consolidated sales, which comprised of vehicle sales, spare parts and maintenance services grew by 9% from ₱11.3 billion in 2014 to ₱12.3 billion in 2015, translated into a penetration rate of 10% among Toyota dealers in 2015. Vehicle sales, accounting for 92.8% of TMBC‘s revenues, increased by 8% from ₱10.6 billion to ₱11.4 billion as retail sales volume grew by 8% from 11,474 units to 12,402 units. Sales from spare parts and maintenance services, accounting for a combined 7.2% of revenues, increased by 11% and 17%, respectively.

Net income grew by 9% from ₱129.8 million in 2014 to ₱142.0 million in 2015.

TMBC owns three (3) auto dealer outlets located in Manila Bay, Roxas Boulevard, Pasay City, Jose Abad Santos, Manila and Damarinas, Cavite.

### Toyota Cubao, Inc.

The following are the major performance measures used by TCI for 2013, 2014 and 2015.

| (In Million Pesos) | 2013* | 2014* | 2015* |
|---|---|---|---|
| Net Sales | 4,254,3 | 5,304.6 | 6,376.2 |
| Gross Profit | 288.8 | 322.9 | 432.9 |
| Net Income | 171.0** | 14.5 | 29.9 |
| Total Assets | 1,096.8 | 1,337.9 | 1,348.8 |
| Total Liabilities | 885.3 | 1,079.8 | 1,069.1 |
| Total Equity | 211.5 | 258.1 | 279.6 |

**Parent Company Only*
***Includes a ₱158.1 million non-recurring gain from sale of TCI’s direct equity stake in TMBC to GT Capital in 2013.*

TCI consolidated sales, comprising vehicle sales, spare parts and maintenance services, grew by 20% from ₱5.3 billion in 2014 to ₱6.4 billion in 2015 translating to a penetration rate of 5% among Toyota dealers in 2015. Vehicle sales, accounting for 93.3% of TCI's revenues, increased by 21% from ₱4.9 billion to ₱6.0 billion as retail sales volume grew by 16% from 5,394 units to 6,239 units. Sales from spare parts and maintenance services, accounting for a combined 6.7% of revenues, increased by 11% and 16%, respectively.

Net income more than doubled from ₱14.5 million in 2014 to ₱29.9 million in 2015 due to higher vehicle sales volume and significant decrease in interest expense.

TCI owns two (2) auto dealer outlets located in Cubao, Quezon City and Marikina City.

**Consolidated Statements of Income**
**For the Year Ended December 31, 2014 and For the Year Ended December 31, 2013**

| GT CAPITAL HOLDINGS, INC. | Audited | | | |
|---|---|---|---|---|
| CONSOLIDATED STATEMENTS OF INCOME | Year Ended December 31 | | Increase (Decrease) | |
| (In million Pesos, except for percentage) | 2014 (As Restated) | 2013 (As Restated) | Amount | Percentage |
| REVENUE | | | | |
| Automotive operations | ₱108,816 | ₱74,359 | ₱34,457 | 46% |
| Net fees | 18,973 | 16,944 | 2,029 | 12% |
| Real estate sales | 5,841 | 4,702 | 1,139 | 24% |
| Interest income on real estate sales | 1,157 | 749 | 408 | 54% |
| Equity in net income of associates and jointly-controlled entities | 3,420 | 3,588 | (168) | (5%) |
| Sale of goods and services | 603 | 657 | (54) | (8%) |
| Rent income | 765 | 592 | 173 | 29% |
| Interest income on deposits and investments | 364 | 664 | (300) | (45%) |
| Commission income | 80 | 163 | (83) | 51% |
| Gain from previously held interest | - | 2,046 | (2,046) | (100%) |
| Other income | 1,087 | 519 | 568 | 109% |
| | ₱141,106 | ₱104,983 | 36,123 | 34% |
| COSTS AND EXPENSES<br>Cost of goods and services sold | 70,597 | 45,469 | 25,128 | 55% |
| Cost of goods manufactured and sold | 24,213 | 19,986 | 4,227 | 21% |
| General and administrative expenses | 10,392 | 9,045 | 1,347 | 15% |
| Power plant operation and maintenance expenses | 10,328 | 8,945 | 1,383 | 15% |
| Cost of real estate sales | 4,334 | 3,667 | 667 | 18% |
| Interest expense | 3,240 | 3,462 | (222) | (6%) |
| Cost of rental | 270 | 113 | 157 | 139% |
| | 123,374 | 90,687 | 32,687 | 36% |
| Income Before Income Taxes From Continuing Operations | 17,732 | 14,296 | 3,436 | 24% |
| Provision For Income Tax | 2,681 | 1,800 | 881 | 49% |
| Net Income from Continuing Operations | 15,051 | 12,496 | 2,555 | 20% |
| Net Income from Disposal Group | 100 | 35 | 65 | 186% |
| NET INCOME | 15,151 | 12,531 | 2,620 | 21% |
| Net Income Attributable to:<br>Equity holders of the parent company | 9,153 | 8,640 | 513 | 6% |
| Non-controlling interests | 5,998 | 3,891 | 2,107 | 54% |
| | **₱15,151** | **₱12,531** | **2,620** | **21%** |

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company grew by 6% from ₱8.6 billion in 2013 to ₱9.2 billion in 2014. The increase was principally due to the 34% improvement in consolidated revenues from ₱105.0 billion in 2013 to ₱141.1 billion in 2014.

The revenue growth came from the following component companies: (1) auto sales from TMP and TCI as combined sales increased from ₱74.4 billion to ₱108.8 billion accounting for 77% of total revenue; (2) net fees from GBPC which increased from ₱16.9 billion to ₱19.0 billion accounting for 13% of total revenue; (3) higher real estate sales and interest income on real estate sales from Fed Land which grew by 28% from ₱5.5 billion to ₱7.0 billion.

Core net income attributable to equity holders of the Parent Company grew by 38% from ₱6.6 billion to ₱9.1 billion after excluding the ₱2.0 billion non-recurring income realized from the re-measurement of GT Capital's 36% previously-held interest in TMP following GT Capital's acquisition of control of TMP in 2013.

Fed Land, GBPC, TMP, CPA and TCI are consolidated in the financial statements of the Company. The other component companies MBT, AXA Philippines, TMBC, and TFSPH are accounted for through equity accounting.

Of the nine (9) component companies, TMP, GBPC, Fed Land and TMBC posted double-digit growths in their respective net income, while AXA Philippines reported a single digit growth in net income for the year. MBT, CPA, TCI and TFSPH reported declines in their respective net income for the year.

Auto sales rose by 46% from ₱74.4 billion to ₱108.8 billion due to continued strong demand for the all new Vios, new models mix – Corolla Altis, Wigo, and Yaris, sales volume increments across all other models, aggressive sales and promotions, and continued expansion in the dealer outlets from 42 to 45.

Net fees increased by 12% from ₱16.9 billion to ₱19.0 billion primarily due to new power purchase contracts with bilateral customers, additional Wholesale Electricity and Spot Market (WESM) compensation collected, and testing / commissioning of Toledo Power's Unit 1A.

Real estate sales and interest income on real estate sales rose by 28% from ₱5.5 billion to ₱7.0 billion driven by sales contributions from ongoing high-end and middle-market development projects situated in Pasay City, Escolta, Manila, Cebu, Bonifacio Global City, and Marikina City.

Equity in net income of associates and joint ventures, was 5% lower from ₱3.6 billion in 2013 to ₱3.4 billion in 2014 as the increase in AXA Philippines net income and MBT's core net income, excluding gains from the sale of a foreclosed asset to Fed Land and sale of non-financial assets to GT Capital, was offset by a decline in Fed Land's investment in jointly-controlled entities as the turnover for the Grand Midori residential condominium project located in Legaspi Village, Makati City was completed in 2014.

Sale of goods and services, consisting of the sale of petroleum products on a wholesale and retail basis, at the Blue Wave malls situated in Pasay City and Marikina City, decreased by 8% from ₱657 million to ₱603 million due to lower fuel sales arising from a series of fuel price increases and decreases during the year.

Rent income from Fed Land grew by 29% from ₱592 million to ₱764 million due to annual price escalations and the full year impact of Blue Bay Walk retail and commercial operations.

Interest income on deposits and investments declined by 45% from ₱664 million to ₱364 million due to a decline in placement rates earned on money market investments and termination of Fed Land's option agreement in 2013 which previously allowed Fed Land to earn interest income.

Commission income decreased by 51% from ₱163 million to ₱80 million due to decline in sales of Grand Midori 1 and 2.

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

Other income grew by 109% from ₱0.5 billion to ₱1.1 billion with Fed Land contributing ₱577 million comprising real estate forfeitures, management fees and other income, TMP contributing ₱331 million from ancillary income, gain on sale of fixed assets, dividend income and other income. The remaining balance of ₱179 million came from TCI (₱94 million) and GBPC (₱85 million).

Consolidated costs and expenses increased by 36% from ₱90.7 billion to ₱123.4 billion. TMP contributed ₱95.1 billion comprising cost of goods sold for manufacturing and trading activities, general and administrative expenses and interest expenses. GBPC contributed ₱15.6 billion comprising power plant operations and maintenance, general and administrative expenses and interest expenses. Fed Land contributed ₱7.4 billion consisting of cost of real estate sales, cost of goods sold, general and administrative expenses and interest expenses. TCI contributed ₱4.3 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses. GT Capital Parent Company accounted for ₱1.0 billion representing interest expenses and general and administrative expenses.

Cost of goods and services sold increased by 55% from ₱45.5 billion to ₱70.6 billion with TMP's and TCI's completely built-up units and spare parts accounting for ₱70.1 billion and the balance of ₱0.5 billion from Fed Land's petroleum service station business.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP grew by 21% from ₱20.0 billion in the previous year to ₱24 billion.

General and administrative expenses rose by 15% from ₱9.0 billion to ₱10.4 billion. TMP accounted for ₱4.9 billion comprising advertising and sales promotion expenses, salaries, taxes and licenses and delivery and handling. GBPC contributed ₱3.3 billion representing salaries, taxes and licenses, other general and administrative expenses, amortization of intangible assets-power purchase agreements, outside services and provision for impairment losses. Fed Land contributed ₱1.8 billion comprising salaries, commissions, taxes and licenses, advertising expenses and other general and administrative expenses. GT Capital contributed ₱0.2 billion principally salaries, taxes and licenses. The remaining balance of ₱0.2 billion came from TCI's salaries, advertising and promotions, commission and utilities expenses.

Power plant operations and maintenance expenses consisting of purchased power and repairs and maintenance from the power generation companies of GBPC increased by 15% from ₱8.9 billion to ₱10.3 billion mainly due to the increase in energy sales and purchased power expenses.

Cost of real estate sales increased by 18% from ₱3.7 billion to ₱4.3 billion arising from the increase in real estate sales.

Interest expense declined by 6% from ₱3.5 billion to ₱3.2 billion with GBPC, GT Capital, Fed Land, TMP and TCI accounting for ₱1.8 billion, ₱0.8 billion, ₱0.5 billion, ₱99 million and ₱17 million, respectively.

Cost of rental more than doubled from ₱113 million to ₱270 million representing direct costs incurred by Fed Land in its leasing business.

Provision for income tax increased by 49% from ₱1.8 billion to ₱2.7 billion mainly increases in taxable income from TMP and Fed Land.

Net income from disposal group amounting to ₱100.0 million represent the after-tax operating income of CPA.

Consolidated net income attributable to equity holders of the Parent Company increased by 6% from ₱8.6 billion in 2013 to ₱9.2 billion in 2014.

| GT CAPITAL HOLDINGS, INC. | Audited | | | |
|---|---|---|---|---|
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | **Year Ended December 31** | | **Increase (Decrease)** | |
| **(In million Pesos, except for percentage)** | **2014** | **2013** | **Amount** | **Percentage** |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | ₱29,702 | ₱27,167 | ₱2,535 | 9% |
| Short-term investments | 1,309 | 1,467 | (158) | (11%) |
| Receivables | 16,223 | 12,451 | 3,772 | 30% |
| Reinsurance assets | 3,880 | 4,966 | (1,086) | (22%) |
| Inventories | 31,426 | 20,813 | 10,613 | 51% |
| Due from related parties | 171 | 849 | (678) | (80%) |
| Prepayments and other current assets | 5,468 | 5,969 | (501) | (8%) |
| Total Current Assets | 88,179 | 73,682 | 14,497 | 20% |
| Noncurrent Assets | | | | |
| Noncurrent receivables | 4,897 | 4,929 | (32) | (1%) |
| Available-for-sale investments | 4,127 | 3,111 | 1,016 | 33% |
| Investments in associates and jointly-controlled entities | 47,451 | 40,559 | 6,892 | 17% |
| Investment properties | 8,643 | 8,329 | 314 | 4% |
| Property and equipment | 44,801 | 41,163 | 3,638 | 9% |
| Goodwill and intangible assets | 17,805 | 18,275 | (470) | (3%) |
| Deferred tax asset | 1,726 | 1,109 | 617 | 56% |
| Other noncurrent assets | 634 | 1,203 | (569) | (47%) |
| Total Noncurrent Assets | 130,084 | 118,678 | 11,406 | 10% |
| TOTAL ASSETS | ₱218,263 | ₱192,360 | 25,903 | 13% |
| LIABILITIES AND EQUITY | | | | |
| Current Liabilities | | | | |
| Accounts and other payables | 19,280 | 20,837 | (1,557) | (7%) |
| Insurance contract liabilities | 5,665 | 6,684 | (1,019) | (15%) |
| Short-term debt | 2,347 | 1,744 | 603 | 35% |
| Current portion of long-term debt | 3,061 | 3,364 | (303) | (9%) |
| Current portion of liabilities on purchased properties | 783 | 783 | - | - |
| Customers' deposits | 2,549 | 1,844 | 705 | 38% |
| Dividends payable | 2,034 | 1,966 | 68 | 3% |
| Due to related parties | 176 | 188 | (12) | (6%) |
| Income tax payable | 476 | 876 | (400) | (46%) |
| Other current liabilities | 882 | 907 | (25) | (3%) |
| Total Current Liabilities | 37,253 | 39,193 | (1,940) | (5%) |
| Noncurrent Liabilities | | | | |
| Long-term debt | 42,118 | 40,584 | 1,534 | 4% |
| Bonds payable | 21,775 | 9,883 | 11,892 | 120% |
| Liabilities on purchased properties | 2,729 | 3,537 | (808) | (23%) |
| Pension liability | 2,261 | 1,704 | 557 | 33% |
| Deferred tax liabilities | 3,532 | 3,252 | 280 | 9% |
| Other non-current liabilities | 2,653 | 1,643 | 1,010 | 61% |
| Total Noncurrent Liabilities | 75,068 | 60,603 | 14,465 | 24% |
| Total Liabilities | ₱112,321 | ₱99,796 | 12,525 | 13% |
| EQUITY | | | | |
| Equity attributable to equity holders of GT Capital Holdings, Inc. | | | | |
| Capital Stock | 1,743 | 1,743 | - | - |
| Additional paid-in capital | 46,695 | 46,695 | - | - |
| Treasury Shares | (2) | (6) | 4 | (67%) |
| Retained Earnings | 30,432 | 21,802 | 8,630 | 40% |

| | | | | |
|---|---|---|---|---|
| Other comprehensive loss | (103) | (437) | 334 | 76% |
| Other equity adjustments | 582 | 729 | (147) | (20%) |
| | 79,347 | 70,526 | 8,821 | 13% |
| Non-controlling interest | 26,595 | 22,038 | 4,557 | 21% |
| Total Equity | ₱105,942 | ₱92,564 | 13,378 | 14% |
| TOTAL LIABILITIES AND EQUITY | **₱218,263** | **₱192,360** | **25,903** | **13%** |

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

Total assets of the Group increased by 13% or ₱25.9 billion from ₱192.4 billion as of December 31, 2013 to ₱218.3 billion as of December 31, 2014. Total liabilities increased by 13% or ₱12.5 billion from ₱99.8 billion to ₱112.3 billion while total equity rose by 14% or ₱13.4 billion from ₱92.6 billion to ₱105.9 billion.

Cash and cash equivalents increased by ₱2.5 billion reaching ₱29.7 billion with GBPC, TMP, Fed Land, CPA and GT Capital accounting for ₱15.6 billion, ₱11.3 billion , ₱1.7 billion, ₱0.6 billion and ₱0.5 billion, respectively.

Short-term investments amounted to ₱1.3 billion mainly short-term placements of TMP.

Receivables increased by 30% from ₱12.5 billion to ₱16.2 billion with Fed Land, TMP and GBPC contributing ₱5.4 billion, ₱4.5 billion and ₱3.6 billion, respectively, representing installment contract receivables, trade receivables with maximum 30 days credit terms, and outstanding billings for energy fees and pass-through fuel costs arising from the delivery of power. CPA and TCI contributed ₱2.1 billion and ₱681 million, respectively, representing premiums receivable and trade receivables.

Reinsurance assets representing balances due from reinsurance companies declined by 22% from ₱5.0 billion to ₱3.9 billion due to settlement of claims reinsured to reinsurers.

Inventories increased by 51% from ₱20.8 billion to ₱31.4 billion with Fed Land and GBPC contributing ₱25.4 billion and ₱1.0 billion, respectively, comprising Fed Land‘s condominium units for sale and land for development and GBPC‘s coal and spare parts and supplies. TMP and TCI also contributed ₱4.8 billion and ₱0.2 billion consisting of completely-built-up units, completely-knocked down units and spare parts.

Due from related parties decreased by 80% from ₱850 million to ₱171 million due to collections received from the various subsidiaries of Fed Land.

Prepayments and other current assets decreased by 8% from ₱6.0 billion to ₱5.5 billion primarily the application of creditable withholding tax against income tax due and the application of input tax against output tax.

Available-for-sale investments increased by 33% from ₱3.1 billion to ₱4.1 billion comprising mark-tomarket gains recognized by GBPC, CPA, and TMP.

Investments in associates and joint ventures increased by 17% from ₱40.6 billion to ₱47.5 billion due to acquisition of a 40% direct equity in TFSPH amounting to ₱2.4 billion, acquisition of additional 19.25% of TMBC for a total purchase price of ₱237 million, and share in net income of ₱5.5 billion, net of cash dividends received from associates and joint ventures of ₱1.2 billion, and share in other comprehensive loss of ₱0.5 million.

Property and equipment grew by 9% from ₱41.2 billion to ₱44.8 billion mainly due to the completion of GBPC‘s Toledo Power plant expansion.

Deferred tax assets increased by 56% from ₱1.1 billion to ₱1.7 billion composed of TMP, (₱663 million), representing accrued retirement benefits, provision for claims and assessments and warranty payable; GT Capital, (₱627 million), comprising unrealized gain on sale of properties by MBT to Fed Land, and GBPC, (₱383 million), representing provision for retirement benefits and unrealized foreign exchange losses.

Other noncurrent assets decreased by 47% from ₱1.2 billion to ₱634 million mainly due to application of GBPC‘s advances to contractors against billings of contractors for Toledo Power‘s plant expansion.

Accounts and other payables decreased by 7% from ₱20.8 billion to ₱19.3 billion mainly the settlement of the Group‘s outstanding payables from previous year.

Insurance contract liabilities representing provisions for claims reported and loss adjustments incurred but not yet reported losses and unearned premiums decreased by 15% from ₱6.7 billion to ₱5.7 billion due to settlement of claims relating to 2013 catastrophes.

Short-term debt increased by ₱603 million from ₱1.7 billion to ₱2.3 billion due to the inclusion of TCI‘s short term loans (₱635M), additional loan availments from TMP dealer subsidiaries for working capital requirements (₱577M) and additional loan availments of Fed Land subsidiaries (₱260M) offset by loan payments made by GT Capital and GBPC amounting to ₱800 million and ₱69 million respectively.

Current portion of long-term debt decreased by 9% from ₱3.4 billion to ₱3.1 billion due to loan principal payments made by GBPC.

Customers‘ deposits increased by 38% from ₱1.8 billion to ₱2.5 billion due to increase in reservation sales from new Fed Land projects.

Due to related parties current declined by 6% from ₱188 million to ₱176 million due to payments made by Fed Land to MBT. Income tax payable declined by 46% from ₱876 million to ₱476 million due to income tax payments by GT Capital‘s subsidiaries.

Pension liability rose by 33% from ₱1.7 billion to ₱2.3 billion, of which TMP, GBPC, CPA, TCI, and Fed Land accounted for ₱1.2 billion, ₱771 million, ₱111 million, ₱98 million and ₱77 million, respectively.

Bonds payable more than doubled from ₱9.9 billion to ₱21.8 billion due to issuance by GT Capital of ₱12.0 billion in retail bonds, net of financing expenses.

Liabilities on purchased properties, net of current portion, declined by 23% from ₱3.5 billion to ₱2.7 billion due to payment by Fed Land.

Deferred tax liability increased by 9% from ₱3.3 billion to ₱3.5 billion mainly recognition of deferred tax effect of excess of realized gross profit on real estate sales.

Other noncurrent liabilities increased by 61% from ₱1.6 billion to ₱2.7 billion primarily due to the increase in Fed Land‘s retention payable to contractors for ongoing projects and the recognition of provisions relating to TMP‘s claims and assessments, product warranties and corporate social responsibility activities.

Treasury shares declined from ₱6 million to ₱2 million representing CPA‘s investment in shares of stock of GT Capital.

Retained earnings increased by 40% from ₱21.8 billion to ₱30.4 billion due to the ₱9.2 billion net income earned for the period, net of ₱0.5 billion cash dividends declared.

Other comprehensive income improved by 76% from a deficit of ₱437 million to a deficit ₱103 million due to mark-to-market gains recognized on AFS investments of subsidiaries and associates.

Other equity adjustments decreased by 20% from ₱729 million to ₱583 million arising from the following transactions: (1) GT Capital's acquisition of an additional 33.33% direct equity stake in CPA, (negative ₱375.67 million); (2) GT Capital's sale of a 40% direct equity stake of TCI to Mitsui, (₱194.0 million); (3) GT Capital's acquisition of an additional 0.26% of TCI by GT Capital, (negative ₱0.42 million); (4) GT Capital change in direct ownership in GBPC after FMIC waiver and partial waiver of its pre-emptive rights on its subscription to Panay Energy's equity call, (₱60.52 million); and (5) increase in GT Capital's direct equity stake in TCI after subscription to new primary common shares, (negative ₱24.80 million).

Non-controlling interests increased from ₱22 billion to ₱26.6 billion representing the net effect of: (1) ₱6.0 billion net income attributable to non-controlling interest for the year; (2) ₱2.2 billion increase in non-controlling interest in GBPC arising from the equity call contribution to the Panay Energy Plant Expansion Project; (3) ₱532 million increase in non-controlling interest in Panay Power Holdings arising from the equity call contribution to the Panay Energy Plant Expansion Project; (4) ₱427 million other comprehensive income attributable to non-controlling interest; (5) ₱105 million additional non-controlling interest relating to the sale of a 40% direct equity stake of TCI to Mitsui; (6) ₱4.3 billion representing reversal of noncontrolling interest relating to the cash dividends declared by TMP; and (7) ₱336 million representing reversal of non-controlling interest arising from GT Capital's acquisition of the remaining 33.33% direct equity stake in CPA.

## LIQUIDITY AND CAPITAL RESOURCES

In 2013, 2014 and 2015, GT Capital's principal source of liquidity was cash dividends received from the investee companies and loans. As of December 31, 2015, GT Capital's cash and cash equivalents reached ₱37.9 billion.

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

| (In million Pesos, except for percentage) | **2013 (As restated)** | **2014 (As restated)** | **2015** |
|---|---|---|---|
| Net cash provided by (used in) operating activities | 6,019 | (3,386) | (469) |
| Net cash provided by (used in) investing activities | (2,204) | (10,687) | (25,510) |
| Net cash provided by (used in) financing activities | 11,846 | 16,609 | 35,121 |
| Effects of exchange rate changes on cash and cash equivalents | (47) | (1) | (89) |
| Net increase (decrease) in cash and cash equivalents | 15,614 | 2,535 | 9,053 |
| Cash and cash equivalents at the beginning of the period | 11,553 | 27,167 | 29,702 |
| Cash and cash equivalents of disposal group at end of the period | - | - | (894) |
| Cash and cash equivalents of continuing operations at end of the period | ₱27,167 | ₱29,702 | ₱37,861 |

*Cash flows from operating activities*
Cash flow from (used in) operating activities amounted to ₱6.0 billion in 2013, (₱3.4 billion) in 2014 and (₱0.5 billion) in 2015. In 2013, operating cash amounting to to ₱13.9 billion was used to increase receivables by ₱3.6 billion, inventories by ₱1.2 billion, short-term investments by ₱1.5 billion and reinsurance assets by ₱1.3 billion and partially settle other current liabilities by ₱558.3 million. In 2014, operating cash amounting to ₱19.9 billion was used to increase receivables by ₱1.8 billion and real estate inventory by ₱12.5 billion and partially settle accounts and other payables by ₱1.1 billion, insurance contract liabilities by ₱1.0 billion and other current liabilities by ₱1.7 billion. In 2015, operating cash amounting to ₱26.0 billion was used to increase receivables by ₱3.0 billion, inventories by ₱9.7 billion, land held for future development by ₱2.9 billion and prepayments and other current assets by ₱1.0 billion and partially settle insurance contract liabilities by ₱0.6 billion and other current liabilities by ₱0.2 billion.

*Cash flows used in investing activities*
Cash flows from (used in) investing activities amounted to (₱2.2 billion) in 2013, (₱10.7 billion) in 2014 and (₱25.5 billion) in 2015. In 2013, cash flows used in investing activities went to increase property and equipment by ₱7.0 billion, and investment in associates and jointly controlled entities by ₱502.2 million. In 2014, cash flows used in investing activities went to increase property and equipment by ₱6.7 billion and investment in associates and jointly controlled entities by ₱4.2 billion. In 2015, cash flows used in investing activities went to increase investment in associates and jointly controlled entities by ₱8.8 billion, property and equipment by ₱10.0 billion and acquisition of subsidiary-net of cash acquired by ₱6.9 billion.

*Cash flows from financing activities*
Cash flows from financing activities amounted to ₱11.8 billion in 2013, ₱16.6 billion in 2014 and ₱35.1 billion in 2015. In 2013, cash flows from financing activities came from a top up equity private placement of ₱10.1 billion, ₱9.9 billion in retail bonds and ₱7.3 billion in new loans which was used to partially settle ₱18.0 billion in outstanding loans. In 2014, cash flows from financing activities came from issuance of bonds payable of ₱11.9 billion and loan availments of ₱7.7 billion, share of holders of non-controlling interest in the equity calls of ₱2.7 billion, offset by loan payments of ₱5.8 billion. In 2015, cash flows from financing activities came from loan availments of ₱57.8 billion and issuance of voting preferred shares of ₱17.4 million which was used to partially settle ₱21.9 billion in outstanding loans, ₱0.7 billion in liabilities in purchased properties and ₱0.2 billion in other non-current liabilities.

## FINANCIAL RISK DISCLOSURE

The Company is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on the Company's liquidity.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including default or acceleration of any obligation except those disclosed in the notes to the financial statements.

The Company has budgeted up to ₱44.68 billion for capital expenditures for full year 2016 covering various acquisitions, expansion, and other expenditures to be incurred in the ordinary course of business. These will be funded through internally generated funds and additional borrowings.

The Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

## CHANGES IN AND DISAGREEMENT WITH INDEPENDENT AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There are no disagreements with SGV & Co. on accounting and financial disclosure.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2016. The Group will also adopt several amended and revised standards and interpretations subsequent to 2016 when they become effective. Please refer to Note 2 of the attached Unaudited Interim Condensed Consolidated financial statements as at and for the six months ended June 30, 2016 on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2016 and new PFRS and IFRIC that will be effective subsequent to 2016.

# INTEREST OF LEGAL COUNSEL AND INDEPENDENT AUDITORS

**Legal Matters**

Certain legal matters relating to the Offer will be passed upon by Puno & Puno Law Offices ("Puno Law"), legal counsel to the Company, and Romulo Mabanta Buenaventura Sayoc & De los Angeles ("Romulo Law"), legal counsel to the Joint Lead Underwriters. Puno Law and Romulo Law have no direct interest in the Company. Gerodias Suchianco Estrella Law Firm has issued an opinion as to the legality of the Preferred Shares being registered. A copy of said opnion is attached as an exhibit to the Registration Statement relating to the Offer filed with the SEC.

Puno Law and Romulo Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Puno Law and Romulo Law provide such services to its other clients.

**Independent Auditors**

The consolidated financial statements of the Company as at and for the years ended December 31, 2013, 2014, and 2015 have been audited by SGV & Co. (a member firm of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus. The condensed consolidated interim financial statements as of June 30, 2016 have been reviewed by SGV & Co., in accordance with Philippine Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Auditor of the Entity. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing. Consequently, it does not enable them to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, they do not express an audit opinion on the unaudited condensed consolidated interim financial statements.

In relation to the audit of the Company's annual financial statements, its Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the independent external auditors in relation to the adequacy, efficiency and effectiveness of the Company's policies, controls, processes and activities; (ii) ensure that other non-audit work provided by the independent external auditors is not in conflict with their functions as independent external auditors; (iii) ensure the Company's compliance with acceptable auditing and accounting standards and regulations; and (iv) approve all related fees paid to the independent auditors.

The following table sets out the aggregate fees billed for each of the years ended December 31, 2013, 2014 and 2015 for professional services rendered by SGV & Co. to the Company, excluding fees directly related to the Offer.

| | | (in ₱ millions) | |
|---|---|---|---|
| **For the year ended December 31** | **2013** | **2014** | **2015** |
| Audit and Audit-Related Services | 14.2 | 9.5 | 1.8 |
| Non-Audit Services | - | - | - |
| **Total** | 14.2 | 9.5 | 1.8 |

The Corporation engaged Ms. Vicky Lee Salas of SGV & Co. for the audit of the Corporation's financial statements for the years 2013, 2014 and 2015.

Mr. Roderico V. Puno, a Senior Partner of Puno Law, is a director of the Company. Other than the foregoing, there is no arrangement that experts and independent counsels will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

# TAXATION

*The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Preferred Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Preferred Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Preferred Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Preferred Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment applicable to a holder of the Preferred Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Preferred Shares.*

**PROSPECTIVE PURCHASERS OF THE PREFERRED SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE PREFERRED SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.**

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "nonresident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

**Taxes on Dividends on the Preferred Shares**

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Preferred Shares at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Preferred Shares at the rate of 20% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Preferred Shares at the rate of 25% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

The term "non-resident holder" means a holder of the Preferred Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and
- should a tax treaty be applicable, whose ownership of the Preferred Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.
- Dividends derived by domestic corporations (i.e., corporations created or organized in the Philippines or under its laws) and resident foreign corporations from the Preferred Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30.0%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30.0% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15.0% rate if:

- the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends; or
- the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15.0%.

The BIR has prescribed, through an administrative issuance, procedures for the availment of tax treaty relief. The application for tax treaty relief has to be filed with the BIR by the non-resident holder of the Preferred Shares (or its duly authorized representative) at least 15 calendar days (Revenue Memorandum Order 1-2000) prior to the first taxable event, or prior to the first and only time the income tax payor is required to withhold the tax thereon or should have withheld taxes thereon had the transaction been subject to tax.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Preferred Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of Preferred Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

If tax at the regular rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the Preferred Shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund. Moreover, in view of the requirement of the BIR that an application for tax treaty relief be filed prior to the first taxable event as previously stated, the non-resident holder of the Preferred Shares may not be able to successfully pursue a claim for refund if such an application is not filed before such deadline.

Stock dividends distributed pro rata to any holder of shares are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as share dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

## Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

| Country | Dividends (%) | Capital Gains Tax Due on Disposition of Shares Outside the PSE (%) |
|---|---|---|
| Canada | 25[(a)] | Exempt[(h)] |
| France | 15[(b)] | Exempt[(h)] |
| Germany | 15[(c)] | 5/10[(i)] |
| Japan | 15[(d)] | Exempt[(h)] |
| Singapore | 25[(e)] | Exempt[(h)] |
| United Kingdom | 25[(f)] | Exempt[(j)] |
| United States | 25[(g)] | Exempt[(h)] |

*Notes:*

(a) *15.0% if the recipient company controls at least 10.0% of the voting power of the company paying the dividends.*

(b) *10.0% if the recipient company (excluding a partnership) holds directly at least 10.0% of the voting shares of the company paying the dividends.*

(c) *10.0% if the recipient company (excluding a partnership) owns directly at least 25.0% of the capital of the company paying the dividends.*

(d) *10.0% if the recipient company holds directly at least 10.0% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.*

(e) *15.0% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year (if any) at least 15.0% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.*

(f) *15.0% if the recipient company is a company which controls directly or indirectly at least 10.0% of the voting power of the company paying the dividends.*

(g) *20.0% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year (if any), at least 10.0% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15.0% withholding tax rate under the tax-sparing clause[4] of the Tax Code provided certain conditions are met.*

(h) *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*

(i) *Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5.0% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10.0% on the net capital gains realized during the taxable year in excess of ₱100,000.*

(j) *Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

In order for an exemption under a tax treaty to be recognized, an application for tax treaty relief on capital gains tax on the sale of shares must be filed by the income recipient before the deadline for the filing of the documentary stamp tax return, which is the fifth day from the end of the month when the document transferring ownership was executed.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

**Sale, Exchange or Disposition of Shares after the Offer Period**

*Capital gains tax*

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5.0% on gains not exceeding ₱100,000 and 10.0% on gains over ₱100,000. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain an exemption under a tax treaty. Such application must be filed before the deadline for the filing of the documentary stamp tax return − otherwise, the tax treaty exemption cannot be availed of. The transfer of shares shall not be recorded in the books of the Company unless the BIR

[4] *The tax-sparing clause of the Tax Code may also apply to countries other than the United States, i.e. Switzerland.*

certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

*Taxes on transfer of shares listed and traded at the PSE*

A sale or other disposition of shares through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, VAT of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

Prospective purchasers of the Preferred Shares should obtain their own tax advice in respect of their investment in relation to these developments.

**Documentary Stamp Taxes on Shares**

The original issue of shares is subject to documentary stamp tax of ₱1.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱0.75 on each ₱200.00, or fractional part thereof, of the par value of the Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the shares.

However, the sale, barter or exchange of Preferred Shares should they be listed and traded through the PSE are exempt from documentary stamp tax.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

**Estate and Gift Taxes**

The transfer of the Preferred Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5.0% to 20.0% if the net estate is over ₱200,000.00. Individual registered holders, whether or not citizens or residents of the Philippines, who transfer the Preferred Shares by way of gift or donation, will be liable for Philippine donor's tax on such transfers at progressive rates ranging from 2.0% to 15.0% if the total net gifts made during the calendar year exceed ₱100,000.00. The rate of tax with respect to net gifts made to a stranger (one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30%. Corporate registered holders are also liable for Philippine donor's tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30.0%.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (1) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

**Corporate Income Tax**

In general, a tax of 30% is imposed upon the taxable net income of a domestic corporation from all sources (within and outside the Philippines) pursuant to R.A. 9337, except, among other things, (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 7.5% of such income.

Minimum Corporate Income Tax ("MCIT") of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when MCIT is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the MCIT over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Furthermore, subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure, or legitimate business reverses.

## THE PHILIPPINE STOCK MARKET

*The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Issue Manager and Joint Lead Underwriters, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Offer Shares.*

### Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the SEC granted the Self-Regulatory Organization ("SRO") status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE has an authorized capital stock of 120.0 million shares, of which approximately 61.2 million shares were subscribed and fully paid-up as of June 30, 2016. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member-broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated 6 June 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched.

In December 2013, the PSE replaced its online disclosure system ("OdiSy") with a new disclosure system, the PSE Electronic Disclosure Generation Technology ("EDGE"). EDGE was acquired from the Korea Exchange and is a fully automated system equipped with a variety of features to further standardize the disclosure reporting process of listed companies on the PSE, improve investors' disclosure searching and viewing experience, and enhance overall issuer transparency in the market. The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to June 2016 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

| Year | Composite Index at Closing | Number of Listed Companies | Aggregate Market Capitalization* | Combined Value of Turnover* |
|---|---|---|---|---|
| 1995 | 2,594.2 | 205 | 1,545.7 | 379.0 |
| 1996 | 3,170.6 | 216 | 2,121.1 | 668.8 |
| 1997 | 1,869.2 | 221 | 1,251.3 | 586.2 |
| 1998 | 1,968.8 | 222 | 1,373.7 | 408.7 |
| 1999 | 2,142.9 | 225 | 1,936.5 | 781.0 |
| 2000 | 1,494.5 | 229 | 2,576.5 | 357.7 |
| 2001 | 1,168.1 | 231 | 2,141.4 | 159.6 |
| 2002 | 1,018.4 | 234 | 2,083.2 | 159.7 |
| 2003 | 1,442.4 | 236 | 2,973.8 | 145.4 |
| 2004 | 1,822.8 | 235 | 4,766.3 | 206.6 |
| 2005 | 2,096.0 | 237 | 5,948.4 | 383.5 |
| 2006 | 2,982.5 | 239 | 7,173.2 | 572.6 |
| 2007 | 3,621.6 | 244 | 7,977.6 | 1,338.3 |
| 2008 | 1,872.9 | 246 | 4,069.2 | 763.9 |
| 2009 | 3,052.7 | 248 | 6,029.1 | 994.2 |
| 2010 | 4,201.1 | 253 | 8,866.1 | 1,207.4 |
| 2011 | 4,372.0 | 245 | 8,697.0 | 1,422.6 |
| 2012 | 5,812.7 | 254 | 10,952.7 | 1,771.7 |
| 2013 | 5,889.8 | 257 | 11,931.3 | 2,546.2 |
| 2014 | 7,230.6 | 263 | 14,251.7 | 2,160.1 |
| 2015 | 6,952.1 | 216 | 13,465.1 | 2,172.5 |
| June 2016 | 7,796.2 | 264 | 15,253.5 | 931.74 |

**amounts in Php billions*
*Source: PSE*

## Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Trading on the PSE commences at 9:30 a.m. with a trading recess beginning at 12:00 p.m. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., including a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

**Non-Resident Transactions**

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

**Settlement**

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE,
- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund, and
- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each trading participant maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, MBT, Deutsche Bank, HSBC Philippines, Union Bank of the Philippines, and Maybank Philippines Incorporated. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

**Scripless Trading**

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, MBT, Deutsche Bank, HSBC Philippines, Union Bank of the Philippines, and Maybank Philippines Incorporated.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

**Amended Rule on Lodgment of Securities**

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rule on Lodgment of Securities of the PSE.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

a. The offer shares/securities of the applicant company in the case of an initial public offering,
b. The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction,
c. New securities to be offered and applied for listing by an existing listed company, and
d. Additional listing of securities of an existing listed company.

**Issuance of Stock Certificates for Certificated Shares**

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

## INDEX TO AUDITED FINANCIAL STATEMENTS

GT CAPITAL
HOLDINGS, INCORPORATED

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements which comprise the interim condensed consolidated statements of financial position as of June 30, 2016 and December 31, 2015, and the interim condensed consolidated statements of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity, and the interim condensed consolidated statements of cash flows for the six-month period ended June 30, 2016 and 2015, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the year ended December 31, 2016 and 2015, have reviewed the interim condensed consolidated financial statements of the Company as of and for the period ended June 30, 2016 in accordance with Philippine Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*

Signature: ______________________________
Arthur Vy Ty, Chairman of the Board

Signature: ______________________________
Carmelo Maria L. Bautista, President

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

August 2, 2016

43rd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City, Philippines
Tel: +632 836-4500 • Fax: +632 836-4159 • E-mail: gtcap@gtcapital.com.ph

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

**SUBSCRIBED AND SWORN** to before me on AUG 31 2016, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

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

ATTY. [illegible]
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41[illegible] / APPOINTMENT NO. [illegible]
IBP NO. [illegible] / PTR NO. [illegible]
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

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SERIES OF 2016

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries, which comprise the interim consolidated statements of financial position as at June 30, 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month periods ended June 30, 2016 and 2015, and other explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

***Scope of Review***

We conducted our review in accordance with Philippine Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34.

We have audited the consolidated statement of financial position as at December 31, 2015, presented for comparative purposes, in accordance with Philippine Standards on Auditing, on which we expressed an unqualified opinion in our report dated March 10, 2016.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5321647, January 4, 2016
Makati City

August 8, 2016

# GT Capital Holdings, Inc. and Subsidiaries

## Interim Condensed Consolidated Financial Statements
As of June 30, 2016 (Unaudited) and December 31, 2015 (Audited) and for the six-month periods ended June 30, 2016 and 2015 (Unaudited)

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

| | Unaudited June 30, 2016 | Audited December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 4) | **₱22,640** | ₱37,861 |
| Short-term investments | **4,446** | 1,861 |
| Receivables | **32,298** | 25,417 |
| Inventories | **55,554** | 53,247 |
| Due from related parties | **419** | 370 |
| Prepayments and other current assets | **6,384** | 7,674 |
| | **121,741** | 126,430 |
| Assets of disposal group classified as held-for-sale (Note 5) | – | 8,434 |
| Total Current Assets | **121,741** | 134,864 |
| **Noncurrent Assets** | | |
| Noncurrent receivables | **9,751** | 9,186 |
| Land held for future development | **29,756** | 27,356 |
| Available-for-sale investments | **576** | 3,195 |
| Investments in associates and jointly-controlled entities (Note 3) | **92,397** | 60,265 |
| Investment properties | **10,715** | 10,797 |
| Property and equipment (Note 6) | **10,102** | 51,972 |
| Goodwill and intangible assets | **9,959** | 17,001 |
| Deferred tax assets | **1,360** | 1,771 |
| Other noncurrent assets | **584** | 878 |
| Total Noncurrent Assets | **165,200** | 182,421 |
| | **₱286,941** | ₱317,285 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables | **₱25,285** | ₱22,407 |
| Short-term debt (Note 7) | **27,663** | 7,318 |
| Current portion of long-term debt (Note 7) | **3,916** | 6,757 |
| Current portion of liabilities on purchased properties | **353** | 637 |
| Customers" deposit – current | **4,495** | 3,691 |
| Dividends payable | – | 2,860 |
| Due to related parties – current | **175** | 174 |
| Income tax payable | **1,149** | 1,013 |
| Other current liabilities | **615** | 520 |
| | **63,651** | 45,377 |
| Liabilities of disposal group classified as held-for-sale (Note 5) | – | 6,444 |
| Total Current Liabilities | **63,651** | 51,821 |
| **Noncurrent Liabilities** | | |
| Long term debt-net of current portion (Note 7) | **50,823** | 82,021 |
| Bonds payable (Note 7) | **21,834** | 21,801 |
| Liabilities on purchased properties - net of current portion | **1,976** | 2,146 |
| Pension liability | **1,541** | 2,219 |
| Deferred tax liabilities | **9,961** | 10,826 |
| Other noncurrent liabilities | **2,250** | 2,609 |
| Total Noncurrent Liabilities | **88,385** | 121,622 |
| | **152,036** | 173,443 |

*(Forward)*

| | Unaudited June 30, 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) |
| Retained earnings | | |
| Unappropriated | **41,170** | 33,267 |
| Appropriated (Note 8) | **8,760** | 8,760 |
| Other equity adjustments (Note 8) | **5,713** | 576 |
| Other comprehensive income | **605** | (918) |
| | **104,703** | 90,134 |
| Non-controlling interest (Note 8) | **30,202** | 53,708 |
| Total equity | **134,905** | 143,842 |
| | **₱286,941** | ₱317,285 |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

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

| | Unaudited | | | |
|---|---|---|---|---|
| | January to June | | April to June | |
| | **2016** | 2015 | **2016** | 2015 |
| **REVENUE** | | | | |
| Automotive operations | **₱80,350** | ₱56,497 | **₱49,594** | ₱28,896 |
| Net fees | **6,840** | 8,916 | **2,957** | 4,964 |
| Real estate sales | **5,679** | 2,861 | **2,538** | 1,656 |
| Interest income on real estate sales | **587** | 672 | **117** | 372 |
| Equity in net income of associates and jointly-controlled entities (Note 3) | **4,951** | 2,751 | **3,364** | 1,178 |
| Sale of goods and services | **282** | 273 | **117** | 141 |
| Rent income | **443** | 374 | **234** | 178 |
| Interest income on deposits and investments | **352** | 238 | **199** | 114 |
| Commission income | **105** | 17 | **92** | 1 |
| Gain on previously-held interest (Note 3) | **140** | – | – | – |
| Gain on sale of subsidiaries (Notes 3 and 5) | **2,083** | – | **2,083** | – |
| Other income | **634** | 625 | **369** | 457 |
| | **102,446** | 73,224 | **61,664** | 37,957 |
| **COSTS AND EXPENSES** | | | | |
| Cost of goods and services sold | **54,260** | 35,081 | **34,479** | 18,325 |
| Cost of goods manufactured | **14,566** | 12,694 | **8,480** | 6,036 |
| General and administrative expenses | **7,462** | 4,996 | **4,310** | 2,508 |
| Cost of real estate sales | **3,699** | 2,333 | **1,771** | 1,355 |
| Power plant operation and maintenance expenses | **3,273** | 4,900 | **1,366** | 2,651 |
| Interest expense | **2,358** | 1,951 | **1,151** | 1,012 |
| Cost of rental | **144** | 143 | **73** | 53 |
| | **85,762** | 62,098 | **51,630** | 31,940 |
| **INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS** | **16,684** | 11,126 | **10,034** | 6,017 |
| **PROVISION FOR INCOME TAX** | **2,640** | 1,916 | **1,434** | 1,106 |
| **NET INCOME FROM CONTINUING OPERATIONS** | **14,044** | 9,210 | **8,600** | 4,911 |
| **NET INCOME (LOSS) FROM DISPOSAL GROUP** | **(164)** | 46 | – | 3 |
| **NET INCOME** | **₱13,880** | ₱9,256 | **₱8,600** | ₱4,914 |
| ATTRIBUTABLE TO: | | | | |
| **Equity holders of the parent company** | | | | |
| Profit for the year from continuing operations | **₱9,273** | ₱5,576 | **₱6,161** | ₱2,821 |
| Profit (loss) for the year from disposal group | **(164)** | 46 | **–** | 3 |
| | **9,109** | 5,622 | **6,161** | 2,824 |
| **Non-controlling interest** | | | | |
| Profit for the year from continuing operations | **4,771** | 3,634 | **2,439** | 2,090 |
| Profit for the year from disposal group | **–** | – | **–** | – |
| | **4,771** | 3,634 | **2,439** | 2,090 |
| | **₱13,880** | ₱9,256 | **₱8,600** | ₱4,914 |
| **Basic/Diluted Earnings Per Share from Continuing Operations Attributable to Equity Holders of the Parent Company (Note 10)** | **₱53.20** | ₱31.99 | **₱35.35** | ₱16.18 |
| **Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 10)** | **₱52.25** | ₱32.25 | **₱35.35** | ₱16.20 |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In Millions)

| | Unaudited | | | |
|---|---|---|---|---|
| | January to June | | April to June | |
| | **2016** | 2015 | **2016** | 2015 |
| **NET INCOME FROM CONTINUING OPERATIONS** | **₱14,044** | ₱9,210 | **₱8,600** | ₱4,911 |
| **NET INCOME (LOSS) FROM DISPOSAL GROUP** | **(164)** | 46 | **–** | 3 |
| **NET INCOME** | **13,880** | 9,256 | **8,600** | 4,914 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **CONTINUING OPERATIONS** | | | | |
| ***Items that may be reclassified to profit or loss in subsequent periods:*** | | | | |
| Changes in fair value of available-for-sale investments | **1,053** | 471 | **1,049** | 233 |
| Equity in other comprehensive income of associates: | | | | |
| Changes in fair value of available-for-sale investments of associates | **2,066** | 125 | **800** | (113) |
| Cash flow hedge reserve | **(4)** | – | **(3)** | – |
| Translation adjustment of associates | **80** | 46 | **18** | 44 |
| | **3,195** | 642 | **1,864** | 164 |
| ***Items that may not be reclassified to profit or loss in subsequent periods:*** | | | | |
| Remeasurement of defined benefit plans | **17** | (17) | **1** | – |
| Equity in remeasurement of defined benefit plans of associates | **13** | (15) | **(1)** | (11) |
| Income tax effect | **(9)** | 10 | **–** | 4 |
| | **21** | (22) | **–** | (7) |
| **OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS** | **3,216** | 620 | **1,864** | 157 |
| **OTHER COMPREHENSIVE INCOME (LOSS) FROM DISPOSAL GROUP, NET OF TAX** | **19** | 12 | **–** | (11) |
| **TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX** | **3,235** | 632 | **1,864** | 146 |
| **TOTAL COMPREHENSIVE INCOME, NET OF TAX** | **₱17,115** | ₱9,888 | **₱10,464** | ₱5,060 |
| | | | | |
| **ATTRIBUTABLE TO:** | | | | |
| **Equity holders of the GT Capital Holdings, Inc.** | | | | |
| Total comprehensive income for the year from continuing operations | **₱11,824** | ₱6,018 | **₱7,526** | ₱2,869 |
| Total comprehensive income (loss) for the year from disposal group | **19** | 12 | **–** | (11) |
| | **11,843** | 6,030 | **7,526** | 2,858 |
| | | | | |
| **Non-controlling interest** | | | | |
| Total comprehensive income for the year from continuing operations | **5,272** | 3,858 | **2,938** | 2,202 |
| Total comprehensive income for the year from disposal group | **–** | – | **–** | – |
| | **5,272** | 3,858 | **2,938** | 2,202 |
| | **₱17,115** | ₱9,888 | **₱10,464** | ₱5,060 |

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**QUARTER ENDED JUNE 30, 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 | – | – | – | **9,109** | – | **552** | **12** | **2,066** | **80** | **9** | **(4)** | **19** | – | **5,272** | **17,115** |
| Dividends declared (Note 8) | – | – | – | **(1,046)** | – | – | – | – | – | – | – | – | – | **(4,858)** | **(5,904)** |
| Effect of asset disposal (CPAIC) (Note 5) | – | – | **6** | **(57)** | – | – | – | – | – | – | – | **56** | – | – | **5** |
| Effect of asset disposal (GBPC) (Note 3) | – | – | – | **(92)** | – | **(1,370)** | **92** | – | – | – | – | – | – | **(18,068)** | **(19,438)** |
| Acquisition of 4.73% of GBPC shares (Note 3) | – | – | – | – | – | – | – | – | – | – | – | – | – | **(1,322)** | **(1,322)** |
| Acquisition of 28.32% of PCFI shares (Note 3) | – | – | – | – | – | – | – | – | – | – | – | – | **5,137** | **(5,137)** | – |
| Effect of business combination | – | – | – | **(11)** | – | – | – | – | – | **11** | – | – | – | **607** | **607** |
| **At June 30, 2016** | **₱1,760** | **₱46,695** | **₱–** | **₱41,170** | **₱8,760** | **₱6** | **(₱202)** | **₱1,097** | **₱582** | **(₱878)** | **₱–** | **₱–** | **₱5,713** | **₱30,202** | **₱134,905** |

*(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 | – | – | – | 5,622 | – | 258 | (12) | 125 | 46 | (10) | – | 3,858 | 9,887 |
| Issuance of Preferred Stock - Voting | 17 | – | – | – | – | – | – | – | – | – | – | – | 17 |
| Dividends declared | – | – | – | (523) | – | – | – | – | – | – | – | (3,443) | (3,966) |
| Acquisition of non-controlling interest in a subsidiary | – | – | – | – | – | – | – | – | – | – | (7) | (5) | (12) |
| Reissuance of treasury shares | – | – | (4) | – | – | – | – | – | – | – | – | – | (4) |
| At June 30, 2015 | ₱1,760 | ₱46,695 | (₱6) | ₱29,531 | ₱6,000 | ₱876 | (₱431) | ₱47 | ₱437 | (₱625) | ₱576 | ₱27,005 | ₱111,865 |

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

| | Unaudited | |
|---|---|---|
| | **For the Six Months Ended June 30** | |
| | **2016** | 2015 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax from continuing operations | **₱16,684** | ₱11,126 |
| Income (loss) before income tax from disposal group | **(159)** | 54 |
| Adjustments for: | | |
| Interest expense | **2,358** | 1,951 |
| Depreciation and amortization | **1,762** | 1,795 |
| Pension expense | **172** | 123 |
| Unrealized foreign exchange loss (gain) | **(17)** | 36 |
| Provision for impairment losses | **7** | 1 |
| Dividend income | **–** | (33) |
| Gain on disposal of property and equipment | **(29)** | (19) |
| Gain on sale of available-for-sale investments | **–** | (18) |
| Gain on previously-held interest (Note 3) | **(140)** | – |
| Gain on sale of subsidiaries (Notes 3 and 5) | **(2,083)** | – |
| Interest income | **(939)** | (945) |
| Equity in net income of associates and jointly-controlled entities (Note 3) | **(4,951)** | (2,751) |
| Operating income before changes in working capital | **12,665** | 11,320 |
| Decrease (increase) in: | | |
| Short-term investments | **(2,884)** | (365) |
| Receivables | **2,600** | (1,767) |
| Reinsurance assets | **–** | 1,015 |
| Due from related parties | **(49)** | (1) |
| Inventories | **(4,894)** | (7,883) |
| Prepayments and other current assets | **(1,196)** | (419) |
| Increase (decrease) in: | | |
| Accounts and other payables | **7,848** | 1,017 |
| Insurance contract liabilities | **–** | (906) |
| Customers" deposits | **772** | (551) |
| Other current liabilities | **846** | (254) |
| Cash provided by operations | **15,708** | 1,206 |
| Interest received | **918** | 867 |
| Interest paid | **(2,802)** | (2,102) |
| Contributions to pension plan | **(231)** | (49) |
| Dividends received | **60** | 242 |
| Dividends paid | **(8,765)** | (6,000) |
| Income taxes paid | **(2,527)** | (1,570) |
| Net cash provided by (used in) operating activities | **2,361** | (7,406) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale of: | | |
| Property and equipment | **14** | 80 |
| Available-for-sale investments | **–** | 227 |
| Investment property | **86** | – |
| Additions to: | | |
| Property and equipment | **(6,081)** | (4,303) |
| Investments in associates and jointly-controlled entities (Note 3) | **(30,254)** | (8,332) |
| Available-for-sale investments | **–** | (230) |
| Intangible assets | **(10)** | (3) |
| Investment properties | **(132)** | (13) |
| Decrease in other noncurrent assets | **65** | 134 |
| Acquisition of subsidiary, net of cash acquired (Note 3) | **177** | – |
| Net cash outflows from disposals of subsidiaries (Note 3) | **(3,590)** | – |
| Net cash used in investing activities | **(39,725)** | (12,440) |

*(Forward)*

| | Unaudited | |
|---|---|---|
| | For the Six Months Ended June 30 | |
| | **2016** | 2015 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from loan availments | **₱30,588** | ₱26,347 |
| Payment of loans payable | **(7,727)** | (8,408) |
| Issuance of capital stock | **–** | 17 |
| Increase (decrease) in: | | |
| Due to related parties | **1** | (2) |
| Liabilities on purchased properties | **(453)** | (414) |
| Other noncurrent liabilities | **(283)** | 129 |
| Net cash provided by financing activities | **22,126** | 17,669 |
| Effect of exchange rate changes on cash and cash equivalents | **17** | (36) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(15,221)** | (2,213) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **37,861** | 29,702 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **₱22,640** | ₱27,489 |

## 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), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Property Company of Friends, Inc. (PCFI) and Subsidiaries (PCFI Group), Toyota Manila Bay Corp. (TMBC) and Subsidiary (TMBC Group) and GT Capital Auto Dealership Holdings, Inc. (GTCAD) are collectively referred herein as the “Group”. The Parent Company, the holding company of the Fed Land Group (real estate business), Toyota Group (automotive business), PCFI Group (real estate business), TMBC Group (automotive business) and GTCAD (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 and PCFI 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.

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

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 principal business interests of GTCAD are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any auto dealership or other 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 Parent Company also has significant shareholdings in Metropolitan Bank & Trust Co. (MBTC or Metrobank), Metro Pacific Investments Corporation (MPIC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA) 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 Group"s Audit Committee on August 2, 2016, approved the accompanying interim condensed consolidated financial statements for issue.

## 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 | **June 30, 2016** | December 31, 2015 | **June 30, 2016** | December 31, 2015 |
| Fed Land and Subsidiaries | Philippines | **100.00** | 100.00 | **100.00** | 100.00 |
| PCFI and Subsidiaries | -do- | **51.00** | 22.68 | **51.00** | 22.68 |
| Toyota and Subsidiaries | -do- | **51.00** | 51.00 | **51.00** | 51.00 |
| TMBC and Subsidiary | -do- | **58.05** | – | **58.05** | – |
| GTCAD (Note 15) | -do- | **100.00** | – | **100.00** | – |

**GTCAD was incorporated on June 13, 2016 and has not started commercial business operations.*

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 |

PCFI"s Subsidiaries

| | Percentage of Ownership |
|---|---|
| Micara Land, Inc. | 100.00 |
| Firm Builders Realty Development Corporation | 100.00 |
| Marcan Development Corporation (MDC)* | 100.00 |
| Camarillo Development Corporation (CDC)** | 100.00 |
| Branchton Development Corporation (BDC)*** | 100.00 |
| Williamton Financing Corporation (WFC)**** | 100.00 |

** On November 25, 2015, MDC was incorporated and has not started commercial business operations.*
***On March 31, 2016 CDC was incorporated and has not started commercial business operations.*
****On June 14, 2016, BDC was incorporated and has not started commercial business operations.*
*****On June 23, 2016, PCFI acquired 100% of WFC from Maplecrest Group, Inc. (formerly known as Profriends Group, Inc.)*

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.

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

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

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

The acquiree"s equity are included in the opening balances of the equity as a restatement and are presented as „Effect of uniting of interest" in the 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.

Change in Ownership without Loss of Control

Changes in the Group"s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling 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.

Changes in Accounting Policies

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. The standard does 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. These amendments did not 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. These amendments did not 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. The amendment has no impact 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. The Group shall consider this amendment for future joint arrangements.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>
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).

*Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under PFRS 10 Consolidated Financial Statements. The amendments to PFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to PFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to PAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

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**

<u>Cash and Cash Equivalents</u>

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

<u>Fair Value Measurement</u>

The Group measures financial instruments, such as AFS investments, at fair value at each 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.

Financial Instruments - Initial Recognition and Subsequent Measurement

*Date of recognition*

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

*Initial recognition of financial instruments*

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

As of June 30, 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 an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors" ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

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

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

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

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

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

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent or a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties. 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.

Standards Issued But Not Yet Effective

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

*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. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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. Investments in Subsidiaries, Associates and Jointly-Controlled Entities

Investment in MPIC
On May 27, 2016, the Parent Company subscribed to 3.60 billion common shares of MPIC for a total subscription price of ₱21.96 billion. On the same day, the Parent Company entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with the Parent Company as the buyer and MPHI as the seller of 1.3 billion common shares of MPIC for a total consideration of ₱7.93 billion. After said transactions, the Parent Company has an effective ownership interest of 15.55% in MPIC.

Also, on May 27, 2016, the Parent Company and MPHI signed a Shareholders" agreement whereby the Parent Company is entitled to nominate at least two (2) out of fifteen (15) directors of MPIC. The Parent Company is also entitled to nominate one (1) out of three (3) members in each of the Audit Committee (AC), Risk Management Committee (RMC) and Governance Committee (GC) of MPIC.

The combination of the Parent Company"s 15.55% ownership over MPIC, representation in the Board of Directors (BOD), AC, RMC and GC of MPIC provides the Parent Company with the ability to exercise significant influence over the operating and financial policies of MPIC. Through its presence and participation at the BOD, AC, RMC and GC meetings, the Parent Company can influence the operating and financial policies of MPIC. Accordingly, the Parent Company accounted for its investment in MPIC as an associate using equity method of accounting.

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 increased 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.

Disposal of Investment

2016
Sale of Investment in Global Business Power Corporation

On May 26, 2016, the Parent Company acquired FMIC"s 4.73% direct equity stake in GBPC for a total consideration of ₱3.26 billion. This increased the Parents Company"s direct ownership in GBPC from 51.27% to 56.00%. Subsequently, on May 27, 2016, the Parent Company sold its entire 56.00% investment in GBPC to Beacon Powergen Holdings, Inc. (Beacon) for a total consideration of ₱22.06 billion. Immediately after the sale, the Parent Company relinquished control over GBPC and GBPC ceased to be a subsidiary of the Parent Company effective May 31, 2016. Accordingly, the financial statements of GBPC was deconsolidated from the interim condensed consolidated financial statements of the Group at that date.

The derecognized assets and liabilities of GBPC as of May 31, 2016 follow (amounts in million pesos):

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱13,136 |
| Short-term investments | 300 |
| Receivables | 3,591 |
| Inventories | 1,523 |
| Prepayments and other current assets | 1,988 |
| Property and equipment | 47,117 |
| Goodwill and intangible assets | 7,105 |
| Deferred tax assets | 463 |
| Other noncurrent assets | 3,909 |
| | 79,132 |

*(Forward)*

| **Liabilities** | |
|---|---|
| Accounts and other payables | ₱5,200 |
| Current portion of loans payable | 3,459 |
| Customer's deposits | 1 |
| Income tax payable | 3 |
| Other current liabilities | 74 |
| Pension liabilities | 675 |
| Long-term debt – net of current portion | 33,741 |
| Deferred tax liabilities | 970 |
| Other noncurrent liabilities | 251 |
| | 44,374 |
| **Net assets** | ₱34,758 |

Remeasurement losses on defined benefit plan of GBPC amounting to ₱92.49 million were reclassified to retained earnings.

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

| | |
|---|---|
| Cash received | ₱11,029 |
| Non-cash consideration | 29,144 |
| | ₱40,173 |

The non-cash consideration includes receivable from Beacon amounting to ₱11.03 billion, which is due within 90 days from the date of sale, and is interest-bearing at 4.8% per annum.

With the loss of control over GBPC, the Parent Company realized the following items arising from the sale of GBPC shares by FMIC to Orix P&E Philippines Corporation (Orix) and Meralco Powergen Corporation previously deferred in 2013:

1. share in consideration received amounting to ₱3.56 billion; and
2. share in gain on sale amounting to ₱1.84 billion.

The total gain on the sale of GBPC amounted to ₱3.69 billion, comprising ₱1.85 billion gain on sale direct ownership and ₱1.84 billion gain on sale of indirect ownership.

The gain on sale of subsidiaries presented in the interim condensed consolidated statements of income consist of:

| | |
|---|---|
| Gain on sale of direct ownership in GBPC | ₱1,851 |
| Gain on sale of direct ownership in CPAIC (Note 5) | 232 |
| | ₱2,083 |

The net cash outflow arising from the deconsolidation of GBPC follows (amounts in million pesos):

| | |
|---|---|
| Cash proceeds from the sale of 56% of GBPC | ₱11,029 |
| Purchase price and related costs to increase stake in GBPC to 56% | (3,586) |
| Cash and cash equivalents deconsolidated | (13,136) |
| | (₱5,693) |

On June 30, 2016, Orix exercised its tag-along rights in relation to its holdings of GBPC shares and sold its 22% ownership stake in GBPC to the Parent Company for a total consideration of ₱8.67 billion. On the same day, the Parent Company sold the same shares to JG Summit Holdings, Inc. for the same amount of consideration.

Business Combinations

2016

TMBC

On March 7, 2016, the SEC approved the merger of TMBC and TCI, with TMBC as the surviving corporation and TCI as the absorbed corporation. The merger resulted in GT Capital owning 58.05% of the merged corporation. Pursuant to the merger, GT Capital and Mitsui entered into amended shareholders" agreement wherein GT Capital has the ability to appoint majority of the BOD and the Executive Committee (ExCom). Management has assessed that it has the ability to direct the relevant activities of TMBC that most significantly affect its returns based on its ability to appoint majority of the BOD and the ExCom. As a result, the financial statements of TMBC was consolidated in the financial statements of the Parent Company. Prior to the merger, TMBC was accounted for as a jointly-controlled entity while TCI was accounted for as a subsidiary.

The consideration given to obtain control over TMBC was the fair value of the net assets of TCI, as a business. The transaction was accounted for as a business combination using the purchase method. The Parent Company"s previously-held interest was remeasured at fair value and recognized ₱140.14 million gain from the remeasurement. Under PFRS 3, Business Combinations, if an acquirer holds a non-controlling equity investment in the acquiree immediately before obtaining control, the acquirer remeasures that previously-held equity investment at its acquisition-date fair value and recognizes any resulting gain or loss in profit or loss.

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 June 30, 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 |
| AFS investments | 1 |
| Property and equipment | 1,746 |
| Investment properties | 301 |
| Deferred tax assets | 60 |
| Other noncurrent assets | 70 |
| | 4,692 |

*(Forward)*

| | |
|---|---|
| **Liabilities** | |
| Accounts and other payables | 819 |
| Loans payable | 1,360 |
| Customer's deposits | 89 |
| Income tax payable | 22 |
| Other current liabilities | 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 |
| Fair value of TCI"s net assets | 269 |
| | ₱2,084 |

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

| | |
|---|---|
| Total consideration transferred | ₱2,084 |
| Provisional fair values 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 MSA). Subject to the terms of the MSA, 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.

On June 30, 2016, the Parent Company accelerated the subscription program in PCFI by subscribing to an additional 28.32% equity stake in PCFI for a total consideration of ₱8.76 billion. This subscription increased the Parent Company"s direct ownership stake in PCFI from 22.68% to 51.00%. The subscription is accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of other equity adjustment amounting to ₱5.14 billion. Under PFRS 10, Consolidated Financial Statements, an entity shall recognize directly in equity any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid and attribute it to the owners of the Parent Company.

## 4. Cash and Cash Equivalents

This account consists of:

| | **June 30, 2016** | June 30, 2015 | December 31, 2015 |
|---|---|---|---|
| Cash on hand | **₱22** | ₱7 | ₱11 |
| Cash in banks | **21,253** | 13,624 | 16,348 |
| Cash equivalents | **1,365** | 13,858 | 21,502 |
| | **₱22,640** | ₱27,489 | ₱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. As of December 31, 2015, the investment in Charter Ping An was accounted as a non-current asset held-for-sale in accordance with PFRS 5. As required by PFRS 5, the assets and liabilities of Charter Ping An, together with the results of operations of a disposal group, are 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 June 30, 2015 have been restated to present the results of operation of Charter Ping An as „Net income from disposal group".

On April 4, 2016, the Parent Company completed the sale of Charter Ping for a final consideration of ₱2.10 billion. This transaction resulted in a gain representing the excess of the cash consideration received over the carrying value of the non-current asset held-for-sale amounting to ₱231.53 million and such gain is included in the „Gain on sale of subsidiaries". Following the sale, the assets, liabilities and reserve of disposal group classified as held-for-sale were derecognized. Remeasurement losses from defined benefit plan amounting to ₱57.10 million were reclassified to retained earnings.

The total gain on the sale of CPAIC amounted to ₱309.75 million, comprising ₱231.53 million gain on sale direct ownership and ₱78.22 million gain on sale of indirect ownership.

## 6. Property and Equipment

The decline in the property and equipment account is primarily attributable to the deconsolidation of GBPC Group"s property and equipment.

7. **Loans Payable**

This account consists of:

| | June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | Long-term debt | | | | |
| | **Short-term debt** | **Corporate notes** | **Loans payable** | **Subtotal** | **Bonds payable** | **Total** |
| Parent Company | **₱19,000** | **₱–** | **₱25,000** | **₱25,000** | **₱ 22,000** | **₱66,000** |
| Fed Land Group | **1,330** | **4,950** | **12,595** | **17,545** | **–** | **18,875** |
| PCFI | **4,000** | **–** | **11,776** | **11,776** | **–** | **15,776** |
| Toyota Group | **1,547** | **–** | **245** | **245** | **–** | **1,792** |
| GBPC Group | **–** | **–** | **–** | **–** | **–** | **–** |
| TMBC | **1,786** | **–** | **290** | **290** | **–** | **2,076** |
| | **27,663** | **4,950** | **49,906** | **54,856** | **22,000** | **104,519** |
| Less: Deferred financing cost | **–** | **–** | **117** | **117** | **166** | **283** |
| | **27,663** | **4,950** | **49,789** | **54,739** | **21,834** | **104,236** |
| Less: Current portion of long-term debt | **–** | **2,025** | **1,891** | **3,916** | **–** | **3,916** |
| | **₱27,663** | **₱2,925** | **₱47,898** | **₱50,823** | **₱21,834** | **₱100,320** |

| | 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 |

Short-term loans payable increased by Php20.34 billion from Php7.32 billion to Php27.66 billion due to loan availments of GT Capital-Parent Company (Php19.00 billion), Fed Land (Php0.59 billion), TMP dealership subsidiaries (Php0.01 billion) and consolidation of TMBC"s short-term loans of Php1.24 billion offset by loan payments by PCFI (Php0.50 billion).

Current-portion of long-term debt decreased by 42% from Php6.76 billion to Php3.92 billion primarily due to the deconsolidation of GBPC.

Long-term debt, net of current portion, decreased by 38% from Php82.02 billion to Php50.82 billion due to the deconsolidation of GBPC"s long-term debt.

*Bonds payable*
This account consists of the following Peso Bonds:

| | | | Carrying Value | |
|---|---|---|---|---|
| Maturity Dates | Interest rate | Par Value | **June 30, 2016** | December 31, 2015 |
| ₱10.0 billion Bonds | | | | |
| February 27, 2020 | 4.8371% | ₱3,900 | **₱3,877** | ₱3,874 |
| February 27, 2023 | 5.0937% | 6,100 | **6,053** | 6,031 |
| | | 10,000 | **9,930** | 9,905 |
| ₱12.0 billion Bonds | | | | |
| November 7, 2019 | 4.7106% | 3,000 | **2,979** | 2,976 |
| August 7, 2021 | 5.1965% | 5,000 | **4,960** | 4,957 |
| August 7, 2014 | 5.6250% | 4,000 | **3,965** | 3,963 |
| | | 12,000 | **11,904** | 11,896 |
| Balances at end of year | | ₱22,000 | **₱21,834** | ₱21,801 |

Unamortized debt issuance costs on these notes amounted to ₱165.59 million and ₱179.17 million as of June 30, 2016 and December 31, 2015, respectively.

## 8. **Equity**

*Treasury shares*
As of June 30, 2016 and December 31, 2015, treasury shares of the Group amount to nil and ₱6.14 million, respectively. This pertains to the original acquisition of 5,000 shares of the Parent Company held by Ping An.

*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 |

.
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 |

Subsequent to the completion of Tranches 2 and 3 of the PCFI acquisition, the said appropriation was reversed

*Other equity adjustments*
In accordance with the MSA dated August 6, 2015, the Parent Company subscribed to the final 28.32% of PCFI for a total subscription price of ₱8.76 billion on June 30, 2016. This subscription increased the Parent Company"s direct ownership stake in PCFI from 22.68% to 51.00%. This subscription is accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of other equity adjustments amounting to ₱5.14 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 June 30, 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:

| | **June 30, 2016** | June 30, 2015 | December 31, 2015 |
|---|---|---|---|
| Net income attributable to equity holders of the Parent Company from continuing operations | **₱9,273** | ₱5,576 | ₱12,069 |
| Effect of dividends declared to voting preferred shareholders of the Parent Company | **(1)** | – | – |
| Net income attributable to common shareholders of the Parent Company | **9,272** | 5,576 | 12,069 |
| Weighted average number of shares | **174.30** | 174.30 | 174.30 |
| | **₱53.20** | ₱31.99 | ₱69.24 |

The basic/diluted earnings (loss) per share from disposal group attributable to equity holders of the Parent Company for the periods indicated were computed as follows:

| | **June 30, 2016** | June 30, 2015 | December 31, 2015 |
|---|---|---|---|
| Net income (loss) attributable to equity holders of the Parent Company from discontinued operations | **(₱164)** | ₱46 | ₱50 |
| Weighted average number of shares | **174.30** | 174.30 | 174.30 |
| | **(₱0.94)** | ₱0.26 | ₱0.29 |

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

| | **June 30, 2016** | June 30, 2015 | December 31, 2015 |
|---|---|---|---|
| Net income attributable to equity holders of the Parent Company | **₱9,109** | ₱5,622 | ₱12,119 |
| Effect of dividends declared to voting preferred shareholders of the Parent Company | **(1)** | – | – |
| Net income attributable to common shareholders of the Parent Company | **9,108** | 5,622 | 12,119 |
| Weighted average number of shares | **174.30** | 174.30 | 174.30 |
| | **₱52.25** | ₱32.25 | ₱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 five 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 and financing institution;
- 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;
- Infrastructure, a new segment in 2016, is engaged in the water distribution, toll operation, power distribution franchise, hospitals and rail; 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 June 30, 2016 and as of and for the year ended December 31, 2015:

| | Period Ended June 30, 2016 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Real Estate | Financial Institution | Auto motive | Power | Infra structure | Others | Total |
| Revenue | ₱5,679 | ₱– | ₱80,350 | ₱6,840 | ₱– | ₱– | ₱92,869 |
| Other income | 957 | – | 452 | 55 | | 2,223 | 3,687 |
| Equity in net income of associates and jointly-controlled entities | 115 | 4,439 | 8 | – | 389 | – | 4,951 |
| | 6,751 | 4,439 | 80,810 | 6,895 | 389 | 2,223 | 101,507 |
| Cost of goods and services sold | 197 | – | 54,063 | – | – | – | 54,260 |
| Cost of goods manufactured | – | – | 14,566 | – | – | – | 14,566 |
| Cost of real estate sales | 3,699 | – | – | – | – | – | 3,699 |
| Cost of rental | 144 | – | – | – | – | – | 144 |
| Power plant operation and maintenance | – | – | – | 3,273 | – | – | 3,273 |
| General and administrative expense | 1,835 | – | 2,847 | 1,479 | – | 1,301 | 7,462 |
| | 5,875 | – | 71,476 | 4,752 | – | 1,301 | 83,404 |
| Earnings before interest and taxes | 876 | 4,439 | 9,334 | 2,143 | 389 | 922 | 18,103 |
| Depreciation and amortization | 171 | – | 581 | 1,008 | – | 3 | 1,763 |
| EBITDA | 1,047 | 4,439 | 9,915 | 3,151 | 389 | 925 | 19,866 |
| Interest income | 592 | – | 178 | 65 | – | 104 | 939 |
| Interest expense | (197) | – | (78) | (780) | – | (1,303) | (2,358) |
| Depreciation and amortization | (171) | – | (581) | (1,008) | – | (3) | (1,763) |
| Pretax income | 1,271 | 4,439 | 9,434 | 1,428 | 389 | (277) | 16,684 |
| Provision for income tax | 174 | – | 2,423 | 34 | – | 9 | 2,640 |
| Net income (loss) from continuing operations | ₱1,097 | ₱4,439 | ₱7,011 | ₱1,394 | ₱389 | (₱286) | ₱14,044 |
| Net loss from disposal group classified as held-for-sale | – | (164) | – | – | – | – | (164) |
| Segment Assets | ₱123,880 | ₱58,827 | ₱54,146 | ₱– | ₱30,287 | ₱19,801 | ₱286,941 |
| Segment Liabilities | ₱56,121 | ₱– | ₱29,532 | ₱– | ₱– | ₱66,383 | ₱152,036 |

| | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Real Estate | Financial Institution | Automotive | Power | Infra structure | 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 jointly-controlled entities | 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 |
| 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 | ₱173,443 |

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:

| | **June 30, 2016** | June 30, 2015 | December 31, 2015 |
|---|---|---|---|
| Domestic | **₱98,439** | ₱68,297 | ₱149,803 |
| Foreign | **4,007** | 4,927 | 9,428 |
| | **₱102,446** | ₱73,224 | ₱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 June 30, 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:

| | **June 30, 2016 (Unaudited)** | | | |
|---|---|---|---|---|
| | **< 1 year** | **> 1 to < 5 years** | **> 5 years** | **Total** |
| Financial assets | | | | |
| Cash and cash equivalents* | **₱22,618** | **₱–** | **₱–** | **₱22,618** |
| Short-term investments | **4,446** | **–** | **–** | **4,446** |
| Receivables | **37,170** | **10,254** | **1,582** | **49,006** |
| Due from related parties | **419** | **–** | **–** | **419** |
| AFS investments | | | | |
| Equity securities | | | | |
| Quoted | **96** | **–** | **–** | **96** |
| Unquoted | **481** | **–** | **–** | **481** |
| Total undiscounted financial assets | **₱65,230** | **₱10,254** | **₱1,582** | **₱77,066** |
| Other financial liabilities | | | | |
| Accounts and other payables | **₱23,462** | **₱1,050** | **₱–** | **₱24,512** |
| Customer"s deposit | **4,495** | **–** | **–** | **4,495** |
| Dividends payable | **–** | **–** | **–** | **–** |
| Loans payable | **15,178** | **21,308** | **47,438** | **83,924** |
| Bonds payable | **1,126** | **10,918** | **16,343** | **28,387** |
| Due to related parties | **175** | **–** | **–** | **175** |
| Liabilities on purchased properties | **423** | **873** | **1,478** | **2,774** |
| Total undiscounted financial liabilities | **₱44,859** | **₱34,149** | **₱65,259** | **₱144,267** |
| Liquidity Gap | **₱20,370** | **(₱23,895)** | **(₱63,677)** | **(₱67,202)** |

**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 June 30, 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 June 30, 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.

| | **June 30, 2016 (Unaudited)** | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets measured at fair value: | | | | | |
| Financial Assets | | | | | |
| AFS investments: | | | | | |
| Quoted equity securities | **₱96** | **₱96** | **₱–** | **₱–** | **₱96** |
| Assets of disposal group classified as held-for-sale: | | | | | |
| AFS investments | | | | | |
| Government securities | **–** | **–** | **–** | **–** | **–** |
| Quoted debt securities | **–** | **–** | **–** | **–** | **–** |
| Quoted equity securities | **–** | **–** | **–** | **–** | **–** |
| | **₱96** | **₱96** | **₱–** | **₱–** | **₱96** |
| Assets for which fair values are disclosed: | | | | | |
| Financial Assets | | | | | |
| Loans and receivables | | | | | |
| Installment contracts receivables | **₱19,074** | **₱–** | **₱–** | **₱24,963** | **₱24,963** |
| Non-financial Assets | | | | | |
| Investment in associates | | | | | |
| Quoted equity securities | **82,681** | **106,302** | – | – | **106,302** |
| Investment properties | **10,715** | **–** | **–** | **14,931** | **14,931** |
| Liabilities for which fair values are disclosed: | | | | | |
| Financial Liabilities | | | | | |
| Loans payable | **82,519** | **–** | **84,543** | **–** | **84,543** |
| Bonds payable | **21,834** | **22,321** | **–** | **–** | **22,321** |
| | **₱104,353** | **₱22,321** | **₱84,543** | **₱–** | **₱106,864** |

| | 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 |

*(Forward)*

| | December 31, 2015 (Audited) | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| 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 in associates | | | | | |
| Quoted equity securities | 50,222 | 64,553 | – | – | ₱64,553 |
| Investment properties | 10,797 | – | – | 14,931 | 14,931 |
| 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 June 30, 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:

<u>Valuation Techniques</u>

| | |
|---|---|
| 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 ₱1.69 billion and ₱1.36 billion as of June 30, 2016 and December 31, 2015, respectively.

## 15. **Events after Financial Reporting Date**

On July 4, 2016, the Parent Company filed with the SEC a Registration Statement (SEC Form 12-1) and a Preliminary Prospectus for the offering of up to Eight Million (8,000,000) Series "A" and "B" Perpetual Preferred Shares for the Base Issue and up to Four Million (4,000,000) for the Oversubscription Option.

On July 14, 2016, the SEC approved the incorporation of Toyota Subic, Inc. (TSI), a 55%-owned subsidiary of GTCAD.

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**
**AS OF AND FOR THE PERIODS ENDED JUNE 30, 2016 AND JUNE 30, 2015 (UNAUDITED)**

| (Amounts in millions except ratio and %) | **2016** | 2015 |
|---|---|---|
| **Liquidity Ratio** | | |
| Current ratio | **1.91** | 2.64 |
| Current assets | **₱121,741** | ₱92,663 |
| Current liabilities | **63,651** | 35,063 |
| **Solvency Ratio** | | |
| Total liabilities to total equity ratio | **1.13** | 1.14 |
| Total liabilities | **152,036** | 127,533 |
| Total equity | **134,905** | 111,865 |
| Debt to equity ratio | **0.79** | 0.81 |
| Total debt | **106,566** | 90,105 |
| Total equity | **134,905** | 111,865 |
| **Asset to Equity Ratio** | | |
| Asset equity ratio | **2.74** | 2.82 |
| Total assets | **286,941** | 239,398 |
| Equity attributable to Parent Company | **104,703** | 84,860 |
| **Interest Rate Coverage Ratio*** | | |
| Interest rate coverage ratio | **7.68** | 6.25 |
| Earnings before interest and taxes (EBIT) | **18,103** | 12,186 |
| Interest expense | **2,358** | 1,951 |
| **Profitability Ratio** | | |
| Return on average assets | **3.02%** | 2.46% |
| Net income attributable to Parent Company | **9,109** | 5,622 |
| Total assets | **286,941** | 239,398 |
| Average assets | **302,113** | 228,831 |
| Return on Average Equity | **9.35%** | 6.85% |
| Net income attributable to Parent Company | **9,109** | 5,622 |
| Equity attributable to Parent Company | **104,703** | 84,860 |
| Average equity attributable to Parent Company | **97,418** | 82,104 |

*computed as EBIT/Interest Expense

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT**
**ON INTERIM SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. de la Costa Street
Makati City 1226

We have reviewed in accordance with Philippine Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the interim condensed consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the "Group") as at June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015 and have issued our report thereon dated August 8, 2016. Our review was made for the purpose of expressing a conclusion on the interim condensed consolidated financial statements taken as whole. The schedules listed in the Index to the Interim Condensed Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the interim condensed consolidated financial statements. These schedules have been subjected to the procedures applied in the review of the interim condensed consolidated financial statements and, based on our review, nothing has come to our attention that causes us to believe that the information required to be set forth therein has not been prepared, in all material respects, in relation to the interim condensed consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5321647, January 4, 2016, Makati City

August 8, 2016

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

**JUNE 30, 2016**

## GT CAPITAL HOLDINGS, INC.

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

### FOR THE YEAR ENDED JUNE 30, 2016

| | | |
|---|---|---|
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning | | ₱2,276,950,804 |
| Add: Net income actually earned during the period | | |
| Net income during the period closed to Retained earnings | ₱8,735,675,822 | |
| Less: Non-actual/unrealized income net of tax | – | |
| Add: Non actual losses | – | 8,735,675,822 |
| Subtotal | | 11,012,626,626 |
| Add (Less): | | |
| Appropriations during the period | – | |
| Reversal of appropriation upon completion of the expansion and acquisition* | – | |
| Dividend declaration during the period | (1,046,457,111) | (1,046,457,111) |
| Total Retained Earnings, end available for dividend declaration | | ₱9,966,169,515 |

** The appropriated retained earnings amounting to ₱8.76 billion earmarked for Tranches 2 and 3 of PCFI acquisition was subsequently reversed in July 2016 after the completion of PCFI acquisition on June 30, 2016.*

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS

### FOR THE PERIOD ENDED JUNE 30, 2016

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of June 30, 2016 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | | |
| **PFRSs Practice Statement Management Commentary** | | ✓ | | | |
| **Philippine Financial Reporting Standards** | | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ | |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ | |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ | |
| | Amendments to PFRS 1: Government Loans | | | ✓ | |
| | Amendments to PFRS 1: Meaning of Effective PFRSs | ✓ | | | |
| **PFRS 2** | Share-based Payment | | | ✓ | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ | |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ | |
| | Amendments to PFRS 2: Definition of Vesting Condition | | | ✓ | |
| **PFRS 3 (Revised)** | Business Combinations | ✓ | | | |
| | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination | ✓ | | | |
| | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements | | | ✓ | |
| **PFRS 4** | Insurance Contracts | ✓ | | | |
| | Amendments to PFRS 4: Financial Guarantee Contracts | ✓ | | | |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | ✓ | | | |
| | Amendments to PFRS 5: Changes in methods of disposal | ✓ | | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of June 30, 2016 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ | |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | | |
| | Amendments to PFRS 7: Transition | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | | |
| | Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ | |
| | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | ✓ | | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | | ✓ |
| | Amendments to PFRS 7: Additional Hedge Accounting Disclosures (and consequential amendments) Resulting From the Introduction of the Hedge Accounting Chapter in PFRS 9 | ✓ | | | |
| | Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | ✓ | | | |
| **PFRS 8** | Operating Segments | ✓ | | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | ✓ | | | |
| **PFRS 9** | Financial Instruments | | | | ✓ |
| | Financial Instruments: Classification and Measurement of Financial Assets | | | | ✓ |
| | Financial Instruments: Classification and Measurement of Financial Liabilities | | | | ✓ |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | | ✓ |
| | PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39) | | | | ✓ |
| | PFRS 9, Financial Instruments (2014) | | | | ✓ |
| | Reissue to Incorporate a Hedge Accounting Chapter and Permit Early Application of the Requirements for Presenting in Other Comprehensive Income the "Own Credit" Gains or Losses on Financial Liabilities Designated under the Fair Value Option without Early Applying the Other Requirements of PFRS 9 | | | | ✓ |
| | Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of June 30, 2016 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PFRS 10** | Consolidated Financial Statements | ✓ | | | |
| | Amendments to PFRS 10: Transition Guidance | ✓ | | | |
| | Amendments to PFRS 10: Investment Entities | ✓ | | | |
| | Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture | | | | ✓ |
| | Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities Applying the Consolidation Exception | | | ✓ | |
| **PFRS 11** | Joint Arrangements | ✓ | | | |
| | Amendments to PFRS 11: Transition Guidance | ✓ | | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | ✓ | | | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | | |
| | Amendments to PFRS 12: Transition Guidance | ✓ | | | |
| | Amendments to PFRS 12: Investment Entities Applying the Consolidation Exception | ✓ | | | |
| **PFRS 13** | Fair Value Measurement | ✓ | | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | ✓ | | | |
| | Amendment to PFRS 13: Portfolio Exception | | | ✓ | |
| **PFRS 14** | Regulatory Deferral Accounts | | | ✓ | |
| **Philippine Accounting Standards** | | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | | |
| | Amendments to PAS 1: Capital Disclosures | ✓ | | | |
| | Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ | |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | | |
| | Amendments to PAS 1: Comparative Information | ✓ | | | |
| | Amendments to PAS 1 (Revised): Disclosure Initiative | ✓ | | | |
| **PAS 2** | Inventories | ✓ | | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | | |
| **PAS 10** | Events after the Balance Sheet Date | ✓ | | | |
| **PAS 11** | Construction Contracts | ✓ | | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of June 30, 2016 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PAS 12** | Income Taxes | ✓ | | | |
| | Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ | |
| | Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Lossess | | | | ✓ |
| **PAS 16** | Property, Plant and Equipment | ✓ | | | |
| | Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation | | | ✓ | |
| | Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ | |
| | Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants | | | ✓ | |
| **PAS 17** | Leases | ✓ | | | |
| **PAS 18** | Revenue | ✓ | | | |
| **PAS 19** | Employee Benefits | ✓ | | | |
| | Amendments to PAS 19: Employee Benefits | ✓ | | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contribution | | | ✓ | |
| | Amendments to PAS 19: Discount Rate: Regional Market Issue | | | ✓ | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ | |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ | |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | ✓ | | | |
| **PAS 27 (Amended)** | Separate Financial Statements | ✓ | | | |
| | Amendments for investment entities | ✓ | | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ | |
| **PAS 28** | Amendments to PAS 28: Investment Entities Applying the Consolidation Exception | ✓ | | | |
| **PAS 28 (Amended)** | Investments in Associates | ✓ | | | |
| | Investments in Associates and Joint Ventures | ✓ | | | |
| | Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its | | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of June 30, 2016 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| | Associate or Joint Venture | | | | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ | |
| **PAS 31** | Interests in Joint Ventures (Replaced by PFRS 11) | ✓ | | | |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ | |
| | Amendments to PAS 32: Classification of Rights Issues | ✓ | | | |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | | |
| **PAS 33** | Earnings per Share | ✓ | | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | | |
| | Amendments to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report' | ✓ | | | |
| **PAS 36** | Impairment of Assets | ✓ | | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | | |
| **PAS 38** | Intangible Assets | ✓ | | | |
| | Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation | | | ✓ | |
| | Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization | | | ✓ | |
| | Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | ✓ | | | |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ | |
| | Amendments to PAS 39: The Fair Value Option | ✓ | | | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | ✓ | | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of June 30, 2016 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ | |
| PAS 39 | Amendments to PAS 39: Eligible Hedged Items | | | ✓ | |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ | |
| PAS 40 | Investment Property | ✓ | | | |
| | Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner–Occupied Property | ✓ | | | |
| PAS 41 | Agriculture | | | ✓ | |
| | Amendments to PAS 41, Agriculture: Bearer Plants | | | ✓ | |
| **Philippine Interpretations** | | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | ✓ | | | |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ | |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | ✓ | | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | ✓ | | | |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ | |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ | |
| IFRIC 8 | Scope of PFRS 2 | | | ✓ | |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ | |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ | |
| IFRIC 10 | Interim Financial Reporting and Impairment | ✓ | | | |
| IFRIC 11 | PFRS 2- Group and Treasury Share Transactions | ✓ | | | |
| IFRIC 12 | Service Concession Arrangements | | | ✓ | |
| IFRIC 13 | Customer Loyalty Programmes | ✓ | | | |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | ✓ | | | |
| | Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement | ✓ | | | |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ | |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | ✓ | | | |
| IFRIC 18 | Transfers of Assets from Customers | ✓ | | | |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity | ✓ | | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>**Effective as of June 30, 2016** | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| | Instruments | | | | |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ | |
| **IFRIC 21** | Levies | | | ✓ | |
| **SIC-7** | Introduction of the Euro | | | ✓ | |
| **SIC-10** | Government Assistance – No Specific Relation to Operating Activities | | | ✓ | |
| **SIC-12** | Consolidation – Special Purpose Entities | | | ✓ | |
| | Amendment to SIC – 12: Scope of SIC 12 | | | ✓ | |
| **SIC-13** | Jointly Controlled Entities – Non-Monetary Contributions by Venturers | ✓ | | | |
| **SIC-15** | Operating Leases – Incentives | ✓ | | | |
| **SIC-21** | Income Taxes – Recovery of Revalued Non-Depreciable Assets | ✓ | | | |
| **SIC-25** | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders | | | ✓ | |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | ✓ | | | |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✓ | |
| **SIC-31** | Revenue – Barter Transactions Involving Advertising Services | | | ✓ | |
| **SIC-32** | Intangible Assets – Web Site Costs | ✓ | | | |

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E

### FOR THE YEAR ENDED JUNE 30, 2016

**Schedule A. Financial Assets**

| Name of issuing entity and association of each issue (i) | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet (ii) | Valued based on market quotation at end of reporting period (iii) | Income received and accrued |
|---|---|---|---|---|
| Equity securities | | | | |
| Quoted | Various | | ₱95,536,351 | ₱2,870,000 |
| Unquoted | Various | | 480,598,603 | 1,651,160 |

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)**

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| C. C. Afable | Assistant Vice President | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– |
| M. T. Agustin | Manager | 222,263 | 444,526 | (666,789) | − | − | − | − |
| A. R. Alcid | Senior Manager | 228,561 | − | (28,294) | − | 57,582 | 142,685 | 200,267 |
| C. T. Alfonso | Senior Manager | 176,034 | − | (29,889) | − | 60,829 | 85,316 | 146,145 |
| M. N. Amistoso | Manager | 135,981 | − | (31,106) | − | 63,306 | 41,569 | 104,875 |
| B. E. Ang | Vice President | 221,294 | − | (43,197) | − | 87,912 | 90,185 | 178,097 |
| Atty. N. M. Galicia | Assistant Vice President | 72,824 | − | (33,025) | − | 39,799 | − | 39,799 |
| S. Castillo | Manager | − | 383,000 | (113,554) | − | 53,431 | 216,015 | 269,446 |
| C. P. Cereno | Assistant Vice President | 412,787 | − | (37,380) | − | 76,073 | 299,334 | 375,407 |
| E. F. Chuaunsu | Senior Manager | 34,198 | − | (34,198) | − | − | − | − |
| D. R. De leon | Manager | 149,626 | − | (30,328) | − | 61,721 | 57,577 | 119,298 |
| M. G. Estuista | Manager | 219,224 | − | (28,577) | − | 58,159 | 132,488 | 190,647 |
| C. Fernandez | Assistant Vice President | - | 1,321,941 | (909,155) | − | 73,830 | 338,956 | 412,786 |
| F. P. Malaca | Assistant Vice President | 14,392 | − | (14,392) | − | − | − | − |
| F. S. Librea | Manager | − | − | − | − | − | − | − |
| E. M. Gabriel | Senior Manager | 223,904 | − | (28,435) | − | 57,870 | 137,599 | 195,469 |
| K. D. Guades | Manager | 127,098 | − | (19,630) | − | 39,951 | 67,517 | 107,468 |
| D. C. Hernandez | Assistant Vice President | 137,655 | − | (39,865) | − | 81,130 | 16,660 | 97,790 |
| J. C. Hernandez | Senior Manager | − | − | − | − | − | − | − |
| S. C. Iyog | Senior Vice President | 156,009 | − | (45,180) | − | 91,947 | 18,882 | 110,829 |
| J. D. Rosales | Senior Manager | 20,621 | − | (20,621) | − | − | − | − |
| A. Lagarta | Assistant Vice President | − | 400,000 | (52,144) | − | 66,126 | 281,730 | 347,856 |
| E. O. Madrinan | Manager | 84,875 | − | (32,051) | − | 52,824 | - | 52,824 |
| M. P. Mag-isa | Senior Manager | 190,468 | − | - | − | 190,468 | - | 190,468 |
| M. A. Mangulabnan | Manager | 264,110 | − | (27,096) | − | 55,145 | 181,869 | 237,014 |
| G. I. Mauricio | Assistant Vice President | 231,000 | 254,199 | (485,199) | − | − | − | − |
| P. N. Moralde | Vice President | 91,271 | − | (38,337) | − | 52,934 | − | 52,934 |
| S. A. Nuñez | Assistant Vice President | 223,579 | − | (35,610) | − | 72,471 | 115,498 | 187,969 |
| E. P. Ogues | Senior Manager | 246,959 | − | (27,735) | − | 56,445 | 162,779 | 219,224 |
| A. Peralta | Assistant Vice President | 159,869 | − | (38,191) | − | 77,725 | 43,953 | 121,678 |
| R. Quiza | Assistant Vice President | − | 830,000 | (366,192) | − | 88,168 | 375,640 | 463,808 |
| A. D. Ramos | Manager | 269,446 | − | (27,052) | − | 55,054 | 187,340 | 242,394 |
| E. P. Santos | Manager | 110,124 | − | (31,892) | − | 64,904 | 13,328 | 78,232 |
| A. Teves | Assistant Vice President | 347,856 | − | (33,479) | − | 68,135 | 246,242 | 314,377 |
| C. B. Tolentino | Senior Manager | 130,861 | − | (31,262) | − | 63,622 | 35,977 | 99,599 |
| E. D. Trinidad | Vice President | 220,043 | − | (37,362) | − | 75,658 | 107,023 | 182,681 |

*(Forward)*

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| H.L.Mamon | Supervisor | ₱28,800 | ₱– | ₱– | ₱– | ₱28,800 | ₱– | ₱28,800 |
| N.A.Santos | Vice President | 11,676 | – | – | – | 11,676 | – | 11,676 |
| R.P.Magdugo | Assistant Manager | 9,450 | – | – | – | 9,450 | – | 9,450 |
| M.D.Morales | Manager | 39,000 | – | – | – | 39,000 | – | 39,000 |
| W.A.Sanchez | Supervisor | 25,071 | – | – | – | 25,071 | – | 25,071 |
| A.V.Quintos | Assistant Vice President | 39,832 | – | – | – | 39,832 | – | 39,832 |
| N.L.Mendoza | Officer | 2,670 | – | – | – | 2,670 | – | 2,670 |
| C.M.Alcaraz | Rank and File | 1,000 | – | – | – | 1,000 | – | 1,000 |
| M.L.Clerigo | Officer | 4,530 | – | – | – | 4,530 | – | 4,530 |
| J.B.Pana | Rank and File | 3,459 | – | – | – | 3,459 | – | 3,459 |
| A.M.Dalupere | Rank and File | 40,202 | – | – | – | 40,202 | – | 40,202 |
| M.M.Saniel | Rank and File | 25 | – | – | – | 25 | – | 25 |
| E.B.Rada | Officer | 28,757 | – | – | – | 28,757 | – | 28,757 |
| J.O.Narte | Assistant Manager | 2,820 | – | – | – | 2,820 | – | 2,820 |
| J.J.Arquero | Rank and File | 12,760 | – | – | – | 12,760 | – | 12,760 |
| M.M.De Villa | Assistant Manager | 40,300 | – | – | – | 40,300 | – | 40,300 |
| I.L.Pamaong | Rank and File | 5,965 | – | – | – | 5,965 | – | 5,965 |
| E.V.Teofilo | Officer | 30,000 | – | – | – | 30,000 | – | 30,000 |
| M.G.Villapando | Rank and File | 28,500 | – | – | – | 28,500 | – | 28,500 |
| J.L.Asuncion | Rank and File | 15 | – | – | – | 15 | – | 15 |
| D.V.Cabigon | Rank and File | 16,667 | – | – | – | 16,667 | – | 16,667 |
| C.A.Malanay | Rank and File | 39,000 | – | – | – | 39,000 | – | 39,000 |
| D.L.Sena | Rank and File | 39,000 | – | – | – | 39,000 | – | 39,000 |
| J.D.Silva | Rank and File | 30,117 | – | – | – | 30,117 | – | 30,117 |
| M.B.Balen | Rank and File | 31,200 | – | – | – | 31,200 | – | 31,200 |
| M.A.Valeria | Rank and File | 33,800 | – | – | – | 33,800 | – | 33,800 |
| C.A.Estrada | Rank and File | 37,267 | – | – | – | 37,267 | – | 37,267 |
| J.L.Guzman | Senior Executive Vice President | 14,357 | – | – | – | 14,357 | – | 14,357 |
| J.E.Mora | Assistant Vice President | 17,420 | – | – | – | 17,420 | – | 17,420 |
| M.J.Mendoza | Assistant Manager | 36,310 | – | – | – | 36,310 | – | 36,310 |
| E.E.Villamor | Vice President | 2,224 | – | – | – | 2,224 | – | 2,224 |
| J.A.Toquero | Assistant Manager | 20,862 | – | – | – | 20,862 | – | 20,862 |
| M.D.Quanico | Assistant Manager | 38,975 | – | – | – | 38,975 | – | 38,975 |
| L.R.Soriano | Supervisor | 39,000 | – | – | – | 39,000 | – | 39,000 |
| J.B.Camorongan | Supervisor | 2,141 | – | – | – | 2,141 | – | 2,141 |
| M.F.Ausan | Rank and File | 27,167 | – | – | – | 27,167 | – | 27,167 |
| A.F.Pagdanganan | Manager | 9,948 | – | – | – | 9,948 | – | 9,948 |
| D.F.Gazzinga | Supervisor | 2,500 | – | – | – | 2,500 | – | 2,500 |
| C.M.Manguhig | Rank and File | 1,838 | – | – | – | 1,838 | – | 1,838 |
| M.A.Lauron | Officer | 1,100 | – | – | – | 1,100 | – | 1,100 |
| M.B.Milla | Rank and File | 150 | – | – | – | 150 | – | 150 |
| H.S.Gonzales | Officer | 30,667 | – | – | – | 30,667 | – | 30,667 |
| K.R.Quinto | Rank and File | 6,720 | – | – | – | 6,720 | – | 6,720 |
| R.M.Sagles | Assistant Vice President | 36,921 | – | – | – | 36,921 | – | 36,921 |
| J.A.De Las Alas | Officer | 1,410 | – | – | – | 1,410 | – | 1,410 |
| D.V.Colina | Assistant Manager | 1,000 | – | – | – | 1,000 | – | 1,000 |
| M.A.Tamayo | Supervisor | 38,806 | – | – | – | 38,806 | – | 38,806 |
| J.V.Reyes | Officer | 95,447 | – | – | – | 95,447 | – | 95,447 |
| W.B.Narcison. | Officer | 41,600 | – | – | – | 41,600 | – | 41,600 |
| R.M.Salinas | Assistant Manager | 3,600 | – | – | – | 3,600 | – | 3,600 |
| M.R.Vicete | Rank and File | 5,880 | – | – | – | 5,880 | – | 5,880 |
| A.P.Diama | Rank and File | 30 | – | – | – | 30 | – | 30 |
| L.Tocong | Supervisor | 30,333 | – | – | – | 30,333 | – | 30,333 |
| G.C.Riguerra | Officer | 36,400 | – | – | – | 36,400 | – | 36,400 |
| M.M.Garcia | Supervisor | 757 | – | – | – | 757 | – | 757 |
| M.T.Endico | Vice President | 33,000 | – | – | – | 33,000 | – | 33,000 |
| J.C.Cruz | Supervisor | 959 | – | – | – | 959 | – | 959 |
| J.O.Foronda | Officer | 70 | – | – | – | 70 | – | 70 |
| C.A.Teope | Officer | 32,000 | – | – | – | 32,000 | – | 32,000 |
| G.R.Perion | Rank and File | 4,500 | – | – | – | 4,500 | – | 4,500 |

*(Forward)*

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| J.C.Añis | Rank and File | ₱26,000 | ₱– | ₱– | ₱– | ₱26,000 | ₱– | ₱26,000 |
| R.P.Bernabe | Rank and File | 70 | – | – | – | 70 | – | 70 |
| M.H.Mendoza | Rank and File | 7,730 | – | – | – | 7,730 | – | 7,730 |
| E.S.Craw | Assistant Vice President | 9,600 | – | – | – | 9,600 | – | 9,600 |
| M.C.Antonio | Rank and File | 5,115 | – | – | – | 5,115 | – | 5,115 |
| M.M.Miranda | Rank and File | 29,167 | – | – | – | 29,167 | – | 29,167 |
| S.S.Nicolas | Rank and File | 41,388 | – | – | – | 41,388 | – | 41,388 |
| I.A.Andres | Rank and File | 1,510 | – | – | – | 1,510 | – | 1,510 |
| G.M.Sabino | Officer | 22,795 | – | – | – | 22,795 | – | 22,795 |
| S.R.Del Valle | Rank and File | 4,800 | – | – | – | 4,800 | – | 4,800 |
| J.P.Ico | Rank and File | 33,360 | – | – | – | 33,360 | – | 33,360 |
| J.M.Magayon | Officer | 8,188 | – | – | – | 8,188 | – | 8,188 |
| E.L.Miranda | Rank and File | 37,388 | – | – | – | 37,388 | – | 37,388 |
| S.T.Obeñita | Supervisor | 4,095 | – | – | – | 4,095 | – | 4,095 |
| M.B.Monzon | Rank and File | 4,795 | – | – | – | 4,795 | – | 4,795 |
| R.D.Ignacio | Rank and File | 29,167 | – | – | – | 29,167 | – | 29,167 |
| N.R.Pagasartonga | Rank and File | 26,000 | – | – | – | 26,000 | – | 26,000 |
| H.P.Bujatin | Rank and File | 34,374 | – | – | – | 34,374 | – | 34,374 |
| A.M.Gellamucho | Officer | 34,667 | – | – | – | 34,667 | – | 34,667 |
| E.B.Teologia | Rank and File | 31,500 | – | – | – | 31,500 | – | 31,500 |
| J.D.Hernandez | Rank and File | 29,833 | – | – | – | 29,833 | – | 29,833 |
| H.D.Zaño | Rank and File | 25,950 | – | – | – | 25,950 | – | 25,950 |
| M.T.Dela Pe-A | Rank and File | 32,000 | – | – | – | 32,000 | – | 32,000 |
| J.G.Pernala | Rank and File | 32,000 | – | – | – | 32,000 | – | 32,000 |
| A.G.Maravilla | Rank and File | 55,250 | – | – | – | 55,250 | – | 55,250 |
| R.G.Sybingco | Rank and File | 20,000 | – | – | – | 20,000 | – | 20,000 |
| F.O.Basibas | Rank and File | 26,000 | – | – | – | 26,000 | – | 26,000 |
| R.R.Gualberto | Rank and File | 2,250 | – | – | – | 2,250 | – | 2,250 |
| P.Balagot | Rank and File | 27,491 | – | – | – | 27,491 | – | 27,491 |
| E.H.Bernadas | Rank and File | 2,835 | – | – | – | 2,835 | – | 2,835 |
| M.B.Fantonial | Officer | 26,598 | – | – | – | 26,598 | – | 26,598 |
| C.S.Latorre | Rank and File | 28,000 | – | – | – | 28,000 | – | 28,000 |
| P.E.Mamucod | Rank and File | 27,833 | – | – | – | 27,833 | – | 27,833 |
| L.M.Paterez | Rank and File | 21,500 | – | – | – | 21,500 | – | 21,500 |
| R.A.Maigue | Officer | 662 | – | – | – | 662 | – | 662 |
| L.G.Fragante | Rank and File | 2,610 | – | – | – | 2,610 | – | 2,610 |
| K.K.Villegas | Rank and File | 18,000 | – | – | – | 18,000 | – | 18,000 |
| F.S.Jacildo, Jr. | Rank and File | 330 | – | – | – | 330 | – | 330 |
| A.A.Alcantara | Rank and File | 30,000 | – | – | – | 30,000 | – | 30,000 |
| V.M.Aranza | Rank and File | 6,405 | – | – | – | 6,405 | – | 6,405 |
| L.D.Samson | Rank and File | 3,360 | – | – | – | 3,360 | – | 3,360 |
| A.J.So | Rank and File | 22,667 | – | – | – | 22,667 | – | 22,667 |
| S.S.Alimonsurin | Rank and File | 190 | – | – | – | 190 | – | 190 |
| G.M.Baleña | Officer | 2,920 | – | – | – | 2,920 | – | 2,920 |
| M.M.Geralo | Rank and File | 20 | – | – | – | 20 | – | 20 |
| J.L.Torrento | Officer | 921 | – | – | – | 921 | – | 921 |
| C.C.Caguimbaga | Rank and File | 954 | – | – | – | 954 | – | 954 |
| C.S.Polmo | Rank and File | 111 | – | – | – | 111 | – | 111 |
| R.M.Memorando | Rank and File | 1,173 | – | – | – | 1,173 | – | 1,173 |
| A.Y.Denila | Rank and File | 1,489 | – | – | – | 1,489 | – | 1,489 |
| S.D.Casaria | Rank and File | 1,467 | – | – | – | 1,467 | – | 1,467 |
| A.L.Belmil | Rank and File | 2,100 | – | – | – | 2,100 | – | 2,100 |
| M.M.Macanlalay | Rank and File | 2,993 | – | – | – | 2,993 | – | 2,993 |
| R.C.Jacob | | 2,564 | – | – | – | 2,564 | – | 2,564 |
| L.Y.Reyes | Vice President | 19,048 | – | – | – | 19,048 | – | 19,048 |
| N.S.Cuyos | Rank and File | 9,594 | – | – | – | 9,594 | – | 9,594 |
| A.G.Leonardo, Jr. | | 29,238 | – | – | – | 29,238 | – | 29,238 |
| M.A.Tranzona | Rank and File | 6,747 | – | – | – | 6,747 | – | 6,747 |
| C.E.Castillo | Supervisor | 4,695 | – | – | – | 4,695 | – | 4,695 |
| G.N.Estocado | | 15,167 | – | – | – | 15,167 | – | 15,167 |
| E.A.Mangampat | Officer | 18,199 | – | – | – | 18,199 | – | 18,199 |
| J.D.Vasquez | Rank and File | 27,00 | – | – | – | 27,000 | – | 27,000 |
| C.Hilario | Senior Vice President | 6,804 | – | – | – | 6,804 | – | 6,804 |
| C.G.Jaboya, Iii | Supervisor | 8,841 | – | – | – | 8,841 | – | 8,841 |
| R.B.Beltran | | 23,000 | – | – | – | 23,000 | – | 23,000 |
| M.C.Alita | Officer | 10,325 | – | – | – | 10,325 | – | 10,325 |
| L.R.Perion | Supervisor | 3,100 | 27,901 | – | – | 31,001 | – | 31,001 |
| M.P.Villanueva | Officer | 47,753 | – | – | – | 47,753 | – | 47,753 |
| A.Lemana | Supervisor | 9,836 | – | – | – | 9,836 | – | 9,836 |
| E.P.Simbulan | Rank and File | 30,000 | – | – | – | 30,000 | – | 30,000 |

*(Forward)*

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| J.R.Peña | Assistant Manager | ₱32,500 | ₱– | ₱– | ₱– | ₱32,500 | ₱– | ₱32,500 |
| L.R.Camba | Officer | 16,586 | – | – | – | 16,586 | – | 16,586 |
| R.S.Socco | Manager | 39,230 | – | – | – | 39,230 | – | 39,230 |
| L.T.Martizano | Manager | 129,175 | – | – | – | 129,175 | – | 129,175 |
| J.N.Dacayan | Assistant Manager | 98,574 | – | – | – | 98,574 | – | 98,574 |
| A.E.Paulan | Officer | 39,120 | – | – | – | 39,120 | – | 39,120 |
| J.T.Devaras | Manager | 462,387 | – | – | – | 462,387 | – | 462,387 |
| C.C.Edosil | Supervisor | 26,838 | – | – | – | 26,838 | – | 26,838 |
| C.C.Javier | Assistant Manager | 6,930 | – | – | – | 6,930 | – | 6,930 |
| M.D.Real | Manager | 2,464,122 | 250,000 | (871,720) | – | 1,842,402 | – | 1,842,402 |
| E.L.Atienza | Rank and File | 23,167 | – | – | – | 23,167 | – | 23,167 |
| D.D.Braza | Rank and File | 21,833 | – | – | – | 21,833 | – | 21,833 |
| M.G.Hinolan | Rank and File | 15,300 | – | – | – | 15,300 | – | 15,300 |
| M.Z.Galamiton | Rank and File | 9,825 | 9,825 | – | – | 19,650 | – | 19,650 |
| J.S.Libardos | Rank and File | 2,433 | – | – | – | 2,433 | – | 2,433 |
| M.Balajadia | Rank and File | 11,700 | – | – | – | 11,700 | – | 11,700 |
| M.Cabral | Rank and File | 8,350 | – | – | – | 8,350 | – | 8,350 |
| A.Dineros | Rank and File | 3,535 | – | – | – | 3,535 | – | 3,535 |
| J.Fermo | Rank and File | 24,500 | – | – | – | 24,500 | – | 24,500 |
| M.Lico | Rank and File | 22,317 | – | – | – | 22,317 | – | 22,317 |
| J.Llena | Rank and File | 3,000 | – | – | – | 3,000 | – | 3,000 |
| S.D.Espiritu | Rank and File | 1,388 | – | – | – | 1,388 | – | 1,388 |
| C.C.Salvatierra | Assistant Manager | 2,231 | – | – | – | 2,231 | – | 2,231 |
| J.L.Rodriguez | Rank and File | 35,317 | – | – | – | 35,317 | – | 35,317 |
| S.J.Erlano | Rank and File | 23,833 | – | – | – | 23,833 | – | 23,833 |
| M.C.Mabasa | Rank and File | 81,249 | – | – | – | 81,249 | – | 81,249 |
| J.T.Mecha | Officer | 35,667 | – | – | – | 35,667 | – | 35,667 |
| D.S.Abueg | Rank and File | 25,167 | – | – | – | 25,167 | – | 25,167 |
| M.C.Dela Cruz | Rank and File | 25,500 | – | – | – | 25,500 | – | 25,500 |
| J.C.Lorenzo | Rank and File | 25,667 | – | – | – | 25,667 | – | 25,667 |
| R.B.Jaquias | Rank and File | 28,667 | – | – | – | 28,667 | – | 28,667 |
| J.B.Pasa | Rank and File | 31,000 | – | – | – | 31,000 | – | 31,000 |
| M.C.Quiambao | Manager | 41,600 | – | – | – | 41,600 | – | 41,600 |
| K.Dumangeng | Rank and File | 57,317 | – | – | – | 57,317 | – | 57,317 |
| R.E.Soriano | Rank and File | 33,800 | – | (7,800) | – | 26,000 | – | 26,000 |
| M.A.Manalusan | Rank and File | 41,600 | – | – | – | 41,600 | – | 41,600 |
| J.B.Sebastian | Rank and File | 28,833 | – | (27,167) | – | 1,666 | – | 1,666 |
| M.A.Cortes | Rank and File | 28,800 | – | – | – | 28,800 | – | 28,800 |
| C.Bones | Rank and File | 1,600 | – | – | – | 1,600 | – | 1,600 |
| V.Del Rosario | Rank and File | 1,600 | – | – | – | 1,600 | – | 1,600 |
| A.Sequitin | Rank and File | 1,600 | – | – | – | 1,600 | – | 1,600 |
| L.G.Sumalpong | Rank and File | 27,600 | 8,280 | – | – | 35,880 | – | 35,880 |
| J.R.Fermin | Rank and File | 1,600 | – | – | – | 1,600 | – | 1,600 |
| B.V.Vispo | Rank and File | 1,600 | – | – | – | 1,600 | – | 1,600 |
| C.Recabuelto | Officer | 3,360 | – | – | – | 3,360 | – | 3,360 |
| M.Laru-An | Rank and File | 4,500 | – | – | – | 4,500 | – | 4,500 |
| M.C.Samaniego | Rank and File | 28,667 | – | – | – | 28,667 | – | 28,667 |
| J.P.Sister | Rank and File | 24,833 | 7,450 | – | – | 32,283 | – | 32,283 |
| E.T.Gaborno | Rank and File | 7,575 | 7,575 | – | – | 15,150 | – | 15,150 |
| E.M.Mariano | Supervisor | 4,800 | – | (46,610) | – | (41,810) | – | (41,810) |
| M.Y.Alita | Officer | 5,163 | 147,563 | (24,229) | – | 128,497 | – | 128,497 |
| J.Ani | Rank and File | 27,000 | – | – | – | 27,000 | – | 27,000 |
| L.Camba | Officer | 2,225 | 116,510 | (21,843) | – | 96,892 | – | 96,892 |
| C.Castillo | Supervisor | 10,139 | 764,210 | (128,846) | – | 645,503 | – | 645,503 |
| C.Castillo | Supervisor | 41,018 | – | – | – | 41,018 | – | 41,018 |
| M.Clerigo | Officer | 9,599 | 183,569 | (22,001) | – | 171,167 | – | 171,167 |
| N.Cuyos | Rank and File | 4,028 | 120,912 | (18,979) | – | 105,961 | – | 105,961 |
| R.De Castro | Manager | 3,249 | 9,155 | (9,155) | – | 3,249 | – | 3,249 |
| C.Jaboya III | Supervisor | 4,420 | 137,721 | (20,841) | – | 121,300 | – | 121,300 |
| C.Javier | Assistant Manager | 14,353 | 195,411 | (29,035) | – | 180,729 | – | 180,729 |
| A.Lemana | Supervisor | 4,918 | 138,528 | (23,246) | – | 120,200 | – | 120,200 |
| E.Mangampat | Officer | 5,980 | 148,843 | (28,076) | – | 126,747 | – | 126,747 |
| J.Paña | Rank and File | 7,464 | 112,974 | (17,205) | – | 103,233 | – | 103,233 |
| N.Pascua | Manager | 32,000 | 87,625 | (25,835) | – | 93,790 | – | 93,790 |
| A.Santos | Vice President | 2,900 | 2,477 | (59,977) | – | (54,600) | – | (54,600) |
| R.Socco | Manager | 4,560 | – | (7,500) | – | (2,940) | – | (2,940) |
| M.Tranzona | Rank and File | 6,946 | 132,577 | (21,436) | – | 118,087 | – | 118,087 |
| P.Balagot | Rank and File | 5,498 | 19,244 | – | – | 24,742 | – | 24,742 |

*(Forward)*

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| M.Camacho | Rank and File | ₱31,000 | ₱– | ₱– | ₱– | ₱31,000 | ₱– | ₱31,000 |
| R.B.Jaquias | Rank and File | 8,600 | – | – | – | 8,600 | – | 8,600 |
| E.Edosil | Rank and File | – | 14,153 | (13,553) | – | 600 | – | 600 |
| A.Saria | Rank and File | – | 800 | – | – | 800 | – | 800 |
| M.T.Digo | Rank and File | – | 1,288 | – | – | 1,288 | – | 1,288 |
| O.H.Francisco | Rank and File | – | 1,380 | – | – | 1,380 | – | 1,380 |
| K.Acuña | Rank and File | – | 1,680 | – | – | 1,680 | – | 1,680 |
| E.L.Gondraneos | Rank and File | – | 1,850 | – | – | 1,850 | – | 1,850 |
| A.M.Estrera | Rank and File | – | 1,975 | – | – | 1,975 | – | 1,975 |
| R.Sta. Monica | Rank and File | – | 2,643 | – | – | 2,643 | – | 2,643 |
| D.D.Dio | Officer | – | 2,660 | – | – | 2,660 | – | 2,660 |
| M.A.Aron | | – | 5,000 | – | – | 5,000 | – | 5,000 |
| J.Teotico | Manager | – | 37,600 | (32,000) | – | 5,600 | – | 5,600 |
| A.Mendoza | Rank and File | – | 5,730 | – | – | 5,730 | – | 5,730 |
| M.Asinas | Assistant Vice President | – | 64,605 | (58,144) | – | 6,461 | – | 6,461 |
| M.Balen | | – | 6,840 | – | – | 6,840 | – | 6,840 |
| E.Bargo | Rank and File | – | 9,150 | – | – | 9,150 | – | 9,150 |
| N.Santos | Vice President | – | 9,600 | – | – | 9,600 | – | 9,600 |
| M.Tabuena | Assistant Manager | – | 97,083 | (87,375) | – | 9,708 | – | 9,708 |
| S.S.Alba | Officer | – | 10,000 | – | – | 10,000 | – | 10,000 |
| J.Casinto | Rank and File | – | 22,500 | – | – | 22,500 | – | 22,500 |
| C.P.Punay | Rank and File | – | 27,667 | – | – | 27,667 | – | 27,667 |
| J.Reyes | Rank and File | – | 30,167 | – | – | 30,167 | – | 30,167 |
| M.Cueto | | – | 32,000 | – | – | 32,000 | – | 32,000 |
| R.Fernandez | Rank and File | – | 33,570 | – | – | 33,570 | – | 33,570 |
| F.Lota, Jr. | Assistant Vice President | – | 56,049 | (21,785) | – | 34,264 | – | 34,264 |
| I.Estorga | Supervisor | – | 50,190 | (12,796) | – | 37,394 | – | 37,394 |
| A.Rojo | Rank and File | – | 48,771 | (11,255) | – | 37,516 | – | 37,516 |
| C.Jaboya | Supervisor | – | 38,720 | – | – | 38,720 | – | 38,720 |
| A.Icaranom | Supervisor | – | 55,252 | (16,260) | – | 38,992 | – | 38,992 |
| G.I.Erasga | Officer | – | 39,433 | – | – | 39,433 | – | 39,433 |
| A.Paulan | Officer | – | 51,173 | (11,469) | – | 39,704 | – | 39,704 |
| M.O.Reblora | | – | 57,811 | (18,103) | – | 39,708 | – | 39,708 |
| J.Toquero | Assistant Manager | – | 56,339 | (13,331) | – | 43,008 | – | 43,008 |
| I.Padua | Supervisor | – | 57,375 | (12,154) | – | 45,221 | – | 45,221 |
| R.Llera, Jr. | Assistant Manager | – | 67,341 | (18,180) | – | 49,161 | – | 49,161 |
| H.Lavega | Supervisor | – | 54,618 | (2,762) | – | 51,856 | – | 51,856 |
| H.Lara | Rank and File | – | 56,480 | – | – | 56,480 | – | 56,480 |
| J.Garcia | Assistant Manager | – | 74,581 | (17,980) | – | 56,601 | – | 56,601 |
| A.Garces | Rank and File | – | 80,315 | (22,039) | – | 58,276 | – | 58,276 |
| M.Cortes | | – | 66,568 | (6,936) | – | 59,632 | – | 59,632 |
| N.Landicho | Supervisor | – | 74,566 | (13,872) | – | 60,694 | – | 60,694 |
| E.M.Galvez | Assistant Manager | – | 79,960 | (18,452) | – | 61,508 | – | 61,508 |
| W.Valeria | Supervisor | – | 79,152 | (16,851) | – | 62,301 | – | 62,301 |
| C.Noble | Supervisor | – | 82,687 | (18,494) | – | 64,193 | – | 64,193 |
| G.Geslani | Supervisor | – | 84,759 | (18,606) | – | 66,153 | – | 66,153 |
| A.Monterola | Officer | – | 85,774 | (18,821) | – | 66,953 | – | 66,953 |
| R.Alarilla | Officer | – | 87,399 | (20,169) | – | 67,230 | – | 67,230 |
| M.Raquiño | Rank and File | – | 71,568 | (4,046) | – | 67,522 | – | 67,522 |
| G.Alviar | Assistant Manager | – | 93,153 | (23,733) | – | 69,420 | – | 69,420 |
| J.Gecale | Rank and File | – | 87,979 | (18,262) | – | 69,717 | – | 69,717 |
| C.Milla | Rank and File | – | 91,325 | (21,075) | – | 70,250 | – | 70,250 |
| R.Delos Santos | Supervisor | – | 96,043 | (25,616) | – | 70,427 | – | 70,427 |
| R.Mercado | Assistant Manager | – | 107,898 | (37,260) | – | 70,638 | – | 70,638 |
| A.De Vera | Supervisor | – | 79,083 | (8,215) | – | 70,868 | – | 70,868 |
| N.Dela Cruz | Manager | – | 93,700 | (22,792) | – | 70,908 | – | 70,908 |
| E.Almaden | Rank and File | – | 96,318 | (22,847) | – | 73,471 | – | 73,471 |
| E.Valencia | Rank and File | – | 97,944 | (23,194) | – | 74,750 | – | 74,750 |
| M.Manasan | Officer | – | 95,972 | (21,113) | – | 74,859 | – | 74,859 |
| M.Nival | Officer | – | 95,388 | (19,817) | – | 75,571 | – | 75,571 |
| J.Solis | Officer | – | 97,410 | (21,341) | – | 76,069 | – | 76,069 |
| R.Agcon | Rank and File | – | 98,099 | (21,534) | – | 76,565 | – | 76,565 |
| A.Umandap | Officer | – | 97,858 | (20,305) | – | 77,553 | – | 77,553 |
| P.Revelo | Rank and File | – | 97,884 | (20,226) | – | 77,658 | – | 77,658 |

*(Forward)*

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| L.T.Martizano | | ₱– | ₱150,293 | (₱71,762) | ₱– | ₱78,531 | ₱– | ₱78,531 |
| J.Chua | Officer | – | 100,882 | (22,193) | – | 78,689 | – | 78,689 |
| R.Lara | Officer | – | 101,234 | (22,329) | – | 78,905 | – | 78,905 |
| A.Del Mundo | Supervisor | – | 105,756 | (22,188) | – | 83,568 | – | 83,568 |
| G.Soriano | Rank and File | – | 113,775 | (29,809) | – | 83,966 | – | 83,966 |
| J.Lucido | Rank and File | – | 113,226 | (25,164) | – | 88,062 | – | 88,062 |
| R.Grimaldo | Rank and File | – | 110,493 | (22,081) | – | 88,412 | – | 88,412 |
| L.Ortizo | Supervisor | – | 119,459 | (30,718) | – | 88,741 | – | 88,741 |
| C.Pateña | Officer | – | 124,065 | (33,432) | – | 90,633 | – | 90,633 |
| K.Angeles | Rank and File | – | 117,632 | (26,212) | – | 91,420 | – | 91,420 |
| J.Caldino | Officer | – | 117,599 | (26,070) | – | 91,529 | – | 91,529 |
| J.Ng | Rank and File | – | 126,222 | (33,805) | – | 92,417 | – | 92,417 |
| N.Oleriana | Officer | – | 120,628 | (27,596) | – | 93,032 | – | 93,032 |
| Q.Batarra | Officer | – | 119,663 | (25,444) | – | 94,219 | – | 94,219 |
| J.Pontanal | Assistant Manager | – | 121,512 | (27,000) | – | 94,512 | – | 94,512 |
| B.Cortez | Assistant Manager | – | 186,128 | (91,366) | – | 94,762 | – | 94,762 |
| B.Abal | Rank and File | – | 123,764 | (27,168) | – | 96,596 | – | 96,596 |
| B.Asesor | Supervisor | – | 121,418 | (21,963) | – | 99,455 | – | 99,455 |
| S.D.Pacheco | | – | 133,039 | (31,046) | – | 101,993 | – | 101,993 |
| R.Sularte | Rank and File | – | 136,404 | (32,306) | – | 104,098 | – | 104,098 |
| A.Lazaro | Rank and File | – | 139,050 | (29,659) | – | 109,391 | – | 109,391 |
| E.Cepe | Supervisor | – | 141,275 | (31,731) | – | 109,544 | – | 109,544 |
| J.Mercene | Rank and File | – | 148,135 | (34,185) | – | 113,950 | – | 113,950 |
| M.Estrella | Rank and File | – | 146,996 | (32,268) | – | 114,728 | – | 114,728 |
| R.Babayen-on | Assistant Manager | – | 152,933 | (34,258) | – | 118,675 | – | 118,675 |
| A.Azucena | Supervisor | – | 153,794 | (34,392) | – | 119,402 | – | 119,402 |
| A.Arenal | Assistant Manager | – | 153,577 | (33,688) | – | 119,889 | – | 119,889 |
| R.Aprecio | Manager | – | 153,680 | (31,730) | – | 121,950 | – | 121,950 |
| E.Creencia | Assistant Manager | – | 155,065 | (31,676) | – | 123,389 | – | 123,389 |
| D.Mendoza | Officer | – | 126,718 | - | – | 126,718 | – | 126,718 |
| K.Tampoc | Officer | – | 150,710 | (18,746) | – | 131,964 | – | 131,964 |
| P.E.Trinidad | Officer | – | 177,339 | (41,876) | – | 135,463 | – | 135,463 |
| M.Francisco | | – | 181,877 | (39,790) | – | 142,087 | – | 142,087 |
| C.Galang | Assistant Vice President | – | 196,134 | (53,837) | – | 142,297 | – | 142,297 |
| J.Ampurias | Manager | – | 191,217 | (47,845) | – | 143,372 | – | 143,372 |
| R.Alvarez | Assistant Manager | – | 195,515 | (41,428) | – | 154,087 | – | 154,087 |
| M.Oblena | Vice President | – | 166,203 | (10,087) | – | 156,116 | – | 156,116 |
| R.Sta. Monica | Manager | – | 203,603 | (44,414) | – | 159,189 | – | 159,189 |
| E.Mercado | | – | 251,542 | (79,575) | – | 171,967 | – | 171,967 |
| X.Estravez | Officer | – | 227,905 | (51,401) | – | 176,504 | – | 176,504 |
| R.Borela | Assistant Manager | – | 238,214 | (53,636) | – | 184,578 | – | 184,578 |
| H.Gregorio | Supervisor | – | 241,059 | (54,037) | – | 187,022 | – | 187,022 |
| R.Tibule | Officer | – | 242,466 | (55,321) | – | 187,145 | – | 187,145 |
| Z.E.Agbon | Manager | – | 258,702 | (59,401) | – | 199,301 | – | 199,301 |
| M.Adelan | Assistant Manager | – | 254,143 | (41,622) | – | 212,521 | – | 212,521 |
| T.Cabahug, Jr. | Supervisor | – | 277,310 | (60,633) | – | 216,677 | – | 216,677 |
| M.Pujalte | | – | 284,505 | (63,530) | – | 220,975 | – | 220,975 |
| V.Martinez, Jr. | Vice President | – | 291,293 | (63,783) | – | 227,510 | – | 227,510 |
| D.Estocado | Manager | – | 306,075 | (65,554) | – | 240,521 | – | 240,521 |
| R.Aquino | Assistant Manager | – | 315,329 | (71,968) | – | 243,361 | – | 243,361 |
| W.F.Salinas | Manager | – | 498,292 | (111,881) | – | 386,411 | – | 386,411 |
| R.Legaspi | TDM Vehicle Sales Manager | 192,500 | – | (27,500) | – | 55,000 | 110,000 | 165,000 |
| J.Cruz | TAS Vehicle Sales Manager | 201,667 | – | – | – | 201,667 | – | 201,667 |
| R.Pacay | TMB Parts Manager | 160,417 | – | (27,500) | – | 132,917 | – | 132,917 |
| E.Lustanas | TMB Service Manager | 158,125 | – | (27,500) | – | 55,000 | 75,625 | 130,625 |
| M.Go | TCI Service Manager | 226,875 | – | (27,500) | – | 55,000 | 144,375 | 199,375 |
| R.De Ramos | GSG Assist. Manager | 245,208 | – | (27,500) | – | 55,000 | 162,708 | 217,708 |

*(Forward)*

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| J.Gapusan | TMB Vehicle Sales Manager | ₱284,854 | ₱– | (₱30,250) | ₱– | ₱60,500 | ₱194,104 | ₱254,604 |
| G.A.Sevilla | ICTS Asst. Manager | 396,917 | – | (27,500) | – | 181,500 | 187,917 | 369,417 |
| G.A.Gener | TMBC Accounting Manager | 302,500 | – | (25,208) | – | 60,500 | 216,792 | 277,292 |
| J.Libadisos | Admin Manager | 302,500 | – | (7,562) | – | 60,500 | 234,438 | 294,938 |
| J.Casimiro | Procurement Asst. Manager | 385,193 | – | (6,875) | – | 165,193 | 213,125 | 378,318 |
| S.F.Reyes | Asst. Accounting Manager | 275,000 | – | (4,583) | – | 55,000 | 215,417 | 270,417 |
| J.Ingco II | TCI Vehicle Group Sales Manager | 132,500 | – | (27,500) | – | 55,000 | 50,000 | 105,000 |
| A.R.Elamparo | TMSS Vehicle Sales Manager | 234,437 | – | (30,250) | – | 60,500 | 143,687 | 204,187 |
| M.B.Saculsan | TCI Vehicle Group Sales Manager | 302,500 | – | (12,604) | – | 60,500 | 229,396 | 289,896 |
| M.S.Dela Cruz | Controller | 467,500 | – | (15,583) | – | 93,500 | 358,417 | 451,917 |
| M.L.Basilio | TCI Vehicle Sales Manager | 222,062 | – | (46,750) | – | 93,500 | 81,812 | 175,312 |
| J.P.Aguinaldo | TCI Parts Assist. Manager | 228,333 | – | (18,333) | – | 60,500 | 149,500 | 210,000 |
| E.F.Doria | VP-HRD | – | 176,126 | – | – | 88,063 | 88,063 | 176,126 |
| T.Sillano | CRD Manager | 107,704 | 163,963 | (34,332) | – | 136,982 | 100,353 | 237,335 |
| | | ₱16,614,684 | ₱19,088,829 | (₱8,159,915) | ₱– | ₱21,191,707 | ₱6,351,891 | ₱27,543,598 |

**Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements:**

| Name of debtor | Relationship | Balance at beginning of period | Net Transaction | Current | Not Current | Balance at end of period | Eliminations | GT Capital Balance |
|---|---|---|---|---|---|---|---|---|
| Omni Orient Management Corp. | Subsidiary of Federal Land, Inc. | ₱4,000,000 | ₱– | ₱4,000,000 | ₱– | ₱4,000,000 | (₱4,000,000) | ₱– |
| Central Realty & Dev't Corp. | -do- | 402,500,000 | (30,000,000) | 372,500,000 | – | 372,500,000 | (372,500,000) | – |
| Horizon Land Property Development Corp. | -do- | 2,983,666,641 | (150,000,000) | 2,833,666,641 | – | 2,833,666,641 | (2,833,666,641) | – |
| Micara Land Inc. | Subsidiary of Property Company of Friends, Inc. | 499,604,450 | 84,417,481 | 584,021,931 | – | 584,021,931 | (584,021,931) | – |
| Firm Builders Realty Development Corporation | -do- | 300,916,367 | 19,860,907 | 320,777,274 | – | 320,777,274 | (320,777,274) | – |
| Marcan Development Corporation | -do- | – | 77,238 | 77,238 | – | 77,238 | (77,238) | – |
| Branchton Development Corporation | -do- | – | 100,000 | 100,000 | – | 100,000 | (100,000) | – |
| Williamton Financing Corporation | -do- | – | 65,466,595 | 65,466,595 | – | 65,466,595 | (65,466,595) | – |
| Camarillo Development Corporation | -do- | – | 2,200,000 | 2,200,000 | – | 2,200,000 | (2,200,000) | – |
| Toyota San Fernando Pampanga, Inc. | Subsidiary of Toyota Motor Philippines Corp. | 107,566,192 | (19,205,675) | 88,360,517 | – | 88,360,517 | (88,360,517) | – |
| Toyota Makati, Inc. | -do- | 148,886,542 | (46,557,670) | 102,328,872 | – | 102,328,872 | (102,328,872) | – |
| Lexus Manila, Inc. | -do- | 18,700 | 23,221 | 41,921 | – | 41,921 | (41,921) | – |
| Toyota Sta. | -do- | – | 1,564 | 1,564 | – | 1,564 | (1,564) | – |

| Name of debtor | Relationship | Balance at beginning of period | Net Transaction | Current | Not Current | Balance at end of period | Eliminations | GT Capital Balance |
|---|---|---|---|---|---|---|---|---|
| Rosa Laguna Inc. | | | | | | | | |
| Oxfordshire Holdings, Inc. | Subsidiary of Toyota Manila Bay Corporation | – | 11,518,715 | 11,518,715 | – | 11,518,715 | (11,518,715) | – |
| | | ₱4,447,158,892 | (₱62,097,624) | ₱4,385,061,268 | ₱– | ₱4,385,061,268 | (₱4,385,061,268) | ₱– |

## Schedule D. Intangible Assets - Other Assets

| Description (i) | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|---|---|---|---|---|---|
| Power purchase agreements – net | ₱7,258,875,886 | ₱– | (₱190,934,412) | ₱– | (₱ 7,067,941,474) | ₱– |
| Goodwill | 5,740,999,997 | 194,683,847 | – | – | (24,201,028) | 5,911,482,816 |
| Customer relationship | 3,883,238,361 | – | – | – | – | 3,883,238,361 |
| Software cost and license - net | 115,146,102 | 10,157,495 | (23,498,727) | – | 60,866,216 | 162,671,086 |
| Franchise - net | 2,167,500 | – | (223,333) | – | – | 1,944,167 |
| | ₱17,000,427,846 | ₱204,841,342 | (₱214,656,472) | ₱– | (₱7,031,276,286) | ₱9,959,336,430 |

## Schedule E. Long Term Debt

| Title of issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-Term Debt" in related balance sheet |
|---|---|---|---|
| Bonds payable | ₱10,000,000,000 | ₱– | ₱9,930,321,397 |
| Bonds payable | 12,000,000,000 | – | 11,904,089,035 |
| | 22,000,000,000 | – | 21,834,410,432 |
| Note Facility Agreement | 4,950,000,000 | 25,000,000 | 4,925,000,000 |
| Loans payable | 6,600,000,000 | – | 6,600,000,000 |
| Loans payable | 2,000,000,000 | 2,000,000,000 | – |
| Loans payable | 2,200,000,000 | – | 2,200,000,000 |
| Loans payable | 200,000,000 | – | 200,000,000 |
| Loans payable | 800,000,000 | – | 800,000,000 |
| Loans payable | 200,000,000 | – | 200,000,000 |
| Loans payable | 140,000,000 | – | 140,000,000 |
| Loans payable | 120,000,000 | – | 120,000,000 |
| Loans payable | 335,000,000 | – | 335,000,000 |
| TAP | 78,626,700 | – | 78,547,331 |
| TRP | 91,000,000 | – | 91,000,000 |
| HKR | 76,200,000 | – | 75,274,788 |
| Loans payable | 2,000,000,000 | 772,400,000 | – |
| Loans payable | 500,000,000 | 193,150,000 | – |
| Loans payable | 500,000,000 | 193,150,000 | – |
| Loans payable | 10,000,000,000 | 672,462,031 | 7,380,760,385 |
| Loans payable | 2,500,000,000 | – | 2,504,689,620 |
| Loans payable | 500,000,000 | 59,926,231 | – |
| Loans payable | 289,893,965 | – | 289,893,965 |
| Loans payable | 7,000,000,000 | – | 6,968,385,770 |
| Loans payable | 6,000,000,000 | – | 5,972,976,476 |
| Loans payable | 2,000,000,000 | – | 1,990,291,860 |
| Loans payable | 4,000,000,000 | – | 3,980,584,615 |
| Loans payable | 2,000,000,000 | – | 1,990,259,437 |
| Loans payable | 4,000,000,000 | – | 3,980,669,097 |
| | 59,080,720,665 | | 50,823,333,344 |
| | ₱81,080,720,665 | ₱3,916,088,262 | ₱72,657,743,776 |

**Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)**

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| Metropolitan Bank & Trust Co. | ₱6,120,934,547 | ₱– |
| Metropolitan Bank & Trust Co. | 2,500,000,000 | 2,500,000,000 |
| Metropolitan Bank & Trust Co. | 2,000,000,000 | 2,000,000,000 |
| First Metro Investment Corporation | 683,193,277 | – |
| First Metro Investment Corporation | 350,000,000 | – |
| Toyota Autoparts Philippines, Inc. | 78,467,961 | 78,547,331 |
| First Metro Investment Corporation | 50,000,000 | – |

**Schedule G. Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|
| None | | | | |

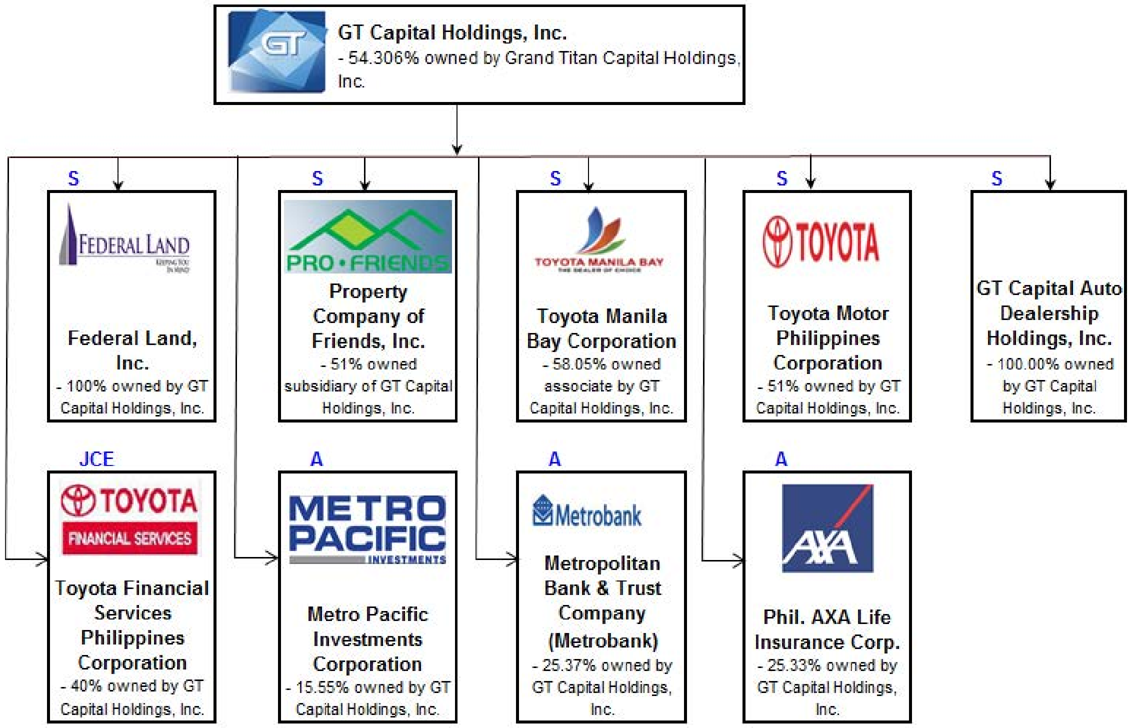
**Schedule H. Capital Stock**

| Title of issue | Number of Shares authorized | Number of Shares issued and outstanding and shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers and employees | Others |
|---|---|---|---|---|---|---|
| Common stock | 298,257,000 | 174,300,000 | – | – | 479,246 | – |
| Voting preferred stock | 174,300,000 | 174,300,000 | – | – | 722,748 | – |
| Perpetual preferred stock | 20,000,000 | – | – | – | – | – |

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT COMPANY AND ITS ULTIMATE PARENT, SUBSIDIARIES AND ASSOCIATES

**AS OF JUNE 30, 2016**




**LEGEND:**

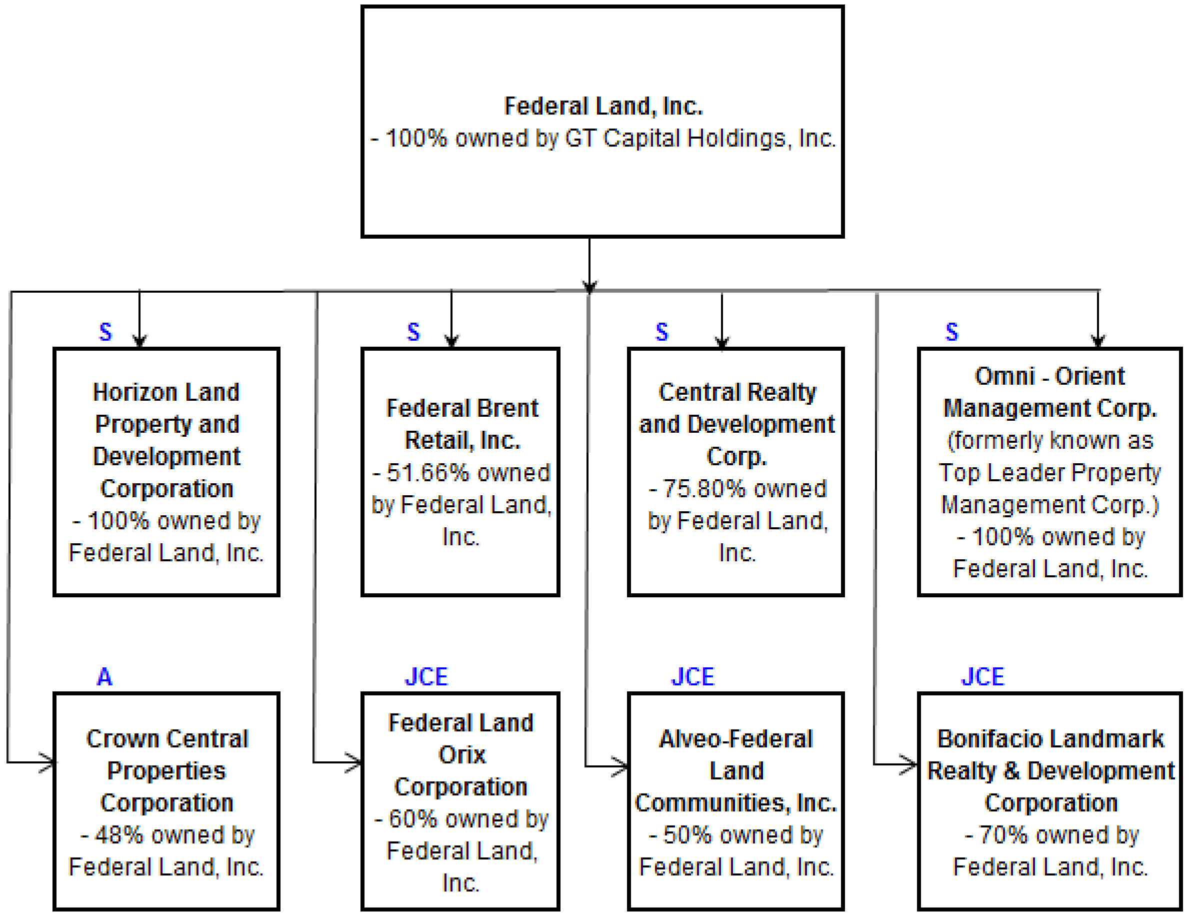
*Subsidiary (S)*

*Associate (A)*

*Jointly Controlled Entity (JCE)*

**FEDERAL LAND, INC.**

**SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES**
**AS OF JUNE 30, 2016**

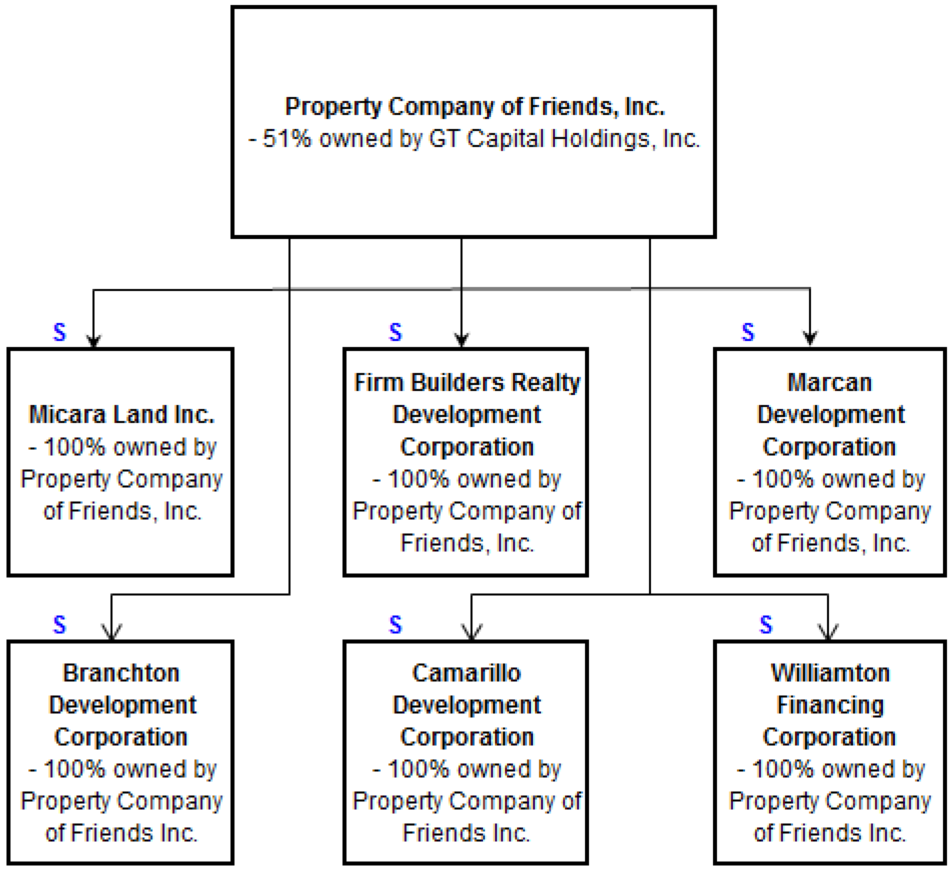



**LEGEND:**
*Subsidiary (S)*
*Associate (A)*
*Jointly Controlled Entity (JCE)*

**PROPERTY COMPANY OF FRIENDS, INC.**

**SUBSIDIARIES**

**AS OF JUNE 30, 2016**

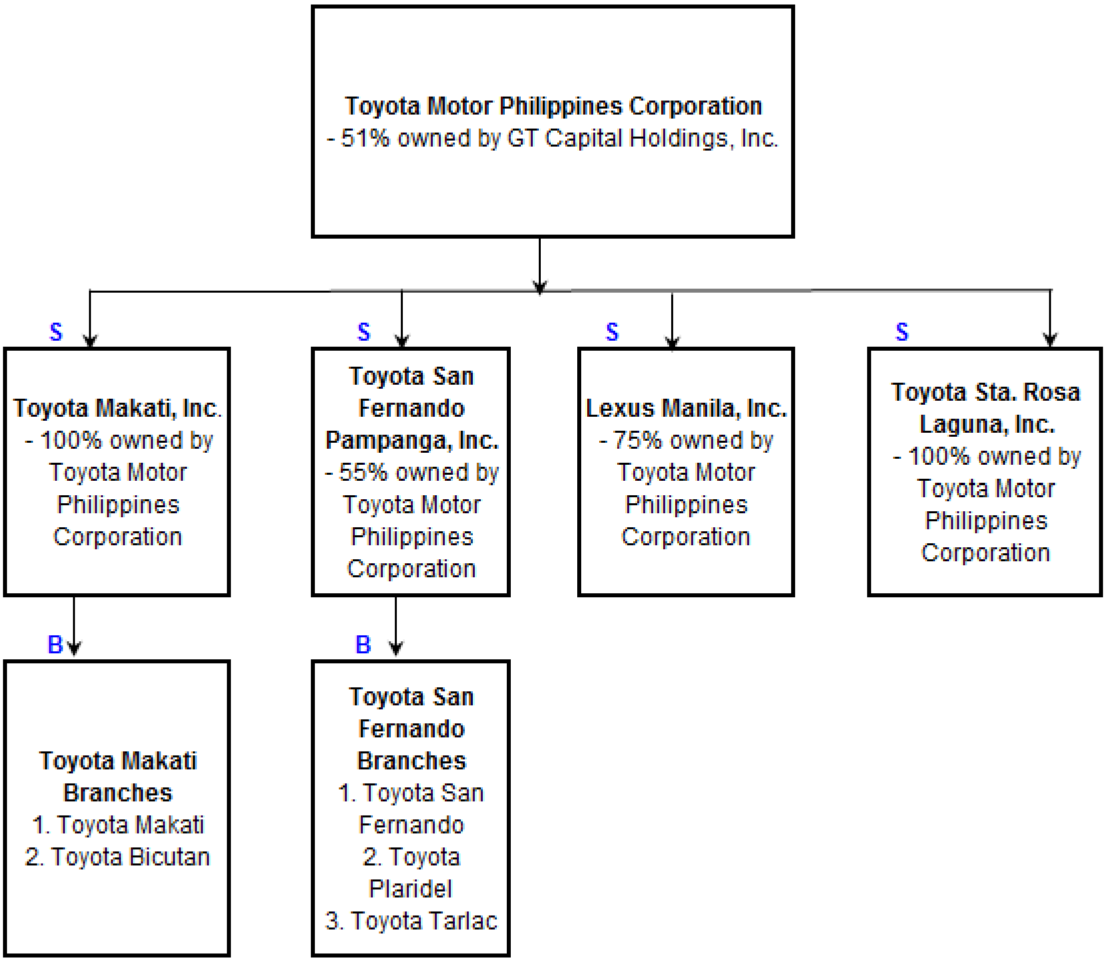



**LEGEND:**

*Subsidiary (S)*

## TOYOTA MOTOR PHILIPPINES CORPORATION

## SUBSIDIARIES
**AS OF JUNE 30, 2016**

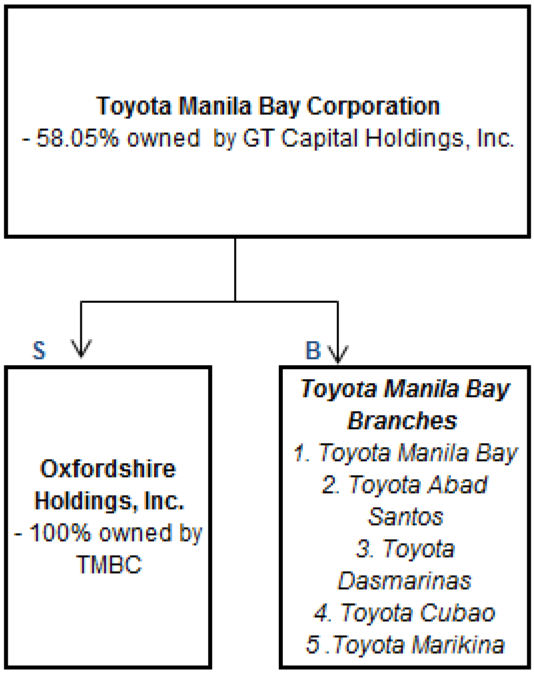



**LEGEND:**
*Subsidiary (S)*
*Branch (B)*

**TOYOTA MANILA BAY CORPORATION**

**SUBSIDIARY AND BRANCHES**

**AS OF JUNE 30, 2016**




**LEGEND:**

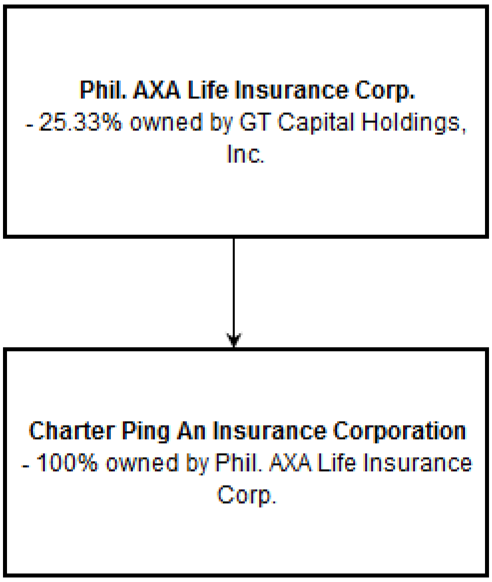
*Subsidiary (S)*

*Branch (B)*

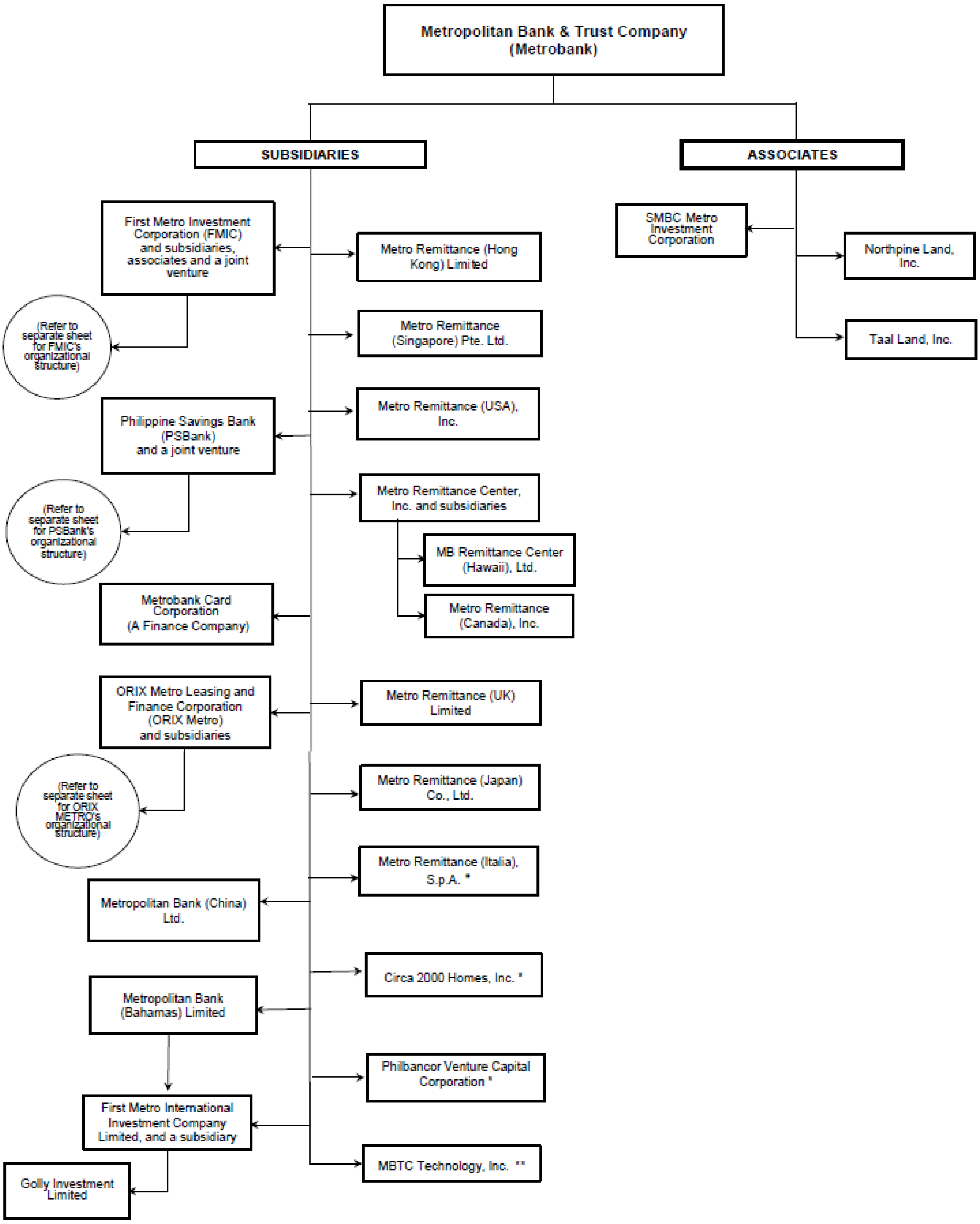
## PHILIPPINE AXA LIFE INSURANCE CORPORATION

## SUBSIDIARY

**AS OF JUNE 30, 2016**

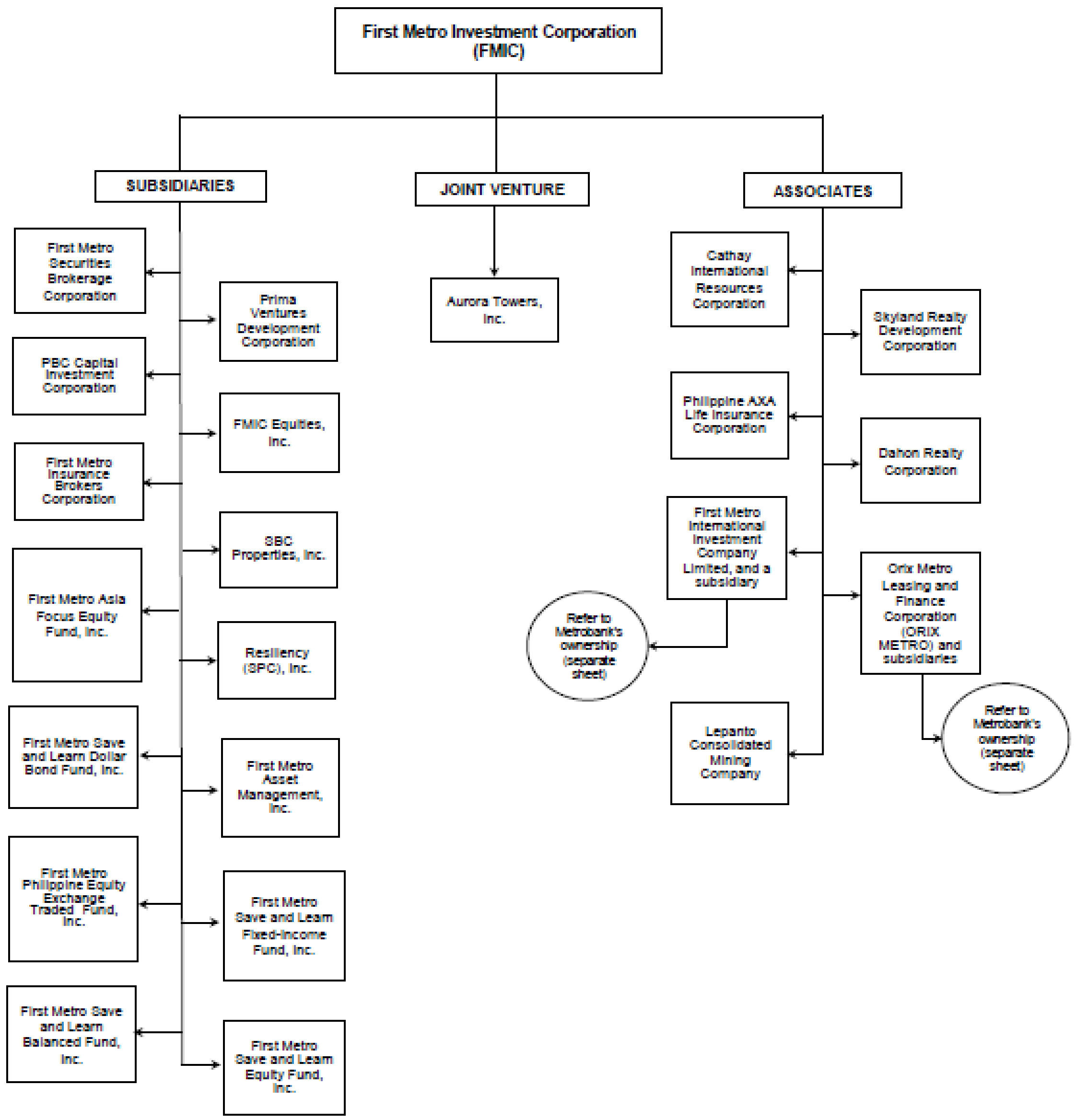


# METROPOLITAN BANK AND TRUST COMPANY (1)
## SUBSIDIARIES AND ASSOCIATES
### AS OF JUNE 30, 2016




* *In process of dissolution*
** *In process of liquidation*

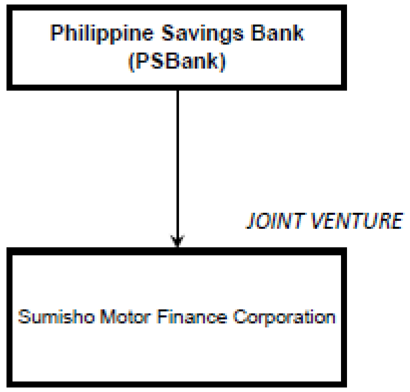
# METROPOLITAN BANK AND TRUST COMPANY (2)
## SUBSIDIARIES AND ASSOCIATES
### AS OF JUNE 30, 2016

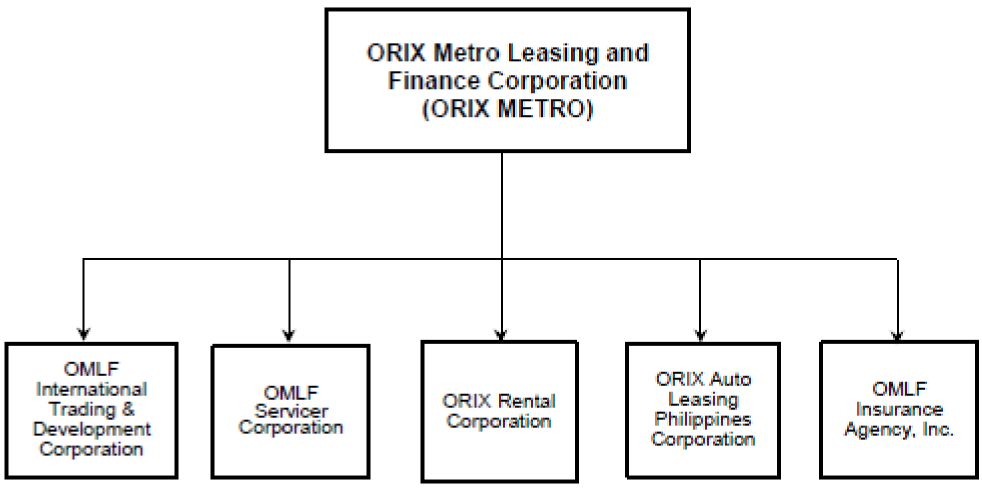


## METROPOLITAN BANK AND TRUST COMPANY (3)

## SUBSIDIARIES AND ASSOCIATES

**AS OF JUNE 30, 2016**

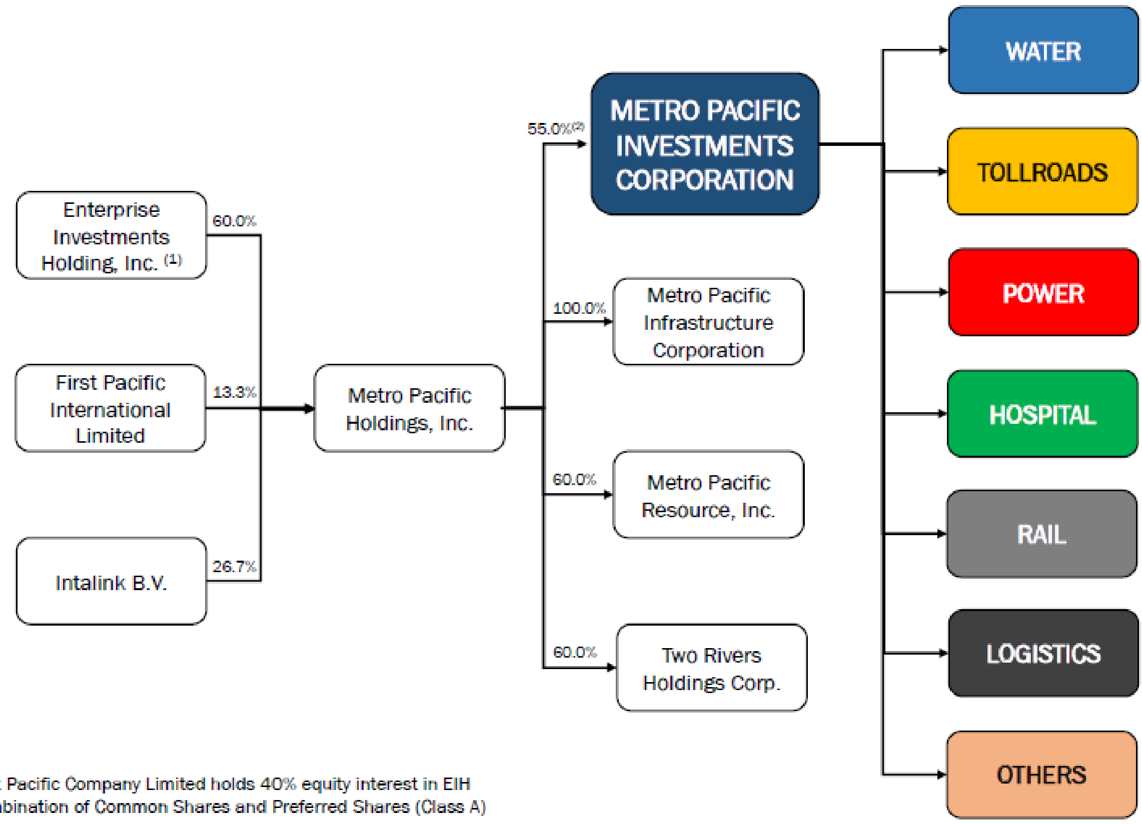


## METRO PACIFIC INVESTMENTS CORPORATION (1)

## SUBSIDIARIES AND ASSOCIATES

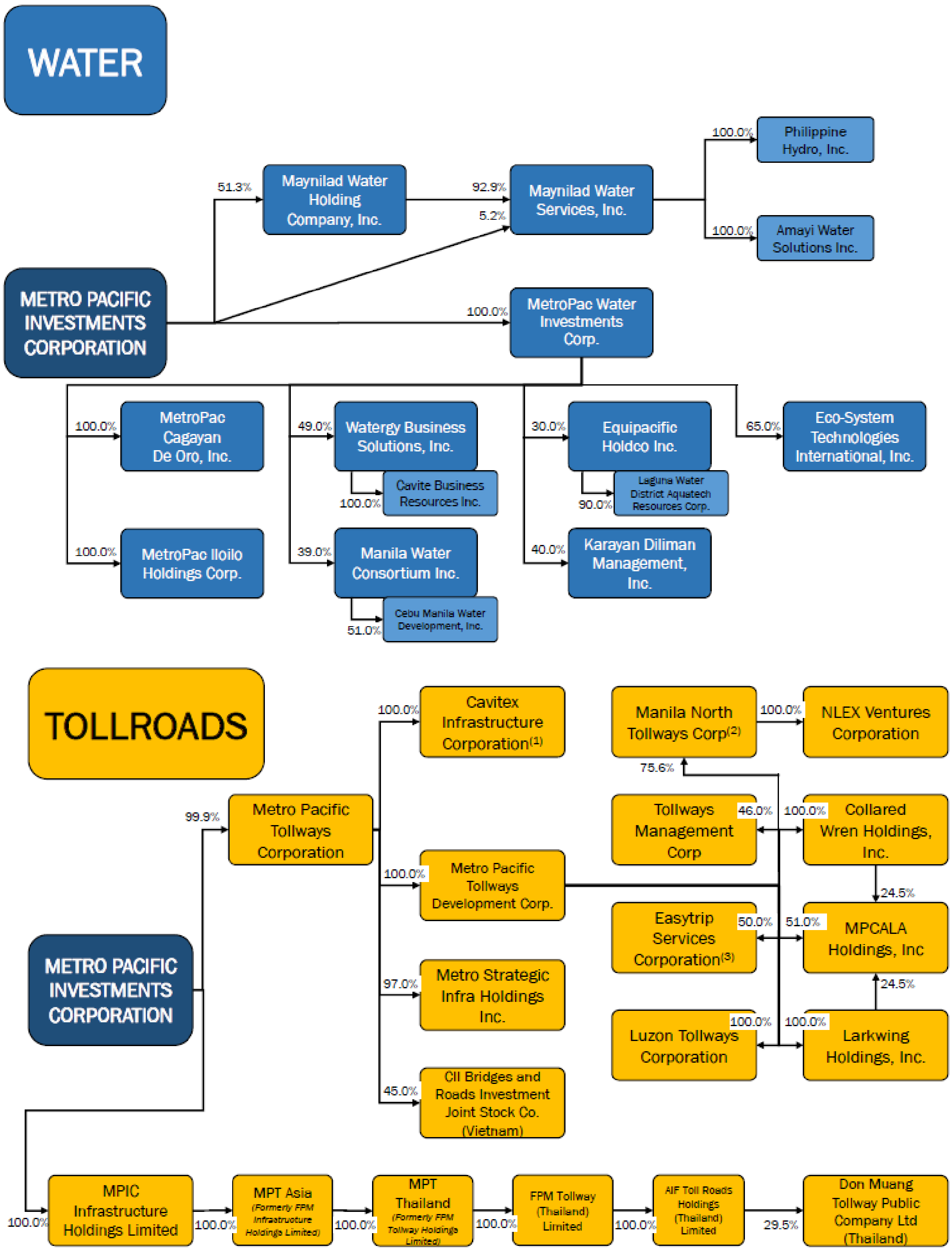
**AS OF JUNE 30, 2016**




(1) First Pacific Company Limited holds 40% equity interest in EIH

(2) Combination of Common Shares and Preferred Shares (Class A)

## METRO PACIFIC INVESTMENTS CORPORATION (2)
## SUBSIDIARIES AND ASSOCIATES
### AS OF JUNE 30, 2016

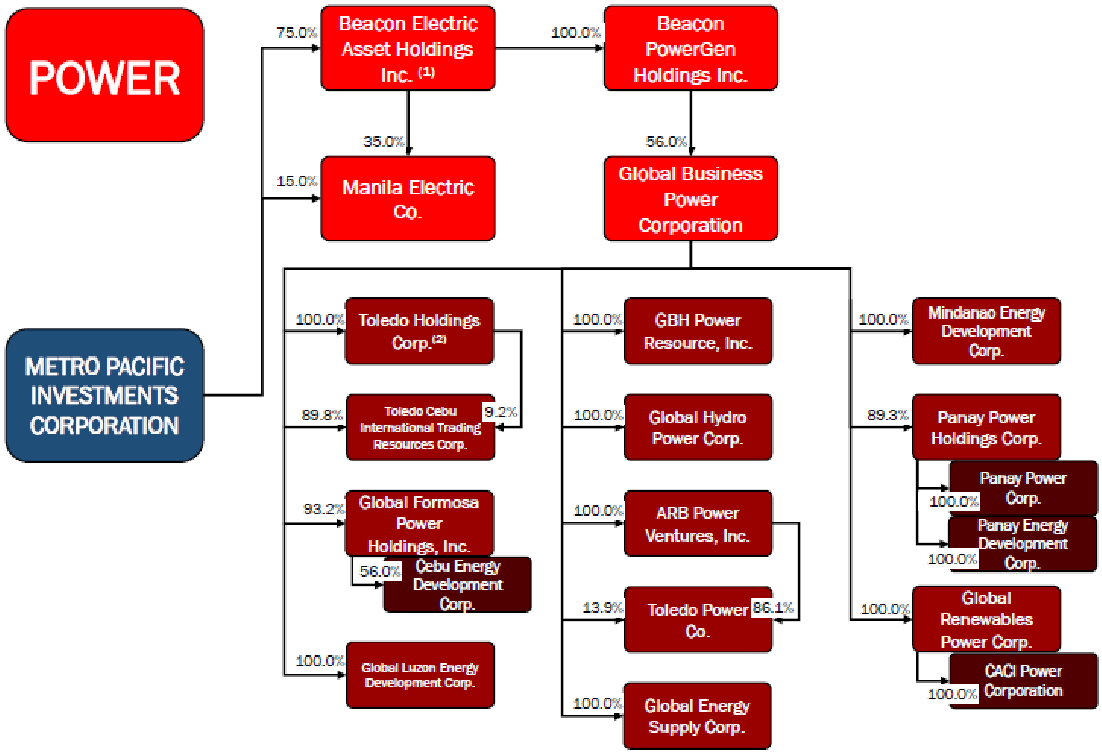



(1) By virtue of the Management Letter-Agreement, MPTC acquired control over CIC effective Jan 2, 2013.
(2) 4.6% is owned through 46% ownership in Egis Investment Partners Philippines Inc.
(3) ESC is a Joint venture between MPTDC and EGIS. Equity interest of 50% plus one share.

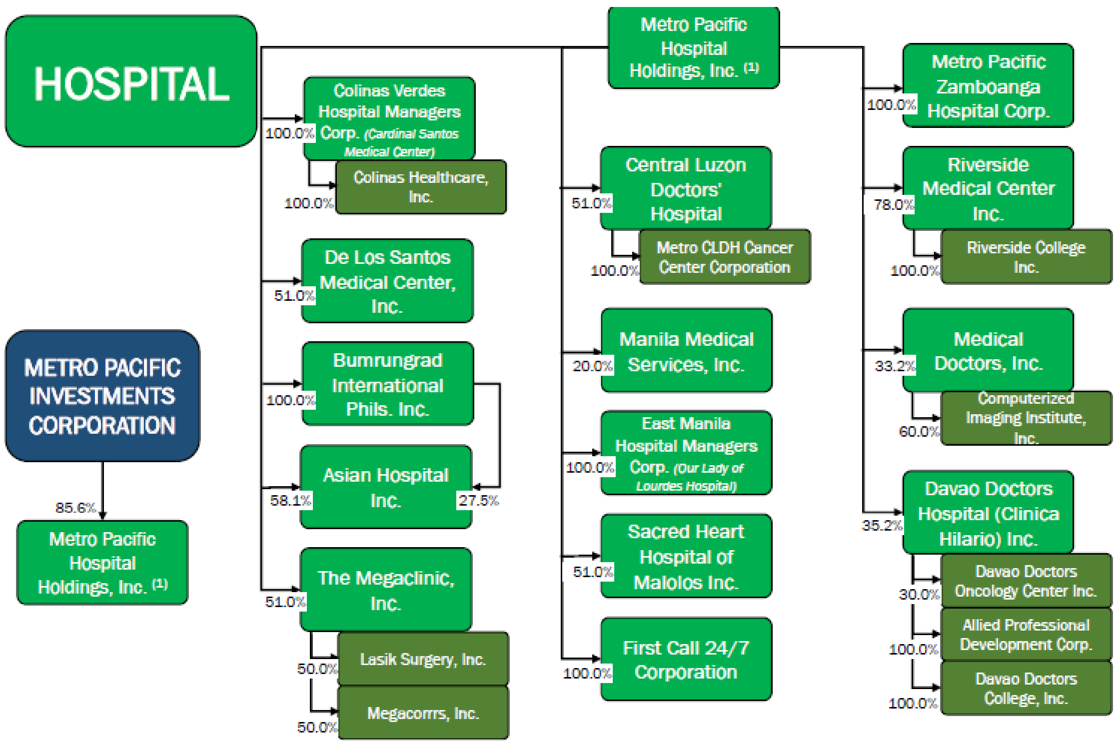
# METRO PACIFIC INVESTMENTS CORPORATION (3)

## SUBSIDIARIES AND ASSOCIATES

### AS OF JUNE 30, 2016

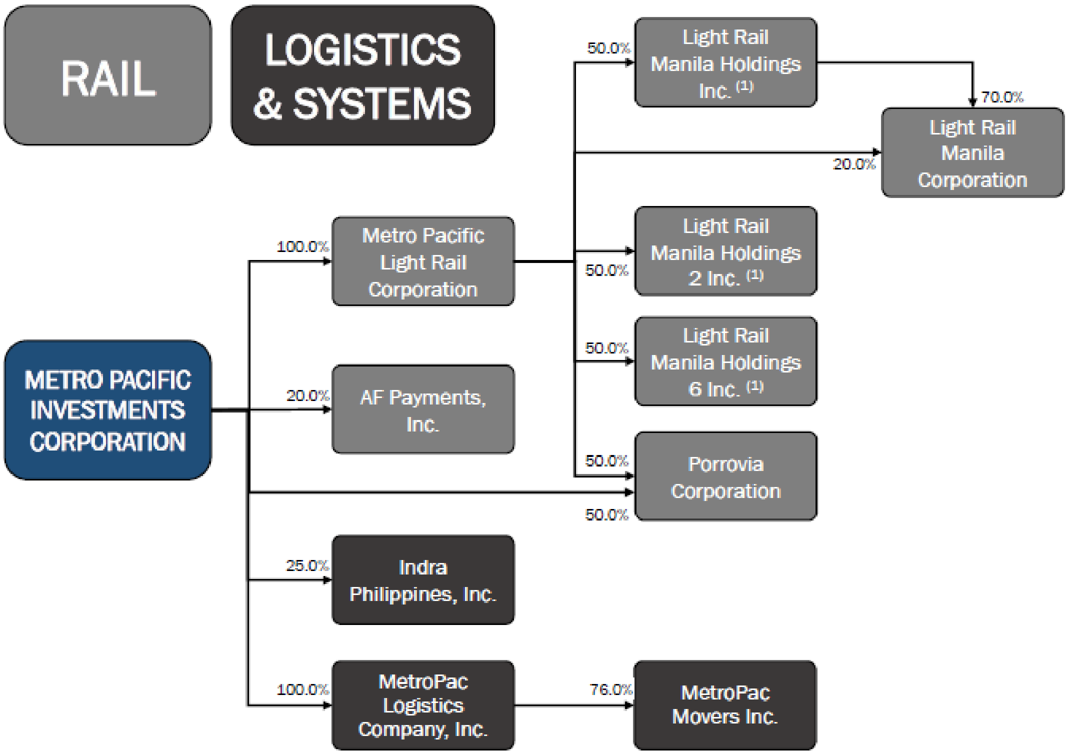



(1) MPIC's ownership of common and preferred shares at 75% but voting rights remain at 50% as per Omnibus Agreement between MPIC and PCEV.
(2) Includes beneficial ownership of the 16% share of GBH Cebu Limited Duration Company, which was dissolved in December 2014.

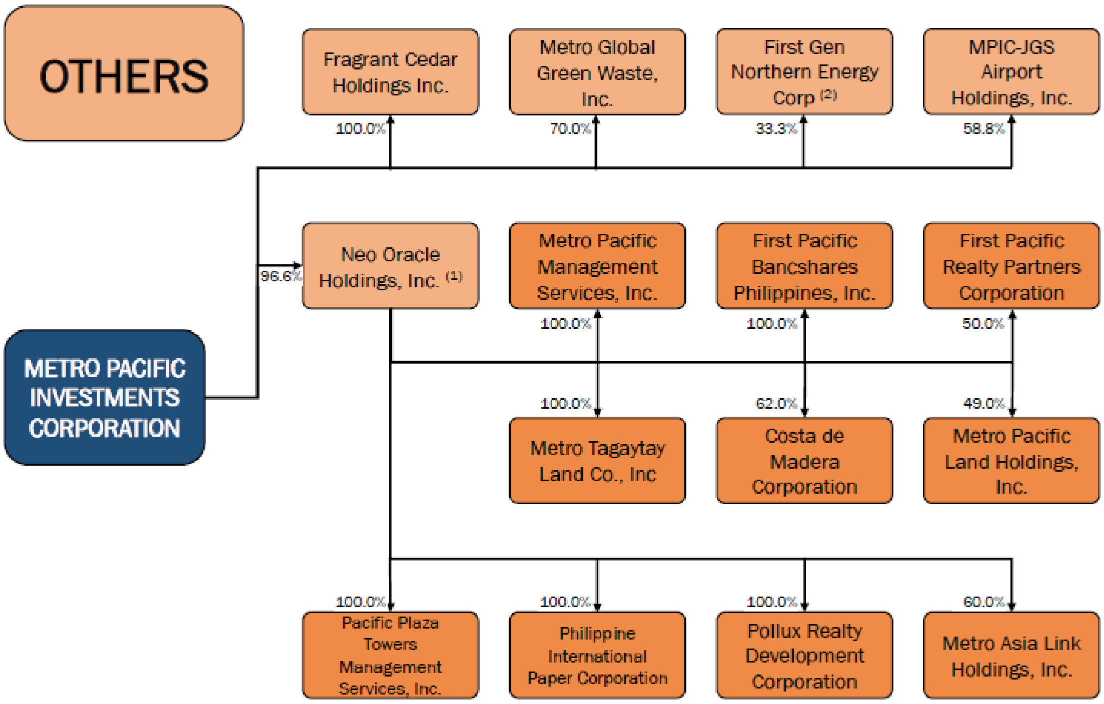



(1) GIC also holds an Exchangeable Bond issued by MPIC which can be exchanged into a 25.5% stake in NSHI in the future, subject to certain conditions.

# METRO PACIFIC INVESTMENTS CORPORATION (4)
## SUBSIDIARIES AND ASSOCIATES
### AS OF JUNE 30, 2016




(1) Controlling interest in LRMHI, LRMH2 and LRMH6. Equity interest of 50% plus one share.




(1) End of corporate life (under liquidation).
(2) Corporate life has been shortened to until December 31, 2016.

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

### FOR THE YEAR ENDED JUNE 30, 2016

| (Amounts in millions except ratio and %) | **2016** | 2015 |
|---|---|---|
| **Liquidity Ratio** | | |
| Current ratio | **1.91** | 2.64 |
| Current assets | **₱121,741** | ₱92,663 |
| Current liabilities | **63,651** | 35,063 |
| **Solvency Ratio** | | |
| Total liabilities to total equity ratio | **1.13** | 1.14 |
| Total liabilities | **152,036** | 127,533 |
| Total equity | **134,905** | 111,865 |
| Debt to equity ratio | **0.79** | 0.81 |
| Total debt | **106,566** | 90,105 |
| Total equity | **134,905** | 111,865 |
| **Asset to Equity Ratio** | | |
| Asset equity ratio | **2.74** | 2.82 |
| Total assets | **286,941** | 239,398 |
| Equity attributable to Parent Company | **104,703** | 84,860 |
| **Interest Rate Coverage Ratio*** | | |
| Interest rate coverage ratio | **7.68** | 6.25 |
| Earnings before interest and taxes (EBIT) | **18,103** | 12,186 |
| Interest expense | **2,358** | 1,951 |
| **Profitability Ratio** | | |
| Return on average assets | **3.02%** | 2.46% |
| Net income attributable to Parent Company | **9,109** | 5,622 |
| Total assets | **286,941** | 239,398 |
| Average assets | **302,113** | 228,831 |
| Return on Average Equity | **9.35%** | 6.85% |
| Net income attributable to Parent Company | **9,109** | 5,622 |
| Equity attributable to Parent Company | **104,703** | 84,860 |
| Average equity attributable to Parent Company | **97,418** | 82,104 |

*computed as EBIT/Interest Expense

GT CAPITAL
HOLDINGS, INCORPORATED

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**
**FOR FINANCIAL STATEMENTS**

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent company and consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

Signature: ______________________________
Carmelo Maria L. Bautista, President

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

March 10, 2016

43rd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City, Philippines
Tel: +632 836-4500 • Fax: +632 836-4159 • E-mail: gtcap@gtcapital.com.ph

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

**SUBSCRIBED AND SWORN** to before me on MAR 17 2016, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

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

Doc. No. 183
Page No. 37
Book No. 8
Series of 2016

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2016
ROLL NO. 41369 / APPOINTMENT NO. M-249
IBP NO. 0983825 / PTR. NO. 4775329
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

# COVER SHEET
**for**
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| C | S | 2 | 0 | 0 | 7 | 1 | 1 | 7 | 9 | 2 |
|---|---|---|---|---|---|---|---|---|---|---|

COMPANY NAME

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *( No. / Street / Barangay / City / Town / Province )*

43rd Floor, GT Tower International, Ayala Avenue corner H.V. de la Costa St., Makati City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AACFS | | |

COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| gtcap@gtcapital.com.ph | 836-45000 | |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 72 | 2nd Monday of May | 12/31 |

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Francisco H. Suarez, Jr. | francis.suarez@gtcapital.com.ph | 836-45000 | |

CONTACT PERSON's ADDRESS

**43rd Floor GT Tower International, Ayala Avenue corner H.V. Dela Costa St. Makati City**

*NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

*2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of GT Capital Holdings, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GT Capital Holdings, Inc. and subsidiaries as at December 31, 2015 and 2014, and their financial performance and cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5321647, January 4, 2016, Makati City

March 10, 2016

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

| | December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 4) | **₱37,861,008,464** | ₱29,702,403,992 |
| Short-term investments (Note 4) | **1,861,229,824** | 1,308,977,823 |
| Receivables (Note 5) | **25,417,025,491** | 16,222,612,447 |
| Reinsurance assets (Note 16) | **–** | 3,879,399,977 |
| Inventories (Note 6) | **53,247,203,632** | 31,426,388,818 |
| Due from related parties (Note 27) | **370,215,583** | 170,629,476 |
| Prepayments and other current assets (Note 7) | **7,672,714,790** | 5,468,288,896 |
| | **126,429,397,784** | 88,178,701,429 |
| Assets of disposal group classified as held-for-sale (Note 12) | **8,434,296,271** | – |
| Total Current Assets | **134,863,694,055** | 88,178,701,429 |
| **Noncurrent Assets** | | |
| Receivables (Note 5) | **9,186,220,126** | 4,896,966,340 |
| Land held for future development (Note 6) | **27,356,363,388** | – |
| Investments in associates and jointly controlled entities (Note 8) | **60,265,270,197** | 47,451,418,711 |
| Investment properties (Note 9) | **10,797,116,331** | 8,642,628,922 |
| Available-for-sale investments (Note 10) | **3,194,823,257** | 4,126,880,131 |
| Property and equipment (Note 11) | **51,971,758,686** | 44,800,727,933 |
| Goodwill and intangible assets (Note 13) | **17,000,427,846** | 17,805,560,939 |
| Deferred tax assets (Note 29) | **1,771,378,163** | 1,726,175,505 |
| Other noncurrent assets (Note 14) | **878,192,895** | 634,065,630 |
| Total Noncurrent Assets | **182,421,550,889** | 130,084,424,111 |
| | **₱317,285,244,944** | ₱218,263,125,540 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Note 15) | **₱22,406,870,383** | ₱19,279,966,498 |
| Insurance contract liabilities (Note 16) | **–** | 5,665,033,403 |
| Short-term debt (Note 17) | **7,318,000,000** | 2,347,000,000 |
| Current portion of long-term debt (Note 17) | **6,756,701,861** | 3,060,558,380 |
| Current portion of liabilities on purchased properties (Notes 20 and 27) | **636,521,293** | 783,028,773 |
| Customers' deposits (Note 18) | **3,690,758,352** | 2,549,222,602 |
| Dividends payable (Note 27) | **2,860,687,454** | 2,034,256,000 |
| Due to related parties (Note 27) | **174,122,998** | 176,045,423 |
| Income tax payable | **1,013,478,849** | 475,809,606 |
| Other current liabilities (Note 19) | **520,349,956** | 881,680,596 |
| | **45,377,491,146** | 37,252,601,281 |
| Liabilities of disposal group classified as held-for-sale (Note 12) | **6,443,763,434** | – |
| Total Current Liabilities | **51,821,254,580** | 37,252,601,281 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **Noncurrent Liabilities** | | |
| Long-term debt – net of current portion (Note 17) | **₱82,021,301,401** | ₱42,117,518,167 |
| Bonds payable (Note 17) | **21,800,833,823** | 21,774,719,662 |
| Liabilities on purchased properties – net of current portion (Notes 20 and 27) | **2,145,543,748** | 2,728,830,324 |
| Pension liability (Note 28) | **2,219,243,973** | 2,260,951,566 |
| Deferred tax liabilities (Note 29) | **10,826,202,677** | 3,532,153,823 |
| Other noncurrent liabilities (Note 21) | **2,609,124,207** | 2,654,446,638 |
| Total Noncurrent Liabilities | **121,622,249,829** | 75,068,620,180 |
| | **173,443,504,409** | 112,321,221,461 |
| **Equity** | | |
| Equity attributable to equity holders of the Parent Company | | |
| Capital stock (Note 22) | **₱1,760,430,000** | ₱1,743,000,000 |
| Additional paid-in capital (Note 22) | **46,694,658,660** | 46,694,658,660 |
| Treasury shares (Note 22) | **(6,136,000)** | (2,275,000) |
| Retained earnings – unappropriated (Note 22) | **33,267,506,402** | 24,431,550,483 |
| Retained earnings – appropriated (Note 22) | **8,760,000,000** | 6,000,000,000 |
| Reserve of disposal group classified as held-for-sale (Note 12) | **(74,972,316)** | – |
| Net unrealized gain on available-for-sale investments (Note 10) | **823,409,940** | 618,360,689 |
| Net unrealized loss on remeasurements of defined benefit plans | **(305,876,856)** | (419,273,541) |
| Equity in net unrealized loss on available-for-sale investments of associates (Note 8) | **(968,850,532)** | (78,201,771) |
| Equity in translation adjustments of associates (Note 8) | **502,056,458** | 391,456,226 |
| Equity in net unrealized loss on remeasurements of defined benefit plans of associates and jointly controlled entities (Note 8) | **(897,865,130)** | (614,849,501) |
| Equity in cash flow hedge reserve of a jointly controlled entity (Note 8) | **4,201,060** | – |
| Other equity adjustments (Note 22) | **575,529,642** | 582,646,105 |
| | **90,134,091,328** | 79,347,072,350 |
| Non-controlling interests (Notes 8 and 22) | **53,707,649,207** | 26,594,831,729 |
| Total Equity | **143,841,740,535** | 105,941,904,079 |
| | **₱317,285,244,944** | ₱218,263,125,540 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 (As restated – Note 12) | 2013 (As restated – Note 12) |
| **CONTINUING OPERATIONS** | | | |
| **REVENUE** | | | |
| Automotive operations (Note 35) | **₱120,802,061,865** | ₱108,816,378,011 | ₱74,358,719,420 |
| Net fees (Note 35) | **18,391,471,851** | 18,973,393,331 | 16,944,068,872 |
| Real estate sales | **8,999,626,857** | 5,840,510,876 | 4,702,395,088 |
| Equity in net income of associates and jointly controlled entities (Note 8) | **5,616,062,597** | 3,420,496,386 | 3,587,810,207 |
| Interest income (Note 23) | **1,973,191,552** | 1,521,197,938 | 1,412,776,773 |
| Rent income (Notes 9 and 30) | **840,462,342** | 764,486,511 | 592,043,715 |
| Sale of goods and services | **635,772,837** | 603,001,321 | 656,716,866 |
| Commission income | **194,244,744** | 79,530,749 | 162,793,129 |
| Gain on revaluation of previously held interest | **–** | – | 2,046,209,717 |
| Other income (Note 23) | **1,777,810,438** | 1,087,017,091 | 519,773,061 |
| | **159,230,705,083** | 141,106,012,214 | 104,983,306,848 |
| **COSTS AND EXPENSES** | | | |
| Cost of goods and services sold (Note 25) | **74,941,309,075** | 70,596,786,954 | 45,469,459,666 |
| Cost of goods manufactured and sold (Note 25) | **27,837,739,378** | 24,213,432,167 | 19,986,100,133 |
| General and administrative expenses (Note 26) | **10,857,959,999** | 10,391,823,910 | 9,044,622,702 |
| Power plant operation and maintenance expenses (Note 24) | **9,477,510,423** | 10,327,712,446 | 8,945,435,941 |
| Cost of real estate sales (Note 6) | **6,487,224,116** | 4,333,871,992 | 3,666,932,487 |
| Interest expense (Note 17) | **3,931,702,487** | 3,239,986,545 | 3,461,902,965 |
| Cost of rental (Note 30) | **271,608,089** | 270,091,940 | 113,149,475 |
| | **133,805,053,567** | 123,373,705,954 | 90,687,603,369 |
| **INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS** | **25,425,651,516** | 17,732,306,260 | 14,295,703,479 |
| **PROVISION FOR INCOME TAX** (Note 29) | **4,516,556,002** | 2,680,700,924 | 1,799,629,783 |
| **NET INCOME FROM CONTINUING OPERATIONS** | **20,909,095,514** | 15,051,605,336 | 12,496,073,696 |
| **NET INCOME FROM DISPOSAL GROUP** (Note 12) | **49,701,038** | 99,536,392 | 34,576,780 |
| **NET INCOME** | **₱20,958,796,552** | ₱15,151,141,728 | ₱12,530,650,476 |
| **ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | | | |
| Profit for the year from continuing operations | **₱12,069,121,341** | ₱9,057,976,892 | ₱8,614,459,534 |
| Profit for the year from disposal group | **49,701,038** | 94,636,070 | 25,726,580 |
| | **12,118,822,379** | 9,152,612,962 | 8,640,186,114 |
| Non-controlling interests | | | |
| Profit for the year from continuing operations | **8,839,974,173** | 5,993,628,444 | 3,881,614,162 |
| Profit for the year from disposal group | **–** | 4,900,322 | 8,850,200 |
| | **8,839,974,173** | 5,998,528,766 | 3,890,464,362 |
| | **₱20,958,796,552** | ₱15,151,141,728 | ₱12,530,650,476 |
| **Basic/Diluted Earnings Per Share from Continuing Operations Attributable to Equity Holders of the Parent Company** (Note 34) | **₱69.24** | ₱51.97 | ₱49.55 |
| **Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company** (Note 34) | **₱69.53** | ₱52.51 | ₱49.70 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 (As restated – Note 12) | 2013 (As restated – Note 12) |
| **NET INCOME FROM CONTINUING OPERATIONS** | **₱20,909,095,514** | ₱15,051,605,336 | ₱12,496,073,696 |
| **NET INCOME FROM DISPOSAL GROUP (NOTE 12)** | **49,701,038** | 99,536,392 | 34,576,780 |
| **NET INCOME** | **20,958,796,552** | 15,151,141,728 | 12,530,650,476 |
| **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 (Note 10) | **414,038,937** | 938,017,479 | 211,170,833 |
| Equity in other comprehensive income of associates and jointly controlled entities (Note 8): | | | |
| Changes in fair value of available-for-sale investments | **(890,648,761)** | (82,889,729) | (2,949,386,183) |
| Cash flow hedge reserve | **4,201,060** | – | – |
| Translation adjustments | **110,600,232** | (25,685,843) | 380,717,747 |
| | **(361,808,532)** | 829,441,907 | (2,357,497,603) |
| ***Items that may not be reclassified to profit or loss in subsequent periods:*** | | | |
| Remeasurements of defined benefit plans (Note 28) | **260,144,740** | (302,327,215) | (344,584,842) |
| Equity in remeasurement of defined benefit plans of associates (Note 28) | **(404,308,041)** | 154,384,777 | (314,214,019) |
| Income tax effect | **43,248,990** | 44,382,731 | 197,639,658 |
| | **(100,914,311)** | (103,559,707) | (461,159,203) |
| **OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS** | **(462,722,843)** | 725,882,200 | (2,818,656,806) |
| **OTHER COMPREHENSIVE INCOME (LOSS) FROM DISPOSAL GROUP, NET OF TAX** | **(39,435,735)** | 35,356,450 | (70,893,031) |
| **TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX** | **(502,158,578)** | 761,238,650 | (2,889,549,837) |
| **TOTAL COMPREHENSIVE INCOME, NET OF TAX** | **₱20,456,637,974** | ₱15,912,380,378 | ₱9,641,100,639 |
| **ATTRIBUTABLE TO:** | | | |
| **Equity holders of the Parent Company** | | | |
| Total comprehensive income for the year from continuing operations | **₱11,293,167,598** | ₱9,352,187,175 | ₱5,753,893,802 |
| Total comprehensive income for the year from disposal group | **10,265,303** | 134,892,842 | 25,726,581 |
| | **11,303,432,901** | 9,487,080,017 | 5,779,620,383 |
| **Non-controlling interests** | | | |
| Total comprehensive income for the year from continuing operations | **9,153,205,073** | 6,418,925,424 | 3,875,645,720 |
| Total comprehensive income (loss) for the year from disposal group | **–** | 6,374,937 | (14,165,464) |
| | **9,153,205,073** | 6,425,300,361 | 3,861,480,256 |
| | **₱20,456,637,974** | ₱15,912,380,378 | ₱9,641,100,639 |

*See accompanying Notes to Consolidated Financial Statements.*

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 22) | Additional Paid-in Capital (Note 22) | Treasury Shares (Note 22) | Retained Earnings - Appropriated (Note 22) | Retained Earnings - Unappropriated (Note 22) | Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 10) | Net Unrealized Gain (Loss) on Remeasurements of Defined Benefit Plans (Note 28) | Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates (Note 8) | Equity in Translation Adjustments of Associates (Note 8) | Equity in Net Unrealized Loss on Remeasurements of Defined Benefit Plans of Associates and Jointly Controlled Entities (Note 8) | Equity in Cash flow Hedge Reserve of Jointly Controlled Entity | Reserve of Disposal Group Classified as Held for Sale | Other Equity Adjustments (Note 22) | Total | Attributable to Non-controlling Interests (Note 22) | Total Equity |
| **Balance at January 1, 2015** | **₱1,743,000,000** | **₱46,694,658,660** | **(₱2,275,000)** | **₱6,000,000,000** | **₱24,431,550,483** | **₱618,360,689** | **(₱419,273,541)** | **(₱78,201,771)** | **₱391,456,226** | **(₱614,849,501)** | **₱–** | **₱–** | **₱582,646,105** | **₱79,347,072,350** | **₱26,594,831,729** | **₱105,941,904,079** |
| Issuance of capital stock | **17,430,000** | – | – | – | – | – | – | – | – | – | – | – | – | **17,430,000** | – | **17,430,000** |
| Effect of business combination (Notes 10 and 31) | – | – | – | – | | **(132,171)** | – | – | – | – | – | – | – | **(132,171)** | **24,288,881,125** | **24,288,748,954** |
| Dividends declared (Note 22) | – | – | – | – | **(522,866,460)** | – | – | – | – | – | – | – | – | **(522,866,460)** | – | **(522,866,460)** |
| Dividends paid to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | | – | **(6,308,932,611)** | **(6,308,932,611)** |
| Appropriation during the period | – | – | – | **8,760,000,000** | **(8,760,000,000)** | – | – | – | – | – | – | – | – | – | – | – |
| Reversal of appropriation upon completion of expansion and acquisition | – | – | – | **(6,000,000,000)** | **6,000,000,000** | – | – | – | – | – | – | – | – | – | – | – |
| Acquisition of treasury shares | – | – | **(3,861,000)** | – | – | – | – | – | – | – | – | – | – | **(3,861,000)** | – | **(3,861,000)** |
| Return of deposits | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **(15,270,110)** | **(15,270,110)** |
| Acquisition of non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | **(7,116,463)** | **(7,116,463)** | **(5,065,999)** | **(12,182,462)** |
| Total comprehensive income | – | – | – | – | **12,118,822,379** | **187,313,307** | **56,292,484** | **(890,648,761)** | **110,600,232** | **(283,015,629)** | **4,201,060** | – | – | **11,303,565,072** | **9,153,205,073** | **20,456,770,145** |
| Reclassification to reserves of disposal group | – | – | – | – | – | **17,868,115** | **57,104,201** | – | – | – | – | **(74,972,316)** | – | – | – | – |
| **Balance at December 31, 2015** | **₱1,760,430,000** | **₱46,694,658,660** | **(₱6,136,000)** | **₱8,760,000,000** | **₱33,267,506,402** | **₱823,409,940** | **(₱305,876,856)** | **(₱968,850,532)** | **₱502,056,458** | **(₱897,865,130)** | **₱4,201,060** | **(₱74,972,316)** | **₱575,529,642** | **₱90,134,091,328** | **₱53,707,649,207** | **₱143,841,740,535** |
| **Balance at January 1, 2014** | ₱1,743,000,000 | ₱46,694,658,660 | (₱6,125,000) | ₱– | ₱21,801,822,521 | ₱80,294,836 | (₱216,180,970) | ₱4,687,958 | ₱417,142,069 | (₱722,918,846) | ₱– | ₱– | ₱729,053,992 | ₱70,525,435,220 | ₱22,038,319,659 | ₱92,563,754,879 |
| Effect of business combination (Note 31) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 42,175,650 | 42,175,650 |
| Acquisition of non-controlling interest (Notes 22 and 31) | – | – | – | – | – | – | – | – | – | – | – | – | (340,359,244) | (340,359,244) | (372,637,016) | (712,996,260) |
| Appropriation during the period | – | – | – | 9,000,000,000 | (9,000,000,000) | – | – | – | – | – | – | – | – | – | – | – |
| Reversal of appropriation upon completion of expansion and acquisition | – | – | – | (3,000,000,000) | 3,000,000,000 | – | – | – | – | – | – | – | – | – | – | – |
| Dividends declared (Note 22) | – | – | – | – | (522,885,000) | – | – | – | – | – | – | – | – | (522,885,000) | – | (522,885,000) |
| Sale of direct interest in a subsidiary (Note 22) | – | – | – | – | – | – | – | – | – | – | – | – | 193,951,357 | 193,951,357 | 104,761,043 | 298,712,400 |
| Dividends paid to non-controlling interest (Note 22) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | (4,320,412,474) | (4,320,412,474) |
| Effect of equity call (Note 22) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 2,145,416,806 | 2,145,416,806 |
| Acquisition of treasury shares (Note 22) | – | – | 3,850,000 | – | – | – | – | – | – | – | – | – | – | 3,850,000 | – | 3,850,000 |
| Non-controlling interest on deposit for future stock subscription (Note 22) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 531,907,700 | 531,907,700 |
| Total comprehensive income | – | – | – | – | 9,152,612,962 | 538,065,853 | (203,092,571) | (82,889,729) | (25,685,843) | 108,069,345 | – | – | – | 9,487,080,017 | 6,425,300,361 | 15,912,380,378 |
| **Balance at December 31, 2014** | ₱1,743,000,000 | ₱46,694,658,660 | (₱2,275,000) | ₱6,000,000,000 | ₱24,431,550,483 | ₱618,360,689 | (₱419,273,541) | (₱78,201,771) | ₱391,456,226 | (₱614,849,501) | ₱– | ₱– | ₱582,646,105 | ₱79,347,072,350 | ₱26,594,831,729 | ₱105,941,904,079 |
| **Balance at January 1, 2013** | ₱1,580,000,000 | ₱36,752,473,660 | ₱– | ₱– | ₱13,684,536,407 | (₱6,606,601) | (₱57,332,052) | ₱2,954,074,141 | ₱36,424,322 | (₱502,969,032) | – | ₱– | (₱681,066,182) | ₱53,759,534,663 | ₱11,294,157,537 | ₱65,053,692,200 |
| Issuance of capital stock | 163,000,000 | 9,942,185,000 | – | – | – | – | – | – | – | – | – | – | – | 10,105,185,000 | – | 10,105,185,000 |
| Effect of business combination | – | – | – | – | – | – | – | – | – | – | – | – | 2,591,176 | 2,591,176 | 7,222,853,016 | 7,225,444,192 |
| Dividends declared | – | – | – | – | (522,900,000) | – | – | – | – | – | – | – | – | (522,900,000) | – | (522,900,000) |
| Sale of indirect interest in a subsidiary (Note 22) | – | – | – | – | – | – | – | – | – | – | – | – | 1,407,528,998 | 1,407,528,998 | 2,156,827,165 | 3,564,356,163 |
| Dividends paid to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | – | – | (3,456,348,554) | (3,456,348,554) |
| Acquisition of treasury shares | – | – | (6,125,000) | – | – | – | – | – | – | – | – | – | – | (6,125,000) | – | (6,125,000) |
| Effect of equity call | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 959,350,239 | 959,350,239 |
| Total comprehensive income | – | – | – | – | 8,640,186,114 | 86,901,437 | (158,848,918) | (2,949,386,183) | 380,717,747 | (219,949,814) | – | – | – | 5,779,620,383 | 3,861,480,256 | 9,641,100,639 |
| **Balance at December 31, 2013** | ₱1,743,000,000 | ₱46,694,658,660 | (₱6,125,000) | ₱– | ₱21,801,822,521 | ₱80,294,836 | (₱216,180,970) | ₱4,687,958 | ₱417,142,069 | (₱722,918,846) | ₱– | ₱– | ₱729,053,992 | ₱70,525,435,220 | ₱22,038,319,659 | ₱92,563,754,879 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 (As restated – Note 12) | 2013 (As restated – Note 12) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax from continuing operations | **₱25,425,651,516** | ₱17,732,306,260 | ₱14,295,703,479 |
| Income before income tax from disposal group classified as held-for-sale (Note 12) | **65,607,351** | 129,432,411 | 38,217,118 |
| Income before income tax | **25,491,258,867** | 17,861,738,671 | 14,333,920,597 |
| Adjustments for: | | | |
| Equity in net income of associates and jointly controlled entities (Note 8) | **(5,616,062,597)** | (3,420,496,386) | (3,587,810,207) |
| Interest expense (Notes 17) | **3,932,477,491** | 3,240,637,751 | 3,462,323,309 |
| Depreciation and amortization (Note 11) | **3,413,751,521** | 3,203,076,123 | 2,857,274,685 |
| Interest income (Notes 12 and 23) | **(2,052,083,236)** | (1,596,647,415) | (1,429,029,216) |
| Pension expense (Note 28) | **454,403,344** | 344,063,627 | 329,461,750 |
| Loss from initial recognition of financial asset (Notes 26 and 27) | **–** | – | 275,000 |
| Gain on revaluation of previously held interest | **–** | – | (2,046,209,717) |
| Dividend income (Notes 12 and 23) | **(49,145,218)** | (53,379,614) | (77,277,481) |
| Gain on disposal of property and equipment (Notes 11 and 23) | **(29,605,238)** | (90,170,461) | (15,998,480) |
| Gain on sale of available-for-sale investments (Notes 10 and 23) | **(17,679,247)** | (11,719,110) | (8,522,850) |
| Provisions (Note 26) | **349,541,699** | 444,531,888 | 44,467,476 |
| Loss on impairment of available-for-sale investments (Note 26) | **–** | 10,219,296 | – |
| Unrealized foreign exchange losses (Note 26) | **89,182,225** | 1,106,204 | 46,646,838 |
| Operating income before changes in working capital | **25,966,039,611** | 19,932,960,574 | 13,909,521,704 |
| Decrease (increase) in: | | | |
| Short-term investments | **407,822,467** | 157,486,044 | (1,466,463,867) |
| Receivables | **(2,952,859,658)** | (1,793,807,708) | (3,567,427,696) |
| Reinsurance assets | **1,004,534,703** | 1,086,177,833 | (1,264,065,439) |
| Inventories | **(9,681,969,144)** | (12,554,381,359) | (1,241,257,020) |
| Land held for future development (Note 6) | **(2,856,322,021)** | – | – |
| Due from related parties | **(199,586,107)** | 274,475,218 | (360,355,721) |
| Prepayments and other current assets | **(1,019,989,433)** | 602,445,853 | 912,622,867 |
| Increase (decrease) in: | | | |
| Accounts and other payables | **905,392,817** | (1,130,781,912) | 3,247,434,285 |
| Insurance contract liabilities | **(613,317,548)** | (1,018,551,718) | 1,356,875,814 |
| Customers' deposits | **465,749,247** | 705,001,592 | 868,420,502 |
| Due to related parties | **(1,922,425)** | (12,339,991) | (2,879,307) |
| Other current liabilities | **(215,484,485)** | (1,732,347,398) | (558,335,421) |
| Cash provided by operations | **11,208,088,024** | 4,516,337,028 | 11,834,090,701 |
| Dividends paid (Note 22) | **(6,005,367,615)** | (4,775,079,474) | (2,972,214,411) |
| Interest paid | **(4,162,556,343)** | (2,955,450,666) | (4,035,343,587) |
| Income tax paid | **(4,215,751,783)** | (2,832,193,988) | (1,031,375,223) |
| Interest received | **1,993,174,916** | 1,541,988,610 | 1,498,796,846 |
| Dividends received | **918,406,609** | 1,246,826,796 | 833,163,900 |
| Contributions to pension plan assets (Note 28) | **(204,842,576)** | (128,837,564) | (108,214,980) |
| Net cash provided by (used in) operating activities | **(468,848,768)** | (3,386,409,258) | 6,018,903,246 |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | 2015 | 2014 (As restated – Note 12) | 2013 (As restated – Note 12) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Disposal of property and equipment | **₱566,026,497** | ₱674,898,990 | ₱160,733,099 |
| Sale of available-for-sale investments | **270,761,581** | 565,512,917 | 62,977,803 |
| Settlement of deposits | **–** | – | 2,085,000,000 |
| Disposal of investment property | **139,630,406** | – | – |
| Additions to: | | | |
| Investments in associates and jointly controlled entities (Note 8) | **(8,833,184,925)** | (4,224,887,290) | (502,243,750) |
| Investment properties (Note 9) | **(485,003,294)** | (87,139,476) | (143,738,791) |
| Property and equipment (Note 11) | **(9,953,536,038)** | (6,663,495,390) | (7,025,386,058) |
| Available-for-sale investments | **(526,466,899)** | (594,427,916) | 690,297,705 |
| Intangible assets (Note 13) | **(28,584,732)** | (11,966,724) | (9,201,020) |
| Acquisition of subsidiary, net of cash acquired (Note 31) | **(6,902,352,644)** | (281,560,366) | 2,677,274,289 |
| Decrease (increase) in other noncurrent assets | **242,794,891** | (63,491,024) | (200,078,395) |
| Net cash used in investing activities | **(25,509,915,157)** | (10,686,556,279) | (2,204,365,118) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Loan availments (Note 17) | **57,830,074,142** | 7,659,598,455 | 7,340,500,000 |
| Issuance of bonds payable | **–** | 11,875,378,311 | 9,894,756,979 |
| Issuance of capital stock (Note 22) | **17,430,000** | – | 10,105,185,000 |
| Payment of loans payable | **(21,910,738,992)** | (5,800,381,750) | (18,047,447,689) |
| Increase (decrease) in: | | | |
| Liabilities on purchased properties | **(729,794,056)** | (808,517,026) | 1,739,801,352 |
| Other noncurrent liabilities | **(161,803,732)** | 1,006,184,785 | 858,005,716 |
| Non-controlling interests (Note 22) | **75,838,258** | 2,677,324,506 | (45,092,694) |
| Net cash provided by financing activities | **35,121,005,620** | 16,609,587,281 | 11,845,708,664 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(89,182,225)** | (1,106,204) | (46,646,838) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **9,053,059,470** | 2,535,515,540 | 15,613,599,954 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **29,702,403,992** | 27,166,888,452 | 11,553,288,498 |
| **CASH AND CASH EQUIVALENTS OF DISPOSAL GROUP AT END OF YEAR** (Note 12) | **(894,454,998)** | – | – |
| **CASH AND CASH EQUIVALENTS OF CONTINUING OPERATION AT END OF YEAR** (Note 4) | **₱37,861,008,464** | ₱29,702,403,992 | ₱27,166,888,452 |

*See accompanying Notes to Consolidated Financial Statements.*

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

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

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

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

Group Activities

The Parent Company, Federal Land, Inc. (Fed Land) and Subsidiaries (Fed Land Group), Property Company of Friends, Inc. (PCFI) and Subsidiaries (PCFI 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), PCFI Group (real estate business), Charter Ping An (non-life insurance business), Toyota Group (automotive business), GBPC Group (power generation business) and TCI Group (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

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

The primary purpose of the PCFI Group is to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment, real estate of all kinds, including buildings, houses, apartments and other structures.

GBPC was registered with the Philippine SEC on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

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

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

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

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

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

## 2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

| | | Direct Percentages of Ownership | | | Effective Percentages of Ownership | | |
|---|---|---|---|---|---|---|---|
| | Country of | **December 31** | | | **December 31** | | |
| | Incorporation | **2015** | 2014 | 2013 | **2015** | 2014 | 2013 |
| Fed Land and Subsidiaries | Philippines | **100.00** | 100.00 | 100.00 | **100.00** | 100.00 | 100.00 |
| Charter Ping An (Note 12) | -do- | **100.00** | 100.00 | 66.67 | **100.00** | 100.00 | 74.97 |
| TCI and Subsidiary | -do- | **53.80** | 52.01 | – | **53.80** | 52.01 | – |
| GBPC and Subsidiaries | -do- | **51.27** | 51.27 | 50.89 | **52.45** | 52.45 | 53.16 |
| Toyota and Subsidiaries | -do- | **51.00** | 51.00 | 51.00 | **51.00** | 51.00 | 51.00 |
| PCFI and Subsidiaries | -do- | **22.68** | – | – | **22.68** | – | – |

Fed Land's Subsidiaries

| | Percentage of Ownership | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| Horizon Land Property and Development Corp. (HLPDC) | **100.00** | 100.00 | 100.00 |
| Omni – Orient Management Corp. (Previously as Top Leader Property Management Corp.) (TLPMC) | **100.00** | 100.00 | 100.00 |
| Central Realty and Development Corp. (CRDC) | **75.80** | 75.80 | 75.80 |
| Federal Brent Retail, Inc. (FBRI) | **51.66** | 51.66 | 51.66 |
| FLI - Management and Consultancy, Inc. (FMCI)* | **–** | 100.00 | 100.00 |
| Baywatch Project Management Corporation (BPMC)* | **–** | 100.00 | 100.00 |

* *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

| | Percentage of Ownership | |
|---|---|---|
| | **2015** | 2014 |
| ARB Power Venture, Inc. (APVI) | **100.00** | 100.00 |
| Toledo Holdings Corp. (THC) | **100.00** | 100.00 |
| Toledo Cebu Int'l Trading Resources Corp. (TCITRC) | **100.00** | 100.00 |
| Toledo Power Company (TPC) | **100.00** | 100.00 |
| GBH Power Resources, Inc. (GPRI) | **100.00** | 100.00 |
| Global Energy Supply Corp. (GESC) | **100.00** | 100.00 |
| Mindanao Energy Development Corporation (MEDC) | **100.00** | 100.00 |
| Global Hydro Power Corporation (GHPC) | **100.00** | 100.00 |
| Global Renewables Power Corporation (GRPC) | **100.00** | 100.00 |
| Global Luzon Energy Development Corporation (GLEDC) (Note 8) | **100.00** | 49.00 |
| Global Formosa Power Holdings, Inc. (GFPHI) | **93.20** | 93.20 |
| Panay Power Holdings Corp (PPHC) | **89.30** | 89.30 |
| Panay Power Corp. (PPC) | **89.30** | 89.30 |
| Panay Energy Development Corp. (PEDC) | **89.30** | 89.30 |
| Cebu Energy Development Corp. (CEDC) | **52.19** | 52.19 |

Toyota's Subsidiaries

| | Percentage of Ownership | |
|---|---|---|
| | **2015** | 2014 |
| Toyota Makati, Inc. (TMI) | **100.00** | 100.00 |
| Toyota Sta. Rosa Laguna, Inc. (TSRLI) | **100.00** | – |
| Lexus Manila, Inc. (LMI) | **75.00** | 75.00 |
| Toyota San Fernando Pampanga, Inc. (TSFI) | **55.00** | 55.00 |

TSRLI was incorporated on June 24, 2015.

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

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

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies except for Charter Ping An which uses the revaluation method in accounting for its condominium units included as part of 'Property and equipment' account, 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 consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;

- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

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

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

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as 'Effect of uniting of interest' in the consolidated statement of changes in equity. Cash considerations transferred on acquisition of a subsidiary under common control are deducted 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 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 consolidated financial statements of the Group at the acquisition date.

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

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

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

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

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

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

Change in Ownership without Loss of Control

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.  In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary.  Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies

The accounting policies adopted in preparation of the 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, 2015.

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.

*Annual Improvements to PFRSs (2011-2013 cycle)*

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement – Portfolio Exception*
- PAS 40, *Investment Property*

The Group will consider the amendments to the following standards as applicable to future transactions:

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*
- *Annual Improvements to PFRSs (2010-2012 cycle)*
- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
- PFRS 3, *Business Combinations –Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.  The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.  These amendments are applied retrospectively and affect disclosures only.
- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures.  In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

The impact of the revised standards adopted effective January 1, 2015 has been reflected in the 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.

Financial Instruments - Initial Recognition and Subsequent Measurement

*Date of recognition*

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

*Initial recognition of financial instruments*

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

As of December 31, 2015 and 2014, 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.

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

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

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

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

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

Costs of residential units include land cost, land improvement costs, borrowing costs, amounts paid to contractors for construction and development, planning and design cost, cost of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

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

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

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

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

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

Investments in Associates and Jointly Controlled Entities

Investments in associates and jointly-controlled entities are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a jointly-controlled entity of the Group. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

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

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

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

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

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

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

Land held for Future Development
Land held for future development consists of properties for future developments and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less cost to complete and costs of sale. Costs include cost incurred for development and improvements of the properties. Upon start of development, the related cost of the land is transferred to real estate inventories.

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

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

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

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

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. CIP is not depreciated until such time as the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

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

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

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

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets

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

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

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

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

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

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

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

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

*Software Costs*
Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

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

Each unit or group of units to which the goodwill is so allocated:

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

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

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

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

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

Impairment of Non-financial Assets
The Group assesses at each financial reporting date whether there is an indication that their nonfinancial assets (e.g. investments in associates and jointly controlled entities, investment properties, property and equipment, and intangible assets), may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an

individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

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

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

Insurance Receivables

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

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

Reinsurance

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

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

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

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

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

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

Deferred Acquisition Costs (DAC)

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

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

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

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

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

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

Assets Held for Sale and Non-current assets held for distribution to equity holders of the parent and disposal group
The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Group classifies a disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. Such disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Assets held for sale are included under ‘Prepayments and other current assets’ in the consolidated statements of financial position.

Assets and liabilities of disposal group classified as held-for-sale are presented separately in the consolidated statements of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

The disposal group is excluded from the results of continuing operations and is presented as a single amount as ‘Net income from disposal group’ in the consolidated statement of income.

Additional disclosures are provided in Note 12. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

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

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

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

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

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

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset

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

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

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

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

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

Income Tax

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

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

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

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

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

Foreign Currency Transactions

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

*Transactions and balances*

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

Segment Reporting

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

Borrowing Costs

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

Provisions

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

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

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

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

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

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

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

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

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

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

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

Standards Issued But Not Yet Effective
The Group will adopt the following standards and interpretations 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 – Classification and Measurement (2010 version)*
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

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

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except

when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

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

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

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

The Group shall consider this amendment for future joint arrangements.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>
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).

Effective January 1, 2018

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

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

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

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

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

## 3. Management's Judgments and Use of Estimates

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

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

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

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

*Consolidation of PCFI*
The Parent Company holds 22.68% equity interest and Irrevocable Proxy in favor of the Parent Company covering 51% of the voting stocks of PCFI. This gives the Parent Company the ability to control the Board of Directors (BOD) and direct the relevant activities of PCFI that will affect the returns that the Parent Company will receive from its investment in PCFI. Although the voting rights cover 51%, the Parent Company's exposure and rights to its share in PCFI's operations is limited to 22.68%. This is because the right to receive dividends on the shares of stock covered by Irrevocable Proxy remain with Profriends Group, Inc. (PGI). Through the Parent Company's majority voting rights of 51%, it can direct the relevant activities of PCFI that will affect the amount of returns it will receive from PCFI. In view of the foregoing, management assessed that the Parent Company has control over PCFI but consolidated based on its existing ownership interest of 22.68%.

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

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

*Revenue and cost recognition*
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- stage of completion of the project.

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

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

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

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

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

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

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

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

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

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

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

*Determining whether an arrangement contains a lease*
The PPAs and EPPAs qualify as a lease on the basis that the Group sells all its output to the specified counterparties as per their respective agreements. The agreements calls for a take or pay arrangement where payment is made on the basis of the availability of the power plant complex and not on actual deliveries. The lease arrangement is determined to be an operating lease where a significant portion of the risks and rewards of ownership are retained by the Group. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to the specified counterparties are recorded as revenue.

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

*Assets and liabilities of disposal group classified as held-for-sale*
On November 5, 2015, the Parent Company signed an agreement to sell 100% of Charter Ping An to AXA Philippines for ₱2.30 billion, subject to closing conditions.

Management assessed that said transaction met the criteria for recognition of disposal group classified as held-for-sale for the following reasons:

- the Parent Company will recover the carrying amount of the investment in Charter Ping An through a sale transaction rather than through continuing use;
- Charter Ping An shares are available for immediate sale and can be sold in its current condition, subject to terms that are usual and customary;
- a pre-completion committee was organized to facilitate completion of the sale transaction; and;
- the sale is expected to be completed within 2016.

For more details on the assets and liabilities of disposal group classified as held-for-sale, refer to Note 12.

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

*Revenue recognition*
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The carrying amount of installment contracts receivables amounted to ₱23.43 billion and ₱7.55 billion as of December 31, 2015 and 2014, respectively (Note 5). The Group recognized real estate sales in 2015, 2014 and 2013 amounting to ₱9.0 billion, ₱5.84 billion and ₱4.70 billion, respectively.

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

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

As of December 31, 2015 and 2014, the carrying values of these assets are as follows:

| | **2015** | 2014 |
|---|---|---|
| Receivables (Note 5) | **₱34,603,245,617** | ₱21,119,578,787 |
| Due from related parties (Note 27) | **370,215,583** | 170,629,476 |

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

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

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

The carrying value of the Group's inventories amounted to ₱53.25 billion and ₱31.43 billion as of December 31, 2015 and 2014, respectively (Note 6).

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

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

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

As of December 31, 2015 and 2014, the carrying values of investment property, property and equipment, intangible assets from power purchase agreements, customer relationship, software costs and franchise are as follow:

| | 2015 | 2014 |
|---|---|---|
| Investment properties (Note 9) | **₱10,797,116,331** | ₱8,642,628,922 |
| Property and equipment (Note 11) | **51,971,758,686** | 44,800,727,933 |
| Power purchase agreements - net (Note 13) | **7,258,875,886** | 7,721,413,554 |
| Customer relationship (Note 13) | **3,883,238,361** | 3,883,238,361 |
| Software costs - net (Note 13) | **115,146,102** | 19,816,621 |
| Franchise - net (Note 13) | **2,167,500** | 1,367,500 |

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

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in and advances to associates and jointly controlled entities, property and equipment, software cost and franchise. The following table sets forth the carrying values of investment properties, investments in associates and jointly controlled entities, input VAT, creditable withholding tax, property and equipment, power purchase agreements, customer relationship software costs, franchise and other noncurrent assets as of December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Investment properties (Note 9) | **₱10,797,116,331** | ₱8,642,628,922 |
| Investments in associates and jointly controlled entities (Note 8) | **60,265,270,197** | 47,451,418,711 |
| Input VAT (Note 7) | **3,298,726,671** | 2,077,923,616 |
| Creditable withholding taxes (Note 7) | **398,346,093** | 496,404,153 |
| Property and equipment (Note 11) | **51,971,758,686** | 44,800,727,933 |
| Power purchase agreements - net (Note 13) | **7,258,875,886** | 7,721,413,554 |
| Customer relationship (Note 13) | **3,883,238,361** | 3,883,238,361 |
| Software - net (Note 13) | **115,146,102** | 19,816,621 |
| Franchise - net (Note 13) | **2,167,500** | 1,367,500 |
| Other noncurrent assets (Note 14) | **878,192,895** | 634,065,630 |

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

unquoted equities. The Group also considers the ability of the investee company to provide dividends.

The carrying amounts of AFS investments amounted to ₱3.19 billion and ₱4.13 billion as of December 31, 2015 and 2014, respectively (Note 10). The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. Net unrealized gain on AFS investments amounted to ₱823.41 million and ₱618.36 million as of December 31, 2015 and 2014, respectively (Note 10).

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

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

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

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

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

Cost estimates expressed at current price levels at the date of the estimate are discounted using a rate of interest ranging from 1.36% to 3.52% per annum to take into account the timing of payments. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense which is included under 'Interest expense' in the consolidated statement of comprehensive income.

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

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

Decommissioning liability amounted to ₱248.93 million and ₱287.26 million as of December 31, 2015 and 2014, respectively (Note 21).

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

As of December 31, 2015 and 2014, the present value of defined benefit obligations amounted to ₱3.52 billion. The carrying values of pension liability and expense are disclosed in Note 28.

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

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

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

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

The carrying values of provision for outstanding claims and IBNR amounted to ₱2.95 billion and ₱3.68 billion as of December 31, 2015 and 2014, respectively (Note 16).

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

As of December 31, 2015 and 2014, provision for product warranty amounted to ₱212.97 million and ₱181.96 million, respectively (Note 21).

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

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

## 4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Cash on hand | **₱10,800,831** | ₱32,312,324 |
| Cash in banks (Note 27) | **16,348,359,826** | 17,170,401,145 |
| Cash equivalents (Note 27) | **21,501,847,807** | 12,499,690,523 |
| | **₱37,861,008,464** | ₱29,702,403,992 |

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates ranging from 0.25% to 2.50% in 2015, from 0.50% to 3.75% in 2014, and from 0.25% to 4.50% in 2013.

Short-term Investments
These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than three (3) months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.16% to 1.70% in 2015, from 0.20% to 2.00% in 2014, and from 0.20% to 3.00% in 2013.

## 5. Receivables

This account consists of:

| | 2015 | 2014 |
|---|---|---|
| Installment contracts receivables | **₱23,429,987,678** | ₱7,545,443,471 |
| Trade receivables | **9,282,124,823** | 8,488,706,494 |
| Loans receivable | **680,953,797** | 700,231,199 |
| Accrued rent and commission income | **534,191,568** | 368,846,035 |
| Nontrade receivables | **436,962,009** | 1,151,619,498 |
| Accrued interest receivable | **147,948,191** | 103,696,004 |
| Dividends receivable (Note 27) | **60,000,000** | 240,000,000 |
| Insurance receivables | **–** | 2,042,080,123 |
| Others | **319,456,508** | 695,367,933 |
| | **34,891,624,574** | 21,335,990,757 |
| Less: Allowance for credit losses | **288,378,957** | 216,411,970 |
| | **₱34,603,245,617** | ₱21,119,578,787 |

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

| | 2015 | 2014 |
|---|---|---|
| Current portion | **₱25,417,025,491** | ₱16,222,612,447 |
| Noncurrent portion | **9,186,220,126** | 4,896,966,340 |
| | **₱34,603,245,617** | ₱21,119,578,787 |

Noncurrent receivables consist of:

| | 2015 | 2014 |
|---|---|---|
| Trade receivables | **₱341,290,752** | ₱463,783,493 |
| Installment contracts receivables | **8,163,975,577** | 3,732,951,648 |
| Loans receivable | **680,953,797** | 700,231,199 |
| | **₱9,186,220,126** | ₱4,896,966,340 |

Installment Contracts Receivables

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

The details of installment contracts receivables follow:

| | 2015 | 2014 |
|---|---|---|
| Installment contracts receivables | **₱24,422,896,014** | ₱8,603,493,109 |
| Less: Unearned interest income | **992,908,336** | 1,058,049,638 |
| | **23,429,987,678** | 7,545,443,471 |
| Less: Noncurrent portion | **8,163,975,577** | 3,732,951,648 |
| Current portion | **₱15,266,012,101** | ₱3,812,491,823 |

Installment contracts receivables are collected over a period of one (1) to ten (10) years. The fair value upon initial recognition for Fed Land is derived using the discounted cash flow methodology using discounted rates using discount rates ranging from 8.00% to 10.00% in 2015 and 2014.

PCFI's installment receivables bear annual interest rates ranging from 18.00% to 21.00% computed on the diminishing balance of the principal.

Movements in the unearned interest income in 2015 and 2014 follow:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | **₱1,058,049,638** | ₱863,837,737 |
| Additions | **1,222,658,186** | 1,351,608,825 |
| Accretion (Note 23) | **(1,287,799,488)** | (1,157,396,924) |
| Balance at end of year | **₱992,908,336** | ₱1,058,049,638 |

Trade Receivables
The details of trade receivables follow:

| | 2015 | 2014 |
|---|---|---|
| Current: | | |
| Power | **₱3,508,141,213** | ₱3,582,913,275 |
| Automotive | **5,432,692,858** | 4,442,009,726 |
| | **8,940,834,071** | 8,024,923,001 |
| Noncurrent: | | |
| Power | **341,290,752** | 463,783,493 |
| | **₱9,282,124,823** | ₱8,488,706,494 |

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

Trade receivables are noninterest-bearing and generally have 30 days to one (1) year term.

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

| | 2015 | 2014 |
|---|---|---|
| Real estate | **₱635,566,828** | ₱626,844,230 |
| Power | **45,386,969** | 73,386,969 |
| Balance at end of year | **₱680,953,797** | ₱700,231,199 |

Loans receivable for real estate relate to a loan agreement (Loan) with Cathay International Resources Corp. (Borrower), an affiliate. On December 21, 2012, Fed Land agreed to lend to the Borrower a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement (Note 27). Fed Land used discounted cash flow analyses to measure the fair value of the Loan. The 'Day 1' difference from this receivable amounting to ₱94.22 million in 2012 was recorded under 'General and administrative expense' in the consolidated statement of comprehensive income. Accretion of interest in 2015 and 2014 amounted to ₱8.30 million and ₱7.35 million, respectively.

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

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

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

Dividends Receivable
Dividends receivable pertains to receivable from Federal Land Orix Corporation (FLOC) for dividends earned but not yet received as of December 31, 2015 (Note 27). Dividends receivable in 2014 was collected in 2015.

Insurance Receivables
The details of insurance receivable follow:

| | 2014 |
|---|---|
| Premiums receivable and agents' balances | ₱1,109,826,848 |
| Reinsurance recoverable on paid losses | 852,193,366 |
| Bonds recoverable on paid losses | 33,617,614 |
| Due from ceding companies | 40,783,619 |
| Funds held by ceding companies | 5,658,676 |
| | ₱2,042,080,123 |

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

In 2015, Insurance receivables of Charter Ping An were reclassified as part of 'Assets of disposal group classified as held-for-sale' (Note 12).

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

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

| | **December 31, 2015** | | | |
|---|---|---|---|---|
| | **Trade Receivables** | **Insurance Receivables** | **Other Receivables** | **Total** |
| Balance at beginning of year | **₱306,341** | **₱16,305,510** | **₱199,800,119** | **₱216,411,970** |
| Provision for credit losses (Note 26) | **9,440,933** | **–** | **85,234,068** | **94,675,001** |
| Write-off | **(3,029,998)** | **–** | **(3,372,506)** | **(6,402,504)** |
| Effect of disposal group classified as held-for-sale (Note 12) | **–** | **(16,305,510)** | **–** | **(16,305,510)** |
| Balance at end of year | **₱6,717,276** | **₱–** | **₱281,661,681** | **₱288,378,957** |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | **Trade Receivables** | **Insurance Receivables** | **Other Receivables** | **Total** |
| Individual impairment | **₱6,717,276** | **₱–** | **₱281,661,681** | **₱288,378,957** |
| Collective impairment | – | – | – | – |
| | **₱6,717,276** | **₱–** | **₱281,661,681** | **₱288,378,957** |
| Gross amount of receivables individually impaired before deducting any impairment allowance | **₱6,717,276** | **₱–** | **₱281,661,681** | **₱288,378,957** |

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Trade Receivables | Insurance Receivables | Other Receivables | Total |
| Balance at beginning of year | ₱215,500 | ₱13,968,802 | ₱9,355,970 | ₱23,540,272 |
| Provision for credit losses (Note 26)* | 2,440,842 | 2,336,708 | 190,444,149 | 195,221,699 |
| Write-off | (2,350,001) | – | – | (2,350,001) |
| Balance at end of year | ₱306,341 | ₱16,305,510 | ₱199,800,119 | ₱216,411,970 |
| Individual impairment | ₱306,341 | ₱– | ₱199,800,119 | ₱200,106,460 |
| Collective impairment | – | 16,305,510 | – | 16,305,510 |
| | ₱306,341 | ₱16,305,510 | ₱199,800,119 | ₱216,411,970 |
| Gross amount of receivables individually impaired before deducting any impairment allowance | ₱4,985,085 | ₱– | ₱199,800,119 | ₱204,785,204 |

**2014 balance amounting to ₱2.34 million in net income of disposal group.*

## 6. Inventories and Land Held for Future Development

Inventories

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| At cost | | |
| Real estate | | |
| Land and improvements | **₱35,382,057,790** | ₱18,825,067,741 |
| Condominium units held for sale | **5,547,578,128** | 5,267,587,244 |
| Construction in progress | **3,122,819,140** | 1,324,802,315 |
| Materials and supplies | **1,470,601,022** | – |
| Gasoline retail and petroleum products (Note 25) | **7,211,154** | 5,769,494 |
| Food (Note 25) | **936,359** | 934,674 |
| Power | | |
| Coal | **632,676,588** | 289,631,702 |
| Industrial fuel and lubricating oil | **98,140,160** | 158,736,907 |
| Automotive | | |
| Finished goods | **1,954,140,253** | 2,314,179,575 |
| Work-in-process | **79,918,750** | 52,269,353 |
| Raw materials in transit | **2,044,983,966** | 1,205,376,918 |
| | **50,341,063,310** | 29,444,355,923 |
| At NRV | | |
| Power | | |
| Spare parts and supplies | **775,386,373** | 580,238,875 |
| Automotive | | |
| Spare parts | **2,130,753,949** | 1,401,794,020 |
| | **2,906,140,322** | 1,982,032,895 |
| | **₱53,247,203,632** | ₱31,426,388,818 |

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

| | **2015** | | | |
|---|---|---|---|---|
| | **Condominium unit held for sale** | **Land and improvements** | **Construction in progress** | **Total** |
| Balance at beginning of the year | **₱5,267,587,244** | **₱18,825,067,741** | **₱1,324,802,315** | **₱25,417,457,300** |
| Effect of business combination | **693,197,529** | **6,948,627,458** | **1,176,849,077** | **8,818,674,064** |
| Construction and development costs incurred | **2,231,441,043** | **425,927,673** | **3,300,871,958** | **5,958,240,674** |
| Land acquired during the year | **–** | **9,050,196,040** | **–** | **9,050,196,040** |
| Land acquired through exchange | **–** | **985,700,000** | **–** | **985,700,000** |
| Land disposed through exchange | **–** | **(620,817,117)** | **(27,516,209)** | **(648,333,326)** |
| Borrowing costs capitalized | **155,317,711** | **220,958,488** | **613,700,297** | **989,976,496** |
| Cost of sales during the year | **(5,279,188,008)** | **(145,799,796)** | **(1,062,236,312)** | **(6,487,224,116)** |
| Transfer from construction in progress to condominium units for sale | **1,966,791,327** | **–** | **(1,966,791,327)** | **–** |
| Transfer to land held for future development | **–** | **(115,150,118)** | **–** | **(115,150,118)** |
| Transfer from land and improvement to condominium units for sale | **920,808,621** | **(920,808,621)** | **–** | **–** |
| Transfers to and from investment property (Note 9) | **(392,776,804)** | **535,036,622** | **(43,741,239)** | **98,518,579** |
| Transfer from construction in progress to land and improvements | **–** | **193,119,420** | **(193,119,420)** | **–** |
| Allowance for impairment losses (Note 26) | **(15,600,535)** | **–** | **–** | **(15,600,535)** |
| Balance at end of the year | **₱5,547,578,128** | **₱35,382,057,790** | **₱3,122,819,140** | **₱44,052,455,058** |

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

In 2015 and 2014, the Group acquired parcels of land amounting to ₱10.04 billion and ₱8.88 billion, respectively, to be held either for sale or for future land development.

Fed Land’s capitalized borrowing costs in its real estate inventories amounted to ₱836.92 million and ₱389.72 million in 2015 and 2014, respectively, for loans specifically used to finance Fed Land’s project construction with interest rates ranging from 3.00% to 6.27% and 3.35% to 6.27% in 2015 and 2014, respectively. Also, Fed Land’s capitalized borrowing costs in respect of its general borrowing amounted to ₱3.02 million and ₱319.93 million in 2015 and 2014, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.34% in 2015 and 2014. Said capitalized interest is added to ‘Condominium units held for sale’ account and recognized as expense upon the sale of condominium units.

PCFI’s borrowing cost capitalized as part of real estate inventories amounted to ₱150.04 million in 2015. The capitalization rate used to determine the borrowings eligible for capitalization is 6.38% as of December 31, 2015.

Certain real estate inventories of PCFI with an aggregate carrying value of ₱4.64 billion as of December 31, 2015 are mortgaged/pledged as security for loans payable to various local banks (Note 17).

Inventories charged to 'Cost of real estate sales' amounted to ₱6.49 billion and ₱4.33 billion in 2015 and 2014, respectively.

Inventories charged to 'Cost of goods and services sold' amounted to ₱73.79 billion and ₱71.72 billion in 2015 and 2014, respectively (Note 25).

Inventories charged to 'Cost of goods manufactured and sold' amounted to ₱27.84 billion and ₱24.21 billion in 2015 and 2014, respectively (Note 25).

Inventories charged to 'Power plant operation and maintenance expenses' amounted to ₱5.97 billion and ₱6.68 billion in 2015 and 2014, respectively (Note 25).

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

| | **2015** | 2014 |
|---|---|---|
| Beginning balance | **₱131,496,307** | ₱145,819,600 |
| Provision for inventory write-down | **1,008,925** | 17,467,493 |
| Reversal | **(34,166,715)** | – |
| Write-off of scrap inventories | **–** | (31,790,786) |
| | **₱98,338,517** | ₱131,496,307 |

Land Held for Future Development

As of December 31, 2015, Land held for future development amounted to ₱27.36 billion which consist of properties of PCFI for future developments and is carried at cost.

## 7. Prepayments and Other Current Assets

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Input VAT | **₱3,298,726,671** | ₱2,077,923,616 |
| Advances to contractors and suppliers | **2,158,709,020** | 1,514,884,735 |
| Prepaid expenses | **968,671,046** | 603,802,975 |
| Creditable withholding taxes (CWT) | **398,346,093** | 496,404,153 |
| Advances to officers, employees, agents and brokers (Note 27) | **325,087,234** | 49,574,060 |
| Assets held for sale | **252,871,572** | 18,487,212 |
| Ad-valorem tax | **188,872,437** | 266,145,432 |
| Deferred acquisition cost (Note 12)* | **–** | 308,804,931 |
| Others | **81,430,717** | 132,261,782 |
| | **₱7,672,714,790** | ₱5,468,288,896 |

**2015 balance was reclassified to 'Assets of disposal group classified as held-for-sale' (Note 12).*

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

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

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

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

Advances to officers and employees amounting to ₱57.94 million and ₱38.30 million as of December 31, 2015 and 2014, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱13.04 million and ₱11.27 million as of December 31, 2015 and 2014, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subjected to liquidation within 30 days after the release of cash advance. Cash advances to brokers in 2015 which resulted from the acquisition of PCFI amounting to ₱254.11 million will be recovered by applying the amount to the commissions that will be earned by the brokers.

The assets held for sale as of December 31, 2015 pertains to vehicles used in the Asia-Pacific Economic Cooperation (APEC) 2015 event which are available for sale in its present condition. During the year, TMPC entered into an agreement with the APEC Business Advisory Council (ABAC) Philippines for the sponsorship of vehicles. In return, TMPC is allowed to use APEC 2015 and/or APEC CEO Summit logos in the materials to be used to market and sell vehicles prior to and succeeding the event to ensure proper disposal of vehicles by TMPC to the market.

As of December 31, 2014, assets held for sale pertain to amounts recoverable on account of losses on direct business of Charter Ping An. In 2015, these were reclassified as part of 'Assets of disposal group classified as held-for-sale' (Note 12).

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

Deferred acquisition cost pertains to costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, and are deferred to the extent that they are recoverable out of future revenue margins. In 2015, deferred acquisition cost was reclassified to ‘Assets of disposal group classified as held-for-sale’ (Note 12).

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

## 8. Investments in Associates and Jointly Controlled Entities

This account consists of:

| | 2015 | 2014 |
|---|---|---|
| Investments in associates | **₱51,573,785,956** | ₱39,994,616,085 |
| Investments in jointly controlled entities | **8,691,484,241** | 7,456,802,626 |
| | **₱60,265,270,197** | ₱47,451,418,711 |

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

| | 2015 | 2014 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **₱25,123,725,347** | ₱25,123,825,347 |
| Reclassification to advances to associate | **–** | (100,000) |
| Acquisitions/additional investments during the year | **8,279,396,034** | – |
| Balance at end of year | **33,403,121,381** | 25,123,725,347 |
| **Accumulated equity in net income** | | |
| Balance at beginning of year | **17,256,165,503** | 14,316,511,275 |
| Attributable to indirect interest - business combination | **–** | (1,624,957) |
| Equity in net income for the year | **5,046,409,106** | 5,361,790,713 |
| Unrealized gain on sale of properties (Note 27) | **(152,019,006)** | (2,091,373,578) |
| Elimination of unrealized gain on sale of shares of stock to the Parent Company | **–** | (329,137,950) |
| Balance at end of year | **22,150,555,603** | 17,256,165,503 |
| **Dividends received** | | |
| Balance at beginning of year | **(4,179,308,171)** | (3,225,860,989) |
| Dividends received during the year | **(689,261,390)** | (953,447,182) |
| Balance at end of year | **(4,868,569,561)** | (4,179,308,171) |
| **Accumulated equity in other comprehensive income** | | |
| Balance at beginning of year | **(297,340,172)** | (296,833,943) |
| Equity in net unrealized gain on AFS investments for the year | **(890,788,761)** | (402,509,122) |
| Realized gain from sale of AFS investments of associates | **–** | 319,619,393 |
| Translation adjustments | **110,600,232** | (25,685,843) |
| Net unrealized loss on remeasurements of defined benefit plans | **(277,185,350)** | 108,069,343 |
| Balance at end of year | **(1,354,714,051)** | (297,340,172) |
| **Effect of elimination of intragroup profit** | | |
| Balance at beginning of year | **2,091,373,578** | – |
| Unrealized gain on sale of properties | **152,019,006** | 2,091,373,578 |
| Balance at end of year | **2,243,392,584** | 2,091,373,578 |
| | **₱51,573,785,956** | ₱39,994,616,085 |

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

| | 2015 | 2014 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **₱6,755,901,083** | ₱4,138,644,833 |
| Acquisitions/additional investments | **574,125,000** | 2,617,256,250 |
| Balance at end of year | **7,330,026,083** | 6,755,901,083 |
| **Accumulated equity in net income** | | |
| Balance at beginning of year | **1,228,274,268** | 747,432,110 |
| Equity in net income for the year | **721,672,497** | 480,842,158 |
| Balance at end of year | **1,949,946,765** | 1,228,274,268 |
| **Dividends received** | | |
| Balance at beginning of year | **(480,000,000)** | (240,000,000) |
| Dividends declared during the year | **(60,000,000)** | (240,000,000) |
| Balance at end of year | **(540,000,000)** | (480,000,000) |
| **Accumulated equity in other comprehensive income** | | |
| Balance at beginning of year | **(4,254,875)** | (4,254,875) |
| Equity in net unrealized gain on AFS investments for the year | **140,000** | – |
| Equity in net unrealized loss on remeasurements of defined benefit plans | **(5,830,279)** | – |
| Equity in cash flow hedge reserve | **4,201,060** | – |
| Balance at end of year | **(5,744,094)** | (4,254,875) |
| **Effect of elimination of intragroup profit** | | |
| Balance at beginning of year | **(43,117,850)** | – |
| Elimination during the year | **373,337** | (43,117,850) |
| Balance at end of year | **(42,744,513)** | (43,117,850) |
| | **₱8,691,484,241** | ₱7,456,802,626 |

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

| | Nature of Business | Country of Incorporation | Effective Ownership 2015 | Effective Ownership 2014 |
|---|---|---|---|---|
| **Associates:** | | | | |
| MBTC | Banking | Philippines | **25.22** | 25.11 |
| Phil AXA | Insurance | -do- | **25.33** | 25.33 |
| Crown Central Properties Corporation (CCPC) | Real estate | -do- | **48.00** | 48.00 |
| Global Luzon Energy Development Corporation (GLEDC) | Power | -do- | – | 49.00 |
| **Jointly controlled entities:** | | | | |
| Bonifacio Landmark Realty and Development Corporation (BLRDC) | Real estate | -do- | **70.00** | 70.00 |
| Federal Land Orix Corporation (FLOC) | -do- | -do- | **60.00** | 60.00 |
| TMBC | Automotive Operations | -do- | **60.00** | 60.00 |
| TFSPC | Financing | -do- | **40.00** | 40.00 |
| Alveo Federal Land Communities, Inc. (AFLCI) | Real estate | -do- | **50.00** | – |

As of December 31, 2014, GBPC owns 49.00% of GLEDC and accounted for GLEDC as an investment in associate. In July 2015, GBPC acquired the remaining 51.00% of GLEDC from Meralco PowerGen Corporation.

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

| | **2015** | 2014 |
|---|---|---|
| **Associates:** | | |
| MBTC | **₱50,221,572,144** | ₱38,918,728,635 |
| Phil AXA | **1,275,282,494** | 1,004,835,578 |
| CCPC | **76,931,318** | 71,051,872 |
| | **51,573,785,956** | 39,994,616,085 |
| **Jointly controlled entities:** | | |
| BLRDC | **4,279,282,121** | 3,922,244,544 |
| TFSPC | **2,641,677,369** | 2,430,126,977 |
| TMBC | **844,401,559** | 768,156,946 |
| FLOC | **351,998,192** | 336,274,159 |
| AFLCI | **574,125,000** | – |
| | **8,691,484,241** | 7,456,802,626 |
| | **₱60,265,270,197** | ₱47,451,418,711 |

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

| | **Declaration date** | **Per share** | **Total (in millions)** | **Record Date** | **Payment Date** |
|---|---|---|---|---|---|
| **2015** | | | | | |
| **MBTC** | **January 27, 2015** | **₱1.00** | **₱2,745** | **March 26, 2015** | **March 31, 2015** |
| **FLOC** | **December 11, 2015** | **0.18** | **100** | **December 31, 2015** | **February 1, 2016** |
| 2014 | | | | | |
| MBTC | March 26, 2014 | ₱1.00 | ₱2,745 | May 7, 2014 | May 16, 2014 |
| Phil AXA | October 23, 2014 | 89.10 | 1,043 | October 23, 2014 | November 26, 2014 |
| FLOC | December 17, 2014 | 0.73 | 400 | December 31, 2014 | January 31, 2015 |

Investment in AFLCI

On April 29, 2015, Fed Land and Alveo Land Corp. executed a joint venture agreement for the organization of a joint venture, Alveo-Federal Land Communities Inc. (AFLCI), to manage the development of a 45-hectare property along Laguna Boulevard in Biñan, Laguna. AFLCI was incorporated on June 16, 2015.

Investment in TFSPC

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

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

Investment in TMBC

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

On March 4, 2014, the Parent Company acquired 48.12 million common shares of TMBC from FMIC, a majority owned subsidiary of MBTC, for a total purchase price of ₱237.26 million. The acquisition represents 19.25% of TMBC’s outstanding capital stock and raised the Parent Company’s ownership interest in TMBC to 60.00%.

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

<u>Investment in BLRDC</u>
On June 8, 2012, Fed Land and ORIX Risingsun Properties, Inc. (ORIX) entered into a joint venture agreement for the creation of BLRDC, with Fed Land owning 70% and Orix owning 30% to develop three (3) main projects, namely (1) residential condominium project, (2) hotel/office building, and (3) operation of the hotel.

<u>Investment in FLOC</u>
On October 11, 2008, Fed Land also entered into a joint venture agreement with Orix for the organization of FLOC, to manage the development and selling of a certain real estate project for a 60% equity interest.

Fed Land does not exercise control at 70% of BLRDC and 60% of FLOC, but instead exercises joint control because Fed Land and Orix have contractually agreed to share control over the economic activities of BLRDC and FLOC.

<u>Investment in MBTC</u>
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 of 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%.

In 2011, FMIC, a majority owned subsidiary of MBTC participated in a bond exchange transaction under the liability management exercise of the Philippine government. The SEC granted an exemptive relief from the existing tainting rule on HTM investments under PAS 39, *Financial Instruments: Recognition and Measurement,* while the BSP also provided the same exemption for prudential reporting to the participants. Following the exemption granted, the 2015, 2014 and 2013 consolidated financial statements of MBTC have been prepared in compliance with Philippine GAAP. For the purpose of computing the Group's share in 2015, 2014 and 2013 net income and other comprehensive income of MBTC, certain adjustments were made in the Group's 2015, 2014 and 2013 consolidated financial statements to comply with PFRS.

The following tables present the financial information of the Group's associates and jointly controlled entities as of and for the years ended December 31, 2015 and 2014 (amounts in millions):

| | Associates | | Jointly Controlled Entities | | | | | |
|---|---|---|---|---|---|---|---|---|
| | MBTC** | Phil AXA** | CCPC | FLOC | BLRDC | TMBC | AFLCI | TFSPC** |
| **2015** | | | | | | | | |
| Current assets | | | **₱196** | **₱1,072** | **₱3,095** | **₱1,842** | **₱220** | |
| Noncurrent assets | | | **25** | **42** | **6,846** | **667** | **927** | |
| Total assets | **₱1,760,692** | **₱79,978** | **221** | **1,114** | **9,941** | **2,509** | **1147** | **₱44,278** |
| Current liabilities | | | **50** | **500** | **2,042** | **1,653** | **4** | |
| Noncurrent liabilities | | | **–** | **35** | **2,235** | **65** | **–** | |
| Total liabilities | **1,557,382** | **74,810** | **50** | **535** | **4,277** | **1,718** | **4** | **39,909** |
| Net assets | **₱203,310** | **₱5,168** | **₱171** | **₱579** | **₱5,664** | **₱791** | **₱1,143** | **₱4,369** |
| Revenues | **₱67,402** | **₱7,189** | **₱40** | **₱232** | **₱3,843** | **₱12,555** | **₱–** | **₱1,911** |
| Expenses | **41,931** | **5,264** | **24** | **58** | **3,047** | **12,328** | **–** | **1,180** |
| 2014 | | | | | | | | |
| Current assets | | | ₱199 | ₱1,669 | ₱6,186 | ₱1,846 | ₱– | |
| Noncurrent assets | | | 26 | 175 | 2,058 | 511 | – | |
| Total assets | ₱1,604,540 | ₱68,070 | 225 | 1,844 | 8,244 | 2,357 | – | ₱39,425 |
| Current liabilities | | | 67 | 1,057 | 1,991 | 1,645 | – | |
| Noncurrent liabilities | | | – | 234 | 1,099 | 52 | – | |
| Total liabilities | 1,445,755 | 63,983 | 67 | 1,291 | 3,090 | 1,697 | – | 35,582 |
| Net assets | ₱158,785 | ₱4,087 | ₱158 | ₱553 | ₱5,154 | ₱660 | ₱– | ₱3,843 |
| Revenues | ₱74,894 | ₱6,396 | ₱23 | ₱420 | ₱1,990 | ₱11,268 | ₱– | ₱2,434 |
| Expenses | 45,773 | 4,769 | 17 | 273 | 1,337 | 11,122 | – | 1,993 |

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

Fair Value of Investment in Associates and Jointly Controlled Entities
Phil AXA and CCPC as well as TMBC, BLRDC, FLOC and AFLCI are private companies and there are no quoted market prices available for their shares. As of December 31, 2015 and 2014, the fair value of the Group's investment in MBTC, which is listed on the PSE, amounted to ₱64.55 billion and ₱57.17 billion, respectively.

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

**Limitation on dividend declaration of associates and jointly controlled entities**
*Phil AXA*
Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

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

*MBTC*
The BSP requires banks to keep certain levels of regulatory capital and liquid assets, limit their exposures to other parts of the Group and comply with other regulatory ratios.

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

As of December 31, 2015 and 2014, there were no agreements entered into by the associates and jointly controlled entities of the Group that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group. MBTC's dividend declarations and payments are subject to the approval of BSP.

As of December 31, 2015 and 2014, accumulated equity in net earnings amounting to ₱18.69 billion and ₱13.83 billion, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

As of December 31, 2015 and 2014, the Group has no share on commitments and contingencies of its associates and jointly controlled entities.

## 9. **Investment Properties**

The composition and rollforward analysis of this account follow:

| | **December 31, 2015** | | | |
|---|---|---|---|---|
| | **Land and Improvements** | **Building and Improvements** | **Construction In Progress** | **Total** |
| **Cost** | | | | |
| At January 1 | **₱5,105,520,888** | **₱4,005,717,593** | **₱–** | **₱9,111,238,481** |
| Effect of business combination (Note 31) | **2,247,548,350** | **106,885,309** | **36,062,380** | **2,390,496,039** |
| Additions | **31,851,095** | **412,595,205** | **40,556,994** | **485,003,294** |
| Disposals | **(139,630,406)** | **–** | **–** | **(139,630,406)** |
| Reclassification | **(1,349,345,804)** | **326,067,232** | **840,501,604** | **(182,776,968)** |
| Transfers | **(535,036,622)** | **392,776,804** | **43,741,239** | **(98,518,579)** |
| At December 31 | **5,360,907,501** | **5,244,042,143** | **960,862,217** | **11,565,811,861** |
| **Accumulated Depreciation** | | | | |
| At January 1 | **62,091,557** | **406,518,002** | **–** | **468,609,559** |
| Depreciation (Note 11) | **4,766,775** | **186,998,014** | **–** | **191,764,789** |
| Reclassification | **–** | **108,321,182** | **–** | **108,321,182** |
| At December 31 | **66,858,332** | **701,837,198** | **–** | **768,695,530** |
| **Net Book Value at December 31** | **₱5,294,049,169** | **₱4,542,204,945** | **₱960,862,217** | **₱10,797,116,331** |

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

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱840.46 million, ₱764.49 million and ₱592.04 million in 2015, 2014 and 2013, respectively (Note 30).

Construction-in-progress pertains to the accumulated cost incurred for the development and redevelopment of the Fed Land's malls and is expected to be completed in 2016.

The depreciation of the investment properties amounted to ₱191.76 million, ₱74.55 million and ₱110.05 million in 2015, 2014 and 2013, respectively.

The aggregate fair value of the Group's investment properties amounted to ₱14.93 billion and ₱11.14 billion as of December 31, 2015 and 2014, respectively. The fair value of the Group's investment properties has been determined based on valuations performed by Asian Appraisal Company (AAC) and Philippine Appraisal Co. Inc. (PACI), independent appraisers which are accredited by the SEC. 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 AAC in 2014 and PACI in 2015.

## 10. Available-for-sale Investments

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Equity securities | | |
| Quoted | **₱2,714,224,654** | ₱2,549,232,004 |
| Unquoted | **480,598,603** | 480,655,253 |
| Quoted debt securities* | **–** | 1,096,992,874 |
| | **₱3,194,823,257** | ₱4,126,880,131 |

**2015 balance was reclassified to 'Assets of disposal group classified as held-for-sale' (Note 12).*

Unquoted AFS investments are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value.

Unquoted AFS investments in Toyota Autoparts Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounted to ₱466.20 million as of December 31, 2015 and 2014. Also included in the balance are AFS investments of Fed Land and TCI amounting to ₱9.94 million and ₱0.39 million, respectively.

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

Quoted debt securities follow:

| | 2014 |
|---|---|
| Government debt securities | ₱780,975,000 |
| Private debt securities | 316,017,874 |
| | ₱1,096,992,874 |

In 2015, quoted debt securities were reclassified to 'Assets of disposal group classified as held-for-sale' (Note 12).

Movements in the net unrealized gain on AFS investments follow:

| | **2015** | | |
|---|---|---|---|
| | **Attributable to Parent Company** | **Non-controlling Interest** | **Total** |
| Balance at beginning of year | **₱618,360,689** | **₱532,606,887** | **₱1,150,967,576** |
| Effect of business combination | **(132,171)** | **(450,594)** | **(582,765)** |
| Net changes shown in other comprehensive income | | | |
| Fair value changes on AFS investments* | **204,992,554** | **197,171,016** | **402,163,570** |
| Realized gain on sale on AFS investments | **(17,679,247)** | **–** | **(17,679,247)** |
| Effect of disposal group classified as held-for-sale (Note 12) | **17,868,115** | **–** | **17,868,115** |
| Balance at end of year | **₱823,409,940** | **₱729,327,309** | **₱1,552,737,249** |

**Includes unrealized loss from disposal group classified as held-for-sale amounting to ₱30.14 million.*

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

**Includes unrealized gain from disposal group classified as held-for-sale amounting to ₱43.09 million.*

## 11. Property and Equipment

The composition and rollforward analysis of this account follow:

**2015**

| | Transportation Equipment | Furniture, Fixtures and Equipment | Leasehold Improvements | Machinery, Tools and Equipment | Land and Building | Boilers and Powerhouse | Turbine Generations and Desox System | Building and Land Improvements | Electrical Distribution System | Other Property and Equipment | Construction-in-Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | |
| At January 1 | **₱367,100,782** | **₱399,513,044** | **₱559,433,324** | **₱3,278,351,072** | **₱1,705,341,775** | **₱19,839,582,467** | **₱9,982,489,926** | **₱5,564,437,457** | **₱3,171,229,653** | **₱3,827,379,886** | **₱2,318,032,261** | **₱51,012,891,647** |
| Effect of business combination (Note 31) | **18,064,068** | **130,061,274** | **6,138,328** | **122,074,096** | **55,570,140** | **–** | **–** | **381,196,243** | **–** | **–** | **–** | **713,104,149** |
| Reclassification to assets of disposal group classified as held-for-sale (Note 12) | **(64,026,825)** | **(39,986,659)** | **(173,479,347)** | **–** | **–** | **–** | **–** | **(182,062,181)** | **–** | **–** | **–** | **(459,555,012)** |
| Additions | **55,426,028** | **73,424,268** | **65,469,653** | **55,160,037** | **93,903,986** | **16,164,934** | **–** | **72,926,844** | **–** | **65,038,425** | **9,456,021,863** | **9,953,536,038** |
| Disposals and reclassifications | **22,744,815** | **(102,552,045)** | **(144,687,121)** | **4,847,515** | **22,882,625** | **(5,487,983,048)** | **1,670,754,127** | **930,906,465** | **(797,812)** | **3,737,171,205** | **(1,467,694,681)** | **(814,407,955)** |
| At December 31 | **399,308,868** | **460,459,882** | **312,874,837** | **3,460,432,720** | **1,877,698,526** | **14,367,764,353** | **11,653,244,053** | **6,767,404,828** | **3,170,431,841** | **7,629,589,516** | **10,306,359,443** | **60,405,568,867** |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | | | |
| At January 1 | **137,321,143** | **230,235,682** | **332,398,699** | **308,398,339** | **22,072,262** | **3,122,501,724** | **489,458,144** | **513,521,051** | **303,791,426** | **752,465,244** | **–** | **6,212,163,714** |
| Reclassification to assets of disposal group classified as held-for-sale (Note 12) | **(43,872,862)** | **(30,270,747)** | **(123,882,844)** | **–** | **–** | **–** | **–** | **(43,956,990)** | **–** | **–** | **–** | **(241,983,443)** |
| Depreciation and amortization | **166,108,762** | **86,484,620** | **44,861,124** | **201,604,826** | **7,729,514** | **1,311,753,566** | **101,217,935** | **208,762,766** | **119,644,134** | **493,449,259** | **–** | **2,741,616,506** |
| Disposals and reclassifications | **(95,367,417)** | **(53,435,054)** | **(163,919,321)** | **17,114,964** | **–** | **(1,380,966)** | **(10,852,392)** | **41,851** | **–** | **29,811,739** | **–** | **(277,986,596)** |
| At December 31 | **164,189,626** | **233,014,501** | **89,457,658** | **527,118,129** | **29,801,776** | **4,432,874,324** | **579,823,687** | **678,368,678** | **423,435,560** | **1,275,726,242** | **–** | **8,433,810,181** |
| **Net Book Value at December 31** | **₱235,119,242** | **₱227,445,381** | **₱223,417,179** | **₱2,933,314,591** | **₱1,847,896,750** | **₱9,934,890,029** | **₱11,073,420,366** | **₱6,089,036,150** | **₱2,746,996,281** | **₱6,353,863,274** | **₱10,306,359,443** | **₱51,971,758,686** |

2014

| | Transportation Equipment | Furniture, Fixtures and Equipment | Leasehold Improvements | Machinery, Tools and Equipment | Land and Building | Boilers and Powerhouse | Turbine Generations and Desox System | Building and Land Improvements | Electrical Distribution System | Other Property and Equipment | Construction-in-Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | | | | |
| At January 1 | ₱334,291,177 | ₱273,297,816 | ₱509,458,860 | ₱3,052,220,271 | ₱1,633,060,925 | ₱11,671,118,365 | ₱9,930,393,331 | ₱5,153,731,419 | ₱3,187,686,385 | ₱3,031,851,009 | ₱5,963,349,748 | ₱44,740,459,306 |
| Effect of business combination (Note 31) | 19,068,940 | 49,514,221 | – | 33,495,253 | – | – | – | 234,728,520 | – | – | – | 336,806,934 |
| Additions | 145,788,919 | 98,064,158 | 49,843,103 | 94,186,694 | 72,280,850 | 89,026,099 | – | 86,363,884 | 2,583,527 | 717,419,686 | 5,307,938,470 | 6,663,495,390 |
| Disposals and reclassifications | (132,048,254) | (21,363,151) | 131,361 | 98,448,854 | – | 8,079,438,003 | 52,096,595 | 89,613,634 | (19,040,259) | 78,109,191 | (8,953,255,957) | (727,869,983) |
| At December 31 | 367,100,782 | 399,513,044 | 559,433,324 | 3,278,351,072 | 1,705,341,775 | 19,839,582,467 | 9,982,489,926 | 5,564,437,457 | 3,171,229,653 | 3,827,379,886 | 2,318,032,261 | 51,012,891,647 |
| Accumulated Depreciation and Amortization | | | | | | | | | | | | |
| At January 1 | 96,103,353 | 147,463,089 | 277,534,666 | 142,543,080 | 14,400,934 | 1,765,429,020 | 368,227,707 | 252,223,055 | 187,461,732 | 325,644,689 | – | 3,577,031,325 |
| Effect of business combination (Note 31) | 10,786,815 | 44,397,823 | – | 23,565,900 | – | – | – | 56,828,812 | – | – | – | 135,579,350 |
| Depreciation and amortization | 119,111,900 | 53,186,760 | 54,885,382 | 142,290,596 | 7,671,328 | 1,367,207,304 | 121,230,437 | 203,705,470 | 120,524,759 | 452,880,560 | – | 2,642,694,496 |
| Disposals and reclassifications | (88,680,925) | (14,811,990) | (21,349) | (1,237) | – | (10,134,600) | – | 763,714 | (4,195,065) | (26,060,005) | – | (143,141,457) |
| At December 31 | 137,321,143 | 230,235,682 | 332,398,699 | 308,398,339 | 22,072,262 | 3,122,501,724 | 489,458,144 | 513,521,051 | 303,791,426 | 752,465,244 | – | 6,212,163,714 |
| Net Book Value at December 31 | ₱229,779,639 | ₱169,277,362 | ₱227,034,625 | ₱2,969,952,733 | ₱1,683,269,513 | ₱16,717,080,743 | ₱9,493,031,782 | ₱5,050,916,406 | ₱2,867,438,227 | ₱3,074,914,642 | ₱2,318,032,261 | ₱44,800,727,933 |

The property and equipment of CEDC, property and equipment of TPC (except TPC1A's construction in progress), and the property and equipment (except non-utility assets) of PPC and PEDC, with aggregate carrying value of ₱45.08 billion and ₱39.18 billion as of December 31, 2015 and 2014, respectively, have been mortgaged/pledged as security for their long-term debt (Note 17).

Construction-in-progress pertains to the accumulated cost incurred for the PEDC Unit 3 Expansion project which started in 2014 and is expected to be completed in 2016.

Gain on disposal of property and equipment amounted to ₱29.61 million, ₱90.17 million and ₱15.81 million in 2015, 2014 and 2013, respectively (Note 23).

Fully depreciated boilers and powerhouse, buildings and land improvements and other property and equipment with cost of ₱2,810.45 million and ₱701.41 million, as of December 31, 2015 and 2014, respectively, are still being used in the Group's operations.

Details of depreciation and amortization follow:

| | **2015** | 2014 (As restated - Note 12) | 2013 (As restated - Note 12) |
|---|---|---|---|
| Continuing operations | | | |
| Property and equipment | **₱2,721,413,446** | ₱2,610,811,165 | ₱2,256,124,755 |
| Intangible assets (Note 13) | **480,301,773** | 485,767,088 | 485,318,762 |
| Investment properties (Note 9) | **191,764,789** | 74,546,087 | 110,046,229 |
| | **3,393,480,008** | 3,171,124,340 | 2,851,489,746 |
| Depreciation and amortization attributable to disposal group | | | |
| Property and equipment | **20,203,060** | 31,883,331 | 5,722,191 |
| Intangible assets (Note 13) | **68,453** | 68,452 | 62,748 |
| | **20,271,513** | 31,951,783 | 5,784,939 |
| | **₱3,413,751,521** | ₱3,203,076,123 | ₱2,857,274,685 |

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

| | **2015** | 2014 (As restated-Note12) | 2013 (As restated-Note12) |
|---|---|---|---|
| Power plant operation and maintenance expenses (Note 24) | **₱1,751,893,222** | ₱1,756,195,944 | ₱1,678,551,135 |
| Cost of goods manufactured | **569,539,010** | 388,080,484 | 234,483,648 |
| Cost of rental (Notes 30) | **182,899,349** | 172,061,483 | 73,281,106 |
| Cost of goods and services | **36,951,693** | – | – |
| General and administrative expenses (Note 26) | **852,196,734** | 854,786,429 | 865,173,857 |
| Attributable to disposal group classified as held-for-sale (Note 12) | **20,271,513** | 31,951,783 | 5,784,939 |
| | **₱3,413,751,521** | ₱3,203,076,123 | ₱2,857,274,685 |

## 12. Assets and Liabilities of Disposal Group Classified as Held-for-Sale

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 is expected to be completed in 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 statement of financial position.

In the 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 consolidated statement of income. Accordingly, the consolidated statements of income for the years ended December 31, 2015, 2014 and 2013 have been restated to present the results of operation of Charter Ping An as 'Net income from disposal group'.

The results of operation of Charter Ping An are presented below:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Net premiums earned (Note 16) | **₱1,996,263,343** | ₱1,751,355,937 | ₱504,585,415 |
| Interest income | **78,891,684** | 75,449,477 | 16,252,443 |
| Commission income | **159,133,505** | 133,019,788 | 25,394,380 |
| Finance and other income | **109,724,955** | 57,450,822 | 17,868,954 |
| **Revenue** | **2,344,013,487** | 2,017,276,024 | 564,101,192 |
| Net insurance benefits and claims (Note 16) | **1,122,199,686** | 784,238,933 | 289,524,812 |
| General and administrative expenses | **1,155,431,446** | 1,102,953,474 | 235,938,917 |
| Interest expense | **775,004** | 651,206 | 420,345 |
| **Cost and expenses** | **2,278,406,136** | 1,887,843,613 | 525,884,074 |
| **Income before income tax** | **65,607,351** | 129,432,411 | 38,217,118 |
| **Provision for income tax** | **15,906,313** | 29,896,019 | 3,640,338 |
| **Net income** | **₱49,701,038** | ₱99,536,392 | ₱34,576,780 |

The major classes of assets and liabilities classified as held-for-sale as of December 31, 2015 are as follows:

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱894,454,998 |
| Short term investments | 2,000,000 |
| Receivables | 1,823,768,085 |
| Reinsurance assets (Note 16) | 2,874,865,274 |
| Deferred acquisition cost | 358,712,921 |
| Prepayments and other current assets | 67,389,990 |

*(Forward)*

| | |
|---|---|
| Available-for-sale investments | ₱1,587,785,607 |
| Property and equipment | 217,571,569 |
| Intangible assets | 5,704 |
| Goodwill (Note 13) | 554,153,981 |
| Deferred tax assets | 46,916,242 |
| Other noncurrent assets | 6,671,900 |
| Assets of disposal group classified as held-for-sale | ₱8,434,296,271 |
| **Liabilities** | |
| Accounts and other payables | ₱1,089,578,412 |
| Insurance contract liabilities (Note 16) | 5,051,715,854 |
| Other current liabilities | 143,037,156 |
| Pension liability (Note 28) | 126,972,330 |
| Deferred tax liabilities | 32,459,682 |
| Liabilities of disposal group classified as held-for-sale | 6,443,763,434 |
| Net assets directly associated with disposal group | ₱1,990,532,837 |

| | |
|---|---|
| **Reserve of disposal group classified as held-for-sale** | |
| Net unrealized loss on AFS investments | (₱17,868,115) |
| Net unrealized loss on remeasurement of defined benefit plan | (57,104,201) |
| | (₱74,972,316) |

The net cash flows directly associated with the disposal group are as follows (in millions):

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| **The net cash flows directly associated with disposal group:** | | | |
| Operating | **₱520** | (₱278) | ₱282 |
| Investing | **(225)** | 13 | (137) |
| **Net cash inflow (outflow)** | **₱295** | (₱265) | ₱145 |

The earnings per share attributable to equity holders of the Parent Company from disposal group for the years ended December 31, 2015, 2014 and 2013 were computed as follows:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Net income attributable to equity holders of the Parent Company from disposal group | **₱49,701,038** | ₱94,636,070 | ₱25,726,580 |
| Weighted average number of shares | **174,297,500** | 174,300,000 | 173,853,425 |
| | **₱0.29** | ₱0.54 | ₱0.15 |

## 13. **Goodwill and Intangible Assets**

Goodwill and intangible assets consist of:

| | **2015** | 2014 |
|---|---|---|
| Power purchase agreements – net | **₱7,258,875,886** | ₱7,721,413,554 |
| Goodwill (Note 31) | **5,740,999,997** | 6,179,724,903 |
| Customer relationship | **3,883,238,361** | 3,883,238,361 |
| Software costs – net | **115,146,102** | 19,816,621 |
| Franchise – net | **2,167,500** | 1,367,500 |
| | **₱17,000,427,846** | ₱17,805,560,939 |

Goodwill

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

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

| | **2015** | | | | | |
|---|---|---|---|---|---|---|
| | **Toyota** | **Ping An** | **THC** | **TCI** | **PCFI** | **Total** |
| Cost | | | | | | |
| Balances at beginning of year | **₱5,596,956,193** | **₱554,153,981** | **₱24,201,028** | **₱4,413,701** | **₱–** | **₱6,179,724,903** |
| Reclassification to asset of disposal group classified as held-for-sale (Note 12) | **–** | **(554,153,981)** | **–** | **–** | **–** | **(554,153,981)** |
| Additions through business combinations (Note 31) | **–** | **–** | **–** | **–** | **115,429,075** | **115,429,075** |
| Balances at end of year | **₱5,596,956,193** | **₱–** | **₱24,201,028** | **₱4,413,701** | **₱ 115,429,075** | **₱5,740,999,997** |

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

*Toyota*

The recoverable amount of Toyota CGU was based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections in 2015 is 11.00%. Cash flows beyond the four-year period are extrapolated using a steady growth rate of 3.30%. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2015. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

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

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

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

*Charter Ping An*
As of December 31, 2015, goodwill arising from the acquisition of Charter Ping An amounting to ₱554.15 million is included in ‘Assets of disposal group classified as held-for-sale’ (Note 12). The recoverable amount of the Charter Ping An CGU is based on the agreed selling price of ₱2.30 billion. The carrying value of Ping An CGU amounted to ₱1.99 billion as of December 31, 2015. No impairment loss was recognized on the goodwill arising from the acquisition of Ping An.

*PCFI*
As of December 31, 2015, goodwill arising from the acquisition of PCFI was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair values of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the said acquisition (Note 31).

The recoverable amount of PCFI CGU was based on value in use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 8.92%. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.00%. The carrying value of goodwill amounted to ₱115.43 million as of December 31, 2015. No impairment loss was recognized on the goodwill arising from the acquisition of PCFI.

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

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

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

- Pre-tax discount rate is greater than 9.52%;
- Discounted free cash flows to equity decreased by more than 10.22%; or
- Growth rate is less than 2.28%.

Power Purchase Agreements

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

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

| | **2015** | 2014 |
|---|---|---|
| Balance at beginning of year | **₱7,721,413,554** | ₱8,199,068,543 |
| Amortization | **(462,537,668)** | (477,654,989) |
| Balance at end of year | **₱7,258,875,886** | ₱7,721,413,554 |

Customer Relationship

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

The recoverable amount of the customer relationship of the Group was based on value-in-use calculations using earnings projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to earnings projections is 11.00%. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 3.30%. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2015 and 2014, respectively. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

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

- Attrition rate – Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- EBIT margin on key customers – A 8.00% EBIT margin was used in projecting the net operating profit on sales to key customers for the four-year period; and
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

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

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

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

| | **2015** | 2014 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **₱70,257,865** | ₱58,291,141 |
| Additions | **27,524,732** | 11,966,724 |
| Effect of business combination | **15,962,797** | – |
| Reclassification to assets of disposal group classified as held-for-sale (Note 12) | **(74,157)** | – |
| Reclassifications | **72,004,948** | – |
| | **185,676,185** | 70,257,865 |
| **Accumulated Amortization** | | |
| Balance at beginning of year | **50,441,244** | 42,476,526 |
| Amortization (Note 11) | **17,572,558** | 7,964,718 |
| Disposal/reclassification | **2,584,734** | – |
| Reclassification to assets of disposal group classified as held-for-sale (Note 12) | **(68,453)** | – |
| | **70,530,083** | 50,441,244 |
| **Net Book Value** | **₱115,146,102** | ₱19,816,621 |

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

The amortization of the franchise fee amounting to ₱0.26 million, ₱0.22 million and ₱0.12 million in 2015, 2014 and 2013, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).

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

| | **2015** | 2014 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of year | **₱2,500,000** | ₱2,500,000 |
| Additions | **1,060,000** | – |
| | **3,560,000** | 2,500,000 |
| **Accumulated Amortization** | | |
| Balance at beginning of year | **1,132,500** | 916,667 |
| Amortization (Note 11) | **260,000** | 215,833 |
| | **1,392,500** | 1,132,500 |
| **Net Book Value** | **₱2,167,500** | ₱1,367,500 |

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Power purchase agreements | **₱462,537,668** | ₱477,654,989 | ₱477,654,989 |
| Software cost | **17,572,558** | 7,964,720 | 7,609,854 |
| Franchise | **260,000** | 215,833 | 116,667 |
| | **₱480,370,226** | ₱485,835,542 | ₱485,381,510 |

## 14. **Other Noncurrent Assets**

This account consists of:

| | 2015 | 2014 |
|---|---|---|
| Deferred input VAT | **₱504,933,595** | ₱413,877,968 |
| Rental and other deposits | **479,359,010** | 342,836,340 |
| Escrow fund (Note 27) | **48,267,000** | – |
| Retirement asset (Note 28) | **5,070,843** | 3,519,970 |
| Others | **3,177,081** | 20,123,251 |
| | **1,040,807,529** | 780,357,529 |
| Less: Allowance for impairment losses on deferred input VAT | **(162,614,634)** | (146,291,899) |
| | **₱878,192,895** | ₱634,065,630 |

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

Escrow fund represents the agreed deposit of PCFI to MBTC – Trust Banking Group (Escrow agent) which is equivalent to 20.00% of the approved loan or credit accommodations granted to the former by MBTC.

The rollforward analysis of allowance for impairment losses on deferred input VAT follows:

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | **₱146,291,899** | ₱146,291,899 |
| Provision (Note 26) | **25,087,285** | – |
| Write-off | **(8,764,550)** | – |
| | **₱162,614,634** | ₱146,291,899 |

## 15. **Accounts and Other Payables**

This account consists of:

| | 2015 | 2014 |
|---|---|---|
| Trade payables | **₱6,794,030,275** | ₱6,853,201,261 |
| Telegraphic transfers and drafts and acceptances payable | **6,237,244,731** | 4,321,184,608 |
| Accrued expenses | **2,696,201,111** | 2,646,062,341 |
| Deferred output tax | **2,183,581,055** | 2,003,009,515 |
| Accrued interest payable | **827,323,997** | 604,933,456 |
| Provision for other expenses | **637,618,282** | 625,464,358 |
| Accrued commissions | **669,624,743** | 486,037,865 |
| Customer advances | **398,234,883** | 293,691,646 |
| Retentions payable | **345,292,816** | 100,150,602 |
| Royalty payable | **302,824,383** | 289,718,824 |
| Documentation and processing fee payable | **277,653,553** | – |
| Payable for customer's refund | **110,406,848** | – |

*(Forward)*

| | 2015 | 2014 |
|---|---|---|
| Due to landowners | **₱106,563,180** | ₱– |
| Nontrade payables | **89,996,195** | – |
| Insurance payable* | – | 433,111,602 |
| Others | **730,274,331** | 623,400,420 |
| | **₱22,406,870,383** | ₱19,279,966,498 |

**2015 balance was reclassified to 'Liabilities of disposal group classified as held-for-sale (Note 12).*

The details of trade payables are as follows:

| | 2015 | 2014 |
|---|---|---|
| Automotive | **₱2,695,661,549** | ₱2,591,371,061 |
| Power | **2,319,198,925** | 2,154,470,280 |
| Real estate | **1,570,803,108** | 1,888,084,213 |
| Insurance* | – | 217,451,725 |
| Others | **638,021** | 1,823,982 |
| | **₱6,586,301,603** | ₱6,853,201,261 |

**2015 balance was reclassified to 'Liabilities of disposal group classified as held-for-sale' (Note 12).*

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

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

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

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

The details of accrued expenses are as follows:

| | 2015 | 2014 |
|---|---|---|
| Dealers' incentives, supports and promotions | **₱1,277,615,764** | ₱1,235,340,678 |
| Employee benefits | **442,427,748** | 397,801,801 |
| Importation costs | **174,720,365** | 174,720,365 |
| Utilities and services | **113,807,586** | 134,739,841 |
| Freight, handling and transportation | **75,931,384** | 62,047,375 |
| Regulatory fees and charges | **30,135,516** | 115,940,888 |
| Management and marketing fees | **14,737,000** | 6,624,497 |
| Professional fees | **6,442,796** | 8,229,196 |
| Taxes | **897,291** | 60,000,000 |
| Rent | **–** | 12,162,000 |
| Others | **559,485,661** | 438,455,700 |
| | **₱2,696,201,111** | ₱2,646,062,341 |

Accrued expenses are noninterest-bearing and are normally settled within a fifteen (15) to sixty (60) day term.

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

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

Accrued interest payables are normally settled within a 15 to 60 day term.

Provision for other expenses pertains to liabilities with uncertain amount or timing of actual disbursement. These include regulatory fees, management incentives and other charges which payment is probable and the amount is estimable as of reporting date. The Management reassesses their estimates on an annual basis to determine the reasonableness of provision. Disclosure of information usually required by PAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are not provided because of reasons permitted under paragraph 92 of PAS 37. Accordingly, general descriptions are provided.

Accrued commissions are settled within one (1) year.

Customer advances pertain to payments received from buyers for the processing of transfer of units upon turnover.

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

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

Due to land owners represents liabilities to various real estate property sellers. These are noninterest-bearing and will be settled within one year.

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

## 16. Insurance Contract Liabilities

Insurance contract liabilities as of December 31, 2015 is included under 'Liabilities of disposal group classified as held-for-sale'.

Insurance contract liabilities as of December 31, 2015 and 2014 may be analyzed as follows:

| | **2015** | | |
|---|---|---|---|
| | **Insurance Contract Liabilities** | **Reinsurers' Share of Liabilities** | **Net** |
| Provision for claims reported and loss adjustment expenses | **₱2,907,215,313** | **₱2,113,208,350** | **₱794,006,963** |
| Provision for IBNR | **43,388,395** | **–** | **43,388,395** |
| **Total claims reported and IBNR** | **2,950,603,708** | **2,113,208,350** | **837,395,358** |
| Provision for unearned premiums | **2,101,112,146** | **761,656,924** | **1,339,455,222** |
| **Total insurance contract liabilities** | **₱5,051,715,854** | **₱2,874,865,274** | **₱2,176,850,580** |

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

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

| | **2015** | | |
|---|---|---|---|
| | **Insurance Contract Liabilities** | **Reinsurers' Share of Liabilities** | **Net** |
| At January 1 | **₱3,678,296,663** | **₱3,069,881,873** | **₱608,414,790** |
| Claims incurred during the year | **1,453,691,832** | **334,880,541** | **1,118,811,291** |
| Increase in IBNR | **3,388,395** | **–** | **3,388,395** |
| Claims paid during the year | **(2,184,773,182)** | **(1,291,554,064)** | **(893,219,118)** |
| | **₱2,950,603,708** | **₱2,113,208,350** | **₱837,395,358** |

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

Provision for unearned premiums may be analyzed as follows:

| | **2015** | | |
|---|---|---|---|
| | **Insurance Contract Liabilities** | **Reinsurers' Share of Liabilities** | **Net** |
| At January 1 | **₱1,986,736,740** | **₱809,518,104** | **₱1,177,218,636** |
| New policies written during the year | **4,114,129,974** | **1,955,511,500** | **2,158,618,474** |
| Premiums earned during the year | **(3,999,754,568)** | **(2,003,372,680)** | **(1,996,381,888)** |
| | **₱2,101,112,146** | **₱761,656,924** | **₱1,339,455,222** |

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

In addition, reinsurance assets consist of the following:

| | **2015** | 2014 |
|---|---|---|
| Reinsurance recoverable on unpaid losses | **₱2,113,208,350** | ₱3,069,881,873 |
| Deferred reinsurance premiums | **761,656,924** | 809,518,104 |
| | **₱2,874,865,274** | ₱3,879,399,977 |

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

This account consist of:

| | **2015** | | | | | |
|---|---|---|---|---|---|---|
| | | **Long-term debt** | | | | |
| | **Short-term debt** | **Corporate notes** | **Loans payable** | **Subtotal** | **Bonds payable** | **Total** |
| Parent Company | **₱–** | **₱–** | **₱25,000,000,000** | **₱25,000,000,000** | **₱21,980,000,000** | **₱46,980,000,000** |
| Fed Land Group | **740,000,000** | **4,950,000,000** | **12,395,000,000** | **17,345,000,000** | **–** | **18,085,000,000** |
| PCFI | **4,500,000,000** | **–** | **11,206,662,621** | **11,206,662,621** | **–** | **15,706,662,621** |
| Toyota Group | **1,532,000,000** | **–** | **243,817,537** | **243,817,537** | **–** | **1,775,817,537** |
| GBPC Group | **–** | **–** | **35,545,585,586** | **35,545,585,586** | **–** | **35,545,585,586** |
| TCI | **546,000,000** | **–** | **–** | **–** | **–** | **546,000,000** |
| | **7,318,000,000** | **4,950,000,000** | **84,391,065,744** | **89,341,065,744** | **21,980,000,000** | **118,639,065,744** |
| Less: Deferred financing cost | **–** | **–** | **563,062,482** | **563,062,482** | **179,166,177** | **742,228,659** |
| | **7,318,000,000** | **4,950,000,000** | **83,828,003,262** | **88,778,003,262** | **21,800,833,823** | **117,896,837,085** |
| Less: Current portion of long-term debt | **–** | **25,000,000** | **6,731,701,861** | **6,756,701,861** | **–** | **6,756,701,861** |
| | **₱7,318,000,000** | **₱4,925,000,000** | **₱77,096,301,401** | **₱82,021,301,401** | **₱21,800,833,823** | **₱111,140,135,224** |

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

*Short-term debt*

Fed Land Group Short-Term Loans

These are unsecured short-term borrowings over sixty (60) to one hundred eighty (180) day terms obtained from non-affiliated local banks for Fed Land Group's working capital requirements with interest rates ranging from 3.00% to 4.00% and 3.50% to 5.50% in 2015 and 2014, respectively.

PCFI Group Short-Term Loans

These are unsecured short-term borrowings with terms of one (1) year or less for PCFI Group's working capital requirements with interest rates ranging from 3.75% to 4.30% in 2015. Short-term loans amounting to ₱3.50 billion were obtained from various non-affiliated local banks while the remaining ₱1.00 billion was obtained from an affiliated local bank.

Toyota Group Short-Term Loans

These are unsecured short-term loans obtained from various non-affiliated local banks for Toyota Group's working capital requirements with terms of one (1) year or less and bears annual fixed interest rates ranging from 2.55% to 2.90% and 2.90% to 3.50% in 2015 and 2014, respectively.

TCI Short-Term Loans

These are unsecured short-term borrowings over 90 to 120 day terms obtained from various non-affiliated local banks to finance the working capital requirements with interest ranging from 2.50% to 3.75% and 2.72% to 3.00% in 2015 and 2014, respectively.

Interest expense charged to operations from the above-mentioned short-term loans amounted to ₱70.23 million and ₱63.12 million in 2015 and 2014, respectively. Interest expense capitalized amounted to ₱15.17 million and ₱1.69 million in 2015 and 2014, respectively.

*Fed Land- Corporate Notes*

₱6.60 Billion Corporate Notes

On March 18, 2011, Fed Land entered into a Notes Facility Agreement ("Corporate Notes") with various institutions whereby Fed Land issued ₱6.60 billion worth of fixed rate notes payable in five (5) years with 7.10% interest per annum to finance ongoing projects, working capital and general corporate purposes. FMIC and MBTC – Trust Banking Group were the 'Notes Facility Agent'. On December 22, 2014, Fed Land prepaid the ₱6.60 billion Corporate Notes and paid pre-termination fees of ₱42.68 million.

₱5.0 Billion Corporate Notes

On June 24, 2013, the BOD of Fed Land authorized Fed Land to issue, offer and sell peso denominated fixed rate Corporate Notes at a principal amount of ₱3.00 billion to ₱5.00 billion subject to an over subscription option. On July 5, 2013, the Group issued ₱4.00 billion notes with 5.57% interest per annum maturing on July 5, 2020 and an additional ₱1.00 billion notes with

6.27% interest per annum maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2015 and 2014, outstanding balance amounted to ₱4.95 billion and ₱4.98 billion, respectively. As of December 31, 2015 and 2014, the current portion amounting to ₱25.00 million is presented as a current liability.

The agreements covering the above mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization. As of December 31, 2015 and 2014, the Group has complied with the loan covenants.

Interest expenses charged to operations amounted to nil and ₱216.82 million in 2015 and 2014, respectively. Interest expense capitalized amounted to ₱288.85 million and nil in 2015 and 2014, respectively.

*Long-term Loans*

Parent Company Long-Term Loans

In 2015, the Parent Company obtained long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 5.05% to 5.93%, various terms ranging from ten (10) to 13 years and maturity dates ranging from 2025 to 2028. As of December 31, 2015, the carrying value of these long-term loans payable amounted to ₱24.88 billion, net of unamortized deferred financing cost of ₱0.12 billion. Deferred financing cost pertain to the documentary stamp tax incurred on said loans.

Total interest expense incurred in 2015 from the above-mentioned loans payable amounted to ₱573.53 million.

Fed Land Long-Term Loans

On May 12, 2015, Fed Land availed of an unsecured loan from a non-affiliated local bank amounting to ₱2.20 billion with a term of five (5) years and with fixed interest rate of 5.05%. Principal payment of the loan will start on December 31, 2020 to 2024 at the amount of ₱176.00 million per year and the remaining balance will be paid on maturity date.

On September 1, 2015, Fed Land availed of an unsecured loan from a non-affiliated local bank amounting to ₱800.00 million with a term of twenty (20) years and fixed interest rate of 6.07%. The loan will be paid in full on maturity date.

On September 3, 2015, Fed Land availed of an unsecured loan from a non-affiliated local bank amounting to ₱200.00 million with a term of five (5) years and fixed interest rate of 5.00%. The loan will be paid in full on maturity date.

On September 24, 2015, HLPDC availed of an unsecured loan from a non-affiliated local bank amounting to ₱335.00 million with a term of five (5) years and fixed interest rate of 5.00%. The loan will be paid in full on maturity date.

On October 1, 2015, Fed Land availed of an unsecured loan from a non-affiliated local bank amounting to ₱140.00 million with a term of five (5) years and fixed interest rate of 5.00%. The loan will be paid in full on maturity date.

On October 31, 2015, Fed Land availed of an unsecured loan from a non-affiliated local bank amounting to ₱120.00 million with a term of five (5) years and fixed interest rate of 5.00%. The loan will be paid in full on maturity date.

On December 22, 2014, Fed Land obtained unsecured loans from various non-affiliated banks amounting to ₱6.60 billion. The loan will be paid as follows: ₱2,000.00 million payable in full after 10 years from drawdown date with fixed interest rate of 5.84% per annum; ₱1,500.00 million payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2,000.00 million payable at 40% quarterly payment starting at the end of 5th year and 60% on maturity date with fixed interest rate of 5.67% per annum; ₱1,100.00 payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on maturity date with fixed interest rate of 5.05% per annum.

On August 25, 2011, Fed Land obtained both partially secured and fully secured peso-denominated loans with an aggregate amount of ₱2,000.00 million from MBTC, an affiliate with interest at prevailing market rate ranging from 3.75% to 4% with spread of 85-100 basis point, payable in lump sum after five (5) years of on August 25, 2016. MBTC is an associate of the Parent. These loans are secured by Phil Exim Guarantee under Mortgage Participation Certificate.

Interest expenses charged to operations amounted to nil and ₱247.71 million, in 2015 and 2014 respectively. Interest expense capitalized from the above-mentioned loans payable amounted to ₱535.9 million and ₱319.93 million, in 2015 and 2014, respectively.

PCFI Long-Term Loans

In December 2015, PCFI entered into a ₱6.00 billion five (5)-year Loan Facility Agreement with a non-affiliated local bank, of which ₱1.00 billion, ₱1,500.00 million and ₱1,500.00 million were drawn on December 14, December 17 and December 28, respectively to fund permanent working capital requirements. The loan is payable in 36 quarters starting March 2017 and bears fixed rate of 6.00%.

In July 2015, PCFI issued ₱1.50 billion three (3)-year fixed notes to an affiliated local bank to fund maturing obligations and project development. The loan is payable at the end of the term and bears fixed rate of 5.29%.

In July 2015, PCFI issued ₱1.00 billion five (5)-year fixed notes to an affiliated local bank to fund maturing obligations and project development. The loan is payable at the end of the term and bears fixed rate of 6.20%.

In July 2015, PCFI issued ₱1.00 billion three (3)-year fixed notes to a non-affiliated local bank to fund maturing obligations and project development. The loan is payable at the end of the term and bears fixed rate of 5.29%.

In 2013, PCFI issued ₱2.00 billion five (5)-year fixed rate notes to a non-affiliated local bank, of which ₱0.50 billion, ₱0.75 billion, and ₱0.75 billion were drawn in January, March and May, respectively. The principal amount of these loans shall be payable in 16 quarterly installments commencing on fifth (5$^{th}$) quarter from the initial drawdown date which is on January 18, 2013. These notes bear fixed rate of 6.23% used to finance working capital for land development, house construction and land acquisition.

In January 2012, PCFI issued ₱3.00 billion five (5)-year fixed rate notes to non-affiliated local banks and a financial institution which will be used to fund the acquisition of real estate properties, finance project development and construction costs and fund other general corporate purposes. The notes are payable quarterly and bear fixed rate of 7.18%.

In March 2011, PCFI entered into a Notes Facility Agreement with FMIC whereby PCFI issued ₱1.50 billion five (5)-year fixed rate corporate notes to finance its general corporate operations including land banking. The note is payable in 20 quarterly installment commencing on March 2, 2011 with interest rate based on the latest PDST-F plus 2.50% plus gross receipts tax.

As of December 31, 2015, the unamortized deferred financing cost of the aforementioned loans payable amounted to ₱41.16 million.

Total interest expense incurred in 2015 from the aforementioned loans payable amounted to ₱86.87 million. Interest expense capitalized as part of real estate inventories amounted to ₱150.04 million.

Debt Covenants

The agreements covering the above mentioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; sustaining current ratio of 1.25 - 1.75; maintaining debt-to-equity financial ratio of 2.00; and entering into any partnership, merger, consolidation or reorganization.

These restrictions and requirements were complied with by the Group as of December 31, 2015.

*Loans payable - GBPC Group*

As of December 31, 2015 and 2014, this account comprised of GBPC Group's loans payable to the following entities:

| | **2015** | 2014 |
|---|---|---|
| CEDC | **₱10,928,350,933** | ₱12,502,573,122 |
| PEDC | **17,456,673,658** | 11,762,750,960 |
| TPC | **7,000,000,000** | 7,000,000,000 |
| PPC | **160,560,995** | 363,258,269 |
| | **35,545,585,586** | 31,628,582,351 |
| Less: Current portion | **2,914,435,342** | 3,035,558,380 |
| | **₱32,631,150,244** | ₱28,593,023,971 |

*CEDC, PEDC and TPC*

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

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

On March 26, 2015, PEDC entered into an Amended and Restated Omnibus Agreement (AROA) with various lenders for an additional aggregate principal amount of up to ₱11.00 billion (the Phase II Facility) to partially finance Panay expansion project, of which ₱7.00 billion has been drawn as of December 31, 2015. The AROA includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

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

According to the agreements entered by CEDC and PEDC, CEDC and PEDC are required to meet certain financial ratios, such as debt-to-equity ratio and core equity ratio. As of December 31, 2015 and 2014, CEDC, PEDC and TPC have complied with all the required financial ratios.

Interest expense incurred in connection with the aforementioned loans amounted to ₱1.05 billion and ₱1.18 billion in 2015 and 2014, respectively, for CEDC and ₱1.04 billion and ₱1.12 billion in 2015 and 2014, respectively, for PEDC.

Interest expense capitalized as part of construction cost of TPC1A amounted to ₱206.08 million and ₱183.45 million in 2015 and 2014, respectively. Interest expense charged to current operations amounted to ₱155.49 million in 2015.

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

As of December 31, 2015 and 2014, the movement of the deferred financing cost is as follows:

| | **2015** | 2014 |
|---|---:|---:|
| Balances at beginning of year | **₱264,509,767** | ₱310,872,934 |
| Additions | **180,744,708** | 851,250 |
| Amortization | **(44,388,459)** | (47,214,417) |
| Balances at end of year | **₱400,866,016** | ₱264,509,767 |

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

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

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

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

The Group is in compliance with the loan covenants as of December 31, 2015 and 2014.

*PPC*

MBTC Loans

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

As of December 31, 2015 and 2014, a portion of the long-term loan amounting to ₱42.86 million for both years which will mature within one (1) year from the reporting date is presented as current liability.

Interest charged to operations related to this loan amounted to ₱2.64 million and ₱3.64 million in 2015 and 2014, respectively.

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

As of December 31, 2015 and 2014, a portion of the long-term loan amounting to ₱115.39 million and ₱153.85 million maturing within one (1) year from the reporting date, respectively, are presented as current liability.

Interest charged to operations related to this loan amounted to ₱8.29 million and ₱11.33 million in 2015 and 2014, respectively.

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

As of December 31, 2015 and 2014, PPC has complied with the required financial ratios, (i.e. current ratio of 1:1).

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

| | **2015** | 2014 |
|---|---|---|
| CEDC | **₱15,121,796,285** | ₱15,870,893,826 |
| PEDC | **12,385,868,223** | 12,869,169,047 |
| PEDC3 | **8,251,446,359** | – |
| TPC1A | **8,304,417,186** | 8,243,494,667 |
| PPC | **1,015,463,446** | 2,196,931,639 |
| | **₱45,078,991,499** | ₱39,180,489,179 |

*Loans Payable - TMPC Group*
As of December 31, 2015 and 2014, this account consists of unsecured long-term debt of the following entities:

| | **2015** | 2014 |
|---|---|---|
| TAPI | **₱78,467,961** | ₱77,520,916 |
| Other entities in TMPC Group | **165,349,576** | 161,483,047 |
| | **₱243,817,537** | ₱239,003,963 |

The loan from TAPI bears a fixed interest rate of 4.20% per annum. This loan is for a period of five (5) years up to February 26, 2016 which is automatically renewed upon maturity for another period of five (5) to ten (10) years (Note 27).

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

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.82 million and ₱7.77 million in 2015 and 2014, respectively.

*Bonds Payable - Parent Company*

₱10.00 billion GT Capital bonds due 2020 and 2023

On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year bonds due on February 27, 2020 and February 27, 2023, respectively with an interest rate of 4.84% and 5.09% respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. Said bonds were listed on February 27, 2013.

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

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

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

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

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

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

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

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

As of December 31, 2015 and 2014, the movement of the deferred financing cost is as follows:

| | **2015** | 2014 |
|---|---|---|
| Balances at beginning of year | **₱205,280,338** | ₱96,911,692 |
| Additions | **–** | 124,621,689 |
| Amortization | **(26,114,161)** | (16,253,043) |
| Balances at end of year | **₱179,166,177** | ₱205,280,338 |

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2015 and 2014, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2015 and 2014 amounted to ₱1.13 billion (including amortization of deferred financing cost of ₱26.11 million) and ₱762.95 million, (including amortization of deferred financing cost amounting to ₱16.25 million), respectively.

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

| **Entity** | **Financial Ratio** | **Required Ratio** |
|---|---|---|
| TPC | Debt-to-Equity Ratio (DER) | 70:30 |
| PPC | Current Ratio | 1:1 |
| PPC | DER | 70:30 |
| PEDC | DER | 70:30 |
| PEDC | Debt Service Coverage Ratio (DSCR) | 1.0x |
| CEDC | DER | 70:30 |
| CEDC | DSCR | 1.0x |
| Fed Land - Corporate Notes | DER | 2:1 |
| Parent Company – Long-term loans and bonds | DER | 2.3:1 |
| PCFI | DSCR | 1.5x |
| PCFI | DER | 2:1 |

As of December 31, 2015 and 2014, the Group has complied with the foregoing financial ratios.

## 18. Customers' Deposits

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

This account also includes excess of collections over the recognized receivables based on percentage of completion.

As of December 31, 2015 and 2014, the balance of this account amounted to ₱3.69 billion and ₱2.55 billion, respectively.

## 19. Other Current Liabilities

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Withholding taxes payable | **₱353,909,887** | ₱327,885,524 |
| VAT payable | **154,625,912** | 163,006,609 |
| Due to holders of non-controlling interest | **–** | 283,527,322 |
| Deferred reinsurance commission | **–** | 92,231,704 |
| Others | **11,814,157** | 15,029,437 |
| | **₱520,349,956** | ₱881,680,596 |

The amount due to holders of non-controlling interest pertains to advances of CEDC from Abovant Holdings, Inc. which owns 44.00% of CEDC and was returned within 2015. Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one (1) year.

## 20. Liabilities on Purchased Properties

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

In 2013, various parcels of land were acquired by Fed Land for a total consideration aggregating ₱2.57 billion. The outstanding obligation pertaining to these transactions amounted to ₱0.47 billion and ₱1.03 billion as of December 31, 2015 and 2014, respectively.

In 2012, Fed Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in 13 years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2015 and 2014 amounted to ₱2.31 billion and ₱2.48 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱2.78 billion and ₱3.51 billion as of December 31, 2015 and 2014, respectively.

## 21. **Other Noncurrent Liabilities**

This account consists of:

| | **2015** | 2014 |
|---|---|---|
| Provisions | **₱1,424,217,399** | ₱1,638,026,051 |
| Retention payable – noncurrent portion | **683,598,740** | 504,750,145 |
| Decommissioning liability | **248,927,271** | 287,259,498 |
| Refundable and other deposits | **243,424,271** | 214,807,318 |
| Finance lease obligation – net of discount | **8,956,526** | 9,603,626 |
| | **₱2,609,124,207** | ₱2,654,446,638 |

Provisions consist of:

| | **2015** | 2014 |
|---|---|---|
| Claims and assessments | **₱1,211,251,050** | ₱1,436,068,868 |
| Product warranties | **212,966,349** | 181,957,183 |
| Corporate social responsibility (CSR) activities | **–** | 20,000,000 |
| | **₱1,424,217,399** | ₱1,638,026,051 |

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

PPC, PEDC, CEDC, TPC and GPRI have legal obligations to decommission or dismantle their power plant assets at the end of their useful lives. In this regard, PPC, PEDC, CEDC, TPC and GPRI established their respective provisions to recognize estimated decommissioning liability.

Changes in the decommissioning liability are as follows:

| | **2015** | 2014 |
|---|---|---|
| Balances at beginning of year | **₱287,259,498** | ₱192,660,472 |
| Effect of business combination | **–** | 89,098,777 |
| Accretion expense for the year | **7,561,700** | 5,500,249 |
| Provisions during the year | **(45,893,927)** | – |
| Balances at end of year | **₱248,927,271** | ₱287,259,498 |

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five (5) to ten (10) years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied for the unpaid rentals upon termination of the lease contract.

## 22. **Equity**

*Capital stock and additional paid-in capital*

As of December 31, 2015 and 2014, the paid-up capital consists of the following:

| | Shares | | Amount | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Voting Preferred stock - | | | | |
| ₱0.10 par value | | | | |
| Authorized | **174,300,000** | – | – | – |
| Issued and outstanding | **174,300,000** | – | **₱17,430,000** | ₱– |
| Perpetual Preferred stock - | | | | |
| ₱100 par value | | | | |
| Authorized | **20,000,000** | – | – | |
| Issued and outstanding | – | – | – | – |
| Common stock - ₱10 par value | | | | |
| Authorized | **298,257,000** | 500,000,000 | – | – |
| Issued and outstanding | **174,300,000** | 174,300,000 | **1,743,000,000** | 1,743,000,000 |
| Treasury shares | **5,000** | 5,000 | **(6,136,000)** | (2,275,000) |
| Additional paid-in capital | | | **46,694,658,660** | 46,694,658,660 |
| | | | **₱48,448,952,660** | ₱48,435,383,660 |

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

*Amendment of Articles of Incorporation to Create Voting Preferred Shares of Stock*

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

a. The Issue value shall be determined by the Board of Directors at the time of the issuance of the shares;
b. The Dividend Rate shall be determined by the Board of Directors at the time of the issuance of the shares, equivalent to 3-year PDST R2 to be repriced every ten (10) years and payable annually;
c. The Voting Preferred Shares shall be non-cumulative and the holders thereof are entitled to the payment of current but not past dividends;
d. The Voting Preferred Shares shall be non-participating in any other of further dividends beyond that specifically payable on the shares;
e. The Voting Preferred Shares shall be redeemable at par value, at the sole option of the Corporation, under terms and conditions approved by the Board of Directors;
f. Holders of Voting Preferred Shares shall be entitled to one vote for each share in his name on the books of the Corporation;
g. Holders of Voting Preferred Shares shall have no pre-emptive rights to any issue of shares, Common or Preferred;
h. The Voting Preferred Shares will not be listed at and will not be tradable in the Philippine Stock Exchange; and
i. Other features, rights and privileges determined by the Board of Directors.

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

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

*Amendment of Articles of Incorporation to Create Perpetual Preferred Shares of Stock*
On March 13, 2015, the BOD of the Parent Company approved the amendment of Article Seventh of its amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the corporation of ₱5.00 billion in lawful money of the Philippines, will be divided into 298,257,000 common shares with a par value of ₱10.00 per share, 20,000,000 perpetual preferred shares with a par value of ₱100.00 per share and 174,300,000 voting preferred shares with a par value of ₱0.10 per share.

The perpetual preferred shares shall have the following features, rights and privileges:

a. The issue value and dividend rate shall be determined by the BOD at the time of the issuance thereof;

b. The perpetual preferred shares shall be entitled to the payment of current as well as any accrued or unpaid dividends before any dividends can be paid to the holders of common shares. No dividend shall be declared or paid on the common shares unless the full accumulated dividends on all the perpetual preferred shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Corporation;

c. The holders of perpetual preferred shares shall have preference over holders of common shares in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the corporation, whether voluntary or involuntary;

d. The perpetual preferred shares shall not be entitled to vote, except in those cases specifically provided by law;

e. The perpetual preferred shares shall be non-participating in any other further dividends beyond that specifically payable thereon;

f. The perpetual preferred shares shall be non-convertible to common shares or voting preferred shares;

g. The perpetual preferred shares shall be redeemable at the option of the corporation under such terms that the board may approve at the time of the issuance thereof;

h. The perpetual preferred shares shall have no pre-emptive rights to any issue of shares, common or preferred; and

i. Other features, rights and privileges as determined by the BOD.

As of December 31, 2015 and 2014, the total number of stockholders of common shares of the Parent Company is 72 and 73, respectively.

*Retained earnings*
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 |

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

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

| Project Name | Timeline | Amount |
|---|---|---|
| Equity call from GBPC for plant expansions | 2014 | ₱2.00 billion |
| Acquisition of investments | 2014-2015 | 1.00 billion |
| | | ₱3.00 billion |

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

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

| Date of declaration | Per share | Total amount (in millions) | Record date | Payment date |
|---|---|---|---|---|
| March 13, 2015 | ₱3.00 | ₱522.87 | April 17, 2015 | May 4, 2015 |
| March 11, 2014 | 3.00 | 522.89 | April 8, 2014 | May 2, 2014 |
| August 12, 2013 | 3.00 | 522.90 | September 10, 2013 | October 2, 2013 |
| September 12, 2012 | 3.17 | 500.86 | September 28, 2012 | October 22, 2012 |
| August 5, 2011 | 4.00 | 500.00 | August 31, 2011 | September 9, 2011 |
| April 8, 2010 | 2.00 | 250.00 | March 25, 2010 | April 15, 2010 |
| October 12, 2010 | 2.00 | 250.00 | October 31, 2010 | November 22, 2010 |

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2015 and 2014.

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

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

| | Date of declaration | Class of stock | Total amount (in millions) | Record date | Payment date |
|---|---|---|---|---|---|
| Fed Land | December 7, 2015 | Preferred Shares-A | ₱240.00 | December 31, 2015 | January 15, 2016 |
| | December 7, 2015 | Preferred Shares-B | 249.24 | December 31, 2015 | January 15, 2016 |
| | December 12, 2014 | Common | 100.00 | December 31, 2014 | February 28, 2015 |
| | February 18, 2013 | Common | 100.00 | December 31, 2012 | March 20, 2013 |
| | December 23, 2011 | Common | 180.00 | November 30, 2011 | December 23, 2011 |
| GBPC | December 9, 2015 | Common | 2,600.00 | December 31, 2015 | April 2016 |
| | November 20, 2014 | Common | 2,200.00 | December 31, 2014 | April 2015 |
| | December 2, 2013 | Common | 2,000.00 | October 31, 2013 | June 30, 2014 |
| | December 17, 2012 | Common | 2,870.00 | December 3, 2012 | March 31, 2013 |
| | August 11, 2012 | Common | 1,050.00 | July 31, 2012 | August 31, 2012 |
| Toyota | May 13, 2015 | Common | 7,025.38 | December 31, 2014 | May 2015 |
| | April 29, 2014 | Common | 4,608.60 | December 31, 2013 | May 2014 |
| | April 11, 2013 | Common | 2,994.11 | December 31, 2012 | April 12, 2013 |

*Treasury shares*
As of December 31, 2015 and 2014, 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 and ₱2.28 million, respectively.

*Other equity adjustments*
2015
TCI
In June 2015, the Parent Company acquired 2,705,295 shares of TCI for a total consideration of ₱13.50 million, resulting to 53.80% ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱7.12 million.

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

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

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

On June 23, 2014, the Parent Company sold 45.00 million shares of TCI to Mitsui for a total consideration of ₱298.71 million. This represents 40.47% of TCI's outstanding capital stock. As a result, the Parent Company's direct ownership over TCI is 52.01% as of September 30, 2014.

This acquisition was accounted for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱193.95 million.

GBPC
On May 28, 2014, the Parent Company subscribed to 7.22 million shares of GBPC, representing an additional 0.38% direct ownership of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%. This acquisition was accounted for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱60.52 million.

2013
GBPC
On June 27, 2013, First Metro Investment Corporation (FMIC), the investment banking arm of MBTC, concluded a Share Sale and Purchase Agreement with Orix Corporation (ORIX) covering the sale of 200.00 million shares of GBPC owned by FMIC to ORIX at a price of ₱7.15 billion. Subsequently on October 22, 2013, FMIC and Meralco PowerGen Corporation (MGen) signed a Shareholders' Agreement to complete the sale of an additional 200.00 million shares of GBPC from FMIC to MGen for a total consideration of ₱7.15 billion. The transactions reduced the Parent Company's indirect ownership over GBPC from 12.23% to 2.27%. The disposals were accounted as equity transactions in the consolidated financial statements since the Parent Company did not lose control over GBPC even after the sale of the indirect interests.

The Group recognized other equity adjustments totaling ₱1.41 billion, presented under equity attributable to equity holders of the Parent Company in the consolidated statement of financial position, representing the excess of the considerations received over the carrying amount of the indirect interests sold.

2012
GBPC
On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC from 34.41% to 39.00%. This also resulted in the recognition of negative equity adjustment amounting to ₱54.78 million representing the excess of cost consideration over the carrying amount of non-controlling interest acquired.

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC from 39.00% to 50.89%. This acquisition resulted to a negative equity adjustment amounting to ₱112.93 million representing the excess of the cost consideration over the carrying amount of non-controlling interest acquired.

Fed Land
On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct ownership of the Parent Company in Fed Land from 80.00% to 100.00%. As of May 3, 2012, the carrying amount of the 20.00% non-controlling interest in Fed Land amounted to ₱2.20 billion. The acquisition of 20.00% of Fed Land also resulted in the recognition of a negative equity adjustment

amounting to ₱513.36 million representing the excess of cost consideration over the carrying amount of non-controlling interest (Notes 2 and 31).

*Effect of uniting of interest on HLRC and CRDC*
The net effect of uniting of interest on the acquisition of HLRC and CRDC amounted to ₱104.26 million as of December 31, 2011. This represents the difference between Fed Land's aggregate consideration transferred on the acquisition and the respective HLRC and CRDC's equity as of December 31, 2010 attributable to parent and to non-controlling interest as of the time of the combination.

The aggregate cost of investment of ₱420.00 million is presented as a reduction to the net assets pooled to the Group's financial statements at the time of combination for the year ended December 31, 2011.

*Non-controlling interests*
The following table presents the rollforward of non-controlling interests:

| | **2015** | 2014 |
|---|---|---|
| Beginning balance | **₱26,594,831,729** | ₱22,038,319,659 |
| Share of non-controlling interest shareholders on: | | |
| Net income | **8,839,974,173** | 5,998,528,766 |
| Other comprehensive income | **313,230,900** | 426,771,595 |
| Equity call of subsidiaries | **–** | 2,145,416,807 |
| Deposit for future subscription of subsidiaries | **–** | 531,907,700 |
| Sale of direct interest in a subsidiary | **–** | 104,761,043 |
| Effect of business combination (Note 31) | **24,288,881,125** | 42,175,650 |
| Acquisition of non-controlling interests in consolidated subsidiaries | **(5,065,999)** | (372,637,017) |
| Cash dividends paid to non-controlling interest shareholders | **(6,308,932,611)** | (4,320,412,474) |
| Return of deposits | **(15,270,110)** | – |
| | **₱53,707,649,207** | ₱26,594,831,729 |

**Financial Information of Subsidiaries**

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

**Proportion of equity interests held by non-controlling interests**

| | **Nature of Business** | **Direct Ownership** | | **Effective Ownership** | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| GBPC | Power | **48.73** | 48.73 | **47.55** | 47.55 |
| TMPC | Motor | **49.00** | 49.00 | **49.00** | 49.00 |
| PCFI | Real Estate | **77.32** | – | **77.32** | – |

**Carrying value of material non-controlling interests** (amounts in millions)

| | **2015** | 2014 |
|---|---|---|
| GBPC | **₱16,874** | ₱17,769 |
| TMPC | **10,201** | 8,570 |
| PCFI | **25,254** | – |

**Net income for the period allocated to material non-controlling interests**
(amounts in millions)

| | **2015** | 2014 |
|---|---|---|
| GBPC | **₱2,781** | ₱2,389 |
| TMPC | **5,063** | 3,590 |
| PCFI | **962** | – |

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2015 and 2014 (amounts in millions):

| | **2015** | | | 2014 | |
|---|---|---|---|---|---|
| | **GBPC** | **TMPC** | **PCFI*** | GBPC | TMPC |
| **Statement of Financial Position** | | | | | |
| Current assets | **₱21,883** | **₱27,276** | **₱21,648** | ₱22,077 | ₱22,430 |
| Non-current assets | **52,478** | **5,015** | **14,504** | 46,367 | 4,276 |
| Current liabilities | **12,402** | **14,111** | **9,127** | 10,834 | 11,694 |
| Non-current liabilities | **31,543** | **2,950** | **10,078** | 27,834 | 3,086 |
| Dividends paid to non-controlling interests | **2,851** | **3,448** | – | 2,034 | 2,262 |
| **Statement of Comprehensive Income** | | | | | |
| Revenues | **₱19,308** | **₱114,945** | **₱2,948** | ₱19,227 | ₱105,104 |
| Expenses | **(14,963)** | **(100,876)** | **(1,625)** | (15,707) | (95,028) |
| Net income | **4,202** | **10,299** | **1,264** | 3,520 | 10,076 |
| Total comprehensive income | **3,514** | **10,242** | **1,283** | 4,270 | 7,254 |
| **Statement of Cash Flows** | | | | | |
| Net cash provided by operating activities | **5,232** | **11,480** | **744** | 6,480 | 5,799 |
| Net cash used in investing activities | **(6,739)** | **(2,241)** | **(3,090)** | (4,751) | (743) |
| Net cash provided by (used in) financing activities | **771** | **(6,998)** | **3,269** | 3,686 | (4,088) |

**Amounts in statements of comprehensive income and cash flows of PCFI are from the acquisition date, August 20, 2015, to December 31, 2015.*

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2015 and 2014.

The Parent Company considers total equity as its capital amounting to ₱59.49 billion and ₱55.89 billion as of December 31, 2015 and 2014, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

## 23. Interest and Other Income

Interest Income
This account consists of:

| | 2015 | 2014 (As restated – Note 12) | 2013 (As restated – Note 12) |
|---|---|---|---|
| Interest income on: | | | |
| Installment contract receivables | **₱1,462,322,626** | ₱1,157,396,924 | ₱749,146,595 |
| Cash and cash equivalents (Note 4) | **437,960,774** | 300,107,620 | 76,236,824 |
| AFS debt instruments | **–** | – | 12,868,051 |
| Short-term investments (Note 4) | **20,309,757** | 25,407,704 | 310,626,708 |
| Deposits | **–** | – | 263,850,062 |
| Others | **52,598,395** | 38,285,690 | 48,533 |
| | **₱1,973,191,552** | ₱1,521,197,938 | ₱1,412,776,773 |

Interest income on installment contract receivables consist of accretion of unamortized discount of Fed Land and interest income from collections of PCFI amounting to ₱1.29 billion and ₱0.17 billion, respectively.

Interest on deposit represents reimbursement of interest expense incurred by Fed Land from option money granted to affiliates (Notes 27).

In 2011, the Group entered into an option agreement with its various affiliates for the exclusive rights for three (3) years either (a) to purchase the property, (b) to purchase shares of stock of the third party which own the property, (c) to develop the property as developer in a joint venture with a third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties.

In 2012, option agreements with Kabayan Realty Corporation, Titan Resources Corporation and Hill Realty and Development amounting to ₱500.00 million, ₱1.00 billion and ₱500.00 million, respectively were terminated and settled in cash. There were no outstanding option deposits as of December 31, 2015 and 2014. These deposits carried a 7.34% interest in 2013. Interest income recognized amounted to nil in 2015 and 2014, and ₱263.85 million in 2013.

Other Income

This account consists of:

| | 2015 | 2014 (As restated – Note 12) | 2013 (As restated – Note 12) |
|---|---|---|---|
| Recovery from insurance | **₱473,169,055** | ₱– | ₱ 38,008,663 |
| Gain on asset swap | **337,366,674** | – | – |
| Real estate forfeitures, charges and penalties | **265,700,293** | 433,649,664 | 123,201,267 |
| Management fee (Note 27) | **76,434,400** | 86,398,531 | 85,211,246 |
| Dividend income | **44,495,840** | 50,232,498 | 76,961,697 |
| Gain on disposal of property and equipment | **29,605,238** | 90,244,891 | 15,813,041 |
| Other underwriting income | **–** | – | 7,658,264 |
| Disposal of defective units | **6,439,157** | 12,471,807 | 7,074,435 |
| Refund of rental payments | **–** | – | 21,228,274 |
| Others | **544,599,781** | 414,019,700 | 144,616,174 |
| | **₱1,777,810,438** | ₱1,087,017,091 | ₱519,773,061 |

Recovery from insurance pertains to full settlement of GBPC's insurance claims covering material damages and business interruption.

Gain on asset swap came from the deed of exchange entered into by Fed Land with Bases Conversion Development Authority (BCDA) in 2015 wherein Fed Land transferred to BCDA its road access lot in exchange of BCDA's two parcels of land which was valued at ₱100.00 thousand per square meter.

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee includes services rendered by Fed Land in the administration of different projects related to the joint venture (Note 27).

Other underwriting income pertains to the fronting fees earned by the Charter Ping An for fronting arrangements made during the year with several agencies and intermediaries.

Others include ancillary income amounting to ₱305.72 million and ₱250.48 million in 2015 and 2014, respectively. Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

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

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

This account consists of:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Power plant operations expenses | **₱7,263,599,973** | ₱8,097,643,363 | ₱7,836,783,183 |
| Purchased power | **1,144,866,441** | 1,223,384,633 | 567,745,347 |
| Repairs and maintenance and others | **1,069,044,009** | 1,006,684,450 | 540,907,411 |
| | **₱9,477,510,423** | ₱10,327,712,446 | ₱8,945,435,941 |

Power plant operations mainly represent costs of coal and fuel consumed in the operations. This also includes depreciation of the power plant (Note 11).

Repairs and maintenance and others mainly represent cost of materials and supplies consumed and the cost of restoration and maintenance of power plants.

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

Cost of goods manufactured and sold consists of:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Raw materials, beginning | **₱885,226,867** | ₱528,430,068 | ₱567,478,665 |
| Purchases | **25,184,364,551** | 21,821,722,994 | 17,531,617,445 |
| Total materials available for production | **26,069,591,418** | 22,350,153,062 | 18,099,096,110 |
| Less: Raw materials, end | **1,382,008,433** | 885,226,867 | 528,430,068 |
| Raw materials placed in process | **24,687,582,985** | 21,464,926,195 | 17,570,666,042 |
| Direct labor | **328,858,486** | 312,436,032 | 229,166,773 |
| Manufacturing overhead | **2,900,752,520** | 2,414,273,389 | 1,980,663,593 |
| Total cost of goods placed in process | **27,917,193,991** | 24,191,635,616 | 19,780,496,408 |
| Work-in-process, beginning | **43,355,195** | 53,027,159 | 79,583,854 |
| Total Cost of goods in process | **27,960,549,186** | 24,244,662,775 | 19,860,080,262 |
| Less: Work-in-process, ending | **67,567,866** | 43,355,195 | 53,027,159 |
| Total cost of goods manufactured | **27,892,981,320** | 24,201,307,580 | 19,807,053,103 |
| Finished goods, beginning | **20,406,380** | 42,685,755 | 252,177,779 |
| Total goods available for sale/transfer | **27,913,387,700** | 24,243,993,335 | 20,059,230,882 |
| Less: Finished goods, ending | **63,007,315** | 20,406,380 | 42,685,755 |
| Other transfers | **12,641,007** | 10,154,788 | 30,444,994 |
| | **₱27,837,739,378** | ₱24,213,432,167 | ₱19,986,100,133 |

Cost of goods and services sold consists of:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Beginning inventory | | | |
| Automotive | **₱2,293,773,195** | ₱2,899,063,311 | ₱4,340,087,864 |
| Gasoline, retail and petroleum products | **5,769,494** | 7,940,644 | 9,786,694 |
| Food | **934,674** | 1,310,005 | 2,351,541 |
| | **2,300,477,363** | 2,908,313,960 | 4,352,226,099 |
| Add: Net purchases | **73,386,236,399** | 71,107,262,150 | 43,419,704,745 |
| Total inventories available for sale | **75,686,713,762** | 74,015,576,110 | 47,771,930,844 |
| Less: Ending inventory (Note 6) | | | |
| Automotive | **1,891,132,938** | 2,293,773,195 | 2,899,063,311 |
| Gasoline, retail and petroleum products | **7,211,154** | 5,769,494 | 7,940,644 |
| Food | **936,359** | 934,674 | 1,310,005 |
| | **73,787,433,311** | 71,715,098,747 | 44,863,616,884 |
| Cost adjustments | **711,761,983** | (1,613,895,392) | (20,203,084) |
| Internal and other transfers | **(357,393,990)** | (338,862,582) | (142,500,998) |
| Direct labor | **27,569,966** | 6,661,707 | 18,856,187 |
| Overhead (Note 30) | **771,937,805** | 827,784,474 | 749,690,677 |
| | **₱74,941,309,075** | ₱70,596,786,954 | ₱45,469,459,666 |

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

## 26. General and Administrative Expenses

This account consists of:

| | 2015 | 2014 (As restated - Note 12) | 2013 (As restated - Note 12) |
|---|---|---|---|
| Salaries, wages and employee benefits (Notes 27 and 28) | **₱2,882,595,160** | ₱2,385,223,123 | ₱1,776,834,666 |
| Taxes and licenses | **1,569,812,388** | 1,221,129,537 | 1,056,805,090 |
| Advertising and promotions | **1,323,119,524** | 2,045,197,474 | 2,159,077,733 |
| Depreciation and amortization (Note 11) | **852,196,734** | 854,786,429 | 865,173,857 |
| Commissions | **725,115,364** | 554,252,711 | 365,156,217 |
| Delivery and Handling | **426,777,024** | 360,511,590 | 212,067,754 |
| Light, water and other utilities | **355,290,102** | 278,143,868 | 253,711,258 |
| Outside services | **326,175,157** | 265,267,059 | 344,401,523 |
| Insurance | **252,658,765** | 204,935,356 | 182,718,141 |
| Administrative and management fees | **196,099,841** | 161,548,997 | 333,997,508 |
| Professional fees | **188,599,841** | 118,401,716 | 188,671,741 |
| Transportation and travel | **168,348,585** | 145,120,138 | 118,905,060 |
| Office supplies | **148,229,852** | 98,579,161 | 67,106,258 |
| Repairs and maintenance | **119,787,835** | 177,323,536 | 188,359,984 |

*(Forward)*

| | 2015 | 2014 (As restated - Note 12) | 2013 (As restated - Note 12) |
|---|---|---|---|
| Provision (reversal) of product warranties | **₱118,662,894** | ₱239,491,048 | ₱– |
| Entertainment, amusement and recreation | **108,056,711** | 54,851,481 | 65,361,012 |
| Rent | **104,803,559** | 98,488,930 | 48,979,477 |
| Provisions for other expenses | **95,515,984** | – | – |
| Provision for credit losses (Note 5) | **94,675,001** | 192,884,991 | 8,588,965 |
| Unrealized foreign exchange loss | **89,182,225** | 1,106,204 | 46,646,938 |
| Communications | **57,121,865** | 40,165,907 | 36,806,831 |
| Donation and contributions | **44,893,018** | 429,645,388 | 18,440,510 |
| Provision for impairment losses (Note 6 and 14) | **40,687,820** | – | – |
| Royalty and service fees | **10,077,405** | 6,537,725 | 5,011,666 |
| Provisions for inventory obsolescence | **–** | 9,819,141 | 26,912,531 |
| Provision for claims and assessments | **–** | – | 168,366,015 |
| Participation fee | **–** | – | 59,659,478 |
| Loss from initial recognition of financial asset | **–** | – | 275,000 |
| Others | **559,477,345** | 448,412,400 | 446,587,489 |
| | **₱10,857,959,999** | ₱10,391,823,910 | ₱9,044,622,702 |

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

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

## 27. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, jointly controlled entities, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associates, jointly controlled entities 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.

As of December 31, 2015 and 2014, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The following table shows the related party transactions included in the consolidated financial statements.

| | December 31, 2015 | | |
|---|---|---|---|
| **Category** | **Amount/ Volume** | **Outstanding Balances** | **Terms and Conditions/Nature** |
| **Significant Investor** | | | |
| Other income | **₱160,714** | | Management fee income for the period January 2015 to December 2015 |
| **Associates** | | | |
| Cash and cash equivalents | **6,428,449,950** | **₱29,358,425,018** | Savings, current and time deposits accounts earning annual interest rate ranging from 0.25% to 3.0% |
| Short-term investments | **21,889,022** | **2,011,247,722** | Within one (1) year, interest rate ranging from 0.16% to 2.50% |
| Interest receivables | **3,190,767** | **17,422,818** | Interest from cash and cash equivalents |
| Interest income | **188,969,887** | | Interest income from cash and cash equivalents and short-term investments |
| Trade receivables | | **71,253,970** | Noninterest-bearing; due within 30 days |
| Prepaid insurance | **15,174** | **15,218** | Group life insurance premium for November and December 2015 |
| Commission receivable | | **9,885,222** | Noninterest-bearing; due and demandable |
| Rent receivable | | **21,301,806** | |
| Other receivables | | **34,899,599** | Noninterest-bearing; due and demandable |
| Deposits | **1,375** | **541,559** | Refundable deposits |
| Inventories | **1,762,665,000** | | Purchased of land from an associate |
| Due from related party | | **25,589,174** | Noninterest-bearing; due and demandable |
| Investments in associates and jointly controlled entities | **8,279,396,034** | **8,279,396,034** | Stock rights offering; additional investment in MBTC |
| Escrow fund | **48,267,000** | **48,267,000** | Agreed deposit with MBTC-Trust Banking Group equivalent to 20% of approved loan credit accommodation |
| Accounts and other payables | **11,730** | **11,873,601** | Unsecured; no impairment |
| Accrued expenses | **37,500** | **37,500** | Trustee fee from August 15, 2015 to December 2015 |
| Due to related party | | **927,908** | Noninterest-bearing; due and demandable |
| Loans payable | | **11,620,934,547** | With interest ranging from 3.75% to 6.20%, Unsecured with quarterly interest payment |
| Accrued interest payable | **1,205,141,824** | **57,090,906** | Interest on loans payable |
| Dividend income | **689,261,390** | | Dividend income from associate |
| Commission income | **123,466** | | Commission income from associate |
| Management fee income | **4,790,593** | | Services related to administering the different projects of the group |
| Rent income | **71,606,253** | | Unsecured; no impairment |
| Documentation and processing fee | **914,579** | | Unsecured; no impairment |
| Guarantee fee | | **290,000** | Unsecured; no impairment |
| Rent expense | **2,439,447** | | Unsecured; no impairment |
| Insurance expense | **8,746,134** | | Unsecured; no impairment |
| General and Administrative expenses | **1,052,312** | | Utilities, outside services, repairs and maintenance |
| Miscellaneous expenses | **496,240** | | Retainer's and trustee fee paid; Opening and management fee of an associate as stock and transfer agent; Appraisal of car and bank charges |

(Forward)

| Category | December 31, 2015 Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
|---|---|---|---|
| **Jointly controlled entities** | | | |
| Dividend receivable | **₱60,000,000** | **₱60,000,000** | Dividend receivable from FLOC |
| Trade receivables | **10,166,228,094** | **204,047,211** | Sale of vehicles and spare parts under the renewable dealership agreement |
| Nontrade receivables | **6,634,792** | **1,081,320** | Noninterest-bearing; 30 days term; unsecured |
| Commission receivable | | **189,373,946** | Commission earned from the sale of condominium units where FedLand acted as agents |
| Commission income | **189,715,706** | | Unsecured; no impairment |
| Rent receivable | | **7,104,045** | Noninterest-bearing; due and demandable |
| Management fee receivable | | **7,071,482** | Unsecured; no impairment |
| Receivable from sharing of expenses | | **2,939,923** | Unsecured; no impairment |
| Other receivables | | **3,158,090** | Unsecured; no impairment |
| Trade payables | **346,496,601** | **34,286,738** | Payables arising from swapping of vehicles, parts and accessories between dealerships, sales adjustments, warranty, sales promotions and reimbursable expenses. |
| Management fee income | **47,969,827** | | Unsecured; no impairment |
| Rent income | **49,959,160** | | Unsecured; no impairment |
| General and Administrative expenses | **176,491** | | Unsecured; no impairment |
| Repairs and maintenance | **27,839** | | Car repairs and maintenance paid |
| Representation expense | **1,601,800** | | Representation expense paid |
| **Other related parties** | | | |
| Cash and cash equivalents | **₱665,639,211** | **₱6,422,440,556** | Savings, current and time deposits accounts earning annual interest rate ranging from 0.25% to 3.0% |
| Interest income | **21,824,575** | | Interest from promissory note with subsidiary of an associate |
| Trade receivables | **9,419,135,015** | **917,533,864** | Arising from export sales to TMAP and sale of vehicles to other parties |
| Due from related party | | **344,626,409** | Noninterest-bearing; due and demandable |
| Inventories | **7,844,454,800** | | Purchased of land to other related parties |
| Management fee receivable | | **2,387,993** | Noninterest-bearing; due and demandable |
| Nontrade receivables | **172,704,084** | **4,800,222** | Receivable arising from reimbursable expenses and other nontrade transactions |
| Other receivables | **357,232** | **2,683,717** | Noninterest-bearing; due and demandable |
| Rent receivable | | **14,324,908** | Noninterest-bearing; due and demandable |
| Commission receivable | | **28,990,175** | Unsecured; no impairment |
| Deposits | | **84,580,294** | Unsecured; no impairment |
| Receivables from sharing of expenses | **64,802,280** | **64,802,280** | Noninterest-bearing; due and demandable |
| Prepaid expenses and others | **413,426** | **413,426** | Advance payment made to a subsidiary of an associate for title verification report |
| Long-term receivables | | **634,308,550** | With interest of 3.15%; Payable in 2022; Unsecured |
| Property and equipment | **11,062,963** | | Purchased of vehicles |
| Trade payables | **74,626,166,152** | **6,247,867,366** | Purchase of raw materials , spare parts and vehicles for sale |
| Royalty payable | | **7,318,739** | Unsecured; no impairment |
| Accrued expenses | **14,700** | **14,700** | Information technology services from a subsidiary of an associate |
| Dividends payable | **13,880,296** | **1,266,980,000** | Unsecured; no impairment |
| Loans payable | **3,302,321** | **3,543,885,019** | With 3% interest; payable annually until 2026 |
| Accrued interest payable | | **14,797,326** | Unsecured; no impairment |
| Interest expense | **75,740,159** | **134,773,472** | Unsecured; no impairment |
| Due to related party | | **173,195,090** | Noninterest-bearing operational advances which are due and demandable |
| Other payables | **21,974,322** | **23,964** | Unsecured; no impairment |
| Commission income | **19,408,173** | | Unsecured; no impairment |
| Documentation and processing fee | **14,049,216** | | Unsecured; no impairment |
| General and administrative expenses | **24,000** | | Unsecured; no impairment |
| Insurance expense | **148,949** | | Unsecured; no impairment |
| Rent expense | **5,684,297** | | Unsecured; no impairment |
| Rent income | **58,987,801** | | Unsecured; no impairment |
| Royalty and technical assistance expense | **44,632,268** | | Unsecured; no impairment |
| Salaries and employee benefits | **44,625** | | Fee on finance seminar attended |
| Travel and transportation | **261,487** | | Car rental charges, airfare and hotel charge paid to an affiliate of an associates |
| Meetings | **45,599** | | Venue and car rental charges for meetings |
| Miscellaneous expenses | **869,500** | | Information technology services; Payment for title verification report for land title |
| **Key management personnel** | | | |
| Short-term employee benefits | **590,146,666** | | |
| Post-employment benefits | **101,654,241** | | |

| Category | December 31, 2014 Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
|---|---|---|---|
| Ultimate Parent | | | |
| Trade receivable | ₱46,405 | ₱46,405 | Management fee; 30 day term |
| Management income | 40,179 | | Management fee income for the period October 2014 to December 2014 |
| Associates | | | |
| Cash and cash equivalents | 483,036,715 | 23,141,633,630 | Savings, current and time deposit accounts with annual interest ranging from 0.50% to 3.75%; unsecured; no impairment |
| Interest receivable | 2,860,521 | 2,860,521 | Interest from cash and cash equivalents |
| Interest income | 127,870,581 | | Interest income from cash and cash equivalents |
| Trade receivable | 4,647,572,248 | 148,006,406 | Noninterest-bearing; 30 days term; unsecured; no impairment |
| Deposit | 1,200 | 1,200 | Unsecured; no impairment |
| Nontrade receivables | 826,594,686 | 593,139,199 | Noninterest-bearing; unsecured; no impairment |
| Accrued rent income | 32,817,096 | 2,970,513 | Unsecured; no impairment |
| Advances from officers, employees, and agents | 49,574,060 | 49,574,060 | Noninterest-bearing; 30 days |
| Other noncurrent assets | 100,000,000 | 100,000,000 | Noninterest-bearing; due and demandable |
| Due from related parties | 36,358,696 | 36,358,696 | Unsecured; no impairment |
| Inventories | 8,884,422,878 | 8,884,422,878 | Purchase of land inventory |
| Investments in associates and jointly controlled entities | 787,500,000 | 787,500,000 | Purchase of additional investment in jointly controlled entities |
| AFS equity securities | 5,411,670 | 35,255,658 | Unsecured; no impairment |
| Trade payable | 222,680,511 | 19,767,430 | Noninterest-bearing, 45 days term; unsecured; no impairment |
| Loans payable | 936,069,580 | 9,057,004,147 | GBP-Interest bearing with interest ranging from 2.42% to 10.37%; secured / FLI-Interest bearing with interest ranging from 3.25% to 7.10%; |
| Accrued interest payable | 138,638,163 | 138,638,163 | Interest on loans |
| Interest expense | 423,434,616 | | Interest on loans |
| Due to related parties | 2,604,765 | 2,604,765 | Unsecured; no impairment |
| Accrued expense | 24,822 | 24,822 | Unsecured; no impairment |
| Dividend income | 953,832,205 | | Dividend income from investments in associates |
| Insurance expense | 80,522 | | Life insurance premium |
| Miscellaneous expense | 379,539 | | Retainer's and trustee fee |
| Jointly controlled entities | | | |
| Dividend receivable | 240,000,000 | 240,000,000 | Dividend receivable from FLOC |
| Rent receivable | 16,622,941 | 1,324,661 | Unsecured; no impairment |
| Due to related parties | | 10,915 | Unsecured; no impairment |
| Trade receivables | 1,737,500 | 1,737,500 | Noninterest-bearing; 30 days term; unsecured; no impairment |
| Trade payable | 219,249,359 | 19,761,770 | Noninterest-bearing, 45 days term; unsecured; no impairment |
| Other related parties | | | |
| Cash and cash equivalents | 230,594,153 | 6,599,369,136 | Short-term investments with interest rates ranging from 1.30% to 1.60% |
| Interest income | 4,952,035 | | Interest from cash and cash equivalents |
| Trade receivable | 143,749,203 | 1,177,782,966 | Noninterest-bearing; 30 days term; unsecured; no impairment |
| Due from related parties | 284,609,708.22 | 134,270,780 | Noninterest-bearing; due and demandable |
| Other current assets | | 7,641,889 | Unsecured; no impairment |
| AFS debt securities | 12,672,280.00 | 42,376,789 | 7 years, 5.68% to 5.75%; 10 years, 7.1875%; unsecured; no impairment |
| AFS equity securities | 7,641,889 | 7,641,889 | Unsecured; no impairment |
| Interest income | 22,732,473 | | Interest income from AFS securities |
| Rent receivable | 76,972,783 | 5,113,345 | Noninterest-bearing; due and demandable; unsecured; no impairment |
| Rent income | 3,302,321 | | |
| Loans receivable | 7,877,666 | 626,8,44,230 | Interest bearing of 3.15%; Payable in 2022; unsecured |
| Trade payable | 25,977,476 | 37,154,605 | Noninterest-bearing, 45 days term; unsecured; no impairment |
| Loans payable | | 759,831,933 | With interest ranging from 3.75% to 4%; Payable in 2015; unsecured; no impairment |
| Accrued interest payable | | 16,982,478 | Interest on loans |
| Long-term payable | 3,284,260 | 78,626,700 | Interest bearing, 3.00% interest; payable annually until 2026; unsecured |

*(Forward)*

| Category | December 31, 2014 Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
|---|---|---|---|
| Due to related parties | ₱9,735,226 | ₱173,429,743 | Noninterest-bearing; unsecured |
| Royalty payable | 27,143,182 | 289,718,823 | Unsecured; no impairment |
| Other payable | 23,066,961 | 21,506,332 | Underwriting fee; unsecured: no impairment |
| Dividends payable | | 1,072,060,000 | Dividends payable to FMIC, ORIX and MGen |
| Dividend income | 24,471,481 | | Dividend income from TAPI |
| Miscellaneous expense | 195,602 | | IT services fee |
| Receivable – others | 68,920,430 | 46,951,956 | Management fee pertains to management fee being charged by the Parent Company to BLRDC and FLOC for the consultancy services |
| Investment in associates and jointly controlled entities | 1,549,756,250 | 1,549,756,250 | Acquisition of 19.25% of TMEC from FMIC; acquisition of 25% of TFS from PSBank |
| Deferred financing cost | 23,052,261 | 17,276,752 | Acquisition of GT Tower from PSC |
| Liabilities on purchased properties | 931,284,327 | 3,511,859,098 | Unsecured with interest rate of 3.15% payable on 2022; no impairment. |
| Donation | 350,274,000 | | Donation to Toyota Motor Philippines Foundation |
| Key management personnel | | | |
| Other payable and accrued expense | 1,087,741 | 1,087,741 | Unsecured; no impairment |
| Rent income | 418,125 | | Income from employees for car plans |
| Salaries and employee benefits | 79,020,802 | | Salaries and benefits to employees |
| Director's fee | 16,515,833 | | Per diems and bonuses to directors |
| Short-term employee benefits | 513,774,208 | | |
| Post employee benefits | 50,596,622 | | |

Details of the transactions with affiliates are as follows:

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

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

*Long-term loans receivable*
In 2012, Fed Land entered into a loan agreement with Cathay International Resources Corp. (Borrower). Fed Land agrees to lend to the Borrower a total amount of ₱705.00 million with nominal interest rate of 3.15% annually. This loan will mature on the tenth year anniversary from the date of the execution of the agreement. The outstanding balance of long-term loans receivable as of December 31, 2015 and 2014 amounted to ₱635.57 million and ₱626.84 million, respectively.

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

*Affiliated bank loans*
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 3.75% to 4.50% per annum for both 2015 and 2014.

*Management fee*
Management fee amounting to ₱76.43 million, ₱86.40 million and ₱85.21 million in 2015, 2014 and 2013, respectively, pertains to the income received from a joint venture of Fed Land with FLOC and MBTC (Note 23).

*Lease agreements*
Fed Land entered into operating lease agreements for the use of office spaces in GT Tower International Building. The terms of lease ranges from 5 to 10 years and generally renewable for 5 years. The rent is payable monthly with annual rent escalation rates ranging from 5% to 8%. The rental income on these leases amounted to ₱195.25 million and ₱175.54 million for 2015 and 2014, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2015, 2014 and 2013 follow:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Short-term employee benefits | **₱590,146,666** | ₱513,774,208 | ₱111,560,155 |
| Post-employment benefits | **101,654,241** | 50,596,622 | 49,782,006 |
| | **₱691,800,907** | ₱564,370,830 | ₱161,342,161 |

*Transactions with the Group Retirement Funds*
The retirement funds of the subsidiaries' employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2015 and 2014 amounted to ₱1.31 billion and ₱1.26 billion, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2015 and 2014:

| | **December 31, 2015** | | |
|---|---|---|---|
| **Category** | **Amount/ Volume** | **Outstanding Balances** | **Terms and Conditions/Nature** |
| **Associate** | | | |
| Savings deposit | | **₱206,193** | Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment; |
| Time deposit | **₱20,595** | **55,049,000** | With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment |
| Money market | **121,944** | **9,560,588** | |
| Investment in equity securities | | **17,829,810** | Unsecured with no impairment |
| Interest income | **96,172** | | Income earned from savings deposit |
| Gain on sale of shares | **647,825** | | Income from sale of shares |
| Mark-to-market gain | **501,253** | | Gain from mark-to-market of shares |
| **Parent** | | | |
| Investment in equity securities | | **6,676,000** | Unsecured with no impairment |
| Mark-to-market gain | **2,154,404** | | Gain from mark-to-market of shares |
| Gain on sale of shares | **1,184,833** | | |

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

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

## 28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made at least every one (1) to three (3) years.

Principal actuarial assumptions used to determine pension obligations follow:

| | | **2015** | | |
|---|---|---|---|---|
| | | **Actuarial Assumptions** | | |
| | **Date of Actuarial Valuation** | **Expected Return on Plan Assets** | **Salary Rate Increase** | **Discount Rate** |
| Real estate | **December 31, 2015** | **3.33%** | **6.33%** | **5.05%** |
| Power | **-do-** | **5.00%** | **8.00%** | **4.87% - 5.20%** |
| Non-life insurance | **-do-** | **7.00%** | **10.00%** | **5.12%** |
| Automotive | **-do-** | **9.00%** | **5.00% to 7.00%** | **4.83% to 5.07%** |
| Financial | **-do-** | **3.50%** | **7.00%** | **5.11%** |

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

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

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

| | **2015** | 2014 |
|---|---|---|
| Retirement asset (Note 14) | **(₱5,070,843)** | (₱3,519,970) |
| Retirement liability | **2,219,243,973** | 2,260,951,566 |
| Net retirement liability | **₱2,214,173,130** | ₱2,257,431,596 |

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

**2015**

| | | | | Net benefit cost | | | | | Remeasurements in other comprehensive income | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **January 1, 2015** | **Effect of business combination** | **Balance after business combination** | **Current service cost** | **Net interest** | **Past service cost** | **Subtotal** | **Benefits paid** | **Return on plan assets (excluding amount included in net interest)** | **Actuarial changes arising from experience adjustments** | **Actuarial changes arising from demographic assumptions** | **Actuarial changes arising from changes in financial assumptions** | **Subtotal** | **Contributions paid** | **December 31, 2015** | **Effect of disposal group classified as held-for-sale (Note 12)** | **December 31, 2015** |
| Present value of defined benefit obligation | **₱3,518,201,233** | **₱109,612,388** | **₱3,627,813,621** | **₱334,440,465** | **₱165,353,087** | **₱11,310,862** | **₱511,104,414** | **(₱107,083,867)** | **₱–** | **(₱104,325,552)** | **(₱91,724,955)** | **(₱61,665,252)** | **(₱257,715,759)** | **₱–** | **₱3,774,118,409** | **(₱251,044,991)** | **₱3,523,073,418** |
| Fair value of plan assets | **(1,260,769,637)** | **–** | **(1,260,769,637)** | **–** | **(56,701,070)** | **–** | **(56,701,070)** | **75,350,457** | **13,989,877** | **–** | **–** | **–** | **13,989,877** | **(204,842,576)** | **(1,432,972,949)** | **124,072,661** | **(₱1,308,900,288)** |
| Net defined benefit liability | **₱2,257,431,596** | **₱109,612,388** | **₱2,367,043,984** | **₱334,440,465** | **₱108,652,017** | **₱11,310,862** | **₱454,403,344** | **(₱31,733,410)** | **₱13,989,877** | **(₱104,325,552)** | **(₱91,724,955)** | **(₱61,665,252)** | **(₱243,725,882)** | **(₱204,842,576)** | **₱2,341,145,460** | **(126,972,330)** | **₱2,214,173,130** |

2014

| | | | | Net benefit cost | | | | | Remeasurements in other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January 1, 2014 | Effect of business combination | Balance after business combination | Current service cost | Net interest | Past service cost | Subtotal | Benefits paid | Return on plan assets (excluding amount included in net interest) | Actuarial changes arising from experience adjustments | Actuarial changes arising from demographic assumptions | Actuarial changes arising from changes in financial assumptions | Subtotal | Contributions paid | December 31, 2014 |
| Present value of defined benefit obligation | ₱2,816,779,368 | ₱93,945,209 | ₱2,910,724,577 | ₱257,570,566 | ₱141,407,329 | ₱– | ₱398,977,895 | (₱97,684,357) | ₱– | ₱94,294,853 | ₱– | ₱211,888,265 | ₱306,183,118 | ₱– | ₱3,518,201,233 |
| Fair value of plan assets | (1,113,147,007) | (1,335,251) | (1,114,482,258) | – | (54,914,268) | – | (54,914,268) | 47,845,498 | 8,192,030 | – | – | – | 8,192,030 | (147,410,639) | (1,260,769,637) |
| Net defined benefit liability | ₱1,703,632,361 | ₱92,609,958 | ₱1,796,242,319 | ₱257,570,566 | ₱86,493,061 | ₱– | ₱344,063,627 | (₱49,838,859) | ₱8,192,030 | ₱94,294,853 | ₱– | ₱211,888,265 | ₱314,375,148 | (₱147,410,639) | ₱2,257,431,596 |

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

| | **2015** | 2014 |
|---|---|---|
| Cash and cash equivalents | **₱67,265,185** | ₱54,945,935 |
| Investment in government securities | **952,068,224** | 778,894,544 |
| Investment in equity securities | **185,611,931** | 207,712,497 |
| Investment in debt and other securities | **71,480,391** | 111,832,371 |
| Receivables | **25,773,687** | 85,976,479 |
| Investment in mutual funds | **6,701,134** | 21,367,780 |
| Others | **1,811,047** | 40,031 |
| Liabilities | **(1,811,311)** | – |
| | **₱1,308,900,288** | ₱1,260,769,637 |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

| | | **2015** | 2014 |
|---|---|---|---|
| | **Possible Fluctuations** | **Increase (Decrease)** | Increase (Decrease) |
| Discount rates | **+1%** | **(₱60,792,392)** | (₱349,500,517) |
| | **-1%** | **62,800,950** | 421,150,209 |
| Turnover rate | **+1%** | **(73,564,817)** | (43,200,300) |
| | **-1%** | **83,389,265** | 48,113,600 |
| Future salary increase rate | **+1%** | **202,482,706** | 508,596,489 |
| | **-1%** | **(166,179,078)** | (406,848,534) |

The Group expects to contribute ₱327.30 million to its defined benefit pension plan in 2016.

The average duration of the defined benefit retirement liability at the end of the reporting period is 19.81 years for the Group.

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

| | |
|---|---|
| Less than 1 year | ₱227,778,902 |
| More than 1 year to 5 years | 1,085,526,179 |
| More than 5 years to 10 years | 2,572,647,033 |
| More than 10 years to 15 years | 2,158,608,603 |
| More than 15 years to 20 years | 1,829,334,007 |
| More than 20 years | 6,675,757,169 |

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

## 29. **Income Taxes**

Provision for income tax account consists of:

| | **2015** | 2014 (As restated- Note12) | 2013 (As restated- Note12) |
|---|---|---|---|
| Current | **₱4,539,917,559** | ₱2,925,215,273 | ₱1,720,178,104 |
| Deferred | **(86,438,207)** | (283,972,391) | 14,378,713 |
| Final | **63,076,650** | 39,458,042 | 65,072,966 |
| | **₱4,516,556,002** | ₱2,680,700,924 | ₱1,799,629,783 |

The components of the Group's deferred taxes as of December 31, 2015 and 2014 are as follows:

Net deferred tax asset:

| | **2015** | 2014 |
|---|---|---|
| Deferred tax asset on: | | |
| Unrealized gain on sale of land | **₱673,017,776** | ₱627,412,073 |
| Retirement benefit obligation | **564,701,876** | 628,794,162 |
| NOLCO | **321,880,500** | 56,430,236 |
| Warranties payable and other provisions | **90,279,905** | 237,613,907 |
| Unearned premiums | **89,717,878** | 46,264,047 |
| Decommissioning liability | **71,651,343** | 65,692,699 |
| Capitalized commissioning income | **52,010,905** | 96,505,237 |
| Allowance for probable losses | **51,730,133** | 50,749,305 |
| Accrued expenses | **44,886,503** | 50,608,915 |
| Deferred gross profit | **23,324,474** | 21,924,938 |
| Allowance for impairment losses | **14,120,455** | 67,698,603 |
| Unamortized discount on receivables | **11,569,870** | – |
| Others | **44,607,018** | 34,194,947 |
| | **2,053,498,636** | 1,983,889,069 |
| Deferred tax liability on: | | |
| Deferred financing cost | **108,019,011** | 57,263,434 |
| Capitalized borrowing cost | **69,608,891** | 7,804,674 |
| Dismantling costs | **43,085,055** | 40,085,039 |
| Capitalized custom duties | **20,583,680** | 20,724,088 |
| Deferred acquisition costs | **–** | 92,641,479 |
| Others | **40,823,836** | 39,194,850 |
| | **282,120,473** | 257,713,564 |
| Net deferred tax asset | **₱1,771,378,163** | ₱1,726,175,505 |

Net deferred tax liability:

| | **2015** | 2014 |
|---|---|---|
| Deferred tax asset on: | | |
| Prepaid commission | **₱207,495,243** | ₱29,504,227 |
| Deferred gross profit | **109,547,758** | 125,300,151 |
| Retirement benefit obligation | **84,442,237** | 33,085,137 |
| Excess of taxable gross profit over realized gross profit | **49,439,337** | – |
| Accrued expenses | **22,145,780** | 95,732,185 |
| Interest expense on Day 1 loss | **21,207,435** | 23,698,386 |
| Others | **6,341,751** | 48,369,019 |
| | **500,619,541** | 355,689,105 |
| Deferred tax liability on: | | |
| Fair value adjustment on acquisition | **10,533,604,052** | 3,178,762,999 |
| Capitalized borrowing cost and guarantee fees | **479,445,877** | 270,822,176 |
| Excess of book basis over tax basis of deferred gross profit | **124,266,403** | 270,948,611 |
| Unamortized discount on long-term payable | **87,553,605** | 110,792,792 |
| Accrued income | **50,068,418** | – |
| Lease differential | **24,846,560** | 20,376,662 |
| Deferred financing costs − bonds | **22,622,139** | – |
| Others | **4,415,164** | 36,139,688 |
| | **11,326,822,218** | 3,887,842,928 |
| Net deferred tax liability | **₱10,826,202,677** | ₱3,532,153,823 |

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

As of December 31, 2015, 2014 and 2013, the Group’s unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

| Year Incurred | Amount | Expired/Applied | Balance | Expiry Date |
|---|---|---|---|---|
| 2015 | ₱1,781,957,828 | ₱– | ₱1,781,957,828 | 2018 |
| 2014 | 974,274,770 | – | 974,274,770 | 2017 |
| 2013 | 1,052,769,050 | – | 1,052,769,050 | 2016 |
| 2012 | 968,338,310 | 968,338,310 | – | 2015 |
| | ₱4,777,339,958 | ₱968,338,310 | ₱3,809,001,648 | |

MCIT

| Year Incurred | Amount | Expired/Applied | Balance | Expiry Date |
|---|---|---|---|---|
| 2015 | ₱297,833 | ₱– | ₱297,833 | 2018 |
| 2014 | 196,164 | – | 196,164 | 2017 |
| 2013 | 217,786 | – | 217,786 | 2016 |
| 2012 | 446,800 | 446,800 | – | 2015 |
| | ₱1,158,583 | ₱446,800 | ₱711,783 | |

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

| | 2015 | 2014 (As restated-Note12) | 2013 (As restated-Note12) |
|---|---|---|---|
| Provision for income tax computed at statutory rate | **30.00%** | 30.00% | 30.00% |
| Tax effects of: | | | |
| Income subjected to final tax | **(0.36)** | (0.54) | (0.22) |
| Nondeductible interest and other expenses | **0.71** | 0.74 | 0.62 |
| Change in unrecognized deferred tax assets | **3.17** | 2.55 | 2.50 |
| Nontaxable income | **(10.33)** | (11.26) | (12.91) |
| Operating income within ITH | **(6.10)** | (6.31) | (7.41) |
| Effective income tax rates | **17.09%** | 15.18% | 12.58% |
| Continuing operations | **17.06%** | 15.11% | 12.59% |
| Disposal group | **0.03%** | 0.07% | (0.01%) |
| | **17.09%** | 15.18% | 12.58% |

Board of Investments (BOI) Incentives

Fed Land

The BOI issued a Certificate of Registrations as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012, The Capital Towers-Beijing, Marquinton Gardens Terraces-Toledo, Oriental Gardens-Lilac and Peninsula Garden Midtown Homes-Tower A are entitled to ITH in years 2009 to 2013, Oriental Garden Heights - A, B and C in 2010 to 2014, Marquinton Garden Terraces - Valderrama Tower in 2010 to 2013, Peninsula Garden Midtown Homes (PGMH) - Maple Tower and Tropicana Garden City - Ibiza Tower are entitled to ITH from 2012 to 2015 and PGMH - Narra is entitled to ITH from 2014 to 2017.

PCFI

On various dates, the BOI issued in favor of PCFI a Certificate of Registration as a New Developer of Mass Housing Project for its 54 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects were granted an Income Tax Holiday for a period of three (3) to four (4) years commencing on various dates from 2008 to 2015 and expiring on various dates from 2012 to 2020.

CEDC

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

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

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

## 30. **Lease Commitment**

*The Group as a lessee*
The Group is a party under various lease agreements including the lease of premises occupied by the head office, office space leased for the Group's branches, land leased for Fed Land Group's mall and gasoline station and lease of parking spaces with terms ranging from one (1) to ten (10) years. Rent expense included under 'General and administrative expenses' amounted to ₱104.80 million, ₱98.49 million and ₱48.98 million, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the 'Cost of goods and services sold' account, amounting to ₱20.57 million, ₱20.56 million and ₱30.97 million in 2015, 2014 and 2013, respectively (Note 25).

As of December 31, 2015 and 2014, the future minimum rental payments are as follows:

| | **2015** | 2014 |
|---|---|---|
| Within one year | **₱94,377,107** | ₱49,780,921 |
| After one year but not more than five years | **199,555,713** | 151,124,572 |
| More than five years | **180,343,623** | 365,160,285 |
| | **₱474,276,443** | ₱566,065,778 |

*The Group as a lessor*
The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from five (5) to ten (10) years. The Group's rental income on these leases amounted to ₱840.46 million, ₱764.49 million and ₱592.04 million, in 2015, 2014 and 2013, respectively (Note 9). The cost of rental services amounting ₱271.61 million, ₱270.09 million and ₱113.15 million in 2015, 2014 and 2013,

respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses.

As of December 31, 2015 and 2014, the future minimum receipts from these lease commitments are as follows:

| | 2015 | 2014 |
|---|---|---|
| Within one year | **₱742,455,456** | ₱954,270,511 |
| After one year but not more than five years | **934,033,092** | 2,384,112,193 |
| More than five years | **476,310,404** | 1,497,684,816 |
| | **₱2,152,798,952** | ₱4,836,067,520 |

31. **Business Combinations**

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 non-controlling 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. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently is finalizing the information for the purchase price allocation. The difference between the total consideration and the net assets amounting to ₱115.43 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 PCFI as of acquisition date are as follows:

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱337,647,356 |
| Short-term investments | 962,074,468 |
| Receivables | 12,510,341,939 |
| Inventories | 36,813,996,379 |
| Prepayments and other current assets | 1,610,539,372 |
| Available-for-sale investments | 2,303,610 |
| Property and equipment | 713,104,149 |
| Intangible assets | 15,962,797 |
| Investment properties | 2,390,496,039 |
| Deferred tax assets | 79,997,327 |
| Other noncurrent assets | 210,606,298 |
| | 55,647,069,734 |
| **Liabilities** | |
| Accounts and other payables | 2,870,936,058 |
| Customer's deposits | 675,786,503 |
| Loans payable – current | 7,637,973,228 |
| Income tax payable | 125,494,587 |
| Loans payable – Noncurrent | 5,500,538,595 |
| Deferred tax liabilities on fair value increment | 7,313,276,325 |
| Pension liabilities | 109,612,388 |
| | 24,233,617,684 |
| **Net assets** | ₱31,413,452,050 |

The aggregate consideration transferred consists of:

| | |
|---|---|
| Cash consideration | ₱7,240,000,000 |
| Proportionate share of non-controlling interests | 24,288,881,125 |
| | ₱31,528,881,125 |

The business combination resulted in provisional goodwill computed as follows:

| | | |
|---|---|---|
| Total consideration transferred | | ₱31,528,881,125 |
| Provisional fair value of identifiable net assets | ₱38,726,728,375 | |
| Less: Deferred tax liabilities on fair value adjustments | (7,313,276,325) | 31,413,452,050 |
| **Goodwill** | | ₱115,429,075 |

The goodwill arising from acquisition consists largely of the synergies expected from having PCFI within the Group. Goodwill arising from the acquisition of PCFI Group is allocated entirely to the operations of PCFI. None of the goodwill is expected to be deductible for income tax purposes. From the date of acquisition, PCFI Group has contributed gross revenues of ₱2.95 billion and net income amounting to ₱286.66 million to the Group. If the business combination with PCFI has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company for the year ended December 31, 2015 would have been ₱1.60 billion and ₱467.29 million, respectively.

2014

Acquisition of TCI

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

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

The final allocation of the identifiable assets and liabilities of TCI as of acquisition date are as follows:

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

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

| | |
|---|---|
| Cash consideration | ₱347,403,800 |
| Proportionate share of non-controlling interests | 42,175,650 |
| | ₱389,579,450 |

The business combination resulted in goodwill computed as follows:

| | | |
|---|---|---|
| Total consideration transferred | | ₱389,579,450 |
| Provisional fair value of identifiable net assets | ₱456,533,023 | |
| Less: Deferred tax liabilities on fair value adjustments | (71,367,274) | 385,165,749 |
| Goodwill | | ₱4,413,701 |

Goodwill arising from the acquisition of TCI is allocated to the operations of TCI. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition up to December 31, 2014, TCI contributed gross revenues and net income amounting to ₱4.20 billion and ₱7.00 million, respectively.

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

## 32. **Fair Value Measurement**

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

*Cash and cash equivalents and Other current assets (short-term cash investments)*
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities these instruments.

*Receivables*
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 12.00% as of December 31, 2015 and 2014. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

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

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

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

*Accounts and other payables*
The fair values of accounts and other payables 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 portion of loans payable with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using applicable interest rates for similar types of loans as of reporting date. The interest rates used ranged from 2.67% to 7.10% and 2.54% to 7.10% for the year ended December 31, 2015 and 2014, respectively.

*Liabilities on purchased properties*
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred on December 20, 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

| | 2015 | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets measured at fair value:** | | | | | |
| **Financial Assets** | | | | | |
| AFS investments: | | | | | |
| Quoted equity securities | **₱2,712,801,976** | **₱2,712,801,976** | **₱–** | **₱–** | **₱2,712,801,976** |
| Assets of disposal group classified as held-for-sale: | | | | | |
| AFS investments | | | | | |
| Government securities | **952,763,300** | **508,267,169** | **444,496,131** | **–** | **952,763,300** |
| Quoted debt securities | **385,685,904** | **385,685,904** | **–** | **–** | **385,685,904** |
| Quoted equity securities | **266,597,530** | **266,597,530** | **–** | **–** | **266,597,530** |
| | **₱4,317,848,710** | **₱3,873,352,579** | **₱444,496,131** | **₱–** | **₱4,317,848,710** |
| **Assets for which fair values are disclosed:** | | | | | |
| **Financial Assets** | | | | | |
| Loans and receivables | | | | | |
| Installment contracts receivables | **₱23,429,987,678** | **₱–** | **₱–** | **₱26,860,405,014** | **₱26,860,405,014** |
| **Non-financial Assets** | | | | | |
| Investment properties | **10,797,116,331** | **–** | **–** | **14,931,301,989** | **14,931,301,989** |
| **Liabilities for which fair values are disclosed:** | | | | | |
| **Financial Liabilities** | | | | | |
| Loans payable | **96,617,902,829** | **–** | **99,638,754,268** | **–** | **99,638,754,268** |
| Bonds payable | **21,800,833,823** | **22,302,184,800** | **–** | **–** | **22,302,184,800** |
| | **₱118,418,736,652** | **₱22,302,184,800** | **₱99,638,754,268** | **₱–** | **₱121,940,939,068** |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| **Assets measured at fair value:** | | | | | |
| **Financial Assets** | | | | | |
| AFS investments: | | | | | |
| Government securities | ₱780,975,000 | ₱780,975,000 | ₱– | ₱– | ₱780,975,000 |
| Quoted debt securities | 316,017,874 | 316,017,874 | – | – | 316,017,874 |
| Quoted equity securities | 2,549,232,004 | 2,549,232,004 | – | – | 2,549,232,004 |
| | 3,646,224,878 | ₱3,646,224,878 | ₱– | ₱– | ₱3,646,224,878 |
| **Assets for which fair values are disclosed:** | | | | | |
| **Financial Assets** | | | | | |
| Loans and receivables | | | | | |
| Installment contracts receivables | 7,545,443,471 | – | – | 11,056,454,369 | 11,056,454,369 |
| **Non-financial Assets** | | | | | |
| Investment properties | 8,642,628,922 | – | – | 11,141,367,000 | 11,141,367,000 |
| **Liabilities for which fair values are disclosed:** | | | | | |
| **Financial Liabilities** | | | | | |
| Loans payable | 47,525,076,547 | – | 49,161,870,376 | – | 49,161,870,376 |
| Bonds payable | 21,774,719,662 | 21,516,574,800 | – | – | 21,516,574,800 |
| | ₱69,299,796,209 | ₱21,516,574,800 | ₱49,161,870,376 | ₱– | ₱70,678,445,176 |

As of December 31, 2015 and 2014, other than AFS investments, 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.

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

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

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

Valuation Techniques

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

Significant Unobservable Inputs

| | |
|---|---|
| Reproduction Cost New | The cost to create a virtual replica of the existing structure, employing the same design and similar building materials. |
| Size | Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value. |
| Shape | Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property. |
| Location | Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road. |

| | |
|---|---|
| Time Element | "An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data. |
| Discount | Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent. |
| Corner influence | Bounded by two (2) roads. |

## 33. Financial Risk Management and Objectives

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

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

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

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

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

Credit Risk

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

Financial assets comprise cash and cash equivalents, short-term investments, 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 December 31, 2015 and 2014, 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 and residential units collateral is greater than the carrying value of the installment contracts receivable.

a. *Credit quality per class of financial assets*

   The credit quality of the financial assets was determined as follows:

   Cash and cash equivalents and long term cash investment-based on the nature of the counterparty and the Group's internal rating system.

   Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

   AFS investments - quoted AFS investments is based on the quoted market bid prices at the close of business on the reporting date while the unquoted financial assets are unrated.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

| | December 31, 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Neither Past Due Nor Individually Impaired | | | | | | |
| | **High Grade** | **Medium Grade** | **Low Grade** | **Total** | **Past Due but not Individually Impaired** | **Individually Impaired** | **Total** |
| Cash and cash equivalents* (Note 4) | **₱37,850,207,633** | **₱–** | **₱–** | **₱37,850,207,633** | **₱–** | **₱–** | **₱37,850,207,633** |
| Short-term Investments | **1,861,229,824** | **–** | **–** | **1,861,229,824** | **–** | **–** | **1,861,229,824** |
| Receivables (Note 5) | | | | | | | |
| Trade receivables | **7,183,181,861** | **1,614,817,620** | | **8,797,999,481** | **221,853,199** | **262,272,143** | **9,282,124,823** |
| Installment contracts receivable | **19,912,362,083** | **2,369,901,265** | **477,213,207** | **22,759,476,555** | **669,401,433** | **1,109,690** | **23,429,987,678** |
| Loans receivable | **680,953,797** | **–** | **–** | **680,953,797** | **–** | **–** | **680,953,797** |
| Dividends receivable (Note 27) | **60,000,000** | **–** | **–** | **60,000,000** | **–** | **–** | **60,000,000** |
| Accrued rent and commission income | **482,029,814** | **10,758,653** | **9,558,855** | **502,347,322** | **11,055,138** | **20,789,108** | **534,191,568** |
| Accrued interest receivable | **147,948,191** | **–** | **–** | **147,948,191** | **–** | **–** | **147,948,191** |
| Nontrade receivables | **410,642,242** | **24,988,100** | **–** | **435,630,342** | **1,331,667** | **–** | **436,962,009** |
| Others | **219,603,834** | **1,597,462** | **–** | **221,201,296** | **94,898,853** | **3,356,359** | **319,456,508** |
| Due from related parties (Note 27) | **370,215,583** | **–** | **–** | **370,215,583** | **–** | **–** | **370,215,583** |
| AFS investments (Note 10) | | | | | | | |
| Equity securities | | | | | | | |
| Quoted | **2,714,224,654** | **–** | **–** | **2,714,224,654** | **–** | **–** | **2,714,224,654** |
| Unquoted | **480,598,603** | **–** | **–** | **480,598,603** | **–** | **–** | **480,598,603** |
| | **₱72,373,198,119** | **₱4,022,063,100** | **₱486,772,062** | **₱76,882,033,281** | **₱998,540,290** | **₱287,527,300** | **₱78,168,100,871** |

**Excludes cash on hand amounting to ₱10,800,831.*

| | December 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Neither Past Due Nor Individually Impaired | | | | Past Due but not Individually Impaired | Individually Impaired | Total |
| | High Grade | Medium Grade | Low Grade | Total | | | |
| Cash and cash equivalents* (Note 4) | ₱29,670,091,668 | ₱– | ₱– | ₱29,670,091,668 | ₱– | ₱– | ₱29,670,091,668 |
| Short-term Investments | 1,308,977,823 | – | – | 1,308,977,823 | – | – | 1,308,977,823 |
| Receivables (Note 5) | | | | | | | |
| Trade receivables | 6,051,526,630 | 1,512,795,581 | 473,077,928 | 8,037,400,139 | 396,321,270 | 54,985,085 | 8,488,706,494 |
| Installment contracts receivable | 3,651,540,871 | 2,597,104,037 | 680,654,196 | 6,929,299,104 | 614,493,519 | 1,650,848 | 7,545,443,471 |
| Insurance receivables | 1,554,999,127 | – | – | 1,554,999,127 | 470,775,487 | 16,305,509 | 2,042,080,123 |
| Loans receivable | 700,231,199 | – | – | 700,231,199 | – | – | 700,231,199 |
| Dividends receivable | 240,000,000 | – | – | 240,000,000 | – | – | 240,000,000 |
| Accrued rent and commission income | 328,924,716 | 5,291,002 | 3,501,609 | 337,717,327 | 14,752,513 | 16,376,195 | 368,846,035 |
| Accrued interest receivable | 103,696,004 | – | – | 103,696,004 | – | – | 103,696,004 |
| Nontrade receivables | 798,210,161 | 312,916,686 | 40,492,651 | 1,151,619,498 | – | – | 1,151,619,498 |
| Others | 522,290,174 | 743,048 | – | 523,033,222 | 65,823,506 | 2,815,201 | 591,671,929 |
| Due from related parties (Note 27) | 163,779,149 | 6,850,327 | – | 170,629,476 | – | – | 170,629,476 |
| AFS investments (Note 10) | | | | | | | |
| Equity securities | | | | | | | |
| Quoted | 2,516,915,182 | – | – | 2,516,915,182 | – | 32,316,822 | 2,549,232,004 |
| Unquoted | 480,655,253 | – | – | 480,655,253 | – | – | 480,655,253 |
| Quoted debt securities | 1,096,992,874 | – | – | 1,096,992,874 | – | – | 1,096,992,874 |
| | ₱49,188,830,831 | ₱4,435,700,681 | ₱1,197,726,384 | ₱54,822,257,896 | ₱1,562,166,295 | ₱124,449,660 | ₱56,508,873,851 |

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

As of December 31, 2015 and 2014, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

| | December 31, 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Neither Past Due nor Individually Impaired** | **Past Due but not Individually Impaired** | | | | | | **Individually Impaired** | **Total** |
| | | **<30 days** | **30-60 days** | **61-90 days** | **91-120 days** | **>120 days** | **Total** | | |
| Cash and cash equivalents* (Note 4) | **₱37,850,207,633** | **₱–** | **–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱37,850,207,633** |
| Short-term investment | **1,861,229,824** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1,861,229,824** |
| Receivables (Note 5) | | | | | | | | | |
| Trade receivable | **8,797,999,481** | **36,540,886** | **22,675,853** | **27,604,980** | **131,773,723** | **3,257,757** | **221,853,199** | **262,272,143** | **9,282,124,823** |
| Installment contracts receivable | **22,759,476,555** | **184,060,960** | **121,612,519** | **139,218,874** | **40,808,997** | **183,700,083** | **669,401,433** | **1,109,690** | **23,429,987,678** |
| Loans receivable | **680,953,797** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **680,953,797** |
| Dividend receivable (Note 27) | **60,000,000** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **60,000,000** |
| Accrued rent and commission income | **502,347,322** | **5,008,608** | **1,905,010** | **1,127,972** | **1,583,230** | **1,430,318** | **11,055,138** | **20,789,108** | **534,191,568** |
| Accrued interest receivable | **147,948,191** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **147,948,191** |
| Non-trade receivable | **435,630,342** | **–** | **–** | **–** | **–** | **1,331,667** | **1,331,667** | **–** | **436,962,009** |
| Others | **221,201,296** | **11,930,722** | **994,230** | **555,914** | **81,417,987** | **–** | **94,898,853** | **3,356,359** | **319,456,508** |
| Due from related parties (Note 27) | **370,215,583** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **370,215,583** |
| AFS investments (Note 10) | | | | | | | | | |
| Equity securities | | | | | | | | | |
| Quoted | **2,714,224,654** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2,714,224,654** |
| Unquoted | **480,598,603** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **480,598,603** |
| | **₱76,882,033,281** | **₱237,541,176** | **₱147,187,612** | **₱168,507,740** | **₱255,583,937** | **₱189,719,825** | **₱998,540,290** | **₱287,527,300** | **₱78,168,100,871** |

**Excludes cash on hand amounting to ₱10,800,831.*

| | December 31, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Neither Past Due nor Individually Impaired | Past Due but not Individually Impaired | | | | | | Individually Impaired | Total |
| | | <30 days | 30-60 days | 61-90 days | 91-120 days | >120 days | Total | | |
| Cash and cash equivalents *(Note 4) | ₱29,670,091,668 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱29,670,091,668 |
| Short-term investment | 1,308,977,823 | – | – | – | – | – | – | – | 1,308,977,823 |
| Receivables (Note 5) | | | | | | | | | |
| Trade receivable | 8,037,400,139 | 157,932,318 | 79,560,518 | 20,246,303 | 129,698,547 | 8,883,584 | 396,321,270 | 54,985,085 | 8,488,706,494 |
| Installment contracts receivable | 6,929,299,104 | 176,664,445 | 106,455,836 | 66,918,739 | 32,809,729 | 231,644,770 | 614,493,519 | 1,650,848 | 7,545,443,471 |
| Insurance Receivables | 1,554,999,127 | 86,186,395 | 72,640,437 | 42,327,294 | 269,621,361 | – | 470,775,487 | 16,305,509 | 2,042,080,123 |
| Loans receivable | 700,231,199 | – | – | – | – | – | – | – | 700,231,199 |
| Dividend receivable (Note 27) | 240,000,000 | – | – | – | – | – | – | – | 240,000,000 |
| Accrued rent and commission income | 337,717,327 | 9,191,523 | 1,525,958 | 1,362,476 | 2,672,556 | – | 14,752,513 | 16,376,195 | 368,846,035 |
| Accrued interest receivable | 103,696,004 | – | – | – | – | – | – | – | 103,696,004 |
| Non-trade receivable | 1,151,619,498 | – | – | – | – | – | – | – | 1,151,619,498 |
| Others | 523,033,222 | 558,893 | 26,684,543 | 1,154,865 | 37,425,205 | – | 65,823,506 | 2,815,201 | 591,671,929 |
| Due from related parties (Note 27) | 170,629,476 | – | – | – | – | – | – | – | 170,629,476 |
| AFS investments (Note 10) | | | | | | | | | |
| Equity securities | | | | | | | | | |
| Quoted | 2,516,915,182 | – | – | – | – | – | – | 32,316,822 | 2,549,232,004 |
| Unquoted | 480,655,253 | – | – | – | – | – | – | – | 480,655,253 |
| Quoted debt securities | 1,096,992,874 | – | – | – | – | – | – | – | 1,096,992,874 |
| | ₱54,822,257,896 | ₱430,533,574 | ₱286,867,292 | ₱132,009,677 | ₱472,227,398 | ₱240,528,354 | ₱1,562,166,295 | ₱124,449,660 | ₱56,508,873,851 |

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

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

| | **December 31, 2015** | | | |
|---|---|---|---|---|
| | **< 1 year** | **> 1 to < 5 years** | **> 5 years** | **Total** |
| Financial assets | | | | |
| Cash and cash equivalents* (Note 4) | **₱37,850,207,633** | **₱–** | **₱–** | **₱37,850,207,633** |
| Short-term investments (Note 4) | **1,861,229,824** | **–** | **–** | **1,861,229,824** |
| Receivables (Note 5) | | | | |
| Trade receivables | **8,897,294,945** | **384,829,878** | **–** | **9,282,124,823** |
| Installment contracts receivables | **17,873,648,668** | **6,944,344,573** | **2,832,163,158** | **27,650,156,399** |
| Nontrade receivable | **436,962,009** | **–** | **–** | **436,962,009** |
| Dividends receivable | **60,000,000** | **–** | **–** | **60,000,000** |
| Accrued interest receivable | **147,948,191** | **–** | **–** | **147,948,191** |
| Loans receivable | **115,492,756** | **108,934,176** | **771,683,342** | **996,110,274** |
| Accrued rent and commissions income | **534,191,568** | **–** | **–** | **534,191,568** |
| Others | **312,262,214** | **5,859,882** | **1,334,412** | **319,456,508** |
| Due from related parties (Note 27) | **370,215,583** | **–** | **–** | **370,215,583** |
| AFS investments (Note 10) | | | | |
| Equity Securities | | | | |
| Quoted | **2,714,224,654** | **–** | **–** | **2,714,224,654** |
| Unquoted | **480,598,603** | **–** | **–** | **480,598,603** |
| Total undiscounted financial assets | **₱71,654,276,648** | **₱7,443,968,509** | **₱3,605,180,912** | **₱82,703,426,069** |
| Other financial liabilities | | | | |
| Accounts and other payables (Note 15) | | | | |
| Trade payables | **₱6,586,301,603** | **₱–** | **₱–** | **₱6,586,301,603** |
| Telegraphic transfers and drafts and acceptances payable | **6,237,244,731** | **–** | **–** | **6,237,244,731** |
| Accrued expenses | **2,521,480,746** | **–** | **174,720,365** | **2,696,201,111** |
| Accrued interest payable | **827,323,997** | **–** | **–** | **827,323,997** |
| Accrued commissions | **669,624,743** | **–** | **–** | **669,624,743** |
| Insurance payable | **–** | **–** | **–** | **–** |
| Customer advances | **398,234,883** | **–** | **–** | **398,234,883** |
| Royalty payable | **302,824,383** | **–** | **–** | **302,824,383** |
| Retentions payable | **345,292,816** | **683,598,740** | **–** | **1,028,891,556** |
| Others | **1,113,593,934** | **–** | **–** | **1,113,593,934** |
| Customer's deposit (Note 18) | **3,690,758,352** | **–** | **–** | **3,690,758,352** |
| Dividends payable (Note 27) | **2,860,687,454** | **–** | **–** | **2,860,687,454** |
| Loans payable (Note 17) | **16,268,802,072** | **38,078,771,465** | **63,440,474,531** | **117,788,048,068** |
| Bonds payable (Note 17) | **1,125,505,600** | **11,091,722,150** | **16,731,031,933** | **28,948,259,683** |
| Due to related parties (Note 27) | **174,122,998** | **–** | **–** | **174,122,998** |
| Liabilities on purchased properties (Notes 20 and 27) | **720,370,457** | **893,443,985** | **1,688,763,748** | **3,302,578,190** |
| Total undiscounted financial liabilities | **₱43,842,168,769** | **₱50,747,536,340** | **₱82,034,990,577** | **₱176,624,695,686** |
| Liquidity Gap | **₱27,812,107,879** | **(₱43,303,567,831)** | **(₱78,429,809,665)** | **(₱93,921,269,617)** |

**Excludes cash on hand amounting to ₱10,800,831.*

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | < 1 year | > 1 to < 5 years | > 5 years | Total |
| Financial assets | | | | |
| Cash and cash equivalents* (Note 4) | ₱29,702,403,992 | ₱– | ₱– | ₱29,702,403,992 |
| Short-term investments (Note 4) | 1,308,977,823 | – | – | 1,308,977,823 |
| Receivables (Note 5) | | | | |
| Trade receivables | 7,966,096,507 | 522,609,987 | – | 8,488,706,494 |
| Installment contracts receivables | 4,482,961,600 | 3,008,904,575 | 53,577,296 | 7,545,443,471 |
| Insurance receivables | 2,042,080,123 | – | – | 2,042,080,123 |
| Nontrade receivables | 1,151,619,498 | – | – | 1,151,619,498 |
| Accrued rent income | 302,047,117 | – | – | 302,047,117 |
| Dividends receivable | 240,000,000 | – | – | 240,000,000 |
| Accrued interest receivables | 103,696,004 | – | – | 103,696,004 |
| Loans receivable | 94,622,500 | 159,202,519 | 446,406,180 | 700,231,199 |
| Accrued commissions | 66,798,918 | – | – | 66,798,918 |
| Others | 321,222,172 | 52,287,759 | 21,858,002 | 395,367,933 |
| Due from related parties (Note 27) | 170,629,476 | – | – | 170,629,476 |
| AFS investments (Note 10) | | | | |
| Equity securities | | | | |
| Quoted | 2,549,232,004 | – | – | 2,549,232,004 |
| Unquoted | 480,655,253 | – | – | 480,655,253 |
| Quoted debt securities | 25,660,458 | 348,921,191 | 722,411,225 | 1,096,992,874 |
| Total undiscounted financial assets | ₱51,008,703,445 | ₱4,091,926,031 | ₱1,244,252,703 | ₱56,344,882,179 |
| Other financial liabilities | | | | |
| Accounts and other payables (Note 15) | | | | |
| Trade payables | ₱6,678,480,896 | ₱– | ₱174,720,365 | ₱6,853,201,261 |
| Telegraphic transfers and drafts and acceptances payable | 4,321,184,608 | – | – | 4,321,184,608 |
| Accrued expenses | 3,268,666,729 | 2,859,970 | – | 3,271,526,699 |
| Accrued interest | 604,933,456 | – | – | 604,933,456 |
| Accrued commissions | 486,037,865 | – | – | 486,037,865 |
| Insurance payable | 433,111,602 | – | – | 433,111,602 |
| Customer advances | 293,691,646 | – | – | 293,691,646 |
| Royalty payable | 289,718,824 | – | – | 289,718,824 |
| Retentions payable | 100,150,602 | 504,750,145 | – | 604,900,747 |
| Others | 923,400,420 | – | – | 923,400,420 |
| Customer's deposit (Notes 18) | 2,549,222,602 | – | – | 2,549,222,602 |
| Dividends payable (Notes 27) | 2,034,256,000 | – | – | 2,034,256,000 |
| Loans payable (Note 17) | 7,928,909,953 | 32,981,475,173 | 16,993,066,030 | 57,903,451,156 |
| Bonds payable (Note 17) | 1,125,505,600 | 12,217,227,750 | 16,731,031,933 | 30,073,765,283 |
| Due to related parties (Note 27) | 176,045,423 | – | – | 176,045,423 |
| Liabilities on purchased properties | 783,028,773 | 1,981,589,087 | 747,241,237 | 3,511,859,097 |
| Total undiscounted financial liabilities | ₱31,996,344,999 | ₱47,687,902,125 | ₱34,646,059,565 | ₱114,330,306,689 |
| Liquidity Gap | ₱19,012,358,446 | (₱43,595,976,094) | (₱33,401,806,862) | (₱57,985,424,510) |

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

*Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US$24.01 million and JP¥16.09 million as of December 31, 2015 and US$0.25 million and JP¥11.72 million as of December 31, 2014. Short-term investments denominated in foreign currency amounted to US$29.43 million and JP¥100 million as of December 31, 2015 and US$27.98 million and JP¥90.0 million as of December 31, 2014. Advances to contractors denominated in foreign currency amounted to US$6.73 million as of December 31, 2015 and nil as of December 31, 2014. Accounts and other payables denominated in foreign currency amounted to US$159.77 million and JP¥92.08 million as of December 31, 2015 and nil as of December 31, 2014.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱47.06 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.39 to JP¥1.00 as at December 31, 2015 and ₱44.72 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.37 to JP¥1.00 as at December 31, 2014.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2015 and 2014. There is no other impact on the Group's equity other than those already affecting the statements of comprehensive income.

| | | Increase (Decrease) in Income Before Tax | | |
|---|---|---|---|---|
| **Reasonably Possible Change** | | **2015** | 2014 | 2013 |
| **US$** | **₱1.00** | **(₱69,716,197)** | ₱19,757,813 | (₱2,510,102,063) |
| | **(1.00)** | **69,716,197** | (19,757,813) | 2,510,102,063 |
| **JP¥** | **7.2%** | **473,374** | 1,903,306 | 1,692,262 |
| | **(7.2%)** | **(473,374)** | (1,903,306) | (1,692,262) |

*Interest rate risk*
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

| | Increase (decrease) in income before tax | | |
|---|---|---|---|
| Reasonably Possible Changes in Interest Rates | **2015** | 2014 | 2013 |
| 100 basis points (bps) | **(₱114,595,074)** | (₱174,841,512) | (₱155,702,489) |
| 100 bps | **114,595,074** | 174,841,512 | 155,702,489 |

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

*Equity price risk*
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

| | Percentage change in PSEi | Increase (decrease) in total comprehensive income |
|---|---|---|
| **2015** | **Increase by 14.45%** | **₱277,777,985** |
| | **Decrease by 14.45%** | **(277,777,985)** |
| 2014 | Increase by 23.31% | ₱55,482,569 |
| | Decrease by 23.31% | (55,482,569) |

## 34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share from continuing operations attributable to equity holders of the Parent Company for the years ended December 31, 2015, 2014 and 2013 were computed as follows:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Net income attributable to equity holders of the Parent Company from continuing operations | **₱12,069,121,341** | ₱9,057,976,892 | ₱8,614,459,534 |
| Weighted average number of shares | **174,297,500** | 174,300,000 | 173,853,425 |
| | **₱69.24** | ₱51.97 | ₱49.55 |

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2015, 2014 and 2013 were computed as follows:

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Net income attributable to equity holders of the Parent Company | **₱12,118,822,379** | ₱9,152,612,962 | ₱8,640,186,114 |
| Weighted average number of shares | **174,297,500** | 174,300,000 | 173,853,425 |
| | **₱69.53** | ₱52.51 | ₱49.70 |

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

## 35. **Operating Segments**

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry and financing institution;
- Power is engaged mainly in the generation and distribution of electricity; and
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;

Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Segment Assets

Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group (amounts in thousands) as of and for the years ended December 31, 2015 and 2014:

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Real Estate | Financial Institution | Automotive Operations | Power* | Others | Total |
| Revenue | **₱9,546,026** | **₱–** | **₱120,802,062** | **₱18,391,472** | **₱–** | **₱148,739,560** |
| Other income | **1,792,433** | **–** | **401,222** | **707,164** | **1,072** | **2,901,891** |
| Equity in net income of associates and jointly controlled entities | **438,641** | **5,094,701** | **82,721** | **–** | **–** | **5,616,063** |
| | **11,777,100** | **5,094,701** | **121,286,005** | **19,098,636** | **1,072** | **157,257,514** |
| Cost of goods and services sold | **481,099** | **–** | **74,460,210** | **–** | **–** | **74,941,309** |
| Cost of goods manufactured and sold | **–** | **–** | **27,837,739** | **–** | **–** | **27,837,739** |
| Cost of rental | **271,608** | **–** | **–** | **–** | **–** | **271,608** |
| Cost of real estate sales | **6,487,224** | **–** | **–** | **–** | **–** | **6,487,224** |
| Power plant operation and maintenance | **–** | **–** | **–** | **9,477,510** | **–** | **9,477,510** |
| General and administrative expenses | **2,296,640** | **–** | **4,996,656** | **3,375,832** | **188,832** | **10,857,960** |
| | **9,536,571** | **–** | **107,294,605** | **12,853,342** | **188,832** | **129,873,350** |
| Earnings before interest and taxes | **2,240,529** | **5,094,701** | **13,991,400** | **6,245,294** | **(187,760)** | **27,384,164** |
| Depreciation and amortization | **249,220** | **–** | **879,713** | **2,259,313** | **5,234** | **3,393,480** |
| EBITDA | **2,489,749** | **5,094,701** | **14,871,113** | **8,504,607** | **(182,526)** | **30,777,644** |
| Interest income | **1,477,606** | **–** | **278,607** | **183,470** | **33,508** | **1,973,191** |
| Interest expense | **(241,615)** | **1,019** | **(118,686)** | **(1,768,076)** | **(1,804,345)** | **(3,931,703)** |
| Depreciation and amortization | **(249,220)** | **–** | **(879,713)** | **(2,259,313)** | **(5,234)** | **(3,393,480)** |
| Pretax income | **3,476,520** | **5,095,720** | **14,151,321** | **4,660,688** | **(1,958,597)** | **25,425,652** |
| Provision for income tax | **(504,815)** | **–** | **(3,771,312)** | **(210,021)** | **(30,408)** | **(4,516,556)** |
| Net income | **₱2,971,705** | **₱5,095,720** | **₱10,380,009** | **₱4,450,667** | **(₱1,989,005)** | **₱20,909,096** |
| Net income from disposal group classified as held-for-sale | **₱–** | **₱49,701** | **₱–** | **₱–** | **₱–** | **₱49,701** |
| Segment assets | **₱121,729,660** | **₱62,572,828** | **₱47,227,874** | **₱78,778,494** | **₱6,976,389** | **₱317,285,245** |
| Segment liabilities | **₱54,584,415** | **₱6,443,763** | **₱20,387,139** | **₱45,131,326** | **₱46,896,861** | **₱173,443,504** |

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱157.33 million.*

| | December 31, 2014 (As restated – Note 12) | | | | | |
|---|---|---|---|---|---|---|
| | Real Estate | Financial Institution | Automotive Operations | Power* | Others | Total |
| Revenue | ₱6,423,592 | ₱– | ₱108,816,378 | ₱18,973,393 | ₱– | ₱134,213,363 |
| Other income | 1,420,376 | – | 428,952 | 139,948 | (3,231) | 1,986,045 |
| Equity in net income of associates and jointly controlled entities | 357,895 | 2,988,262 | 74,403 | (63) | – | 3,420,497 |
| | 8,201,863 | 2,988,262 | 109,319,733 | 19,113,278 | (3,231) | 139,619,905 |
| Cost of goods and services sold | 539,929 | – | 70,056,858 | – | – | 70,596,787 |
| Cost of goods manufactured and sold | – | – | 24,213,432 | – | – | 24,213,432 |
| Cost of rental | 270,092 | – | – | – | – | 270,092 |
| Cost of real estate sales | 4,333,872 | – | – | – | – | 4,333,872 |
| Power plant operation and maintenance | – | – | – | 10,327,712 | – | 10,327,712 |
| General and administrative expenses | 1,833,798 | 7,121 | 5,020,964 | 3,347,210 | 182,732 | 10,391,825 |
| | 6,977,691 | 7,121 | 99,291,254 | 13,674,922 | 182,732 | 120,133,720 |
| Earnings before interest and taxes | 1,224,172 | 2,981,141 | 10,028,479 | 5,438,356 | (185,963) | 19,486,185 |
| Depreciation and amortization | 246,034 | 14,066 | 587,956 | 2,324,166 | 5,107 | 3,177,329 |
| EBITDA | 1,470,206 | 2,995,207 | 10,616,435 | 7,762,522 | (180,856) | 22,663,514 |
| Interest income | 1,170,292 | – | 192,041 | 105,164 | 18,610 | 1,486,107 |
| Interest expense | (472,185) | 1,019 | (120,690) | (1,848,305) | (799,825) | (3,239,986) |
| Depreciation and amortization | (246,034) | (14,066) | (587,956) | (2,324,166) | (5,107) | (3,177,329) |
| Pretax income | 1,922,279 | 2,982,160 | 10,099,830 | 3,695,215 | (967,178) | 17,732,306 |
| Provision for income tax | (426,332) | 627,412 | (2,766,770) | (111,289) | (3,722) | (2,680,701) |
| Net income from continuing operations | ₱1,495,947 | ₱3,609,572 | ₱7,333,060 | ₱3,583,926 | (₱970,900) | ₱15,051,605 |
| Net income from disposal group classified as held-for-sale | ₱– | ₱99,537 | ₱– | ₱– | ₱– | ₱99,537 |
| Segment assets | ₱51,855,156 | ₱50,441,921 | ₱52,922,850 | ₱20,310,272 | ₱42,732,927 | ₱218,263,126 |
| Segment liabilities | ₱21,947,418 | ₱7,019,071 | ₱24,966,013 | ₱40,310,443 | ₱18,078,276 | ₱112,321,221 |

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

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:

| | 2015 | 2014 |
|---|---|---|
| Domestic | **₱149,803,295,576** | ₱129,341,693,869 |
| Foreign | **9,427,409,507** | 11,764,318,345 |
| | **₱159,230,705,083** | ₱141,106,012,214 |

## 36. Contingencies

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

In order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱1.36 billion as of December 31, 2015 and 2014.

## 37. Events after the Reporting Date

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 March 7, 2016, the SEC approved the application for merger of TMBC and TCI, with TMBC as the surviving corporation and TCI as the absorbed corporation.

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.

On March 10, 2016, the BOD of the Parent Company approved the declaration of a regular cash dividend in the amount of Five Hundred Twenty Two Million Nine Hundred Thousand Pesos (₱522,900,000.00), or Three Pesos (₱3.00) per share in favor of GT Capital's common stockholders of record as of April 8, 2016, payable on or before May 4, 2016.

On March 10, 2016, the BOD of the Parent Company approved the declaration of a special cash dividend in the amount of Five Hundred Twenty Two Million Nine Hundred Thousand Pesos (₱522,900,000.00), or Three Pesos (₱3.00) per share, in favor of Parent Company's common stockholders of record as of April 8, 2016, payable on or before May 4, 2016.

On March 10, 2016, the BOD of the Parent Company approved the declaration of a regular cash dividend in favor of its Voting Preferred stockholders at a dividend rate of 3.77%, the three (3)-year PDST-R2 rate on issue date (April 13, 2015), with record date on April 8, 2016 and payment date on May 4, 2016.

## 38. Approval for the Release of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the Company's BOD on March 10, 2016.

## 39. Notes to Cash Flows Statements

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| Transfers between investment property and inventories (Note 6) | **₱98,518,579** | (₱182,101,483) | ₱1,765,346,107 |
| Borrowing cost capitalized to inventories (Note 6) | **989,976,495** | 709,649,989 | 299,265,598 |
| Fair value of previously held interest | **–** | – | 8,168,262,2716 |
| Gain on asset swap | **337,366,674** | – | – |
| Fair value of net assets acquired from business combinations (Note 31): | | | |
| Assets | | | |
| Receivables | **12,510,341,939** | 489,139,851 | 4,000,790,312 |
| Inventories | **36,813,996,379** | 116,777,335 | 5,256,937,104 |
| Reinsurance assets | **–** | – | 3,701,512,371 |
| Prepayments and other current assets | **1,610,539,372** | 101,508,995 | 903,919,323 |
| Available-for-sale investments | **2,303,610** | 711,019 | 2,643,193,467 |
| Investment properties | **2,390,496,039** | 301,367,000 | 2,251,349,832 |
| Property, plant and equipment | **713,104,149** | 201,227,584 | 3,364,099,310 |
| Intangible assets | **15,962,796** | | 10,034,348,535 |
| Deferred tax assets | **79,997,327** | | 421,764,219 |
| Other non-current assets | **210,606,299** | 837,272 | 356,077,960 |
| Liabilities | | | |
| Accounts payable and accrued expenses | **2,870,936,058** | 254,455,022 | 11,865,580,908 |
| Customer's deposits | **675,786,503** | – | – |
| Loans payable | **13,138,511,823** | 497,000,000 | – |
| Other current liabilities | **125,494,587** | – | 207,969,569 |
| Long-term debt | **–** | – | 229,481,790 |
| Other noncurrent liabilities | **109,612,388** | 93,357,542 | (29,707,977) |
| Deferred tax liability - from fair value change | **7,313,276,325** | 71,367,274 | 2,270,619,482 |

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT**
**ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GT Capital Holdings, Inc. and Subsidiaries as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 included in this Form 17-A and have issued our report thereon dated March 10, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1, As Amended (2011) and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5321647, January 4, 2016, Makati City

March 10, 2016

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

**DECEMBER 31, 2015**

## GT CAPITAL HOLDINGS, INC.

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

### FOR THE YEAR ENDED DECEMBER 31, 2015

| | | |
|---|---|---|
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning | | ₱1,460,693,415 |
| Add: Net income actually earned during the period | | |
| Net income during the period closed to Retained earnings | ₱4,099,123,849 | |
| Less: Non-actual/unrealized income net of tax | – | |
| Add: Non actual losses | – | 4,099,123,849 |
| Subtotal | | 5,559,817,264 |
| Add (Less): | | |
| Appropriations during the period | (8,760,000,000) | |
| Reversal of appropriation upon completion of the expansion and acquisition | 6,000,000,000 | |
| Dividend declaration during the period | (522,866,460) | (3,282,866,460) |
| Total Retained Earnings, end available for dividend declaration | | ₱2,276,950,804 |

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS

### FOR THE YEAR ENDED DECEMBER 31, 2015

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | | |
| **PFRSs Practice Statement Management Commentary** | | ✓ | | | |
| **Philippine Financial Reporting Standards** | | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | ✓ | | | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ | |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ | |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ | |
| | Amendments to PFRS 1: Government Loans | | | ✓ | |
| | Amendments to PFRS 1: Meaning of Effective PFRSs | ✓ | | | |
| **PFRS 2** | Share-based Payment | | | ✓ | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ | |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ | |
| | Amendments to PFRS 2: Definition of Vesting Condition | | | ✓ | |
| **PFRS 3 (Revised)** | Business Combinations | ✓ | | | |
| | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination | ✓ | | | |
| | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements | | | ✓ | |
| **PFRS 4** | Insurance Contracts | ✓ | | | |
| | Amendments to PFRS 4: Financial Guarantee Contracts | ✓ | | | |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | ✓ | | | |
| | Amendments to PFRS 5: Changes in methods of disposal | | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ | |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | | |
| | Amendments to PFRS 7: Transition | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | | |
| | Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ | |
| | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | ✓ | | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | | ✓ |
| | Amendments to PFRS 7: Additional Hedge Accounting Disclosures (and consequential amendments) Resulting From the Introduction of the Hedge Accounting Chapter in PFRS 9 | | | | ✓ |
| | Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | ✓ | |
| **PFRS 8** | Operating Segments | ✓ | | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | | | | ✓ |
| | Amendment to PFRS 8: Aggregation of segments, reconciliation of the total of the reportable segments' assets to the entity's assets | | | | ✓ |
| **PFRS 9** | Financial Instruments | | | | ✓ |
| | Financial Instruments: Classification and Measurement of Financial Assets | | | | ✓ |
| | Financial Instruments: Classification and Measurement of Financial Liabilities | | | | ✓ |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | | ✓ |
| | PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39) | | | | ✓ |
| | PFRS 9, Financial Instruments (2014) | | | | ✓ |
| | Reissue to Incorporate a Hedge Accounting Chapter and Permit Early Application of the Requirements for Presenting in Other Comprehensive Income the "Own Credit" Gains or Losses on Financial Liabilities Designated under the Fair Value Option without Early Applying the Other Requirements of PFRS 9 | | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PFRS 9** *(Cont'd)* | Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | | | | ✓ |
| **PFRS 10** | Consolidated Financial Statements | ✓ | | | |
| | Amendments to PFRS 10: Transition Guidance | ✓ | | | |
| | Amendments to PFRS 10: Investment Entities | ✓ | | | |
| | Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture | | | | ✓ |
| | Amendments to PFRS 10: Investment Entities Applying the Consolidation Exception | | | | ✓ |
| **PFRS 11** | Joint Arrangements | ✓ | | | |
| | Amendments to PFRS 11: Transition Guidance | ✓ | | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | | ✓ |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | | |
| | Amendments to PFRS 12: Transition Guidance | ✓ | | | |
| | Amendments to PFRS 12: Investment Entities | ✓ | | | |
| **PFRS 13** | Fair Value Measurement | ✓ | | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | ✓ | | | |
| | Amendment to PFRS 13: Portfolio Exception | | | ✓ | |
| **PFRS 14** | Regulatory Deferral Accounts | | | ✓ | |
| **Philippine Accounting Standards** | | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | | |
| | Amendments to PAS 1: Capital Disclosures | ✓ | | | |
| | Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ | |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | | |
| | Amendments to PAS 1: Comparative Information | ✓ | | | |
| | Amendments to PAS 1 (Revised): Disclosure Initiative | | | | ✓ |
| **PAS 2** | Inventories | ✓ | | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | | |
| **PAS 10** | Events after the Balance Sheet Date | ✓ | | | |
| **PAS 11** | Construction Contracts | ✓ | | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PAS 12** | Income Taxes | ✓ | | | |
| | Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ | |
| **PAS 16** | Property, Plant and Equipment | ✓ | | | |
| | Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation | | | ✓ | |
| | Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization | | | | ✓ |
| | Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants | | | ✓ | |
| **PAS 17** | Leases | ✓ | | | |
| **PAS 18** | Revenue | ✓ | | | |
| **PAS 19** | Employee Benefits | ✓ | | | |
| | Amendments to PAS 19: Employee Benefits | ✓ | | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contribution | | | ✓ | |
| | Amendments to PAS 19: Discount Rate: Regional Market Issue | | | ✓ | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ | |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ | |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | ✓ | | | |
| **PAS 27 (Amended)** | Separate Financial Statements | ✓ | | | |
| | Amendments for investment entities | ✓ | | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | | ✓ |
| **PAS 28 (Amended)** | Investments in Associates | ✓ | | | |
| | Investments in Associates and Joint Ventures | ✓ | | | |
| | Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | | | ✓ |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PAS 31** | Interests in Joint Ventures (Replaced by PFRS 11) | ✓ | | | |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ | |
| | Amendments to PAS 32: Classification of Rights Issues | ✓ | | | |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | | |
| **PAS 33** | Earnings per Share | ✓ | | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | | |
| | Amendments to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report' | | | | ✓ |
| **PAS 36** | Impairment of Assets | ✓ | | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | | |
| **PAS 38** | Intangible Assets | ✓ | | | |
| | Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation | | | ✓ | |
| | Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization | | | ✓ | |
| | Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ | |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ | |
| | Amendments to PAS 39: The Fair Value Option | ✓ | | | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | ✓ | | | |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PAS 39** *(Cont'd)* | Amendments to PAS 39: Eligible Hedged Items | | | ✓ | |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ | |
| **PAS 40** | Investment Property | ✓ | | | |
| | Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner–Occupied Property | | | | ✓ |
| **PAS 41** | Agriculture | | | ✓ | |
| | Amendments to PAS 41, Agriculture: Bearer Plants | | | ✓ | |
| **Philippine Interpretations** | | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | ✓ | | | |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ | |
| **IFRIC 4** | Determining Whether an Arrangement Contains a Lease | ✓ | | | |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | ✓ | | | |
| **IFRIC 6** | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ | |
| **IFRIC 7** | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ | |
| **IFRIC 8** | Scope of PFRS 2 | | | ✓ | |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ | |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ | |
| **IFRIC 10** | Interim Financial Reporting and Impairment | ✓ | | | |
| **IFRIC 11** | PFRS 2- Group and Treasury Share Transactions | ✓ | | | |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ | |
| **IFRIC 13** | Customer Loyalty Programmes | ✓ | | | |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | ✓ | | | |
| | Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement | ✓ | | | |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ | |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | ✓ | | | |
| **IFRIC 18** | Transfers of Assets from Customers | ✓ | | | |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | ✓ | | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2015 | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ | |
| **IFRIC 21** | Levies | | | ✓ | |
| **SIC-7** | Introduction of the Euro | | | ✓ | |
| **SIC-10** | Government Assistance – No Specific Relation to Operating Activities | | | ✓ | |
| **SIC-12** | Consolidation – Special Purpose Entities | | | ✓ | |
| | Amendment to SIC – 12: Scope of SIC 12 | | | ✓ | |
| **SIC-13** | Jointly Controlled Entities – Non-Monetary Contributions by Venturers | ✓ | | | |
| **SIC-15** | Operating Leases – Incentives | ✓ | | | |
| **SIC-21** | Income Taxes – Recovery of Revalued Non-Depreciable Assets | ✓ | | | |
| **SIC-25** | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders | | | ✓ | |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | ✓ | | | |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✓ | |
| **SIC-31** | Revenue – Barter Transactions Involving Advertising Services | | | ✓ | |
| **SIC-32** | Intangible Assets – Web Site Costs | ✓ | | | |

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
## SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
### FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule A. Financial Assets**

| Name of issuing entity and association of each issue (i) | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet (ii) | Valued based on market quotation at end of reporting period (iii) | Income received and accrued |
|---|---|---|---|---|
| Equity securities | | | | |
| Quoted | Various | ₱2,714,224,654 | ₱2,714,224,654 | ₱415,335,137 |
| Unquoted | Various | 480,598,603 | 480,598,603 | 13,880,926 |

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)**

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| C. C. Afable | Assistant Vice President | 104,518 | – | (104,518) | – | – | – | – |
| M. T. Agustin | Manager | 226,351 | – | (4,088) | – | 49,057 | 173,206 | 222,263 |
| A.R. Alcid | Senior Manager | 282,671 | – | (54,110) | – | 55,606 | 172,955 | 228,561 |
| C.T. Alfonso | Senior Manager | 233,195 | – | (57,161) | – | 58,742 | 117,292 | 176,034 |
| M.N. Amistoso | Manager | 195,469 | – | (59,488) | – | 61,134 | 74,847 | 135,981 |
| B.E. Ang | Vice President | 303,904 | – | (82,610) | – | 84,895 | 136,399 | 221,294 |
| N.M. Galicia | Assistant Vice President | 135,981 | – | (63,157) | – | 64,904 | 7,920 | 72,824 |
| C. P. Cereno | Assistant Vice President | – | 430,000 | (17,213) | – | 73,463 | 339,324 | 412,787 |
| E.F. Chuaunsu | Senior Manager | 99,599 | – | (65,401) | – | 34,198 | – | 34,198 |
| D.R. De Leon | Manager | 207,625 | – | (57,999) | – | 59,603 | 90,023 | 149,626 |
| M.G. Estuista | Manager | 273,876 | – | (54,652) | – | 56,164 | 163,060 | 219,224 |
| F. P. Malaca | Assistant Vice President | 97,790 | – | (83,399) | – | 14,391 | – | 14,391 |
| F. S. Librea | Manager | 45,372 | – | (45,372) | – | – | – | – |
| E.M, Gabriel | Senior Manager | 278,285 | – | (54,380) | – | 55,885 | 168,020 | 223,905 |
| K.D. Guades | Manager | 164,639 | – | (37,542) | – | 38,580 | 88,517 | 127,097 |
| D.C. Hernandez | Assistant Vice President | 213,862 | – | (76,207) | – | 78,347 | 59,308 | 137,655 |
| J.C. Hernandez | Senior Manager | 45,372 | – | (45,372) | – | – | – | – |
| S.C. Iyog | SVP | 242,377 | – | (86,368) | – | 88,793 | 67,216 | 156,009 |
| J.D. Rosales | Senior Manager | 80,072 | – | (59,451) | – | 20,621 | – | 20,621 |
| M. Tapia | Manager | 39,799 | – | (39,799) | – | – | – | – |
| E.O. Madrinan | Manager | 146,170 | – | (61,295) | – | 62,991 | 21,884 | 84,875 |
| M.P. Mag-isa | Senior Manager | 231,922 | – | (41,454) | – | 190,468 | – | 190,468 |
| M.A. Mangulabnan | Manager | – | 299,000 | (34,890) | – | 53,253 | 210,857 | 264,110 |
| G.I. Mauricio | Assistant Vice President | 299,232 | – | (68,232) | – | 231,000 | – | 231,000 |
| P.N. Moralde | Assistant Vice President | 164,588 | – | (73,317) | – | 75,345 | 15,926 | 91,271 |
| S.A. Nunez | Assistant Vice President | 291,681 | – | (68,101) | – | 69,986 | 153,594 | 223,580 |
| E.P. Ogues | Senior Manager | – | 300,000 | (53,041) | – | 54,508 | 192,451 | 246,959 |
| A.S. Peralta | Assistant Vice President | 232,907 | - | (73,038) | | 75,059 | 84,810 | 159,869 |
| A.D. Ramos | Manager | – | 300,000 | (30,554) | – | 53,166 | 216,280 | 269,446 |
| E.P. Santos | Manager | 171,114 | – | (60,990) | – | 62,677 | 47,447 | 110,124 |
| A.E. Teves | Assistant Vice President | – | 375,000 | (27,144) | – | 65,797 | 282,059 | 347,856 |
| C.B. Tolentino | Senior Manager | 190,647 | – | (59,786) | – | 61,439 | 69,422 | 130,861 |
| E.D. Trinidad | Assistant Vice President | 291,494 | – | (71,452) | – | 73,428 | 146,614 | 220,042 |
| R. Magalso | Accounting Manager | 207,500 | – | (60,000) | – | 60,000 | 87,500 | 147,500 |
| J. Barsales | Planning Manager | 180,000 | – | (60,000) | – | 60,000 | 60,000 | 120,000 |
| I. Paulino Jr. | Plant Manager | 400,000 | – | (70,000) | | 80,000 | 250,000 | 330,000 |

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| C.Chavez | Purchasing Manager | 263,000 | – | (48,217) | – | 52,600 | 162,183 | 214,783 |
| J.P. Jacosalem | Senior Procurement Manager | 5,000 | – | (5,000) | – | – | – | – |
| R.J. Gambol | Sr. Management Information System Manager | 75,000 | – | (60,000) | – | 15,000 | – | 15,000 |
| A.S. Matabang | Corporate Security Manager | 113,750 | – | (70,000) | – | 43,750 | – | 43,750 |
| J.M. Covar | Senior Planning Officer | 169,167 | – | (70,000) | – | 70,000 | 29,167 | 99,167 |
| J.B. Lora | Quality Assurance / IMS Specialist | 147,500 | – | (60,000) | – | 60,000 | 27,500 | 87,500 |
| S.F. Diaz | Assistant to the EVP-Engineering & Operations | 240,000 | – | (60,000) | – | 60,000 | 120,000 | 180,000 |
| M.E. Limbo | Audit Manager | 285,833 | – | (70,000) | – | 70,000 | 145,833 | 215,833 |
| J.G. Co | Senior Coal Trading Manager | 297,500 | – | (70,000) | – | 70,000 | 157,500 | 227,500 |
| A.F. Aguinaldo | SM - Business Development | 317,917 | – | (70,000) | – | 70,000 | 177,917 | 247,917 |
| M.M. Paulino | Senior Finance Manager | 326,667 | – | (70,000) | – | 70,000 | 186,667 | 256,667 |
| G. Buising | Power Sales Manager | 282,500 | – | (60,000) | – | 60,000 | 162,500 | 222,500 |
| B. Policarpio | AVP-Legal | 125,416 | – | (125,416) | – | - | - | - |
| R.B. Obrero | AVP-Controllership | 320,000 | – | (80,000) | – | 80,000 | 160,000 | 240,000 |
| E. Encarnacion | AVP-Controllership | 320,000 | – | (80,000) | – | 80,000 | 160,000 | 240,000 |
| M.L. Blanco | AVP-HRAT | 320,000 | – | (80,000) | – | 80,000 | 160,000 | 240,000 |
| J. Dela Cruz | AVP-BD | 319,333 | – | (80,000) | – | 80,000 | 159,333 | 239,333 |
| C. Comandate | M-Legal | – | 270,000 | (52,500) | – | 90,000 | 127,500 | 217,500 |
| G.A. Altamira | Senior Commercial Operations Manager | 167,475 | – | (66,413) | – | 69,300 | 31,762 | 101,062 |
| A.G. Suganob | QA / QC Manager | 267,500 | – | (60,000) | – | 60,000 | 147,500 | 207,500 |
| J. Lizada | Operations Manager | – | 300,417 | (26,250) | – | 70,000 | 204,167 | 274,167 |
| E. Pasia | AVP-Maintenance | – | 400,000 | (53,333) | – | 160,000 | 186,667 | 346,667 |
| E.R. Sarino | Deputy Plant Manager | 180,000 | – | (60,000) | – | 60,000 | 60,000 | 120,000 |
| T.B. Yanong | Operations & Maintenance Manager | 225,000 | – | (225,000) | – | – | – | – |
| E.S. Latiza | HR/Training Manager | 258,000 | – | (64,500) | – | 64,500 | 129,000 | 193,500 |
| N.M. Teologo | CEMA Manager | 267,500 | – | (60,000) | – | 60,000 | 147,500 | 207,500 |
| E.A. Cereneo | Operations & Maintenance Manager | 267,500 | – | (60,000) | – | 60,000 | 147,500 | 207,500 |
| N.N. Divina | Finance & Accounting Manager | 275,000 | – | (60,000) | – | 60,000 | 155,000 | 215,000 |
| A.T. Espanta | Maintenance Manager | 77,725 | – | (65,000) | – | 12,725 | – | 12,725 |
| E. Ramos | Safety Manager | – | 260,000 | – | – | 60,000 | 200,000 | 260,000 |
| L.T. Villanueva | Operations & Maintenance Manager | 89,958 | – | (55,000) | – | 34,958 | – | 34,958 |
| A.E. Sison | O&M Manager - Sangi | 90,000 | – | (60,000) | – | 30,000 | – | 30,000 |

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| A.A. Fernandez | O&M Manager - Carmen | 102,158 | – | (59,800) | – | 42,358 | – | 42,358 |
| D.D. Erasan | Finance & Accounting Manager | 180,000 | – | (60,000) | – | 60,000 | 60,000 | 120,000 |
| E.M. Cabatingan | Maintenance & SCADA Manager | 102,500 | – | (60,000) | – | 42,500 | – | 42,500 |
| S. Gunda | PSSD Manager | – | 300,000 | (55,000) | – | 60,000 | 185,000 | 245,000 |
| A. Cabalhug | Assistant Vice President | – | 75,698 | (70,000) | – | 5,698 | – | 5,698 |
| A. Cuizon | Admin Manager | – | 300,000 | (25,000) | – | 60,000 | 215,000 | 275,000 |
| R. Arada | TPC1A Project Manager | – | 300,000 | (25,000) | – | 60,000 | 215,000 | 275,000 |
| E.L. Dayao | SVP-Corporate and Admin Services | 2,970,444 | – | (454,274) | – | 729,192 | 1,786,978 | 2,516,170 |
| A.B. Obreo | AVP-Controllership | 458,936 | – | (458,936) | – | – | – | – |
| M. Madriñan | HRAT Officer | 1,354,812 | – | (82,209) | – | 139,826 | 1,132,777 | 1,272,603 |
| S.A. Bontoc | GL/Payroll Officer | 1,387,738 | – | (59,831) | – | 96,090 | 1,231,817 | 1,327,907 |
| H.L. Mamon | Supervisor | – | 28,800 | – | – | 28,800 | – | 28,800 |
| N.A. Santos | Vice President | 11,676 | – | – | – | 11,676 | – | 11,676 |
| R.P. Magdugo | Assistant Manager | 9,450 | – | – | – | 9,450 | – | 9,450 |
| M.D. Morales | Manager | 39,000 | – | – | – | 39,000 | – | 39,000 |
| W.A. Sanchez | Supervisor | – | 37,071 | (12,000) | – | 25,071 | – | 25,071 |
| A.V.Quintos | Assistant Vice President | 41,589 | 18,595 | (20,353) | – | 39,831 | – | 39,831 |
| N.L. Mendoza | Officer | 2,670 | – | – | – | 2,670 | – | 2,670 |
| C.M. Alcaraz | Rank and File | 1,000 | – | – | – | 1,000 | – | 1,000 |
| M.L. Clerigo | Officer | – | 48,532 | (44,002) | – | 4,530 | – | 4,530 |
| J. B. Pana | Rank and File | – | 37,869 | (34,410) | – | 3,459 | – | 3,459 |
| A.M. Dalupere | Rank and File | 40,202 | – | – | – | 40,202 | – | 40,202 |
| M.M. Saniel | Rank and File | 25 | – | – | – | 25 | – | 25 |
| E.B. Rada | Officer | 62,250 | – | (33,493) | – | 28,757 | – | 28,757 |
| J.O. Narte | Assistant Manager | – | 18,048 | (15,228) | – | 2,820 | – | 2,820 |
| J.N. Arquero | Rank and File | 12,760 | – | – | – | 12,760 | – | 12,760 |
| M.A. De Villa | Assistant Manager | 40,300 | – | – | – | 40,300 | – | 40,300 |
| I.L.Pamaong | Rank and File | 6,160 | 6,160 | (6,355) | – | 5,965 | – | 5,965 |
| E.V. Teofilo | Officer | 30,000 | – | – | – | 30,000 | – | 30,000 |
| M.G. Villapando | Rank and File | 28,500 | – | – | – | 28,500 | – | 28,500 |
| J.L. Asuncion | Rank and File | 15 | – | – | – | 15 | – | 15 |
| D.V. Cabigon | Rank and File | 16,667 | – | – | – | 16,667 | – | 16,667 |
| C.A. Malanay | Rank and File | 39,000 | – | – | – | 39,000 | – | 39,000 |
| D.L. Sena | Rank and File | 39,000 | – | – | – | 39,000 | – | 39,000 |
| J.D. Silva | Rank and File | 30,117 | 30,117 | (30,117) | – | 30,117 | – | 30,117 |
| M.B. Balen | Rank and File | 31,200 | – | – | – | 31,200 | – | 31,200 |
| M.A. Valeria | Rank and File | 33,800 | – | – | – | 33,800 | – | 33,800 |
| C.A. Estrada | Rank and File | 37,267 | – | – | – | 37,267 | – | 37,267 |
| J.L. Guzman | Senior Executive Vice President | 14,357 | 4,449 | (4,449) | – | 14,357 | – | 14,357 |
| J.E. Mora | Assistant Vice President | 14,367 | 20,698 | (17,645) | – | 17,420 | – | 17,420 |
| M.J. Mendoza | Assistant Manager | 40,300 | – | (3,990) | – | 36,310 | – | 36,310 |
| E.E. Villamor | Vice President | 2,224 | – | – | – | 2,224 | – | 2,224 |
| J.A. Toquero | Assistant Manager | – | 41,600 | (20,738) | – | 20,862 | – | 20,862 |
| M.D. Quanico | Assistant Manager | – | 38,975 | – | – | 38,975 | – | 38,975 |
| L.R. Soriano | Supervisor | 39,000 | – | – | – | 39,000 | – | 39,000 |
| J.B. Camorongan | Supervisor | 2,141 | – | – | – | 2,141 | – | 2,141 |
| M.F. Ausan | Rank and File | 27,167 | – | – | – | 27,167 | – | 27,167 |
| A.F. Pagdanganan | Manager | 9,948 | – | – | – | 9,948 | – | 9,948 |
| D.F. Gazzinga | Supervisor | 2,500 | – | – | – | 2,500 | – | 2,500 |
| C.M. Manguhig | Rank and File | 1,838 | – | – | – | 1,838 | – | 1,838 |
| M.A. Lauron | Officer | 1,100 | – | – | – | 1,100 | – | 1,100 |
| M.B. Milla | Rank and File | 150 | – | – | – | 150 | – | 150 |

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| H.S. Gonzales | Officer | – | 30,667 | – | – | 30,667 | – | 30,667 |
| K.R. Quinto | Rank and File | – | 6,720 | – | – | 6,720 | – | 6,720 |
| R.M. Sagles | Assistant Vice President | 36,921 | – | – | – | 36,921 | – | 36,921 |
| J.A. De Las Alas | Officer | – | 1,410 | – | – | 1,410 | – | 1,410 |
| D.V. Colina | Assistant Manager | – | 293,098 | (292,098) | – | 1,000 | – | 1,000 |
| M.A. Tamayo | Supervisor | 38,806 | – | – | – | 38,806 | – | 38,806 |
| J.V. Reyes | Officer | 31,667 | 63,780 | – | – | 95,447 | – | 95,447 |
| W.B. Narciso | Officer | – | 41,600 | – | – | 41,600 | – | 41,600 |
| R.M. Salinas | Assistant Manager | 3,600 | – | – | – | 3,600 | – | 3,600 |
| M.D. Vicete | Rank and File | 5,880 | – | – | – | 5,880 | – | 5,880 |
| A.P. Diama | Rank and File | 30 | – | – | – | 30 | – | 30 |
| L. Tocong | Supervisor | - | 30,333 | – | – | 30,333 | – | 30,333 |
| G.C. Riguerra | Officer | 36,400 | – | – | – | 36,400 | – | 36,400 |
| M.M. Garcia | Supervisor | 757 | – | – | – | 757 | – | 757 |
| M.T. Endico | Vice President | – | 33,000 | – | – | 33,000 | – | 33,000 |
| J.C. Cruz | Supervisor | 959 | – | – | – | 959 | – | 959 |
| J.O. Foronda | Officer | 30,237 | – | (30,167) | – | 70 | – | 70 |
| C.A. Teope | Officer | – | 32,000 | – | – | 32,000 | – | 32,000 |
| G.R. Perion | Rank and File | 4,500 | – | – | – | 4,500 | – | 4,500 |
| J.C. Añis | Rank and File | 26,000 | – | – | – | 26,000 | – | 26,000 |
| R.P. Bernabe | Rank and File | 70 | – | – | – | 70 | – | 70 |
| M.H. Mendoza | Rank and File | 4,685 | 3,045 | – | – | 7,730 | – | 7,730 |
| E.S. Craw | Assistant Vice President | 32,000 | 10,600 | (33,000) | – | 9,600 | – | 9,600 |
| M.C. Antonio | Rank and File | – | 5,115 | – | – | 5,115 | – | 5,115 |
| M.M. Miranda | Rank and File | 29,167 | – | – | – | 29,167 | – | 29,167 |
| S.S. Nicolas | Rank and File | 39,000 | 2,388 | – | – | 41,388 | – | 41,388 |
| I.A. Andres | Rank and File | 1,510 | – | – | – | 1,510 | – | 1,510 |
| G.M. Sabino | Officer | 128 | 22,667 | – | – | 22,795 | – | 22,795 |
| S.R. Del Valle | Rank and File | – | 4,800 | – | – | 4,800 | – | 4,800 |
| J.P. Ico | Rank and File | 30,000 | 3,360 | – | – | 33,360 | – | 33,360 |
| J.M. Magayon | Officer | 8,188 | – | – | – | 8,188 | – | 8,188 |
| E.L. Miranda | Rank and File | 31,333 | 6,055 | – | – | 37,388 | – | 37,388 |
| S.T. Obeñita | Supervisor | 4,095 | 2,730 | (2,730) | – | 4,095 | – | 4,095 |
| M.B. Monzon | Rank and File | 4,795 | – | – | – | 4,795 | – | 4,795 |
| R.D. Ignacio | Rank and File | – | 29,167 | – | – | 29,167 | – | 29,167 |
| N.R. Pagasartonga | Rank and File | 26,000 | 26,000 | (26,000) | – | 26,000 | – | 26,000 |
| H.P. Bujatin | Rank and File | – | 34,374 | – | – | 34,374 | – | 34,374 |
| A.M. Gellamucho | Officer | 26,667 | 8,000 | – | – | 34,667 | – | 34,667 |
| E.B. Teologia | Rank and File | – | 31,500 | – | – | 31,500 | – | 31,500 |
| J.D. Hernandez | Rank and File | – | 29,833 | – | – | 29,833 | – | 29,833 |
| H.D. Zaño | Rank and File | 25,950 | - | – | – | 25,950 | – | 25,950 |
| M.T. Dela Pe-A | Rank and File | – | 32,000 | – | – | 32,000 | – | 32,000 |
| J.G. Pernala | Rank and File | – | 32,000 | – | – | 32,000 | – | 32,000 |
| A.G. Maravilla | Rank and File | 55,250 | – | – | – | 55,250 | – | 55,250 |
| R.G. Sybingco | Rank and File | 20,000 | – | – | – | 20,000 | – | 20,000 |
| F.O. Basibas | Rank and File | 26,000 | – | – | – | 26,000 | – | 26,000 |
| R.R. Gualberto | Rank and File | 2,250 | – | – | – | 2,250 | – | 2,250 |
| P. Balagot | Rank and File | – | 27,491 | – | – | 27,491 | – | 27,491 |
| E.H. Bernadas | Rank and File | 2,835 | – | – | – | 2,835 | – | 2,835 |
| E.B. Fantonial | Officer | 26,598 | – | – | – | 26,598 | – | 26,598 |
| C.S. Latorre | Rank and File | 28,000 | – | – | – | 28,000 | – | 28,000 |
| P.E. Mamucod | Rank and File | 27,833 | – | – | – | 27,833 | – | 27,833 |
| L.M. Paterez | Rank and File | 21,500 | – | – | – | 21,500 | – | 21,500 |
| R.A. Maigue | Officer | 662 | – | – | – | 662 | – | 662 |
| L.G. Fragante | Rank and File | 2,610 | 2,610 | (2,610) | – | 2,610 | – | 2,610 |
| K.K. Villegas | Rank and File | – | 18,000 | – | – | 18,000 | – | 18,000 |
| F.S. Jacildo, Jr. | Rank and File | 330 | – | – | – | 330 | – | 330 |
| A.A. Alcantara | Rank and File | 30,000 | – | – | – | 30,000 | – | 30,000 |
| V.M. Aranza | Rank and File | – | 6,405 | – | – | 6,405 | – | 6,405 |
| L.D. Samson | Rank and File | – | 3,360 | – | – | 3,360 | – | 3,360 |
| A.J. So | Rank and File | 22,667 | – | – | – | 22,667 | – | 22,667 |
| S.S. Alimonsurin | Rank and File | 190 | – | – | – | 190 | – | 190 |
| G.M. Baleña | Officer | 1,000 | 1,920 | – | – | 2,920 | – | 2,920 |
| M.M. Geralo | Rank and File | 20 | – | – | – | 20 | – | 20 |
| J.L. Torrento | Officer | 921 | – | – | – | 921 | – | 921 |
| C.C. Caguimbaga | Rank and File | 954 | – | – | – | 954 | – | 954 |
| C.S. Polmo | Rank and File | 111 | – | – | – | 111 | – | 111 |
| R.M. Memorando | Rank and File | 1,173 | – | – | – | 1,173 | – | 1,173 |
| A.Y. Denila | Rank and File | 1,489 | – | – | – | 1,489 | – | 1,489 |

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| S.D. Casaria | Rank and File | 1,467 | – | – | – | 1,467 | – | 1,467 |
| A.L. Belmil | Rank and File | – | 2,100 | – | – | 2,100 | – | 2,100 |
| M.M. Macanlalay | Rank and File | – | 2,993 | – | – | 2,993 | – | 2,993 |
| R.C. Jacob | | 2,564 | – | – | – | 2,564 | – | 2,564 |
| L.Y. Reyes | Vice President | 22,687 | 22,446 | (26,085) | – | 19,048 | – | 19,048 |
| N.S. Cuyos | Rank and File | – | 41,226 | (31,632) | – | 9,594 | – | 9,594 |
| A.G. Leonardo Jr. | | 13,667 | 6,015,571 | (6,000,000) | – | 29,238 | – | 29,238 |
| M.A. Tranzona | Rank and File | – | 47,237 | (40,490) | – | 6,747 | – | 6,747 |
| C.E. Castillo | Supervisor | – | 51,442 | (46,747) | – | 4,695 | – | 4,695 |
| G.H. Estocado | | 15,167 | – | – | – | 15,167 | – | 15,167 |
| E.A. Mangampat | Officer | – | 61,874 | (43,674) | – | 18,200 | – | 18,200 |
| J.D. Vasquez | Rank and File | 27,000 | – | – | – | 27,000 | – | 27,000 |
| C. Hilario | Senior Vice President | – | 28,561 | (21,757) | – | 6,804 | – | 6,804 |
| C.G. Jaboya III | Supervisor | – | 45,892 | (37,051) | – | 8,841 | – | 8,841 |
| R.B. Beltran | | 23,000 | – | – | – | 23,000 | – | 23,000 |
| M.C. Alita | Officer | – | 53,400 | (43,075) | – | 10,325 | – | 10,325 |
| L.R. Perion | Supervisor | – | 28,431 | (25,331) | – | 3,100 | – | 3,100 |
| M. P. Villanueva | Officer | 47,753 | – | – | – | 47,753 | – | 47,753 |
| A.G. Lemana | Supervisor | – | 51,162 | (41,327) | – | 9,835 | – | 9,835 |
| E.P. Simbulan | Rank and File | 30,000 | – | – | – | 30,000 | – | 30,000 |
| J.R. Peña | Assistant Manager | 32,500 | – | – | – | 32,500 | – | 32,500 |
| L.R. Camba | Officer | – | 48,136 | (31,550) | – | 16,586 | – | 16,586 |
| R.S. Socco | Manager | 88,577 | 3,629 | (52,977) | – | 39,229 | – | 39,229 |
| L.T. Martizano | Manager | 136,530 | 29,385 | (36,740) | – | 129,175 | – | 129,175 |
| J.N. Dacayan | Assistant Manager | 98,574 | – | – | – | 98,574 | – | 98,574 |
| A.E. Paulan | Officer | - | 56,960 | (17,840) | – | 39,120 | – | 39,120 |
| J.T. Devaras | Manager | 462,387 | – | – | – | 462,387 | – | 462,387 |
| C.C. Edosil | Supervisor | 6,300 | 32,000 | (11,462) | – | 26,838 | – | 26,838 |
| C.C. Javier | Assistant Manager | – | 72,259 | (65,328) | – | 6,931 | – | 6,931 |
| M.S. Cielo | Vice President | – | 226,129 | (216,139) | – | 9,990 | – | 9,990 |
| J.E. Trinidad | Assistant Vice President | 31,000 | 46,139 | (68,261) | – | 8,878 | – | 8,878 |
| M.M. Real | Manager | – | 12,343,071 | (9,878,949) | – | 2,464,122 | – | 2,464,122 |
| E.L. Atienza | Rank and File | – | 23,167 | – | – | 23,167 | – | 23,167 |
| D.D. Braza | Rank and File | 21,833 | – | – | – | 21,833 | – | 21,833 |
| M.G. Hinolan | Rank and File | 36,100 | – | (20,800) | – | 15,300 | – | 15,300 |
| M.Z. Galamiton | Rank and File | – | 9,825 | – | – | 9,825 | – | 9,825 |
| J.S. Libardos | Rank and File | – | 2,433 | – | – | 2,433 | – | 2,433 |
| M. Balajadia | Rank and File | 11,700 | – | – | – | 11,700 | – | 11,700 |
| M. Cabral | Rank and File | 27,833 | 8,350 | (27,833) | – | 8,350 | – | 8,350 |
| A. Dineros | Rank and File | 3,535 | 3,535 | (3,535) | – | 3,535 | – | 3,535 |
| J. Fermo | Rank and File | 24,500 | – | – | – | 24,500 | – | 24,500 |
| M. Lico | Rank and File | 22,317 | – | – | – | 22,317 | – | 22,317 |
| J. Llena | Rank and File | 3,000 | – | – | – | 3,000 | – | 3,000 |
| S.D. Espiritu | Rank and File | – | 1,388 | – | – | 1,388 | – | 1,388 |
| C.C. Salvatierra | Assistant Manager | – | 2,231 | – | – | 2,231 | – | 2,231 |
| J.L. Rodriguez | Rank and File | – | 35,317 | – | – | 35,317 | – | 35,317 |
| S.J. Erlano | Rank and File | – | 23,833 | – | – | 23,833 | – | 23,833 |
| M.C. Mabasa | Rank and File | – | 81,249 | – | – | 81,249 | – | 81,249 |
| J.T. Mecha | Officer | – | 35,667 | – | – | 35,667 | – | 35,667 |
| D.S. Abueg | Rank and File | – | 25,167 | – | – | 25,167 | – | 25,167 |
| M.C. Dela Cruz | Rank and File | – | 25,500 | – | – | 25,500 | – | 25,500 |
| J.C. Lorenzo | Rank and File | – | 25,667 | – | – | 25,667 | – | 25,667 |
| R.B. Jaquias | Rank and File | – | 28,667 | – | – | 28,667 | – | 28,667 |
| J.B. Pasa | Rank and File | – | 31,000 | – | – | 31,000 | – | 31,000 |
| M.C. Quiambao | Manager | – | 41,600 | – | – | 41,600 | – | 41,600 |
| K.K. Dumangeng | Rank and File | – | 57,317 | – | – | 57,317 | – | 57,317 |
| R.E. Soriano | Rank and File | – | 33,800 | – | – | 33,800 | – | 33,800 |
| M.A. Manalusan | Rank and File | – | 41,600 | – | – | 41,600 | – | 41,600 |
| J.B. Sebastian | Rank and File | – | 54,333 | (25,500) | – | 28,833 | – | 28,833 |
| M.A. Cortes | Rank and File | – | 28,800 | – | – | 28,800 | – | 28,800 |
| C. Bones | Rank and File | – | 1,600 | – | – | 1,600 | – | 1,600 |
| V. Del Rosario | Rank and File | – | 1,600 | – | – | 1,600 | – | 1,600 |
| A. Sequitin | Rank and File | – | 1,600 | – | – | 1,600 | – | 1,600 |
| L.G. Sumalpong | Rank and File | – | 27,600 | – | – | 27,600 | – | 27,600 |
| J.R. Fermin | Rank and File | – | 1,600 | – | – | 1,600 | – | 1,600 |
| B.V. Vispo Jr | Rank and File | – | 1,600 | – | – | 1,600 | – | 1,600 |
| C. Recabuelto | Officer | – | 3,360 | – | – | 3,360 | – | 3,360 |

| Name of debtor | Designation of debtor | Balance of beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| M. Laru-An | Rank and File | – | 4,500 | – | – | 4,500 | – | 4,500 |
| M.C. Samaniego | Rank and File | – | 28,667 | – | – | 28,667 | – | 28,667 |
| J.P. Sister | Rank and File | – | 24,833 | – | – | 24,833 | – | 24,833 |
| E.T. Gaborno | Rank and File | – | 7,575 | – | – | 7,575 | – | 7,575 |
| E.M. Mariano | Supervisor | – | 4,800 | – | – | 4,800 | – | 4,800 |
| M.Y. Alita | Officer | – | 10,547 | (5,384) | – | 5,163 | – | 5,163 |
| J. Ani | Rank and File | – | 27,000 | – | – | 27,000 | – | 27,000 |
| L. Camba | Officer | – | 9,506 | (7,281) | – | 2,225 | – | 2,225 |
| C. Castillo | Supervisor | – | 10,139 | – | – | 10,139 | – | 10,139 |
| C. Castillo | Supervisor | – | 41,018 | – | – | 41,018 | – | 41,018 |
| M. Clerigo | Officer | – | 9,599 | – | – | 9,599 | – | 9,599 |
| N. Cuyos | Rank and File | – | 8,245 | (4,218) | – | 4,027 | – | 4,027 |
| R. De Castro | Manager | – | 10,100 | (6,851) | – | 3,249 | – | 3,249 |
| C. Jaboya III | Supervisor | – | 9,052 | (4,631) | – | 4,421 | – | 4,421 |
| C. Javier | Assistant Manager | – | 14,353 | – | – | 14,353 | – | 14,353 |
| A. Lemana | Supervisor | – | 10,084 | (5,166) | – | 4,918 | – | 4,918 |
| E. Mangampat | Officer | – | 12,219 | (6,239) | – | 5,980 | – | 5,980 |
| J. Paña | Rank and File | – | 7,464 | – | – | 7,464 | – | 7,464 |
| N. Pascua | Manager | – | 32,000 | – | – | 32,000 | – | 32,000 |
| A. Santos | Vice President | – | 21,520 | (18,620) | – | 2,900 | – | 2,900 |
| R. Socco | Manager | – | 6,060 | (1,500) | – | 4,560 | – | 4,560 |
| M. Tranzona | Rank and File | – | 9,328 | (2,382) | – | 6,946 | – | 6,946 |
| P. Balagot | Rank and File | – | 5,498 | – | – | 5,498 | – | 5,498 |
| M. Camacho | Rank and File | – | 31,000 | – | – | 31,000 | – | 31,000 |
| R.B. Jaquias | Rank and File | – | 8,600 | – | – | 8,600 | – | 8,600 |
| M. Basilio | Vehiclec Sales Head | 613,277 | 151,250 | (448,395) | – | 316,132 | – | 316,132 |
| A. Carolino | Service Manager | 200,567 | 13,750 | (81,400) | – | 68,750 | 64,167 | 132,917 |
| J. Dizon | Sales Group Manager | 247,639 | 65,411 | (117,938) | – | 172,749 | 22,363 | 195,112 |
| A. Elamparo | Vehiclec Sales Head | 9,181 | 279,813 | (9,181) | – | 60,500 | 219,313 | 279,813 |
| M. Oblea | Sales Group Manager | 252,683 | – | (96,391) | – | 60,500 | 95,792 | 156,292 |
| M. Go | Service Manager | – | 226,875 | – | – | 55,000 | 171,875 | 226,875 |
| J. Ingco | Sales Group Manager | 210,833 | 10,687 | (55,000) | – | 65,687 | 100,833 | 166,520 |
| M. Saculsan | Sales Group Manager | 65,001 | 119,240 | (65,001) | – | 119,240 | – | 119,240 |
| A. Tan | Sales Administrative Head | 133,288 | 105,417 | (133,288) | – | 105,417 | – | 105,417 |
| | | ₱23,110,779 | ₱26,422,656 | (₱24,110,594) | ₱– | ₱13,079,799 | ₱12,343,042 | ₱25,422,841 |

**Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements:**

| Name of debtor | Relationship | Balance at beginning of period | Net Transaction | Current | Not Current | Balance at end of period | Eliminations | GT Capital Balance |
|---|---|---|---|---|---|---|---|---|
| Baywatch Project Management Corp. | Subsidiary of Federal Land, Inc. | ₱14,000,000 | (₱14,000,000) | ₱– | ₱– | ₱– | ₱– | ₱– |
| Omni Orient Management Corp. | -do- | 4,000,000 | – | 4,000,000 | – | 4,000,000 | (4,000,000) | – |
| Central Realty & Dev't Corp. | -do- | 432,500,000 | (30,000,000) | 402,500,000 | – | 402,500,000 | (402,500,000) | – |
| Horizon Land Property Development Corp. | -do- | 3,830,066,641 | (846,400,000) | 2,983,666,641 | – | 2,983,666,641 | (2,983,666,641) | – |
| FLI Management Consultancy Inc. | -do- | 4,158,812 | (4,158,812) | – | – | – | – | – |

| Name of debtor | Relationship | Balance at beginning of period | Net Transaction | Current | Not Current | Balance at end of period | Eliminations | GT Capital Balance |
|---|---|---|---|---|---|---|---|---|
| Cebu Energy Development Corp. | Subsidiary of Global Business Power Corp. | – | 1,680,000,000 | 1,680,000,000 | – | 1,680,000,000 | (1,680,000,000) | – |
| Panay Energy Development Corp. | -do- | – | 1,200,000,000 | 1,200,000,000 | – | 1,200,000,000 | (1,200,000,000) | – |
| Panay Power Corp. | -do- | – | 200,000,000 | 200,000,000 | – | 200,000,000 | (200,000,000) | – |
| Panay Power Holdings, Corp. | -do- | – | 1,250,200,000 | 1,250,200,000 | – | 1,250,200,000 | (1,250,200,000) | – |
| Global Formosa Power Holdings, Inc. | -do- | – | 1,565,760,000 | 1,565,760,000 | – | 1,565,760,000 | (1,565,760,000) | – |
| Global Energy Supply Corp. | -do- | – | 17,000,000 | 17,000,000 | – | 17,000,000 | (17,000,000) | – |
| Toledo Cebu International Trading Resources Corp. | -do- | – | 7,000,000 | 7,000,000 | – | 7,000,000 | (7,000,000) | – |
| Cebu Energy Development Corp. | -do- | 369,680,592 | (369,680,592) | – | – | – | – | – |
| Global Formosa Power Holdings, Inc. | -do- | 371,346,482 | (361,346,482) | 10,000,000 | – | 10,000,000 | (10,000,000) | – |
| Panay Power Corp. | -do- | 13,374,595 | (1,402,403) | 11,972,192 | – | 11,972,192 | (11,972,192) | – |
| Panay Energy Development Corp. | -do- | 124,954,860 | (97,502,971) | 27,451,889 | – | 27,451,889 | (27,451,889) | – |
| Global Energy Supply Corp. | -do- | 22,092,157 | 483,437 | 22,575,594 | – | 22,575,594 | (22,575,594) | – |
| Global Energy Supply Corp. | -do- | 58,411,696 | (10,426,267) | 47,985,429 | – | 47,985,429 | (47,985,429) | – |
| Toledo Power Company | -do- | 7,900,835 | (7,900,835) | – | – | – | – | – |
| Toledo Power Company | -do- | 547,525 | (547,525) | – | – | – | – | – |
| Cebu Energy Development Corp. | -do- | 10,437,353 | 41,068,973 | 51,506,326 | – | 51,506,326 | (51,506,326) | – |
| Global Energy Supply Corp. | -do- | 29,000,000 | (4,000,000) | 25,000,000 | – | 25,000,000 | (25,000,000) | – |
| GBH Power Resources, Inc. | -do- | – | 8,000,000 | 8,000,000 | – | 8,000,000 | (8,000,000) | – |
| Toledo Holdings Corp. | -do- | 53,334,182 | 7,466,903 | 60,801,085 | – | 60,801,085 | (60,801,085) | – |
| Toledo Holdings Corp. | -do- | 112,407,472 | 22,364,645 | 134,772,117 | – | 134,772,117 | (134,772,117) | – |
| Toledo Holdings Corp. | -do- | 21,813,750 | (7,447,500) | 14,366,250 | – | 14,366,250 | (14,366,250) | – |
| Panay Power Corp. | -do- | 768,100 | 768,100 | 1,536,200 | – | 1,536,200 | (1,536,200) | – |
| Toledo Power Company | -do- | 593,317 | 840,121 | 1,433,438 | – | 1,433,438 | (1,433,438) | – |
| Cebu Energy Development Corp. | -do- | 4,157,040 | – | 4,157,040 | – | 4,157,040 | (4,157,040) | – |
| Toledo Power Company | -do- | 1,302,977 | 3,967,971 | 5,270,948 | – | 5,270,948 | (5,270,948) | – |
| GBH Power Resources, Inc. | -do- | 2,546,834 | (1,304,036) | 1,242,798 | – | 1,242,798 | (1,242,798) | – |
| Panay Power Corp. | -do- | 11,174,084 | (4,591,862) | 6,582,222 | – | 6,582,222 | (6,582,222) | – |
| Panay Energy Development Corp. | -do- | 44,496,784 | (22,025,021) | 22,471,763 | – | 22,471,763 | (22,471,763) | – |
| Toledo Power Company | -do- | 79,814,857 | (59,495,177) | 20,319,680 | – | 20,319,680 | (20,319,680) | – |
| Cebu Energy Development Corp. | -do- | 43,274,690 | (19,902,417) | 23,372,273 | – | 23,372,273 | (23,372,273) | – |
| Panay Power Corp. | -do- | 152,855 | 122,501 | 275,356 | – | 275,356 | (275,356) | – |

| Name of debtor | Relationship | Balance at beginning of period | Net Transaction | Current | Not Current | Balance at end of period | Eliminations | GT Capital Balance |
|---|---|---|---|---|---|---|---|---|
| Panay Energy Development Corp. | -do- | 608,682 | (204,089) | 404,593 | – | 404,593 | (404,593) | – |
| Toledo Power Company | -do- | 327,545 | 116,387 | 443,932 | – | 443,932 | (443,932) | – |
| Cebu Energy Development Corp. | -do- | 505,301 | 434,235 | 939,536 | – | 939,536 | (939,536) | – |
| Toledo Cebu International Trading Resources Corp. | -do- | 43,307,348 | (6,512,606) | 36,794,742 | – | 36,794,742 | (36,794,742) | – |
| Toledo Power Company | -do- | 43,307,348 | (43,307,348) | – | – | – | – | – |
| Panay Power Corp. | -do- | 5,686,908 | (1,993,109) | 3,693,799 | – | 3,693,799 | (3,693,799) | – |
| Panay Energy Development Corp. | -do- | 4,820,372 | (4,267,434) | 552,938 | – | 552,938 | (552,938) | – |
| Toledo Power Company | -do- | 4,060,152 | (118,805) | 3,941,347 | – | 3,941,347 | (3,941,347) | – |
| Panay Energy Development Corp. | -do- | 2,488,579 | 3,066,356 | 5,554,935 | – | 5,554,935 | (5,554,935) | – |
| Panay Power Corp. | -do- | 1,956,267 | 181,984 | 2,138,251 | – | 2,138,251 | (2,138,251) | – |
| Panay Power Holdings, Corp. | -do- | – | 1,633 | 1,633 | – | 1,633 | (1,633) | – |
| Cebu Energy Development Corp. | -do- | 79,148 | 1,345,907 | 1,425,055 | – | 1,425,055 | (1,425,055) | – |
| Toledo Cebu International Resources Corp. | -do- | 1,900 | 1,158,520 | 1,160,420 | – | 1,160,420 | (1,160,420) | – |
| Toledo Holdings Corp. | -do- | 190,340,070 | (5,782,721) | 184,557,349 | – | 184,557,349 | (184,557,349) | – |
| Global Business Power Corp. | -do- | 1,642,638 | 70,998 | 1,713,636 | – | 1,713,636 | (1,713,636) | – |
| GBH Power Resources, Inc. | -do- | 391,516 | 891,938 | 1,283,454 | – | 1,283,454 | (1,283,454) | – |
| Global Energy Supply Corp. | -do- | 52,865 | 55,652 | 108,517 | – | 108,517 | (108,517) | – |
| ARB Power Venture, Inc. | -do- | – | 1,421,740 | 1,421,740 | – | 1,421,740 | (1,421,740) | – |
| Mindanao Energy Development Corporation | -do- | 74,331 | 99,722 | 174,053 | – | 174,053 | (174,053) | – |
| Global Luzon Energy Development Corporation | -do- | – | 182,901 | 182,901 | – | 182,901 | (182,901) | – |
| Global Hydro Power Corp. | -do- | – | 43,229 | 43,229 | – | 43,229 | (43,229) | – |
| Global Renewable Power Corp. | -do- | – | 38,445 | 38,445 | – | 38,445 | (38,445) | – |
| Micara Land Inc. | Subsidiary of Property Company of Friends, Inc. | – | 499,604,450 | 499,604,450 | – | 499,604,450 | (499,604,450) | – |
| Firm Builders Realty Development Corporation | -do- | – | 300,916,367 | 300,916,367 | – | 300,916,367 | (300,916,367) | – |
| Toyota San Fernando Pampanga, Inc. | Subsidiary of Toyota Motor Philippines Corp. | 83,506,237 | 24,059,955 | 107,566,192 | – | 107,566,192 | (107,566,192) | – |
| Toyota Makati, Inc. | -do- | 68,386,889 | 80,499,653 | 148,886,542 | – | 148,886,542 | (148,886,542) | – |
| Lexus Manila, Inc. | -do- | 1,470,442 | (1,451,742) | 18,700 | – | 18,700 | (18,700) | – |
| | | ₱6,121,323,028 | ₱4,993,462,969 | ₱11,114,785,997 | ₱– | ₱11,114,785,997 | (₱11,114,785,997) | ₱– |

**Schedule D. Intangible Assets - Other Assets**

| Description (i) | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|---|---|---|---|---|---|
| Power purchase agreements – net | ₱7,721,413,554 | (₱462,537,668) | ₱– | ₱– | ₱– | ₱7,258,875,886 |
| Goodwill | 6,179,724,903 | 115,429,075 | (554,153,981) | – | – | 5,740,999,997 |
| Customer relationship | 3,883,238,361 | – | – | – | – | 3,883,238,361 |
| Software cost and license - net | 19,816,621 | 27,524,732 | (17,572,558) | – | 85,377,307 | 115,146,102 |
| Franchise - net | 1,367,500 | 1,060,000 | (260,000) | – | – | 2,167,500 |
| | ₱17,805,560,939 | (₱318,523,861) | (₱571,986,539) | ₱– | ₱85,377,307 | ₱17,000,427,846 |

**Schedule E. Long Term Debt**

| Title of issue and type of obligation | Amount authorized by indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-Term Debt" in related balance sheet |
|---|---|---|---|
| Bonds payable | ₱10,000,000,000 | ₱– | ₱9,904,592,870 |
| Bonds payable | 12,000,000,000 | – | 11,896,240,953 |
| | 22,000,000,000 | – | 21,800,833,823 |
| Note Facility Agreement | 4,950,000,000 | 25,000,000 | 4,925,000,000 |
| Loans payable | 6,600,000,000 | – | 6,600,000,000 |
| Loans payable | 2,000,000,000 | 2,000,000,000 | – |
| Loans payable | 2,200,000,000.00 | – | 2,200,000,000 |
| Loans payable | 200,000,000.00 | – | 200,000,000 |
| Loans payable | 800,000,000.00 | – | 800,000,000 |
| Loans payable | 140,000,000.00 | – | 140,000,000 |
| Loans payable | 120,000,000.00 | – | 120,000,000 |
| Loans payable | 335,000,000.00 | – | 335,000,000 |
| CEDC Omnibus Loan Agreement | 16,000,000,000 | 1,787,221,841 | 9,052,140,821 |
| PEDC Omnibus Loan Agreement | 14,000,000,000 | 1,053,799,568 | 9,303,822,162 |
| PEDC Omnibus Loan Agreement (Phase 2) | 11,000,000,000.00 | – | 6,819,255,297 |
| PPC Loan Agreement (for Panay) | 1,269,271,600 | 115,388,327 | 2,315,514 |
| PPC Loan Agreement (for Panay) | 300,000,000 | 42,857,144 | – |
| TPC Omnibus Loan Agreement | 7,000,000,000 | 403,711,463 | 6,564,207,436 |
| TAP | 78,626,700 | – | 78,467,961 |
| TRP | 91,000,000 | – | 91,000,000 |
| HKR | 76,200,000 | – | 74,349,576 |
| CTS loans | – | 121,262,946 | 296,231,342 |
| Loans payable | 6,000,000,000 | – | 3,980,085,205 |
| Loans payable | 1,500,000,000 | – | 1,493,677,456 |
| Loans payable | 1,000,000,000 | – | 995,435,509 |
| Loans payable | 1,000,000,000 | – | 995,784,971 |
| Loans payable | 2,000,000,000 | 351,543,984 | 805,659,296 |
| Loans payable | 3,000,000,000 | 236,700,000 | 1,076,207,581 |
| Loans payable | 1,500,000,000 | 619,216,588 | 193,694,825 |
| Loans payable | 7,000,000,000 | – | 6,967,074,009 |
| Loans payable | 6,000,000,000 | – | 5,971,764,268 |
| Loans payable | 2,000,000,000 | – | 1,990,042,514 |
| Loans payable | 4,000,000,000 | – | 3,980,085,658 |
| Loans payable | 2,000,000,000 | – | 1,990,000,000 |
| Loans payable | 4,000,000,000 | – | 3,980,000,000 |
| | 108,160,098,300 | 6,756,701,861 | 82,021,301,401 |
| | ₱130,160,098,300 | ₱6,756,701,861 | ₱103,822,135,224 |

**Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)**

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| Metropolitan Bank & Trust Co. | ₱7,057,004,147 | ₱6,120,934,547 |
| Metropolitan Bank & Trust Co. | – | 2,500,000,000 |
| Metropolitan Bank & Trust Co. | 2,000,000,000 | 2,000,000,000 |
| First Metro Investment Corporation | 759,831,933 | 683,193,277 |
| First Metro Investment Corporation | – | 350,000,000 |
| Toyota Autoparts Philippines, Inc. | 77,520,916 | 78,467,961 |
| First Metro Investment Corporation | – | 50,000,000 |

**Schedule G. Guarantees of Securities of Other Issuers**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|
| None | | | | |

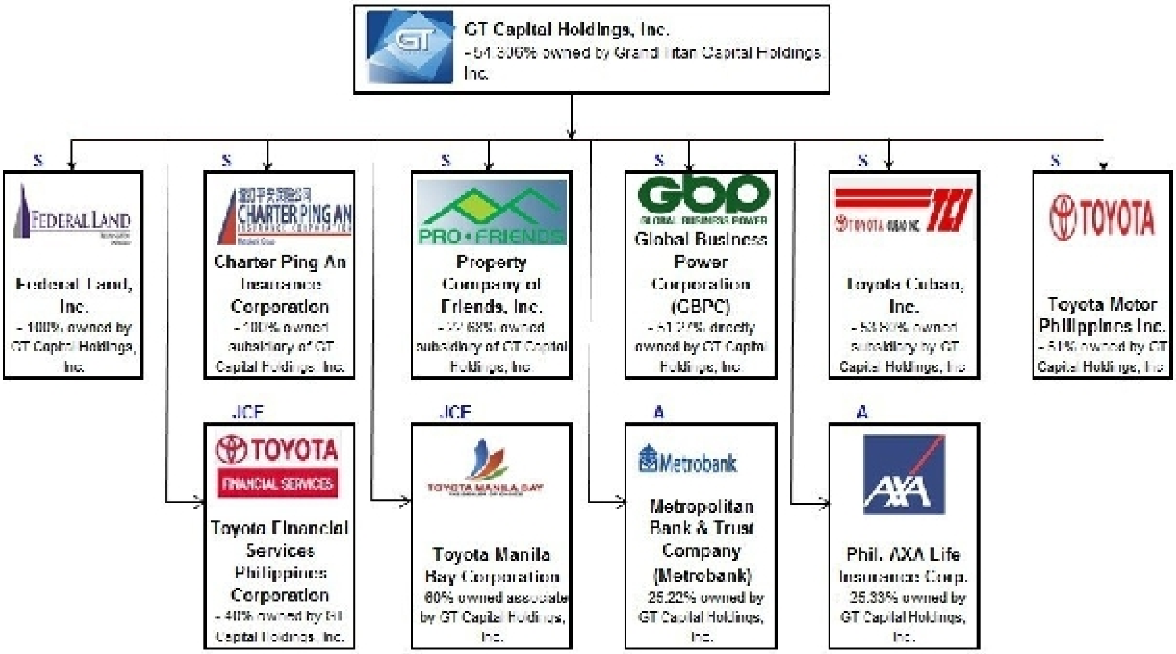
**Schedule H. Capital Stock**

| Title of issue | Number of Shares authorized | Number of Shares issued and outstanding and shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers and employees | Others |
|---|---|---|---|---|---|---|
| Common stock | 298,257,000 | 174,300,000 | – | 5,000 | 471,000 | – |
| Voting preferred stock | 174,300,000 | 174,300,000 | – | – | 720,448 | – |
| Perpetual preferred stock | 20,000,000 | – | – | – | – | – |

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT COMPANY AND ITS ULTIMATE PARENT, SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

**FOR THE YEAR ENDED DECEMBER 31, 2015**

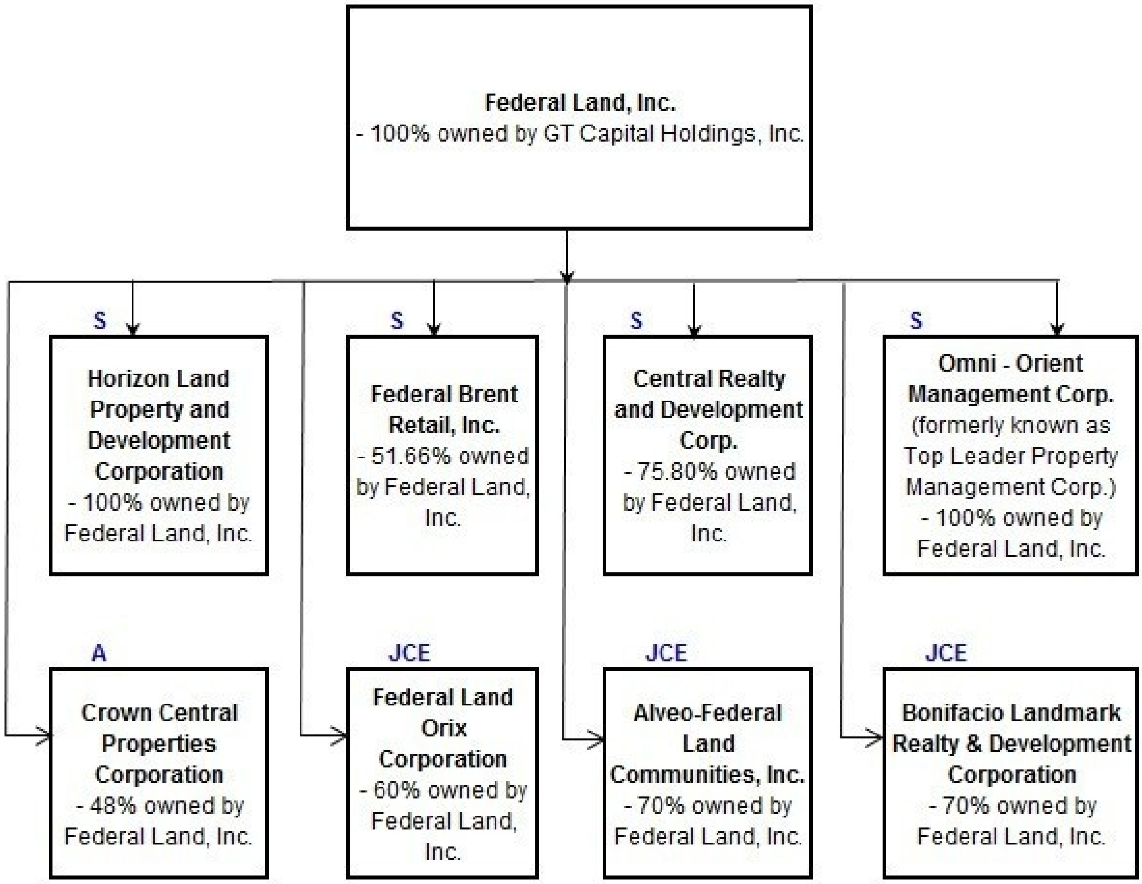



**LEGEND:**

*Subsidiary (S)*
*Associate (A)*
*Jointly Controlled Entity (JCE)*

## FEDERAL LAND, INC.

## SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES
**AS OF DECEMBER 31, 2015**

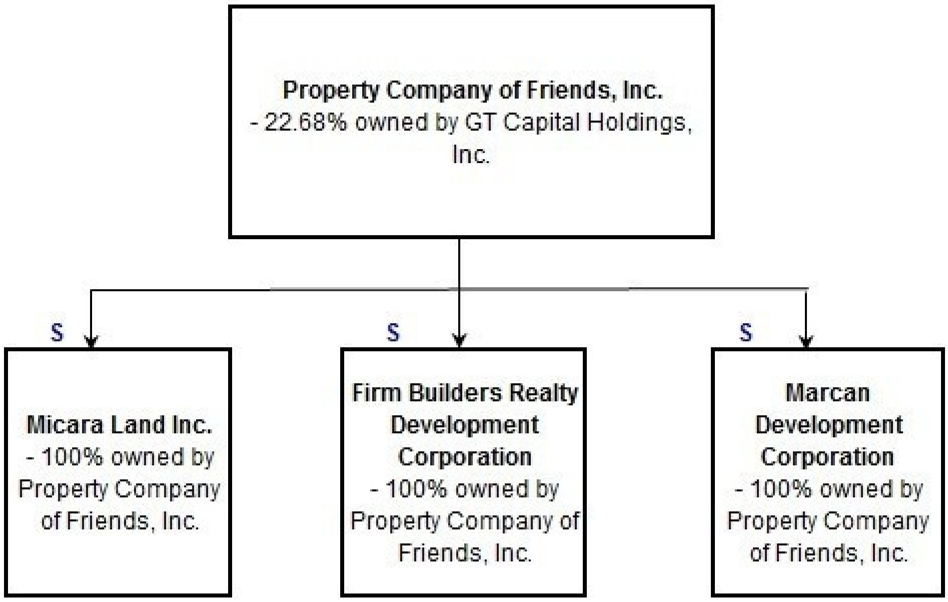



**LEGEND:**
*Subsidiary (S)*
*Associate (A)*
*Jointly Controlled Entity (JCE)*

## PROPERTY COMPANY OF FRIENDS, INC.

## SUBSIDIARIES

**AS OF DECEMBER 31, 2015**

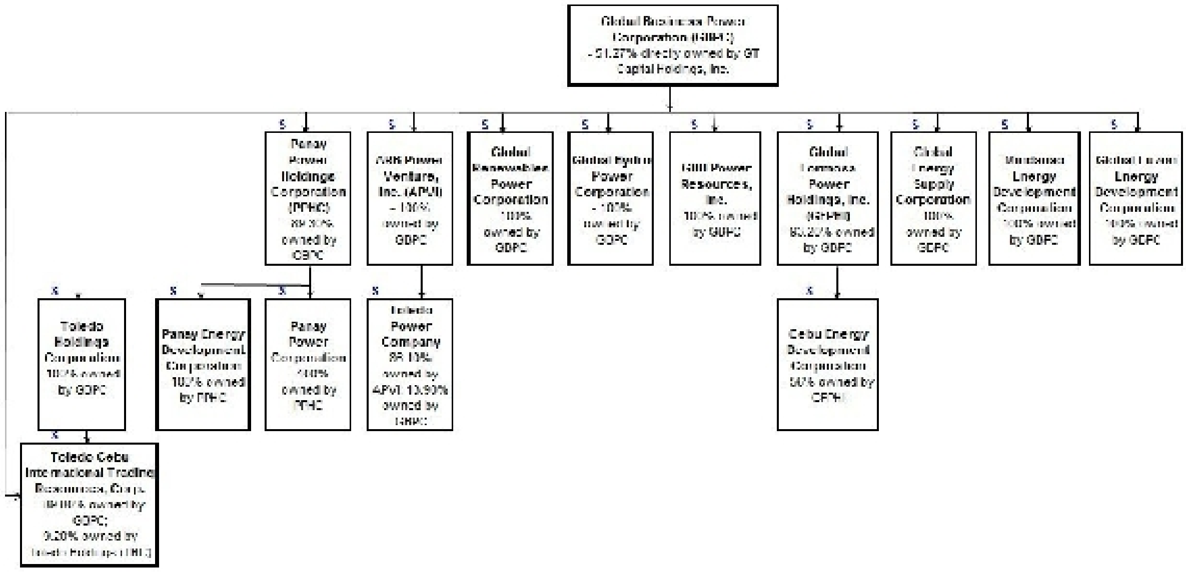



**LEGEND:**
*Subsidiary (S)*

# GLOBAL BUSINESS POWER CORPORATION

## SUBSIDIARIES

**AS OF DECEMBER 31, 2015**



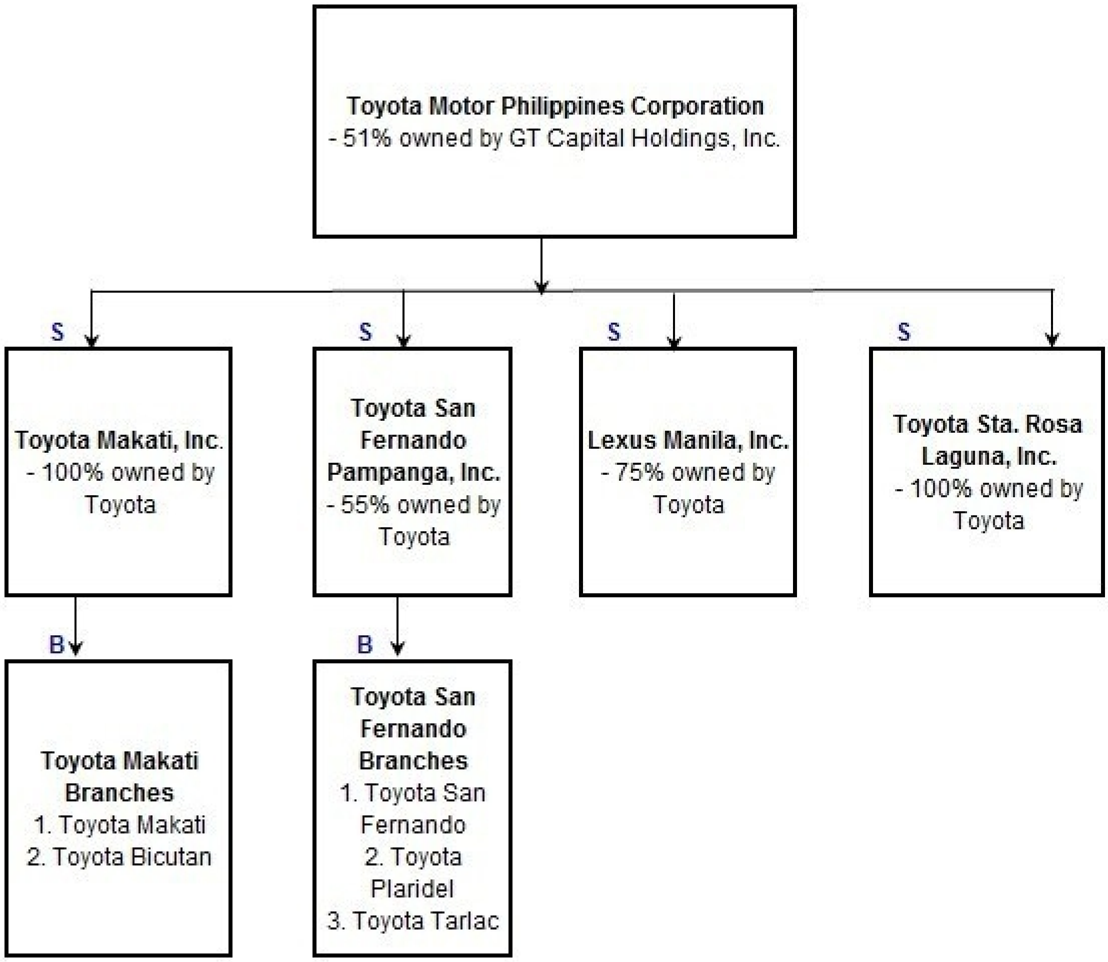

**LEGEND:**

*Subsidiary (S)*

## TOYOTA MOTOR PHILIPPINES CORPORATION

## SUBSIDIARIES

**AS OF DECEMBER 31, 2015**




**LEGEND:**

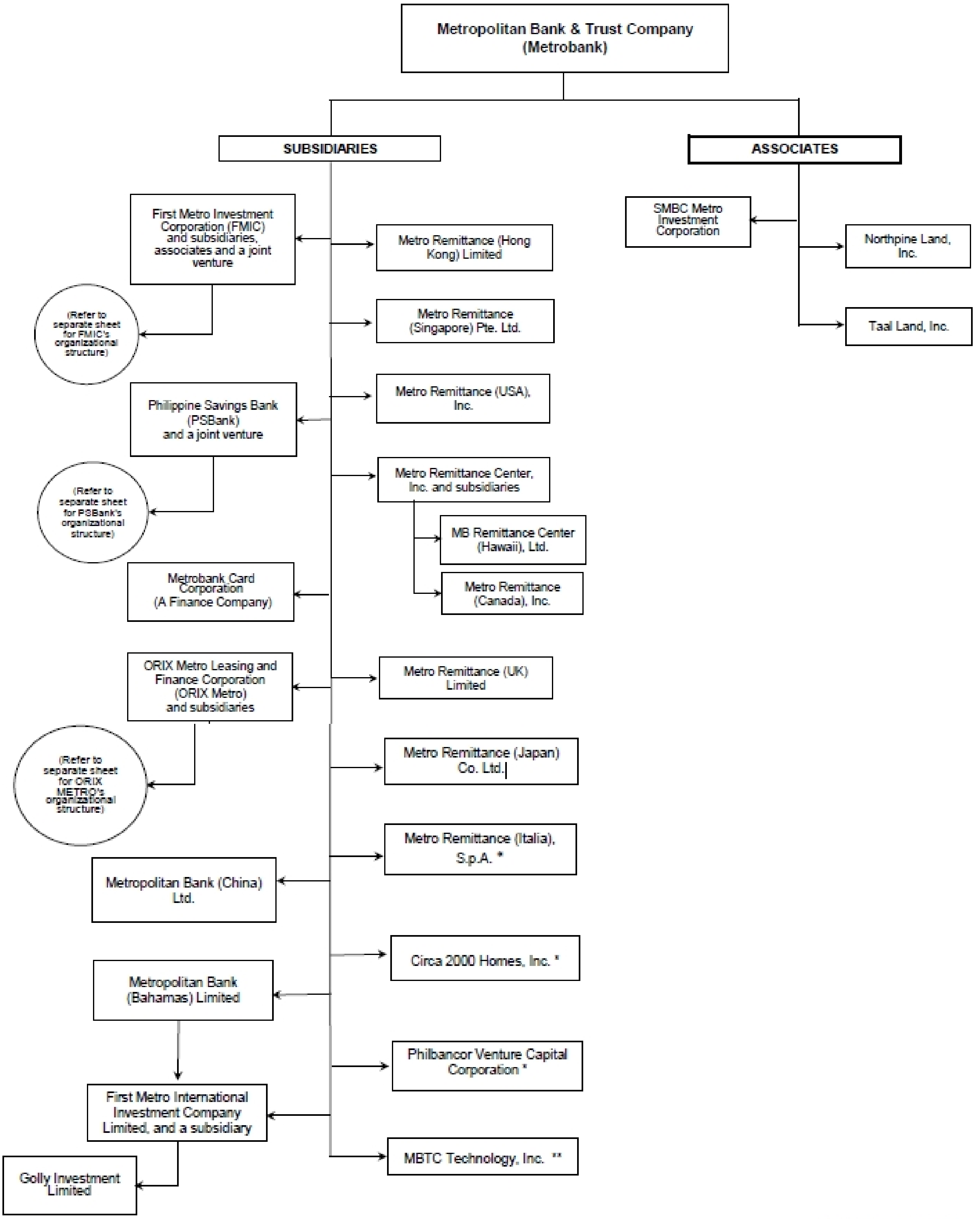
*Subsidiary (S)*

*Branch(B)*

## METROPOLITAN BANK AND TRUST COMPANY

## SUBSIDIARIES AND ASSOCIATES

### AS OF DECEMBER 31, 2015




* In process of dissolution
** In process of liquidation

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

### FOR THE YEAR ENDED DECEMBER 31, 2015

| (Amounts in millions except %) | **2015** | 2014 |
|---|---|---|
| **Liquidity Ratio** | | |
| Current ratio | **2.60** | 2.37 |
| Current assets | **₱134,864** | ₱88,179 |
| Current liabilities | **51,821** | 37,253 |
| **Solvency Ratio** | | |
| Total liabilities to total equity ratio | **1.21** | 1.06 |
| Total liabilities | **173,444** | 112,321 |
| Total equity | **143,842** | 105,942 |
| Debit to equity ratio | **0.84** | 0.69 |
| Total debt | **120,679** | 72,812 |
| Total equity | **143,842** | 105,942 |
| **Asset to Equity Ratio** | | |
| Asset equity ratio | **3.52** | 2.75 |
| Total assets | **317,285** | 218,263 |
| Equity attributable to Parent Company | **90,134** | 79,347 |
| **Interest Rate Coverage Ratio*** | | |
| Interest rate coverage ratio | **6.96** | 6.00 |
| Earnings before interest and taxes (EBIT) | **27,385** | 19,451 |
| Interest expense | **3,932** | 3,240 |
| **Profitability Ratio** | | |
| Return on average assets | **4.53%** | 4.46% |
| Net income attributable to Parent Company | **12,119** | 9,153 |
| Average assets | **267,774** | 205,311 |
| Return on Average Equity | **14.30%** | 12.21% |
| Net income attributable to Parent Company | **12,119** | 9,153 |
| Average equity attributable to Parent Company | **84,741** | 74,936 |
| Income before income tax | **25,426** | 17,732 |
| Interest expense | **3,932** | 3,240 |
| Interest income | **1,973** | 1,521 |
| EBIT | **27,385** | 19,451 |

*computed as EBIT/Interest Expense

GT CAPITAL
HOLDINGS, INCORPORATED

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent company and consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

Signature: ______________________
Carmelo Maria L. Bautista, President

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

March 13, 2015

43rd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City, Philippines
Tel: +632 836-4500 • Fax: +632 836-4159 • E-mail: gtcap@gtcapital.com.ph

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

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

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

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

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PAGE NO. 51
BOOK NO. 8
SERIES OF 2015

# GT Capital Holdings, Inc. and Subsidiaries

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

and

Independent Auditors' Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of GT Capital Holdings, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GT Capital Holdings, Inc. and subsidiaries as at December 31, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751290, January 5, 2015, Makati City

March 13, 2015

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

| | December 31 | |
|---|---|---|
| | **2014** | 2013 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 4) | **₱29,702,403,992** | ₱27,166,888,452 |
| Short-term investments (Note 4) | **1,308,977,823** | 1,466,463,867 |
| Receivables (Note 5) | **16,222,612,447** | 12,450,904,615 |
| Reinsurance assets (Note 16) | **3,879,399,977** | 4,965,577,810 |
| Inventories (Note 6) | **31,426,388,818** | 20,813,304,994 |
| Due from related parties (Note 27) | **170,629,476** | 849,398,310 |
| Prepayments and other current assets (Note 7) | **5,468,288,896** | 5,969,225,750 |
| Total Current Assets | **88,178,701,429** | 73,681,763,798 |
| **Noncurrent Assets** | | |
| Receivables (Note 5) | **4,896,966,340** | 4,928,548,716 |
| Investments in associates and jointly controlled entities (Note 8) | **47,451,418,711** | 40,559,463,758 |
| Investment properties (Note 9) | **8,642,628,922** | 8,328,668,533 |
| Available-for-sale investments (Note 10) | **4,126,880,131** | 3,110,796,243 |
| Property and equipment (Note 11) | **44,800,727,933** | 41,163,427,981 |
| Goodwill and intangible assets (Note 13) | **17,805,560,939** | 18,275,016,054 |
| Deferred tax assets (Note 29) | **1,726,175,505** | 1,109,171,386 |
| Other noncurrent assets (Note 14) | **634,065,630** | 1,202,989,799 |
| Total Noncurrent Assets | **130,084,424,111** | 118,678,082,470 |
| | **₱218,263,125,540** | ₱192,359,846,268 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Note 15) | **₱19,279,966,498** | ₱20,836,977,405 |
| Insurance contract liabilities (Note 16) | **5,665,033,403** | 6,683,585,120 |
| Short-term debt (Note 17) | **2,347,000,000** | 1,744,000,000 |
| Current portion of long-term debt (Note 17) | **3,060,558,380** | 3,364,221,245 |
| Current portion of liabilities on purchased properties (Notes 20 and 27) | **783,028,773** | 783,028,773 |
| Customers' deposits (Note 18) | **2,549,222,602** | 1,844,221,010 |
| Dividends payable (Note 27) | **2,034,256,000** | 1,966,038,000 |
| Due to related parties (Note 27) | **176,045,423** | 188,385,414 |
| Income tax payable | **475,809,606** | 876,006,220 |
| Other current liabilities (Note 19) | **881,680,596** | 906,669,981 |
| Total Current Liabilities | **37,252,601,281** | 39,193,133,168 |
| **Noncurrent Liabilities** | | |
| Long-term debt - net of current portion (Note 17) | **₱42,117,518,167** | ₱40,584,387,751 |
| Bonds payable (Note 17) | **21,774,719,662** | 9,883,088,308 |
| Liabilities on purchased properties - net of current portion (Notes 20 and 27) | **2,728,830,324** | 3,537,347,350 |
| Pension liability (Note 28) | **2,260,951,566** | 1,703,632,361 |
| Deferred tax liabilities (Note 29) | **3,532,153,823** | 3,251,740,846 |
| Other noncurrent liabilities (Note 21) | **2,654,446,638** | 1,642,761,605 |
| Total Noncurrent Liabilities | **75,068,620,180** | 60,602,958,221 |
| | **112,321,221,461** | 99,796,091,389 |

(Forward)

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

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **REVENUE** | | | |
| Automotive operations | **₱108,816,378,011** | ₱74,358,719,420 | ₱– |
| Net fees (Note 35) | **18,973,393,331** | 16,944,068,872 | 12,845,109,991 |
| Real estate sales | **5,840,510,876** | 4,702,395,088 | 2,131,002,354 |
| Equity in net income of associates and jointly controlled entities (Note 8) | **3,420,496,386** | 3,587,810,207 | 3,902,096,175 |
| Net premium earned | **1,751,355,937** | 504,585,414 | – |
| Interest income (Note 23) | **1,596,647,415** | 1,429,029,216 | 866,431,011 |
| Rent income (Notes 9 and 30) | **764,486,511** | 592,043,715 | 233,443,132 |
| Sale of goods and services | **603,001,321** | 656,716,866 | 730,736,289 |
| Commission income | **212,550,537** | 188,187,509 | 184,493,366 |
| Gain (loss) on revaluation of previously held interest (Note 31) | **–** | 2,046,209,717 | (53,949,714) |
| Gain from loss of control in a subsidiary (Note 8) | **–** | – | 1,448,398,924 |
| Gain on bargain purchase (Note 31) | **–** | – | 427,530,654 |
| Other income (Note 23) | **1,144,467,913** | 537,642,016 | 262,450,798 |
| | **143,123,288,238** | 105,547,408,040 | 22,977,742,980 |
| **COSTS AND EXPENSES** | | | |
| Cost of goods and services sold (Note 25) | **70,596,786,954** | 45,469,459,666 | 680,910,846 |
| Cost of goods manufactured (Note 25) | **24,213,432,167** | 19,986,100,133 | – |
| Cost of rental (Note 30) | **270,091,940** | 113,149,475 | 5,744,033 |
| General and administrative expenses (Note 26) | **11,494,777,384** | 9,280,561,619 | 3,553,276,894 |
| Power plant operation and maintenance expenses (Note 24) | **10,327,712,446** | 8,945,435,941 | 6,711,049,473 |
| Cost of real estate sales (Note 6) | **4,333,871,992** | 3,666,932,487 | 1,342,018,241 |
| Interest expense (Note 17) | **3,240,637,751** | 3,462,323,310 | 1,749,782,179 |
| Net insurance benefits and claims | **784,238,933** | 289,524,812 | – |
| | **125,261,549,567** | 91,213,487,443 | 14,042,781,666 |
| **INCOME BEFORE INCOME TAX** | **17,861,738,671** | 14,333,920,597 | 8,934,961,314 |
| **PROVISION FOR INCOME TAX** (Note 29) | **2,710,596,943** | 1,803,270,121 | 287,650,596 |
| **NET INCOME** | **₱15,151,141,728** | ₱12,530,650,476 | ₱8,647,310,718 |
| **ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | **₱9,152,612,962** | ₱8,640,186,114 | ₱6,589,727,953 |
| Non-controlling interests | **5,998,528,766** | 3,890,464,362 | 2,057,582,765 |
| | **₱15,151,141,728** | ₱12,530,650,476 | ₱8,647,310,718 |
| **Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company** (Note 34) | **₱52.51** | ₱49.70 | ₱44.50 |

*See accompanying Notes to Consolidated Financial Statements.*

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

*See accompanying Notes to Consolidated Financial Statements.*

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 22) | Additional Paid-in Capital (Note 22) | Treasury Shares (Note 22) | Retained Earnings (Note 22) | Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 10) | Net Unrealized Gain (Loss) on Remeasurements of Defined Benefit Plans (Note 28) | Equity in Net Unrealized Gain (Loss) on Available-for-Sale Investments of Associates (Note 8) | Equity in Translation Adjustments of Associates (Note 8) | Equity in Net Unrealized Loss on Remeasurements of Defined Benefit Plans of Associates (Note 28) | Other Equity Adjustments (Note 22) | Total | Attributable to Non-controlling Interests (Note 22) | Total Equity |
| **Balance at January 1, 2014** | **₱1,743,000,000** | **₱46,694,658,660** | **(₱6,125,000)** | **₱21,801,822,521** | **₱80,294,836** | **(₱216,180,970)** | **₱4,687,958** | **₱417,142,069** | **(₱722,918,846)** | **₱729,053,992** | **₱70,525,435,220** | **₱22,038,319,659** | **₱92,563,754,879** |
| Effect of business combination (Notes 22 and 31) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **35,307,138** | **35,307,138** | **42,175,650** | **77,482,788** |
| Acquisition of non-controlling interest (Notes 22 and 31) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(375,666,382)** | **(375,666,382)** | **(372,637,016)** | **(748,303,398)** |
| Dividends declared (Note 22) | **–** | **–** | **–** | **(522,885,000)** | **–** | **–** | **–** | **–** | **–** | **–** | **(522,885,000)** | **–** | **(522,885,000)** |
| Sale of direct interest in a subsidiary (Note 22) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **193,951,357** | **193,951,357** | **104,761,043** | **298,712,400** |
| Dividends paid to non-controlling interest | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(4,320,412,474)** | **(4,320,412,474)** |
| Effect of equity call | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2,145,416,806** | **2,145,416,806** |
| Acquisition of treasury shares | **–** | **–** | **3,850,000** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **3,850,000** | **–** | **3,850,000** |
| Non-controlling interest on deposit for future stock subscription | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **531,907,700** | **531,907,700** |
| Total comprehensive income | **–** | **–** | **–** | **9,152,612,962** | **538,065,853** | **(203,092,571)** | **(82,889,729)** | **(25,685,843)** | **108,069,345** | **–** | **9,487,080,017** | **6,425,300,361** | **15,912,380,378** |
| **Balance at December 31, 2014** | **₱1,743,000,000** | **₱46,694,658,660** | **(₱2,275,000)** | **₱30,431,550,483** | **₱618,360,689** | **(₱419,273,541)** | **(₱78,201,771)** | **₱391,456,226** | **(₱614,849,501)** | **₱582,646,105** | **₱79,347,072,350** | **₱26,594,831,729** | **₱105,941,904,079** |
| | | | | | | | | | | | | | |
| **Balance at January 1, 2013** | ₱1,580,000,000 | ₱36,752,473,660 | ₱– | ₱13,684,536,407 | (₱6,606,601) | (₱57,332,052) | ₱2,954,074,141 | ₱36,424,322 | (₱502,969,032) | (₱681,066,182) | ₱53,759,534,663 | ₱11,294,157,537 | ₱65,053,692,200 |
| Issuance of capital stock (Note 22) | 163,000,000 | 9,942,185,000 | – | – | – | – | – | – | – | – | 10,105,185,000 | 959,350,239 | 11,064,535,239 |
| Effect of business combination (Note 31) | – | – | (6,125,000) | – | – | – | – | – | – | 2,591,176 | (3,533,824) | 7,222,853,016 | 7,219,319,192 |
| Dividends declared (Note 22) | – | – | – | (522,900,000) | – | – | – | – | – | – | (522,900,000) | – | (522,900,000) |
| Sale of indirect interest in a subsidiary (Note 22) | – | – | – | – | – | – | – | – | – | 1,407,528,998 | 1,407,528,998 | 2,156,827,165 | 3,564,356,163 |
| Dividends paid to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | (3,456,348,554) | (3,456,348,554) |
| Total comprehensive income | – | – | – | 8,640,186,114 | 86,901,437 | (158,848,918) | (2,949,386,183) | 380,717,747 | (219,949,814) | – | 5,779,620,383 | 3,861,480,256 | 9,641,100,639 |
| **Balance at December 31, 2013** | ₱1,743,000,000 | ₱46,694,658,660 | (₱6,125,000) | ₱21,801,822,521 | ₱80,294,836 | (₱216,180,970) | ₱4,687,958 | ₱417,142,069 | (₱722,918,846) | ₱729,053,992 | ₱70,525,435,220 | ₱22,038,319,659 | ₱92,563,754,879 |
| | | | | | | | | | | | | | |
| **Balance at January 1, 2012** | ₱1,250,000,000 | ₱23,071,664,419 | ₱– | ₱7,595,668,454 | ₱– | (₱79,839,700) | ₱2,544,293,006 | ₱261,158,822 | (₱362,408,777) | ₱– | ₱34,280,536,224 | ₱2,205,318,605 | ₱36,485,854,829 |
| Issuance of capital stock (Note 22) | 330,000,000 | 13,680,809,241 | – | – | – | – | – | – | – | – | 14,010,809,241 | 639,809,982 | 14,650,619,223 |
| Effect of business combination (Note 31) | – | – | – | – | – | – | (68,620,040) | – | – | – | (68,620,040) | 15,238,649,131 | 15,170,029,091 |
| Acquisition of non-controlling interest (Note 31) | – | – | – | – | – | – | – | – | – | (681,066,182) | (681,066,182) | (5,235,856,759) | (5,916,922,941) |
| Dividends declared (Note 22) | – | – | – | (500,860,000) | – | – | – | – | – | – | (500,860,000) | – | (500,860,000) |
| Dividends paid to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | (3,545,093,065) | (3,545,093,065) |
| Total comprehensive income | – | – | – | 6,589,727,953 | (6,606,601) | 22,507,648 | 478,401,175 | (224,734,500) | (140,560,255) | – | 6,718,735,420 | 1,991,329,643 | 8,710,065,063 |
| **Balance at December 31, 2012** | ₱1,580,000,000 | ₱36,752,473,660 | ₱– | ₱13,684,536,407 | (₱6,606,601) | (₱57,332,052) | ₱2,954,074,141 | ₱36,424,322 | (₱502,969,032) | (₱681,066,182) | ₱53,759,534,663 | ₱11,294,157,537 | ₱65,053,692,200 |

*See accompanying Notes to Consolidated Financial Statements.*

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

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱17,861,738,671** | ₱14,333,920,597 | ₱8,934,961,314 |
| Adjustments for: | | | |
| Equity in net income of associates and jointly controlled entities (Note 8) | **(3,420,496,386)** | (3,587,810,207) | (3,902,096,175) |
| Interest expense (Note 17) | **3,240,637,751** | 3,462,323,309 | 1,749,782,179 |
| Depreciation and amortization (Note 11) | **3,203,076,123** | 2,857,274,685 | 1,629,115,327 |
| Gain from loss of control in a subsidiary (Note 8) | **–** | – | (1,448,398,924) |
| Interest income (Note 23) | **(1,596,647,415)** | (1,429,029,216) | (866,431,011) |
| Gain on bargain purchase (Note 31) | **–** | – | (427,530,654) |
| Pension expense (Note 28) | **337,009,887** | 329,461,750 | 105,727,646 |
| Loss from initial recognition of financial asset (Notes 26 and 27) | **–** | 275,000 | 94,224,170 |
| Loss (gain) on revaluation of previously held interest (Note 31) | **–** | (2,046,209,717) | 53,949,714 |
| Dividend income (Note 23) | **(53,379,614)** | (77,277,481) | – |
| Gain on disposal of property and equipment (Notes 11 and 23) | **(90,170,461)** | (15,998,480) | (8,316,148) |
| Gain on sale of available-for-sale investments (Notes 10 and 23) | **(11,719,110)** | (8,522,850) | – |
| Provision for doubtful accounts (Note 26) | **195,221,699** | 44,467,476 | – |
| Loss on impairment of AFS (Note 26) | **10,219,296** | – | – |
| Unrealized foreign exchange losses (Note 26) | **1,106,204** | 42,309,137 | 7,113,039 |
| Operating income before changes in working capital | **19,676,596,645** | 13,905,184,003 | 5,922,100,477 |
| Decrease (increase) in: | | | |
| Short-term investments | **157,486,044** | (1,466,463,867) | – |
| Receivables | **(1,793,807,708)** | (3,567,427,696) | 1,230,216,844 |
| Reinsurance assets | **1,086,177,833** | (1,264,065,439) | – |
| Inventories | **(12,544,562,218)** | (1,241,257,020) | 3,002,358 |
| Due from related parties | **274,475,218** | (360,355,721) | 877,422,046 |
| Prepayments and other current assets | **602,445,853** | 912,622,867 | (4,058,602,627) |
| Increase (decrease) in: | | | |
| Accounts and other payables | **(891,290,864)** | 3,247,434,285 | (581,033,757) |
| Insurance contract liabilities | **(1,018,551,718)** | 1,356,875,814 | – |
| Customers' deposits | **705,001,592** | 868,420,502 | 516,701,865 |
| Due to related parties | **(12,339,991)** | (2,879,307) | (212,333,429) |
| Other current liabilities | **(1,732,347,398)** | (558,335,421) | 693,497,586 |
| Cash provided by operations | **4,509,283,288** | 11,829,753,000 | 4,390,971,363 |
| Dividends paid (Note 22) | **(4,775,079,474)** | (2,972,214,411) | (2,550,817,000) |
| Interest paid | **(2,955,450,666)** | (4,035,343,587) | (1,468,593,272) |
| Income tax paid | **(2,832,193,988)** | (1,031,375,223) | (383,256,129) |
| Interest received | **1,541,988,610** | 1,498,796,846 | 749,895,600 |
| Dividends received | **53,379,614** | 833,163,900 | 157,156,316 |
| Contributions to pension plan assets (Note 28) | **(128,837,564)** | (108,214,980) | – |
| Net cash provided by (used in) operating activities | **(4,586,910,180)** | 6,014,565,545 | 895,356,878 |

(Forward)

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

*See accompanying Notes to Consolidated Financial Statements.*

# GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

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

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

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

Group Activities

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

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

GBPC was registered with the Philippine SEC on March 13, 2002 primarily to invest in, hold, purchase, import, acquire (except land), lease, contract or otherwise, with the limits allowed for by law, any and all real and personal properties of every kind and description, whatsoever, and to do acts of being a holding company except to act as brokers dealers in securities.

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

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

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

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

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

## 2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

| | | Direct Percentages of Ownership | | | Effective Percentages of Ownership | | |
|---|---|---|---|---|---|---|---|
| | Country of | December 31 | | | December 31 | | |
| | Incorporation | **2014** | 2013 | 2012 | **2014** | 2013 | 2012 |
| Fed Land and Subsidiaries | Philippines | **100.00** | 100.00 | 100.00 | **100.00** | 100.00 | 100.00 |
| Charter Ping An | -do- | **100.00** | 66.67 | – | **100.00** | 74.97 | – |
| TCI and Subsidiary | -do- | **52.01** | – | – | **52.01** | – | – |
| GBPC and Subsidiaries | -do- | **51.27** | 50.89 | 50.89 | **52.45** | 53.16 | 62.98 |
| Toyota and Subsidiaries | -do- | **51.00** | 51.00 | 36.00 | **51.00** | 51.00 | 36.00 |

Fed Land's Subsidiaries

| | Percentage of Ownership | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| FLI - Management and Consultancy, Inc. (FMCI) | **100.00** | 100.00 | 100.00 |
| Baywatch Project Management Corporation (BPMC) | **100.00** | 100.00 | 100.00 |
| Horizon Land Property and Development Corp. (HLPDC) | **100.00** | 100.00 | 100.00 |
| Omni – Orient Management Corp. (Previously as Top Leader Property Management Corp.) (TLPMC) | **100.00** | 100.00 | 100.00 |
| Central Realty and Development Corp. (CRDC) | **75.80** | 75.80 | 75.80 |
| Federal Brent Retail, Inc. (FBRI) | **51.66** | 51.66 | 51.66 |
| Fedsales Marketing, Inc. (FMI)* | **–** | – | 100.00 |
| Harbour Land Realty & Development Corporation (HLRDC)** | **–** | – | 100.00 |
| Southern Horizon Development Corporation (SHDC)** | **–** | – | 100.00 |
| Omni-Orient Marketing Network, Inc. (OOMNI)* | **–** | – | 87.80 |

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

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

GBPC's Subsidiaries

| | Percentage of Ownership | |
|---|---|---|
| | **2014** | 2013 |
| ARB Power Venture, Inc. (APVI) | **100.00** | 100.00 |
| Toledo Holdings Corp. (THC) | **100.00** | 100.00 |
| Toledo Cebu Int'l Trading Resources Corp. (TCITRC) | **100.00** | 100.00 |
| Toledo Power Company (TPC) | **100.00** | 100.00 |
| GBH Power Resources, Inc. (GPRI) | **100.00** | 100.00 |
| Global Energy Supply Corp. (GESC) | **100.00** | 100.00 |
| Mindanao Energy Development Corporation (MEDC) | **100.00** | 100.00 |
| Global Hydro Power Corporation (GHPC) | **100.00** | – |
| Global Renewables Power Corporation (GRPC) | **100.00** | – |
| Global Formosa Power Holdings, Inc. (GFPHI) | **93.20** | 93.00 |
| Panay Power Holdings Corp (PPHC) | **89.30** | 89.30 |
| Panay Power Corp. (PPC) | **89.30** | 89.30 |
| Panay Energy Development Corp. (PEDC) | **89.30** | 89.30 |
| Cebu Energy Development Corp. (CEDC) | **52.18** | 52.18 |
| GBH Cebu Limited Duration Company (GCLDC) | **–** | 100.00 |

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

Toyota's Subsidiaries

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

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

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

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

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

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

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

NCI are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

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

If the Group loses control over a subsidiary, it:

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

Business Combinations Involving Entities Under Common Control

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

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

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

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

Change in Ownership without Loss of Control

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which were adopted as of January 1, 2014.

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

*New and Amended Accounting Standards*

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

*Annual Improvements to PFRSs (2010 – 2012 cycle)*

- PFRS 13, *Fair Value Measurement*

*Annual Improvements to PFRSs (2011 – 2013 cycle)*

- PFRS 1, *First-time Adoption of PFRS*

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

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

**Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

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

<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 December 31, 2014 and 2013, the Group has no financial assets and financial liabilities at FVPL and HTM investments. The Group's financial instruments include loans and receivables, AFS investments and other financial liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

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

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

*Software Costs*
Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

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

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

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

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

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

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

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

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

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

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

<u>Insurance Receivables</u>
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that

the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Liability Adequacy Test*
At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of the related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to

the statement of comprehensive income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Customers' Deposits

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

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

Equity

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

*Capital stock*

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

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

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

*Additional paid-in capital*

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

*Deposits for future stock subscriptions*

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

*Retained earnings*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Tax

*Current tax*

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

*Deferred tax*

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

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

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

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

Foreign Currency Transactions

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

*Transactions and balances*

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

Segment Reporting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This amendment does not apply to the Group as it has no share-based payments.

PFRS 3, *Business Combinations –Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted).

The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that: An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. These amendments are applied retrospectively and affect disclosures only.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group shall consider this amendment for future joint arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

## 3. **Management's Judgments and Use of Estimates**

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

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

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

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

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

based on its ability to appoint the majority of the BOD. The Group therefore accounts for TMPC as a subsidiary, consolidating its financial results for the reporting period.

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

*Revenue and cost recognition*
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- stage of completion of the project.

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

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

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

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

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

*Impairment of AFS investments*
The Group treats AFS investments as impaired when there has been a significant or prolonged decline or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more and 'prolonged' as greater than six months for quoted equity securities. In addition, the

Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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

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

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

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

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

*Determining whether an arrangement contains a lease*
The PPAs and EPPAs qualify as a lease on the basis that the Group sells all its output to the specified counterparties as per their respective agreements. The agreements calls for a take or pay arrangement where payment is made on the basis of the availability of the power plant complex and not on actual deliveries. The lease arrangement is determined to be an operating lease where a significant portion of the risks and rewards of ownership are retained by the Group. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to the specified counterparties are recorded as revenue.

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

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

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

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

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

As of December 31, 2014 and 2013, the carrying values of these assets are as follows:

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

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

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

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

The carrying value of the Group's inventories amounted to ₱31.43 billion and ₱20.81 billion as of December 31, 2014 and 2013, respectively (Note 6).

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

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

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

As of December 31, 2014 and 2013, the carrying values of investment property, property and equipment, intangible assets from power purchase agreements, customer relationship, software costs and franchise are as follow:

| | **2014** | 2013 |
|---|---|---|
| Investment properties (Note 9) | **₱8,642,628,922** | ₱8,328,668,533 |
| Property and equipment (Note 11) | **44,800,727,933** | 41,163,427,981 |
| Power purchase agreements - net (Note 13) | **7,721,413,554** | 8,199,068,543 |
| Customer relationship (Note 13) | **3,883,238,361** | 3,883,238,361 |
| Software costs - net (Note 13) | **19,816,621** | 15,814,615 |
| Franchise - net (Note 13) | **1,367,500** | 1,583,333 |

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

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in and advances to associates and jointly controlled entities, property and equipment, software cost and franchise. The following table sets forth the carrying values of investment properties, investments in associates and jointly controlled entities, input VAT, creditable withholding tax, property and equipment, power purchase agreements, software costs, franchise and other noncurrent assets as of December 31, 2014 and 2013:

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

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

unquoted equities. The Group also considers the ability of the investee company to provide dividends.

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

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

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

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

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

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

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

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

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

Decommissioning liability amounted to ₱287.26 million and ₱192.66 million as of December 31, 2014 and 2013, respectively (Note 21).

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

As of December 31, 2014 and 2013, the present value of defined benefit obligations amounted to ₱3.52 billion and ₱2.82 billion, respectively. The carrying values of pension liability and expense are disclosed in Note 28.

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

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

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

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

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

The carrying values of provision for outstanding claims and IBNR amounted to ₱3.68 billion and ₱4.92 billion as of December 31, 2014 and 2013, respectively (Note 16).

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

As of December 31, 2014 and 2013, provision for product warranty amounted to ₱181.96 million and ₱288.75 million, respectively (Note 21).

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

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

## 4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

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

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates ranging from 0.50% to 3.75% in 2014 and 0.25% to 4.50% in 2013.

Short-term Investments

These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than three (3) months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.20% to 2.00% in 2014 and 0.20% to 3.00% in 2013.

## 5. Receivables

This account consists of:

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

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

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

Noncurrent receivables consist of:

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

Trade Receivables
The details of trade receivables follow:

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

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

Trade receivables are noninterest-bearing and generally have 30 days to 1 year term.

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

The details of installment contracts receivables follow:

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

Installment contracts receivables are collected over a period of one (1) to ten (10) years and are noninterest-bearing. The fair value upon initial recognition is derived using the discounted cash flow methodology using discount rates ranging from 8.00% to 12.00% in 2014 and 2013.

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

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

Insurance Receivables
The details of insurance receivable follow:

| | **2014** | 2013 |
|---|---|---|
| Premiums receivable and agents' balances | **₱1,109,826,848** | ₱921,004,162 |
| Reinsurance recoverable on paid losses | **852,193,366** | 617,226,869 |
| Bonds recoverable on paid losses | **33,617,614** | 30,702,317 |
| Due from ceding companies | **40,783,619** | 51,004,663 |
| Funds held by ceding companies | **5,658,676** | 2,891,829 |
| | **₱2,042,080,123** | ₱1,622,829,840 |

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

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

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

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

Loans receivable for real estate relate to a loan agreement (Loan) with Cathay International Resources Corp. (Borrower), an affiliate. On December 21, 2012, Fed Land agreed to lend to the Borrower a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement (Note 27). Fed Land used discounted cash flow analyses to measure the fair value of the Loan. The 'Day 1' difference from this receivable amounting to ₱94.22 million in 2012 was recorded under 'General and administrative expense' in the consolidated statement of comprehensive income (Note 26). Accretion of interest in 2014 and 2013 amounted to ₱7.35 million and ₱7.92 million, respectively.

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

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

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

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

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

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

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Trade Receivables | Insurance Receivables | Other Receivables | Total |
| Balance at beginning of year | ₱– | ₱– | ₱4,617,424 | ₱4,617,424 |
| Provision for credit losses (Note 26) | 300,000 | 13,968,802 | 8,288,966 | 22,557,768 |
| Write-off | (84,500) | – | (3,550,420) | (3,634,920) |
| Balance at end of year | ₱215,500 | ₱13,968,802 | ₱9,355,970 | ₱23,540,272 |
| Individual impairment | ₱215,500 | ₱– | ₱9,355,970 | ₱9,571,470 |
| Collective impairment | – | 13,968,802 | – | 13,968,802 |
| | ₱215,500 | ₱13,968,802 | ₱9,355,970 | ₱23,540,272 |
| Gross amount of receivables individually impaired before deducting any impairment allowance | ₱9,923,816 | ₱- | ₱30,028,493 | ₱39,952,309 |

6. **Inventories**

This account consists of:

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

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

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

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

In 2014 and 2013, Fed Land acquired parcels of land amounting to ₱8.88 billion and ₱3.53 billion, respectively, to be held either for sale or for future land development.

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

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

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

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

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

7. **Prepayments and Other Current Assets**

This account consists of:

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

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

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

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

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

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

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

Advances to officers and employees amounting to ₱38.30 million and ₱56.56 million as of December 31, 2014 and 2013, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱11.27 million and ₱11.41 million as of December 31, 2014 and 2013, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subjected to liquidation within 30 days after the release of cash advance.

Assets held for sale pertains to amounts recoverable on account of losses on direct business of Charter Ping An. These recoveries are available for immediate sale in its present condition and its sale are highly probable. In 2014 and 2013, the Company is committed to a plan to sell the asset and is actively locating a buyer.

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

## 8. Investments in Associates and Joint Controlled Entities

This account consists of:

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

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

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

(Forward)

| | 2014 | 2013 |
|---|---|---|
| **Accumulated equity in other comprehensive income** | | |
| Balance at beginning of year | **(₱296,833,943)** | ₱2,487,529,431 |
| Equity in other comprehensive loss for the year | **(320,125,622)** | (738,740,864) |
| Realized gain (loss) from sale of AFS investments of associates | **319,619,393** | (2,026,061,414) |
| Reversal of accumulated equity in other comprehensive income of previously held interest to profit or loss | **–** | (8,634,834) |
| Elimination of equity take up of indirect interest | **–** | 2,962,073 |
| Effect of business combination achieved in stages | **–** | (13,888,335) |
| Balance at end of year | **(297,340,172)** | (296,833,943) |
| **Effect of elimination of intragroup profit** | **2,091,373,578** | – |
| | **₱39,994,616,085** | ₱35,917,641,690 |

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

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

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

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

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

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

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

| | Declaration date | Per share | Total (in millions) | Record Date | Payment Date |
|---|---|---|---|---|---|
| **2014** | | | | | |
| **MBTC** | **March 26, 2014** | **₱1.00** | **₱2,745** | **May 7, 2014** | **May 16, 2014** |
| **Phil AXA** | **October 23, 2014** | **89.10** | **1,043** | **October 23, 2014** | **November 26, 2014** |
| **FLOC** | **December 17, 2014** | **0.73** | **400** | **December 31, 2014** | **January 31, 2015** |
| 2013 | | | | | |
| MBTC | January 23, 2013 | ₱1.00 | ₱2,111 | March 8, 2013 | April 3, 2013 |
| Phil AXA | October 16, 2013 | 134.96 | 891 | October 16, 2013 | November 14, 2013 |
| FLOC | October 25, 2013 | 0.73 | 400 | December 31, 2013 | January 10, 2014 |

Investment in TFSPC

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

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

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

On March 4, 2014 the Parent Company acquired 48.12 million common shares of TMBC from FMIC, a majority owned subsidiary of MBTC, for a total purchase price of ₱237.26 million. The acquisition represents 19.25% of TMBC's outstanding capital stock and raised the Parent Company's ownership interest in TMBC to 60.00%.

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

Investment in BLRDC
*Fed Land and Morano Holdings Corporation Omnibus Agreement*
On January 25, 2012, the SEC approved the change in corporate name from Morano Holdings Corporation to BLRDC.

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

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

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

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

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

Investment in MBTC
In 2011, FMIC, a majority owned subsidiary of MBTC participated in a bond exchange transaction under the liability management exercise of the Philippine government. The SEC granted an exemptive relief from the existing tainting rule on HTM investments under PAS 39, *Financial Instruments: Recognition and Measurement,* while the BSP also provided the same exemption for prudential reporting to the participants. Following the exemption granted, the 2014 and 2013 consolidated financial statements of MBTC have been prepared in compliance with Philippine GAAP. For the purpose of computing the Group's share in 2014 and 2013 net income and other comprehensive income of MBTC, certain adjustments were made in the Group's 2014 and 2013 consolidated financial statements to comply with PFRS.

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

| | Associates | | | Jointly Controlled Entities | | | |
|---|---|---|---|---|---|---|---|
| | MBTC** | Phil AXA** | Others* | FLOC | BLRDC | TMBC | TFSPC** |
| **2014** | | | | | | | |
| Current assets | | | **₱199** | **₱1,669** | **₱6,186** | **₱1,846** | |
| Noncurrent assets | | | **26** | **175** | **2,058** | **511** | |
| Total assets | **₱1,604,540** | **₱68,070** | **225** | **1,844** | **8,244** | **2,357** | **₱39,425** |
| Current liabilities | | | **67** | **1,057** | **1,991** | **1,645** | |
| Noncurrent liabilities | | | **–** | **234** | **1,099** | **52** | |
| Total liabilities | **1,445,755** | **63,983** | **67** | **1,291** | **3,090** | **1,697** | **35,582** |
| Net assets | **₱158,785** | **₱4,087** | **₱158** | **₱553** | **₱5,154** | **₱660** | **₱3,843** |
| Revenues | **₱74,894** | **₱6,396** | **₱23** | **₱420** | **₱1,990** | **₱11,268** | **₱2,434** |
| Expenses | **45,773** | **4,769** | **17** | **273** | **1,337** | **11,122** | **1,993** |
| 2013 | | | | | | | |
| Current assets | | | ₱224 | ₱1,849 | ₱4,805 | ₱1,380 | |
| Noncurrent assets | | | 30 | 449 | 1,563 | 528 | |
| Total assets | ₱1,378,569 | ₱54,951 | 254 | 2,298 | 6,368 | 1,908 | ₱– |
| Current liabilities | | | 98 | 1,347 | 1,521 | 1,333 | |
| Noncurrent liabilities | | | – | 94 | 76 | 44 | |
| Total liabilities | 1,235,864 | 50,895 | 98 | 1,441 | 1,597 | 1,377 | – |
| Net assets | ₱142,705 | ₱4,056 | ₱156 | ₱857 | ₱4,771 | ₱531 | ₱– |
| Revenues | ₱78,924 | ₱5,596 | ₱32 | ₱866 | ₱1,525 | ₱9,441 | ₱– |
| Expenses | 49,497 | 4,208 | 23 | 543 | 935 | 9,321 | |

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

Fair Value of Investment in Associates and Jointly Controlled Entities
Phil AXA, CCPC, and GLEDC, as well as TMBC, BLRDC and FLOC are private companies and there are no quoted market prices available for their shares. As of December 31, 2014 and 2013, the fair value of the Group's investment in MBTC, which is listed on the PSE, amounted to ₱57.17 billion and ₱52.07 billion, respectively.

The net assets and liabilities of MBTC and Phil AXA consist mainly of financial assets and financial liabilities.

As of December 31, 2014 and 2013, the Group has no share on commitments and contingencies of its associates and jointly controlled entities.

The financial information of subsidiaries that have material non-controlling interests is provided below:

**Proportion of equity interests held by non-controlling interests**

| | Nature of Business | Direct Ownership | | Effective Ownership | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| GBPC | Power | **48.73** | 49.11 | **47.55** | 46.84 |
| TMPC | Motor | **49.00** | 49.00 | **49.00** | 49.00 |

**Carrying value of material non-controlling interests**

| | **2014** | 2013 |
|---|---|---|
| GBPC | **₱7,769,510,264** | ₱14,374,650,215 |
| TMPC | **8,570,422,039** | 7,239,677,863 |

**Net income for the period allocated to material non-controlling interests**

| | **2014** | 2013 |
|---|---|---|
| GBPC | **₱2,389,477,262** | ₱1,879,867,504 |
| TMPC | **3,590,291,318** | 1,987,847,150 |

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2014 and 2013 (amounts in millions):

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **GBPC** | **TMPC** | GBPC | TMPC |
| **Statement of Financial Position** | | | | |
| Current assets | **₱22,077** | **₱22,430** | ₱17,126 | ₱20,801 |
| Non-current assets | **46,367** | **4,276** | 42,749 | 4,240 |
| Current liabilities | **10,834** | **11,694** | 10,830 | 13,110 |
| Non-current liabilities | **27,834** | **3,086** | 25,310 | 2,644 |
| Dividends paid to non-controlling interests | **962** | **2,258** | 982 | 1,467 |
| **Statement of Comprehensive Income** | | | | |
| Revenues | **19,227** | **105,104** | 17,055 | 80,250 |
| Expenses | **(15,707)** | **(95,028)** | (14,093) | (75,980) |
| Net income | **3,520** | **10,076** | 2,962 | 4,270 |
| Total comprehensive income (loss) | **4,270** | **7,254** | 3,273 | (32) |
| **Statement of Cash Flows** | | | | |
| Net cash provided by operating activities | **6,480** | **5,799** | 5,884 | 4,253 |
| Net cash used in investing activities | **(4,751)** | **(743)** | (4,604) | (2,564) |
| Net cash provided by (used in) financing activities | **3,686** | **(4,088)** | (1,925) | 607 |

**Limitation on dividend declaration of associates and joint ventures**
*Phil AXA*
Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

*MBTC*
The BSP requires banks to keep certain levels of regulatory capital and liquid assets, limit their exposures to other parts of the Group and comply with other regulatory ratios.

In the ordinary course of the Group's business, the Parent Company issues guarantee for the completion of Fed Land's ongoing real estate projects (Note 36).

As of December 31, 2014 and 2013, there were no agreements entered into by the associates and jointly controlled entities of the Group that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group.

As of December 31, 2014 and 2013, accumulated equity in net earnings amounting to ₱13.83 billion and ₱11.60 billion, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

## 9. Investment Properties

The composition and rollforward analysis of this account follow:

| | December 31, 2014 | | |
|---|---|---|---|
| | **Land and Improvements** | **Building and Improvements** | **Total** |
| **Cost** | | | |
| At January 1 | **₱4,796,602,102** | **₱3,926,129,903** | **₱8,722,732,005** |
| Effect of business combination | **301,367,000** | – | **301,367,000** |
| Additions | **7,551,786** | **79,587,690** | **87,139,476** |
| At December 31 | **5,105,520,888** | **4,005,717,593** | **9,111,238,481** |
| **Accumulated Depreciation** | | | |
| At January 1 | **61,713,968** | **332,349,504** | **394,063,472** |
| Depreciation (Note 11) | **377,589** | **74,168,498** | **74,546,087** |
| At December 31 | **62,091,557** | **406,518,002** | **468,609,559** |
| **Net Book Value at December 31** | **₱5,043,429,331** | **₱3,599,199,591** | **₱8,642,628,922** |

| | December 31, 2013 | | |
|---|---|---|---|
| | Land and Improvements | Building and Improvements | Total |
| Cost | | | |
| At January 1 | ₱4,884,012,384 | ₱3,052,135,164 | ₱7,936,147,548 |
| Effect of business combination | 2,298,668,751 | 109,523,022 | 2,408,191,773 |
| Additions | – | 143,738,791 | 143,738,791 |
| Transfers (Note 6) | (2,386,079,033) | 620,732,926 | (1,765,346,107) |
| At December 31 | 4,796,602,102 | 3,926,129,903 | 8,722,732,005 |
| Accumulated Depreciation | | | |
| At January 1 | – | 120,570,577 | 120,570,577 |
| Effect of business combination | 61,713,968 | 101,732,698 | 163,446,666 |
| Depreciation (Note 11) | – | 110,046,229 | 110,046,229 |
| At December 31 | 61,713,968 | 332,349,504 | 394,063,472 |
| Net Book Value at December 31 | ₱4,734,888,134 | ₱3,593,780,399 | ₱8,328,668,533 |

Certain parcels of land were transferred to the 'Inventories' account with a carrying amount of ₱2.39 billion as of December 31, 2013. The transferred properties are intended for the construction of condominium units held for sale.

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱764.49 million, ₱592.04 million and ₱233.44 million in 2014, 2013 and 2012, respectively (Note 30).

The depreciation of the investment properties amounted to ₱74.55 million, ₱110.05 million and ₱11.79 million in 2014, 2013 and 2012, respectively.

The aggregate fair value of the Group's investment properties amounted to ₱11.14 billion and ₱10.84 billion as of December 31, 2014 and 2013, respectively. The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued in February 2012.

## 10. Available-for-sale Investments

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Equity securities | | |
| Quoted | **₱2,549,232,004** | ₱1,497,970,179 |
| Unquoted | **480,655,253** | 480,269,424 |
| Quoted debt securities | **1,096,992,874** | 1,132,556,640 |
| | **₱4,126,880,131** | ₱3,110,796,243 |

Unquoted AFS investments are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value.

Unquoted AFS investments in Toyota Autoparts Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounted to ₱466.20 million as of December 31, 2014 and 2013. Also included in the balance are AFS investments of Fed Land, TCI and Charter Ping An amounting to ₱9.94 million, ₱0.39 million and ₱0.06 million, respectively.

Unquoted AFS of Fed Land pertain to preferred shares of a utility company issued to the Group in connection with its subscription to the electricity services of the said utility company needed for Fed Land's real estate projects. The said preferred shares have no active market and the Group does not intend to dispose these investments since these are directly related to the continuity of its business.

Quoted debt securities follow:

| | **2014** | 2013 |
|---|---|---|
| Government debt securities | **₱780,975,000** | ₱850,098,893 |
| Private debt securities | **316,017,874** | 282,457,747 |
| | **₱1,096,992,874** | ₱1,132,556,640 |

Movements in the net unrealized gain on AFS investments follow:

| | **2014** | | |
|---|---|---|---|
| | **Attributable to Parent Company** | **Non-controlling Interest** | **Total** |
| Balance at beginning of year | **₱80,294,836** | **₱89,564,687** | **₱169,859,523** |
| Net changes shown in other comprehensive income | | | |
| Fair value changes on AFS investments | **549,784,963** | **443,042,200** | **992,827,163** |
| Realized gain on sale on AFS investments (Note 23) | **(11,719,110)** | – | **(11,719,110)** |
| | **538,065,853** | **443,042,200** | **981,108,053** |
| Balance at end of year | **₱618,360,689** | **₱532,606,887** | **₱1,150,967,576** |

| | 2013 | | |
|---|---|---|---|
| | Attributable to Parent Company | Non-controlling Interest | Total |
| Balance at beginning of year | (₱6,606,601) | (₱3,883,398) | (₱10,489,999) |
| Net changes shown in other comprehensive income | | | |
| Fair value changes on AFS investments | 95,424,287 | 93,448,085 | 188,872,372 |
| Realized gain on sale on AFS investments (Note 23) | (8,522,850) | – | (8,522,850) |
| | 86,901,437 | 93,448,085 | 180,349,522 |
| Balance at end of year | ₱80,294,836 | ₱89,564,687 | ₱169,859,523 |

## 11. Property and Equipment

The composition and rollforward analysis of this account follow:

| | **2014** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Transportation Equipment** | **Furniture, Fixtures and Equipment** | **Leasehold Improvements** | **Machinery, Tools and Equipment** | **Land and Building** | **Boilers and Powerhouse** | **Turbine Generations and Desox System** | **Building and Land Improvements** | **Electrical Distribution System** | **Other Property and Equipment** | **Construction-in-Progress** | **Total** |
| **Cost** | | | | | | | | | | | | |
| At January 1 | **₱334,291,177** | **₱273,297,816** | **₱509,458,860** | **₱3,052,220,271** | **₱1,633,060,925** | **₱11,671,118,365** | **₱9,930,393,331** | **₱5,153,731,419** | **₱3,187,686,385** | **₱3,031,851,009** | **₱5,963,349,748** | **₱44,740,459,306** |
| Effect of business combination | **19,068,940** | **49,514,221** | – | **33,495,253** | – | – | – | **234,728,520** | – | – | – | **336,806,934** |
| Additions | **145,788,919** | **98,064,158** | **49,843,103** | **94,186,694** | **72,280,850** | **89,026,099** | – | **86,363,884** | **2,583,527** | **717,419,686** | **5,307,938,470** | **6,663,495,390** |
| Disposals and reclassifications | **(132,048,254)** | **(21,363,151)** | **131,361** | **98,448,854** | – | **8,079,438,003** | **52,096,595** | **89,613,634** | **(19,040,259)** | **78,109,191** | **(8,953,255,957)** | **(727,869,983)** |
| At December 31 | **367,100,782** | **399,513,044** | **559,433,324** | **3,278,351,072** | **1,705,341,775** | **19,839,582,467** | **9,982,489,926** | **5,564,437,457** | **3,171,229,653** | **3,827,379,886** | **2,318,032,261** | **51,012,891,647** |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | | | |
| At January 1 | **96,103,353** | **147,463,089** | **277,534,666** | **142,543,080** | **14,400,934** | **1,765,429,020** | **368,227,707** | **252,223,055** | **187,461,732** | **325,644,689** | – | **3,577,031,325** |
| Effect of business combination | **10,786,815** | **44,397,823** | – | **23,565,900** | – | – | – | **56,828,812** | – | – | – | **135,579,350** |
| Depreciation and amortization (Note 26) | **119,111,900** | **53,186,760** | **54,885,382** | **142,290,596** | **7,671,328** | **1,367,207,304** | **121,230,437** | **203,705,470** | **120,524,759** | **452,880,560** | – | **2,642,694,496** |
| Disposals and reclassifications | **(88,680,925)** | **(14,811,990)** | **(21,349)** | **(1,237)** | – | **(10,134,600)** | – | **763,714** | **(4,195,065)** | **(26,060,005)** | – | **(143,141,457)** |
| At December 31 | **137,321,143** | **230,235,682** | **332,398,699** | **308,398,339** | **22,072,262** | **3,122,501,724** | **489,458,144** | **513,521,051** | **303,791,426** | **752,465,244** | – | **6,212,163,714** |
| **Net Book Value at December 31** | **₱229,779,639** | **₱169,277,362** | **₱227,034,625** | **₱2,969,952,733** | **₱1,683,269,513** | **₱16,717,080,743** | **₱9,493,031,782** | **₱5,050,916,406** | **₱2,867,438,227** | **₱3,074,914,642** | **₱2,318,032,261** | **₱44,800,727,933** |

| | 2013 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Transportation Equipment | Furniture, Fixtures and Equipment | Leasehold Improvements | Machinery, Tools and Equipment | Land and Building | Boilers and Powerhouse | Turbine Generations and Desox System | Building and Land Improvements | Electrical Distribution System | Other Property and Equipment | Construction-in-Progress | Total |
| Cost | | | | | | | | | | | | |
| At January 1 | ₱48,867,374 | ₱112,810,917 | ₱494,438,287 | ₱2,634,682,810 | ₱175,145,134 | ₱11,661,088,901 | ₱9,877,136,313 | ₱4,179,564,803 | ₱3,168,273,800 | ₱2,221,304,306 | ₱564,892,115 | ₱35,138,204,760 |
| Effect of business combination | 205,459,032 | 59,449,421 | 13,805,644 | 279,214,470 | 1,398,469,052 | – | – | 764,517,969 | – | 113,827,529 | 199,755,087 | 3,034,498,204 |
| Additions | 63,925,576 | 54,105,938 | 14,839,327 | 16,987,177 | 56,446,739 | 126,433,092 | 69,891,143 | 189,550,071 | 19,412,585 | 63,916,515 | 6,349,877,895 | 7,025,386,058 |
| Disposals and reclassifications | 16,039,195 | 46,931,540 | (13,624,398) | 121,335,814 | 3,000,000 | (116,403,628) | (16,634,125) | 20,098,576 | – | 632,802,659 | (1,151,175,349) | (457,629,716) |
| At December 31 | 334,291,177 | 273,297,816 | 509,458,860 | 3,052,220,271 | 1,633,060,925 | 11,671,118,365 | 9,930,393,331 | 5,153,731,419 | 3,187,686,385 | 3,031,851,009 | 5,963,349,748 | 44,740,459,306 |
| Accumulated Depreciation and Amortization | | | | | | | | | | | | |
| At January 1 | 26,783,347 | 92,930,356 | 252,454,364 | 28,230,621 | 10,171,328 | 737,258,193 | 127,227,870 | 80,742,221 | 73,912,104 | 47,265,727 | – | 1,476,976,131 |
| Depreciation and amortization (Note 26) | 125,360,140 | 39,589,966 | 34,852,024 | 127,554,317 | 4,229,606 | 1,089,745,609 | 256,487,354 | 186,725,842 | 113,549,628 | 283,752,460 | – | 2,261,846,946 |
| Disposals and reclassifications | (56,040,134) | 14,942,767 | (9,771,722) | (13,241,858) | – | (61,574,782) | (15,487,517) | (15,245,008) | – | (5,373,498) | – | (161,791,752) |
| At December 31 | 96,103,353 | 147,463,089 | 277,534,666 | 142,543,080 | 14,400,934 | 1,765,429,020 | 368,227,707 | 252,223,055 | 187,461,732 | 325,644,689 | – | 3,577,031,325 |
| Net Book Value at December 31 | ₱238,187,824 | ₱125,834,727 | ₱231,924,194 | ₱2,909,677,191 | ₱1,618,659,991 | ₱9,905,689,345 | ₱9,562,165,624 | ₱4,901,508,364 | ₱3,000,224,653 | ₱2,706,206,320 | ₱5,963,349,748 | ₱41,163,427,981 |

The property and equipment of CEDC, property and equipment of TPC (except TPC1A's construction in progress), and the property and equipment (except non-utility assets) of PPC and PEDC, with aggregate carrying value of ₱39.18 billion and ₱32.44 billion as of December 31, 2014 and 2013, respectively, have been mortgaged/pledged as security for their long-term debt (Note 17).

Construction-in-progress pertains to the accumulated cost incurred for the PEDC Unit 3 Expansion which was started in 2012 and is expected to be completed in 2015.

Gain on disposal of property and equipment amounted to ₱90.17 million, ₱16.00 million and ₱8.32 million in 2014, 2013 and 2012, respectively (Note 23).

Details of depreciation and amortization follow:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Property and equipment | **₱2,642,694,496** | ₱2,261,846,946 | ₱1,293,948,792 |
| Intangible assets (Note 13) | **485,835,540** | 485,381,510 | 323,376,065 |
| Investment properties (Note 9) | **74,546,087** | 110,046,229 | 11,790,470 |
| | **₱3,203,076,123** | ₱2,857,274,685 | ₱1,629,115,327 |

Breakdown of depreciation and amortization in the consolidated statements of income follow:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Power plant operation and maintenance expenses (Note 24) | **₱1,756,195,944** | ₱1,678,551,135 | ₱1,255,133,738 |
| Cost of goods manufactured | **388,080,484** | 234,483,648 | – |
| Cost of rental (Notes 30) | **172,061,483** | 73,281,106 | 5,744,033 |
| General and administrative expenses (Note 26) | **886,738,212** | 870,958,796 | 368,237,556 |
| | **₱3,203,076,123** | ₱2,857,274,685 | ₱1,629,115,327 |

## 12. **Deposits**

In 2011, the Group entered into an option agreement with its various affiliates for the exclusive rights for three (3) years either (a) to purchase the property, (b) to purchase shares of stock of the third party which own the property, (c) to develop the property as developer in a joint venture with a third party or (d) to undertake a combination of any of the foregoing, as may be agreed upon by the parties.

In 2012, option agreements with Kabayan Realty Corporation, Titan Resources Corporation and Hill Realty and Development amounting to ₱500.00 million, ₱1.00 billion and ₱500.00 million, respectively were terminated and settled in cash. There were no outstanding option deposits as of December 31, 2014 and 2013. These deposits carried a 7.34% interest in 2013 and 2012. Interest income recognized amounted to ₱263.85 million and ₱257.74 million in 2013 and 2012, respectively (Note 23).

## 13. **Goodwill and Intangible Assets**

Goodwill and intangible assets consist of:

| | **2014** | 2013 |
|---|---|---|
| Power purchase agreements – net (Note 31) | **₱7,721,413,554** | ₱8,199,068,543 |
| Goodwill (Note 31) | **6,179,724,903** | 6,175,311,202 |
| Customer relationship (Note 31) | **3,883,238,361** | 3,883,238,361 |
| Software costs – net | **19,816,621** | 15,814,615 |
| Franchise – net | **1,367,500** | 1,583,333 |
| | **₱17,805,560,939** | ₱18,275,016,054 |

Goodwill

Goodwill comprises the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Goodwill in relation to acquisitions has been attributed to the following CGUs:

| | **2014** | | | | |
|---|---|---|---|---|---|
| | **Toyota** | **Ping An** | **THC** | **TCI** | **Total** |
| Cost | | | | | |
| Balances at beginning of year | **₱5,596,956,193** | **₱554,153,981** | **₱24,201,028** | **₱–** | **₱6,175,311,202** |
| Additions through business combinations | **–** | **–** | **–** | **4,413,701** | **4,413,701** |
| Balances at end of year | **₱5,596,956,193** | **₱554,153,981** | **₱24,201,028** | **₱4,413,701** | **₱6,179,724,903** |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Toyota | Ping An | THC | TCI | Total |
| Cost | | | | | |
| Balances at beginning of year | ₱– | ₱– | ₱24,201,028 | ₱– | ₱24,201,028 |
| Additions through business combinations | 5,596,956,193 | 554,153,981 | – | – | 6,151,110,174 |
| Balances at end of year | ₱5,596,956,193 | ₱554,153,981 | ₱24,201,028 | ₱– | ₱6,175,311,202 |

*Toyota*

The recoverable amount of Toyota CGU was based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections in 2014 is 11.19%. Cash flows beyond the four-year period are extrapolated using a steady growth rate of 1.00%. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2014. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

The calculations of value in use for the Toyota CGU are most sensitive to the following assumptions:

- Budgeted gross margins – Gross margins are based on vehicle models mix per dealer and the foreign exchange movements between the Philippine Peso versus the United States (US) Dollar and the Japanese Yen versus the US Dollar.
- Growth rate – The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate for the global automotive industry; and
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value-in-use of Toyota, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

*Ping An*
As of December 31, 2013, goodwill arising from the acquisition of Ping An was determined provisionally as the Parent Company had to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the said acquisition. No changes were made to the provisional values as the impact of additional information subsequently obtained was not significant to affect the preliminary values (Note 31).

The recoverable amount of Ping An CGU was based on value in use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 12.61%. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.50%. The carrying value of goodwill amounted to ₱554.15 million as of December 31, 2014. No impairment loss was recognized the goodwill arising from the acquisition of Ping An.

The calculations of value in use for Ping An CGU are most sensitive to the following assumptions:

- Expected future cash inflows
- Growth rate; and
- Pre-tax discount rate **-** Discount rates reflect management’s best estimate of the risks associated with the specific CGU.

Regarding the assessment of the value-in-use of Ping An, using the same projected cash flows, impairment will be recognized when either of the following is applied:

- Pre-tax discount rate is greater than 13.47%;
- Free cash flows to equity decreased by more than 8.85%; or
- Growth rate is less than 2.33%.

*THC*
On September 25, 2012, GBPC acquired 60.00% interest in THC from Yorktown Properties, Inc.

The fair values of the net assets of THC including its wholly owned subsidiary, TCITRC, as of acquisition date, are as follows:

| | |
|---|---|
| Current assets | ₱90,212,519 |
| Current liabilities | (409,039,220) |
| Noncurrent assets | 316,386,650 |
| Noncurrent liabilities | (38,094,996) |
| Total | (40,535,047) |
| At 60% | (24,321,028) |
| Consideration paid | 120,000 |
| Goodwill | (₱24,201,028) |

Consideration:

| | |
|---|---|
| Cash acquired | ₱24,569,910 |
| Paid | (120,000) |
| Net cash acquired | ₱24,449,910 |

*TCI*
The recoverable amount of TCI CGU was based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 10.67%. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 6.1 %. The carrying value of goodwill amounted to ₱4.41 million as of December 31, 2014. No impairment loss was recognized for goodwill arising from the acquisition of TCI.

The calculations of value-in-use for TCI CGU are most sensitive to the following assumptions:

- expected future cash inflows;
- growth rate; and
- pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the value-in-use of TCI, using the same projected cash flows, impairment will be recognized when either of the following is applied:

- Pre-tax discount rate is greater than 11.94%;
- Free cash flows to equity decreased by more than 18.89%; or
- Growth rate is less than 5.00%.

Power Purchase Agreements
Power purchase agreements pertain to the EPPA with certain electric cooperatives (Note 31). The EPPAs were accounted for as intangible assets as GBPC has the right to charge the electric cooperatives for the electricity to be generated and delivered by GBPC.

The rollforward analysis of the Group's power purchase agreements is as follows:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **₱8,199,068,543** | ₱8,676,723,532 |
| Amortization (Note 11) | **(477,654,989)** | (477,654,989) |
| Balance at end of year | **₱7,721,413,554** | ₱8,199,068,543 |

Customer Relationship
Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Toyota's relationship with its top dealers adds value to the operations of Toyota and enhances the latter's earnings potential. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The recoverable amount of the customer relationship of the Group was based on value-in-use calculations using earnings projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to earnings projections in 2014 is 11.19%.

Cash flows beyond the forecast period are extrapolated using a steady growth rate of 1.00%. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2014 and 2013, respectively. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The value-in-use calculations for the customer relationship are most sensitive to the following assumptions:

- Attrition rate – Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- EBIT margin on key customers – A 7.00% EBIT margin was used in projecting the net operating profit on sales to key customers for the four-year period; and
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value-in-use of Toyota's customer relationship, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Software Cost

The Group's software costs pertain to software cost and licenses.

The rollforward analysis of the Group's software cost is as follows:

| | **2014** | 2013 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **₱58,291,141** | ₱48,048,186 |
| Additions | **11,966,724** | 7,501,020 |
| Effect of business combination | **–** | 142,609 |
| Reclassification | **–** | 2,599,326 |
| | **70,257,865** | 58,291,141 |
| **Accumulated Amortization** | | |
| Balance at beginning of year | **42,476,526** | 33,762,025 |
| Amortization (Note 11) | **7,964,718** | 7,609,854 |
| Reclassification | **–** | 1,104,647 |
| | **50,441,244** | 42,476,526 |
| **Net Book Value** | **₱19,816,621** | ₱15,814,615 |

Franchise

Franchise fee pertains to the Fed Land Group's operating rights for its fast food stores with estimated useful lives of three (3) to five (5) years.

The amortization of the franchise fee amounting to ₱0.22 million, ₱0.12 million and ₱0.07 million in 2014, 2013 and 2012, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).

The rollforward analysis of the Group's franchise fee is as follows:

| | **2014** | 2013 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of year | **₱2,500,000** | ₱800,000 |
| Additions | – | 1,700,000 |
| | **2,500,000** | 2,500,000 |
| **Accumulated Amortization** | | |
| Balance at beginning of year | **916,667** | 800,000 |
| Amortization (Note 11) | **215,833** | 116,667 |
| | **1,132,500** | 916,667 |
| **Net Book Value** | **₱1,367,500** | ₱1,583,333 |

Details of amortization of intangible assets are as follows (Note 11):

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Power purchase agreements | **₱477,654,989** | ₱477,654,989 | ₱318,436,659 |
| Software cost | **7,964,720** | 7,609,854 | 4,866,709 |
| Franchise | **215,833** | 116,667 | 72,697 |
| | **₱485,835,542** | ₱485,381,510 | ₱323,376,065 |

## 14. Other Noncurrent Assets

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Rental and other deposits | **₱342,836,340** | ₱511,712,824 |
| Deferred input VAT | **267,586,069** | 297,304,581 |
| Retirement asset | **3,519,970** | – |
| Advances to contractors | **–** | 300,318,756 |
| Others | **20,123,251** | 93,653,638 |
| | **₱634,065,630** | ₱1,202,989,799 |

Rental and other deposits include rental deposits for the leased offices of the Group and deposits for the initial set-up of the services rendered by public utility companies. Rental deposits are to be applied on the last month's rent of the lease contract. Other deposits include option deposit paid by Fed Land to MBTC amounting to ₱100.00 million for the deposit on purchase of land (Note 27).

## 15. Accounts and Other Payables

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| Trade payables | **₱6,853,201,261** | ₱8,014,607,566 |
| Telegraphic transfers and drafts and acceptances payable | **4,321,184,608** | 4,493,193,586 |
| Accrued expenses | **3,271,526,699** | 3,011,227,283 |
| Deferred output tax | **2,003,009,515** | 2,454,049,984 |
| Accrued interest payable | **604,933,456** | 389,752,174 |
| Accrued commissions | **486,037,865** | 367,772,684 |
| Insurance payable | **433,111,602** | 296,242,243 |
| Customer advances | **293,691,646** | 7,453,929 |
| Royalty payable | **289,718,824** | 263,115,241 |
| Retentions payable | **100,150,602** | 500,417,643 |
| Others | **623,400,420** | 1,039,145,072 |
| | **₱19,279,966,498** | ₱20,836,977,405 |

The details of trade payables are as follows:

| | 2014 | 2013 |
|---|---|---|
| Automotive | **₱2,591,371,061** | ₱3,493,615,820 |
| Power | **2,154,470,280** | 1,693,367,153 |
| Real estate | **1,888,084,213** | 2,566,768,429 |
| Insurance | **217,451,725** | 254,494,500 |
| Others | **1,823,982** | 6,361,664 |
| | **₱6,853,201,261** | ₱8,014,607,566 |

The details of accrued expenses are as follows:

| | 2014 | 2013 |
|---|---|---|
| Dealers' incentives, supports and promotions | **₱1,235,340,678** | ₱1,088,028,773 |
| Regulatory fees and charges | **667,264,771** | 396,080,238 |
| Employee benefits | **471,942,276** | 259,177,317 |
| Importation costs | **174,720,365** | 174,720,365 |
| Utilities and services | **134,739,841** | 305,265,580 |
| Freight, handling and transportation | **62,047,375** | 63,696,689 |
| Taxes | **60,000,000** | 31,807,047 |
| Rent | **12,162,000** | – |
| Professional fees | **8,229,196** | 8,060,906 |
| Management and marketing fees | **6,624,497** | – |
| Others | **438,455,700** | 684,390,368 |
| | **₱3,271,526,699** | ₱3,011,227,283 |

Trade payables of automotive pertain to the purchase of raw materials, spare parts and vehicles which are non-interest bearing and are normally settled on one (1) to 30 days term.

Trade payables for real estate pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

Trade payables for power pertain to billing received from suppliers of fuels.

Telegraphic transfers and drafts and acceptance payable pertain to the liabilities of Toyota Group arising from importations of materials, spare parts and/or vehicles. These payables are normally settled after a 30 day term.

Accrued expenses are non-interest bearing and are normally settled within a 15 to 60 day term.

Accrued regulatory fees and charges mainly pertain to expenses related to the benefit of host communities (Energy regulation 1-94). It also includes accrued charges that arise due to differences in interpretations of regulatory provisions applicable to the power industry.

Deferred output tax pertains mostly to VAT on the uncollected portion of the contract price of sold units.

Accrued interest payables are normally settled within a 15 to 60 day term.

Accrued commissions are settled within one year.

Royalty payables represent cost of license for the use of technical know-how and information on data. The fees are calculated at 6.00% of the local value-added (LVA) of vehicles under production The LVA represents the selling price less all costs for the knock-down parts, related taxes such as excise and sales tax and a certain percentage of administrative and selling costs. The fees also include charges from related affiliates and third party suppliers representing initial costs of testing materials and trial parts and tools, sample molds and jigs that were utilized to test TMP's present technical feasibility for the commercial production of newer car models.

Retentions payable represent a portion of construction cost withheld by the Fed Land Group and paid to the contractors upon completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 21).

Others include refunds from cancelled sales from Fed Land and other government-related payables which are non-interest bearing and are normally settled within one (1) year. These also include insurance premiums payable and other non-interest bearing payables which are all due within one (1) year.

## 16. Insurance Contract Liabilities

Insurance contract liabilities as of December 31, 2014 and 2013 may be analyzed as follows:

| | 2014 | | |
|---|---|---|---|
| | **Insurance Contract Liabilities** | **Reinsurers' Share of Liabilities** | **Net** |
| Provision for claims reported and loss adjustment expenses | **₱3,638,296,663** | **₱3,069,881,873** | **₱568,414,790** |
| Provision for IBNR | **40,000,000** | **–** | **40,000,000** |
| **Total claims reported and IBNR** | **3,678,296,663** | **3,069,881,873** | **608,414,790** |
| Provision for unearned premiums | **1,986,736,740** | **809,518,104** | **1,177,218,636** |
| **Total insurance contract liabilities** | **₱5,665,033,403** | **₱3,879,399,977** | **₱1,785,633,426** |

| | 2013 | | |
|---|---|---|---|
| | Insurance Contract Liabilities | Reinsurers' Share of Liabilities | Net |
| Provision for claims reported and loss adjustment expenses | ₱4,880,806,880 | ₱4,202,944,603 | ₱677,862,277 |
| Provision for IBNR | 43,005,989 | 19,437,256 | 23,568,733 |
| Total claims reported and IBNR | 4,923,812,869 | 4,222,381,859 | 701,431,010 |
| Provision for unearned premiums | 1,759,772,251 | 743,195,951 | 1,016,576,300 |
| Total insurance contract liabilities | ₱6,683,585,120 | ₱4,965,577,810 | ₱1,718,007,310 |

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

| | **2014** | | |
|---|---|---|---|
| | **Insurance Contract Liabilities** | **Reinsurers' Share of Liabilities** | **Net** |
| At January 1 | **₱4,923,812,869** | **₱4,222,381,859** | **₱701,431,010** |
| Claims incurred during the year | **1,589,212,462** | **821,404,795** | **767,807,667** |
| Increase (decrease) in IBNR | **(3,005,990)** | **(19,437,256)** | **16,431,266** |
| Claims paid during the year | **(2,831,722,678)** | **(1,954,467,525)** | **(877,255,153)** |
| | **₱3,678,296,663** | **₱3,069,881,873** | **₱608,414,790** |

| | 2013 | | |
|---|---|---|---|
| | Insurance Contract Liabilities | Reinsurers' Share of Liabilities | Net |
| At January 1 | ₱2,756,746,169 | ₱2,193,590,449 | ₱563,155,720 |
| Claims incurred during the year | 3,434,886,806 | 2,670,480,016 | 764,406,790 |
| Increase (decrease) in IBNR | 408,135 | 18,797,206 | (18,389,071) |
| Claims paid during the year | (1,268,228,241) | (660,485,812) | (607,742,429) |
| | ₱4,923,812,869 | ₱4,222,381,859 | ₱701,431,010 |

Provision for unearned premiums may be analyzed as follows:

| | **2014** | | |
|---|---|---|---|
| | **Insurance Contract Liabilities** | **Reinsurers' Share of Liabilities** | **Net** |
| At January 1 | **₱1,759,772,251** | **₱743,195,951** | **₱1,016,576,300** |
| New policies written during the year | **4,002,512,699** | **2,090,383,212** | **1,912,129,487** |
| Premiums earned during the year | **(3,775,548,210)** | **(2,024,061,059)** | **(1,751,487,151)** |
| | **₱1,986,736,740** | **₱809,518,104** | **₱1,177,218,636** |

| | 2013 | | |
|---|---|---|---|
| | Insurance Contract Liabilities | Reinsurers' Share of Liabilities | Net |
| At January 1 | ₱1,495,239,517 | ₱648,447,981 | ₱846,791,536 |
| New policies written during the year | 3,513,871,960 | 1,690,294,716 | 1,823,577,244 |
| Premiums earned during the year | (3,249,339,226) | (1,595,546,746) | (1,653,792,480) |
| | ₱1,759,772,251 | ₱743,195,951 | ₱1,016,576,300 |

In addition, reinsurance assets consist of the following:

| | **2014** | 2013 |
|---|---|---|
| Reinsurance recoverable on unpaid losses | **₱3,069,881,873** | ₱4,222,381,859 |
| Deferred reinsurance premiums | **809,518,104** | 743,195,951 |
| | **₱3,879,399,977** | ₱4,965,577,810 |

## 17. Short-term, Long-term Debt and Bonds Payable

This account consist of:

| | **2014** | | | | | |
|---|---|---|---|---|---|---|
| | | **Long-term debt** | | | | |
| | **Short-term debt** | **Corporate notes** | **Loans payable** | **Subtotal** | **Bonds payable** | **Total** |
| Parent Company | **₱–** | **₱–** | **₱–** | **₱–** | **₱21,980,000,000** | **₱21,980,000,000** |
| Fed Land Group | **260,000,000** | **4,975,000,000** | **8,600,000,000** | **13,575,000,000** | **–** | **13,835,000,000** |
| Toyota Group | **1,452,000,000** | **–** | **239,003,963** | **239,003,963** | **–** | **1,691,003,963** |
| GBPC Group | **–** | **–** | **31,628,582,351** | **31,628,582,351** | **–** | **31,628,582,351** |
| TCI | **635,000,000** | **–** | **–** | **–** | **–** | **635,000,000** |
| | **2,347,000,000** | **4,975,000,000** | **40,467,586,314** | **45,442,586,314** | **21,980,000,000** | **69,769,586,314** |
| Less: deferred financing cost | **–** | **–** | **264,509,767** | **264,509,767** | **205,280,338** | **469,790,105** |
| | **2,347,000,000** | **4,975,000,000** | **40,203,076,547** | **45,178,076,547** | **21,774,719,662** | **69,299,796,209** |
| Less: current portion of long-term debt | **–** | **25,000,000** | **3,035,558,380** | **3,060,558,380** | **–** | **3,060,558,380** |
| | **₱2,347,000,000** | **₱4,950,000,000** | **₱37,167,518,167** | **₱42,117,518,167** | **₱21,774,719,662** | **₱66,239,237,829** |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | Long-term debt | | | | |
| | Short-term debt | Corporate notes | Loans payable | Subtotal | Bonds payable | Total |
| Parent Company | ₱800,000,000 | ₱– | ₱– | ₱– | ₱9,980,000,000 | ₱10,780,000,000 |
| Fed Land Group | – | 11,600,000,000 | 2,130,000,000 | 13,730,000,000 | – | 13,730,000,000 |
| Toyota Group | 875,500,000 | – | 233,900,704 | 233,900,704 | – | 1,109,400,704 |
| GBPC Group | 68,500,000 | – | 30,295,581,216 | 30,295,581,216 | – | 30,364,081,216 |
| | 1,744,000,000 | 11,600,000,000 | 32,659,481,920 | 44,259,481,920 | 9,980,000,000 | 55,983,481,920 |
| Less: deferred financing cost | – | – | 310,872,924 | 310,872,924 | 96,911,692 | 407,784,616 |
| | 1,744,000,000 | 11,600,000,000 | 32,348,608,996 | 43,948,608,996 | 9,883,088,308 | 55,575,697,304 |
| Less: current portion of long-term debt | – | – | 3,364,221,245 | 3,364,221,245 | – | 3,364,221,245 |
| | ₱1,744,000,000 | ₱11,600,000,000 | ₱28,984,387,751 | ₱40,584,387,751 | ₱9,883,088,308 | ₱52,211,476,059 |

*Short-term debt*

Parent Company Short-term Loans

As of December 31, 2013, the Parent Company had outstanding peso-denominated loans to affiliated and non-affiliated banks amounting to ₱0.30 billion and ₱0.50 billion, respectively. These loans were obtained in 2013 and carry an annual interest rate of 2.60% and 2.25% for affiliated and non-affiliated bank loans, respectively.  Both loans were paid in 2014.

Toyota Group Short term loans

These are unsecured short-term loans obtained from various non-affiliated local banks for Toyota Group's working capital requirements with terms of one (1) year or less and bears annual fixed interest rates ranging from 2.90% to 3.50% in 2014 and 3.50% to 4.00% in 2013.

Fed Land Group Short term Loans

These are unsecured short-term borrowings over sixty (60) to one hundred eighty (180) day terms obtained from a non-affiliated local bank for Fed Land Group's working capital requirements with interest rates ranging from 3.50% to 5.50% in 2014.

TCI Short term loans
These are unsecured short-term borrowings over ninety (90) to one hundred twenty (120) day terms obtained from various non-affiliated local banks to finance the working capital requirements with interest ranging from 2.72% to 3.00% in 2014.

GBPC Short term loans
In 2013, GESC entered into unsecured loan agreements from various non-affiliated local banks amounting to ₱68.50 million for its working capital requirements with terms of one (1) year or less and bears annual fixed interest rates ranging from 3.00% to 4.00%. These loans were paid in 2014.

*Fed Land- Corporate Notes*
₱6.60 Billion Corporate Notes
On March 18, 2011, Fed Land entered into a Notes Facility Agreement ("Corporate Notes") with various institutions whereby Fed Land issued a ₱6.60 billion worth of fixed rate notes payable in five years with 7.10% interest per annum to finance ongoing projects, working capital and for general corporate purposes. FMIC and MBTC – Trust Banking Group were the 'Notes Facility Agent'. On December 22, 2014, Fed Land prepaid the ₱6.6 Billion Corporate Notes and paid pre-termination fees of ₱42.68 million.

₱5.0 Billion Corporate Notes
On June 24, 2013, the BOD of Fed Land authorized Fed Land to issue, offer and sell peso denominated fixed rate Corporate Notes at a principal amount of ₱3.00 billion to ₱5.00 billion subject to an over subscription option. On July 5, 2013, the Group issued ₱4.00 billion notes with 5.57% interest rate maturing on July 5, 2020 and an additional ₱1.00 billion notes with 6.27% interest rate maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2014 and 2013, outstanding balance amounted to ₱4.98 billion and ₱5.00 billion, respectively. As of December 31, 2013, the current portion amounted to ₱25.00 million is presented as a current liability.

The agreements covering the above mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization.

As of December 31, 2014 and 2013, the Group has complied with the loan covenants. Interest expenses incurred in 2014 and 2013 amounted to ₱216.82 million and ₱426.92 million, respectively.

*Fed Land Long-term Loans*
On December 22, 2014, Fed Land entered into a long term loan agreements with non-affiliated local banks amounting ₱6.6 billion. The loan will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.84% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40% quarterly payment starting at the end of 5th year and 60% on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on maturity date with fixed interest rate of 5.05% per annum.

In 2011, Fed Land obtained a peso-denominated loan amounting to ₱2.00 billion from MBTC with interest at prevailing market rate ranging from 3.75% to 4.00% plus a spread of 85-100 basis points, payable in lump sum after 5 years. Said loan is secured by a Phil Exim Guarantee.

*Loans payable - GBPC*
As of December 31, 2014 and 2013, GBPC's loans payable are from the following entities:

| | **2014** | 2013 |
|---|---|---|
| CEDC | **₱12,502,573,122** | ₱14,101,829,408 |
| PEDC | **11,762,750,960** | 13,081,580,889 |
| TPC | **7,000,000,000** | 2,350,000,000 |
| PPC | **363,258,269** | 762,170,919 |
| | **31,628,582,351** | 30,295,581,216 |
| Less current portion | **3,035,558,380** | 3,234,221,245 |
| | **₱28,593,023,971** | ₱27,061,359,971 |

*CEDC, PEDC and TPC*
On June 18, 2009, CEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱16.00 billion to partially finance the construction of its power plant. The agreement includes Project Loan Facility Agreement, Project Accounts Agreement, Mortgage Agreement, Pledge Agreement and Assignment Agreement.

On February 26, 2010, PEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to ₱14.00 billion to partially finance the on-going construction of the Panay Expansion Project. The agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

On March 7, 2013, TPC entered into an Omnibus Agreement (the Agreement) with various lenders in the aggregate principal amount of up to ₱7.00 billion (the Facility) to partially finance the on-going construction of the expansion project. The Agreement includes a Project Loan Facility Agreement, a Project Accounts Agreement, a Mortgage Agreement, a Pledge Agreement and an Assignment Agreement.

According to the agreements entered by CEDC and PEDC, CEDC and PEDC are required to meet certain financial ratios, such as debt-to-equity ratio and core equity ratio. As of December 31, 2014 and 2013, CEDC, PEDC and TPC have complied with all the required financial ratios.

Interest expense incurred in connection with the aforementioned loans amounted to ₱1.18 billion and ₱1.40 billion in 2014 and 2013, respectively, for CEDC and ₱1.12 billion and ₱1.23 billion in 2014 and 2013, respectively, for PEDC. Interest expense capitalized as part of construction cost amounted to ₱47.97 million for TPC.

The CEDC, PEDC and TPC's loans are secured by (i) a real estate mortgage on all present and future assets, including the parcels of land where their power plants are located owned by THC, a related party, (ii) chattel mortgage on all present and future movable properties, (iii) pledge agreement on the shares of Global Formosa and Abovant in CEDC and shares of PPHC in PEDC, and shareholder advances and subordinated loans, if any, (iv) assignment agreement on CEDC's and PEDC's future revenues and (v) grantee rights of TPC for special use agreement in protected areas no. 2008-003 issued by the DENR - regional office no. VII on March 18, 2009. The chattel mortgage shall cover to the extent of principal amount of ₱100.00 million for both CEDC and PEDC.

As of December 31, 2014 and 2013, the movement of the deferred financing cost is as follows:

| | **2014** | 2013 |
|---|---|---|
| Balances at beginning of year | **₱310,872,934** | ₱314,528,032 |
| Additions | **851,250** | 38,589,676 |
| Amortization | **(47,214,417)** | (42,244,774) |
| Balances at end of year | **₱264,509,767** | ₱310,872,934 |

The agreements prohibit CEDC, PEDC and TPC to amend or modify its charter documents if any such amendment or modification would have a material adverse effect; assign or otherwise transfer, terminate, amend, or grant any waiver or forbearance or exercise any election under any material provision of the agreements or project document; make any prepayment, whether voluntary or involuntary, or repurchase of any long-term debt or make any repayment of any such long-term debt other than those allowed in the agreements unless, in any such case, it shall at the option of any lender contemporaneously make a proportionate prepayment or repayment of the principal amount then outstanding of the Lender's outstanding participation in the loan. The agreements also prohibit CEDC, PEDC and TPC to acquire by lease any property or equipment, or to acquire rights-of-way to any property, which may have a material adverse effect; enter into contract of indebtedness except those permitted under the agreement such as indebtedness incurred in the ordinary course of business; and form or have any subsidiaries, advances or investments and issue preferred shares, unless certain conditions are complied with. Moreover, CEDC, PEDC and TPC are prohibited from entering into contract of merger or consolidation unless CEDC, PEDC and TPC are the surviving entities and after giving effect to such event, no event of default will result), selling, leasing or disposing all or any of its property (unless in the ordinary course of the business) where such conveyance, sale or lease would have a material adverse effect to CEDC, PEDC and TPC.

Events of Default include, among others, failure to pay when due the principal or interest due and any other amount payable under the Agreement; revocation, withdrawal, or modification of any government approval required to be obtained by CEDC, PEDC and TPC in a manner which would have a material adverse effect; Global Formosa and Abovant, and PPHC cease to maintain 51.00% of CEDC and PEDC, respectively, or cease to maintain management control over CEDC, PEDC and TPC, respectively; and failure to comply with the required financial ratios.

If any of the events of default occurs and is continuing, the trustee or the facility agent, as the case maybe, shall immediately give CEDC, PEDC and TPC written notice of such fact and inform the lenders. Without prejudice to the cure periods allowed under the Agreement, and upon written request by the majority lenders, the Facility Agent shall take one or more of the following actions:

i. declare the principal of, and all accrued interest on, payable with respect to the loan under the Facility to be, and the same shall thereupon become, immediately due and payable without any further notice and without any presentment, demand or protest; and/or
ii. declare any undrawn portion of the Facility to be terminated, whereupon such portion of the Facility shall be forthwith terminated.

The Group is in compliance with the loan covenants as of December 31, 2014 and 2013.

*PPC*

MBTC Loans

On November 6, 2009, PPC entered into a ₱300.00 million, Seven (7)-Year Term Loan Agreement with MBTC. Proceeds from the loan were used to settle the BDO loan in 2009. This loan bears interest at the 3-month T-bill rate plus a 2.00% spread and is covered by a Mortgage Trust Indenture. PPC's power plant is mortgaged for the aforementioned obligations.

As of December 31, 2014 and 2013, a portion of the long-term loan amounting to ₱42.86 million which will mature within one (1) year from the reporting date, is presented as current liability.

Interest charged to operations related to this loan amounted to ₱3.64 million and ₱3.83 million in 2014 and 2013, respectively.

On August 24, 2006, PPC entered into a ₱1.20 billion, Ten-Year Term Loan Agreement with MBTC, to finance its general corporate requirements. This loan is covered by a Mortgage Trust Indenture. In March 2007, Section 1.01 of the ₱1.20 billion, Ten-Year Term Loan Agreement was amended increasing loan facility from ₱1.20 billion to ₱1.36 billion and changing the reference rate from MART1 rate to PDST-F rate.

As of December 31, 2014 and 2013, a portion of the long-term loan amounting to ₱153.85 million and ₱153.85 million maturing within one (1) year from the reporting date, are presented as current liability.

Interest charged to operations related to this loan amounted to ₱11.33 million and ₱14.77 million in 2014 and 2013, respectively.

In accordance with the loan agreements with MBTC, PPC is restricted from performing certain corporate acts without the prior consent of MBTC, the more significant of which relate to entering into merger or consolidation where PPC is not the surviving entity, declaring dividends to stockholders, acting as guarantor or surety of obligation and acquiring treasury stock. PPC is also required to maintain certain financial ratios.

As of December 31, 2014 and 2013, PPC has complied with the required financial ratios, i.e. current ratio of 1:1.

FMIC Loans

The FMIC loan agreements consist of ten (10)-year promissory notes. The proceeds of these peso-denominated loans were used to fund the construction of the power plant. PPC's power plant is mortgaged for the aforementioned obligations. The loan agreements provide events that constitute an event of default. The terms indicated that if any other obligations of PPC are not paid when due or a default in the performance or observance of any instrument or agreement, FMIC may consequently declare the commitment to be terminated and declare all unpaid amounts to be due and payable without presentment, demand, protest or further notice of any kind. PPC is also required to maintain certain financial ratios.

Of the ₱865.00 million principal loans from FMIC, ₱350.00 million was secured by a pledge or mortgage of any asset or property of the Corporation. The ₱515.00 million balance was secured by chattel mortgage. PPC met the required debt-to-equity and current ratio requirements of the loan agreements.

The loan was fully paid in January 2014. Current portion of the loans as of December 31, 2013 presented as current liability amounted to ₱200.85 million. Total interest charged to operations related to these loans amounted to ₱21.34 million in 2013.

The total carrying value of the property, plant and equipment of GBPC pledged as collateral for the above-mentioned loans are as follows:

| | **2014** | 2013 |
|---|---|---|
| CEDC | **₱15,870,893,826** | ₱16,583,742,703 |
| PEDC | **12,869,169,047** | 13,407,691,423 |
| TPC | **8,243,494,667** | – |
| PPC | **2,196,931,639** | 2,444,811,773 |
| | **₱39,180,489,179** | ₱32,436,245,899 |

*Loans Payable - TMPC*
As of December 31, 2014, this account consists of unsecured long-term debt to the following:

| | **2014** | 2013 |
|---|---|---|
| TAPI | **₱77,520,916** | ₱76,623,085 |
| Others | **161,483,047** | 157,277,619 |
| | **₱239,003,963** | ₱233,900,704 |

The loan from TAPI bears a fixed interest rate of 4.2% per annum. This loan is for a period of five (5) years up to February 26, 2016 which is automatically renewed upon maturity for another period of five (5) to ten (10) years (Note 27).

The other long-term unsecured interest-bearing loans consist of a 2.7% interest-bearing ten-year term loan which will mature on September 28, 2015 and a 2.7% interest-bearing ten-year term loan which will mature on October 23, 2016. These loans are automatically renewed upon maturity for another ten years.

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.8 million for both 2014 and 2013.

*Bonds Payable - Parent Company*
<u>₱10.00 billion GT Capital bonds due 2020 and 2023</u>
On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year bonds due on February 27, 2020 and February 27, 2023, respectively with an interest rate of 4.84% and 5.09% respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. Said bonds were listed on February 27, 2013.

The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to the following:

| | (Amounts in millions) |
|---|---|
| Funding of various equity calls | |
| Toledo plant, to be completed within 2013 | ₱1,900 |
| Panay plant, to be completed within 2014 | 3,900 |
| Refinancing of corporate notes due on November 25, 2013 | 4,200 |
| | ₱10,000 |

Prior to the relevant maturity dates, the Parent Company may redeem (in whole but not in part) any series of the outstanding bonds on every anniversary dates, or the immediately succeeding banking day if such is not a banking day, starting on the fourth (4th) anniversary date for the 7-year bonds and the seventh (7th) anniversary date for the 10-year bonds (the relevant Optional Redemption Dates). The Parent Company shall give no less than thirty (30) but not more than sixty (60) days prior written notice of its intention to redeem the bonds at the relevant Optional Redemption Date.

₱12.00 billion GT Capital bonds due 2019, 2021 and 2024

On July 24, 2014, the Parent Company issued ₱12.00 billion bonds with tenors of 5-year, 7-year and 10-year due November 7, 2019 (Series A Bonds), August 7, 2021 (Series B Bonds) and August 7, 2024 (Series C Bonds), respectively with interest rates of 4.7106%, 5.1965% and 5.625% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. Said bonds were listed on August 7, 2014.

The net proceeds will be utilized for general corporate requirements which may include, but shall not be limited to any or all of the following:

| | (Amounts in millions) |
|---|---|
| Partial Financing of Ongoing Projects | |
| Veritown Fort | ₱6,222 |
| Metropolitan Park | 1,778 |
| Refinancing of outstanding loans | 3,610 |
| Working Capital | 390 |
| | ₱12,000 |

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary dates, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third (3rd) month after the fifth (5$^{th}$) anniversary from issue date and (ii) for the series C bonds: the seventh (7th) anniversary from issue date (the relevant Optional Redemption Dates). The Parent Company shall give no less than thirty (30) but not more than sixty (60) days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

As of December 31, 2014 and 2013, the movement of the deferred financing cost is as follows:

| | **2014** | 2013 |
|---|---|---|
| Balances at beginning of year | **₱96,911,692** | ₱– |
| Additions | **124,621,689** | 105,243,020 |
| Amortization | **(16,253,043)** | (8,331,328) |
| Balances at end of year | **₱205,280,338** | ₱96,911,692 |

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2014 and 2013, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2014 and 2013 amounted to ₱762.95 million (including amortization of deferred financing cost of ₱16.25 million) and ₱430.01 million, (including amortization of deferred financing cost amounting to ₱8.33 million), respectively.

*Required Financial Ratios*
The table below presents a summary of the financial ratios required to be maintained by each entity within the Group under existing loan agreements.

| Entity | Financial Ratio | Required Ratio |
|---|---|---|
| TPC | Debt-to-Equity Ratio (DER) | 70:30 |
| PPC | Current Ratio | 1:1 |
| PPC | DER | 70:30 |
| PEDC | DER | 70:30 |
| PEDC | Debt Service Coverage Ratio (DSCR) | 1.0x |
| CEDC | DER | 70:30 |
| CEDC | DSCR | 1.0x |
| Fed Land - Corporate Notes | DER | 2:1 |
| GT Capital - Parent Company Bonds | DER | 2.3:1 |

As of December 31, 2014 and 2013, the Group has complied with the foregoing financial ratios.

## 18. Customers' Deposits

The Group requires buyers of condominium units to pay a minimum percentage of the total selling price before it enters into a sale transaction. In relation to this, the customers' deposits represent payment from buyers which have not reached the minimum required percentage. When the revenue recognition criteria are met, sales are recognized and these deposits and down payments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the repossessed value of deposit less charges and penalties incurred will be refunded to the buyer.

This account also includes excess of collections over the recognized receivables based on percentage of completion. As of December 31, 2014 and 2013, the balance of this account amounted to ₱2.55 billion and ₱1.84 billion, respectively.

## 19. Other Current Liabilities

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Withholding taxes payable | **₱327,885,524** | ₱225,449,595 |
| Due to holders of non-controlling interest | **283,527,322** | 378,463,322 |
| VAT payable | **163,006,609** | 250,358,476 |
| Deferred reinsurance commission | **92,231,704** | 36,163,708 |
| Others | **15,029,437** | 16,234,880 |
| | **₱881,680,596** | ₱906,669,981 |

The amount due to holders of non-controlling interest pertains to advances of CEDC from Abovant Holdings, Inc. which owns 44.00% of CEDC. Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one (1) year.

## 20. Liabilities on Purchased Properties

Liabilities on purchased properties are payables to various real estate property sellers. Under the terms of the agreements executed by Fed Land covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to Fed Land only upon full payment of the real estate loans.

In 2013, various parcels of land were acquired by Fed Land for a total consideration aggregating ₱2.57 billion. The outstanding obligation pertaining to these transactions amounted to 1.03 billion and ₱1.70 billion as of December 31, 2014 and 2013, respectively.

In 2012, Fed Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in thirteen (13) years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2014 and 2013 amounted to ₱2.48 billion and ₱2.62 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.51 million and ₱4.32 billion as of December 31, 2014 and 2013, respectively.

## 21. Other Noncurrent Liabilities

This account consists of:

| | **2014** | 2013 |
|---|---:|---:|
| Provisions | **₱1,638,026,051** | ₱1,325,728,442 |
| Retention payable - noncurrent portion | **504,750,145** | – |
| Decommissioning liability | **287,259,498** | 192,660,472 |
| Refundable and other deposits | **214,807,318** | 114,017,770 |
| Finance lease obligation - net of discount amounting to ₱127.70 million in 2014 and 2013 | **9,603,626** | 10,354,921 |
| | **₱2,654,446,638** | ₱1,642,761,605 |

Provisions consist of:

| | **2014** | 2013 |
|---|---:|---:|
| Claims and assessments | **₱1,436,068,868** | ₱666,701,662 |
| Product warranties | **181,957,183** | 288,752,780 |
| Corporate social responsibility (CSR) activities | **20,000,000** | 370,274,000 |
| | **₱1,638,026,051** | ₱1,325,728,442 |

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors after an agreed period commencing the completion of the project.

PPC, PEDC, CEDC, TPC and GPRI have legal obligations to decommission or dismantle their power plant assets at the end of their useful lives. In this regard, PPC, PEDC, CEDC, TPC and GPRI established their respective provisions to recognize estimated decommissioning liability.

Changes in the decommissioning liability are as follows:

| | **2014** | 2013 |
|---|---|---|
| Balances at beginning of year | **₱192,660,472** | ₱183,491,180 |
| Effect of business combination | **89,098,777** | – |
| Accretion expense for the year | **5,500,249** | 7,569,160 |
| Provisions during the year | **–** | 1,600,132 |
| Balances at end of year | **₱287,259,498** | ₱192,660,472 |

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five (5) to ten (10) years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied for the unpaid rentals upon termination of the lease contract.

## 22. Equity

*Capital stock and additional paid-in capital*
As of December 31, 2014 and 2013, the paid-up capital consists of the following:

| | **2014** | 2013 |
|---|---|---|
| Common stock - ₱10 par value | | |
| Authorized - 500,000,000 shares | | |
| Issued and outstanding | **₱1,743,000,000** | ₱1,743,000,000 |
| Additional paid-in capital | **46,694,658,660** | 46,694,658,660 |
| | **₱48,437,658,660** | ₱48,437,658,660 |

The movements in the issued and outstanding common stock follow:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| Balance at beginning of year | **174,300,000** | **₱1,743,000,000** | 158,000,000 | ₱1,580,000,000 |
| Issuance of shares of stocks | **–** | **–** | 16,300,000 | 163,000,000 |
| Balance at end of year | **174,300,000** | **₱1,743,000,000** | 174,300,000 | ₱1,743,000,000 |

The Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange on April 20, 2012.

On October 23, 2014, the Board of Directors approved the proposed amendment to Article SEVENTH of the Parent Company's Amended Articles of Incorporation to create a new class of shares – Voting Preferred Shares, to be taken from existing authorized capital stock of Five Billion Pesos (₱5.00 billion). The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible with the following features, rights and privileges:

a. The Issue value shall be determined by the Board of Directors at the time of the issuance of the shares;
b. The Dividend Rate shall be determined by the Board of Directors at the time of the issuance of the shares, equivalent to 3-year PDST R2 to be repriced every 10 years and payable annually;

c. The Voting Preferred Shares shall be non-cumulative and the holders thereof are entitled to the payment of current but not past dividends;
d. The Voting Preferred Shares shall be non-participating in any other of further dividends beyond that specifically payable on the shares;
e. The Voting Preferred Shares shall be redeemable at par value, at the sole option of the Corporation, under terms and conditions approved by the Board of Directors;
f. Holders of Voting Preferred Shares shall be entitled to one vote for each share in his name on the books of the Corporation;
g. Holders of Voting Preferred Shares shall have no pre-emptive rights to any issue of shares, Common or Preferred;
h. The Voting Preferred Shares will not be listed at and will not be tradeable in the Philippine Stock Exchange; and
i. Other features, rights and privileges determined by the Board of Directors.

As of December 31, 2014 and 2013, the total number of stockholders of the Parent Company is 73 and 74, respectively.

*Retained earnings*
On December 15, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱6.00 billion to be earmarked for the additional investments in Series B Perpetual Preferred Shares of Fed Land within 2015.

On March 11, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱3.00 billion earmarked for the following:

| Project Name | Timeline | Amount |
|---|---|---|
| Equity call from GBPC for plant expansions | 2014 | ₱2.00 billion |
| Acquisition of investments | 2014-2015 | 1.00 billion |
| | | ₱3.00 billion |

Said appropriation was reversed in 2014 upon completion of the expansion and acquisition.

Details of the Parent Company’s dividend distributions out of the Parent Company’s retained earnings as approved by the Parent Company’s BOD follow:

| Date of declaration | Per share | Total amount (in millions) | Record date | Payment date |
|---|---|---|---|---|
| March 11, 2014 | ₱3.00 | ₱522.90 | April 8, 2014 | May 2, 2014 |
| August 12, 2013 | 3.00 | 522.90 | September 10, 2013 | October 2, 2013 |
| September 12, 2012 | 3.17 | 500.86 | September 28, 2012 | October 22, 2012 |
| August 5, 2011 | 4.00 | 500.00 | August 31, 2011 | September 9, 2011 |
| April 8, 2010 | 2.00 | 250.00 | March 25, 2010 | April 15, 2010 |
| October 12, 2010 | 2.00 | 250.00 | October 31, 2010 | November 22, 2010 |

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company’s retained earnings as of December 31, 2014 and 2013.

In addition, certain amount of retained earnings is required to be maintained to enable the Group to meet certain financial ratios as stipulated in the loan covenants.

Details of dividend declarations of the Group's subsidiaries follow:

| | Date of declaration | Total amount (in millions) | Record date | Payment date |
|---|---|---|---|---|
| Fed Land | December 12, 2014 | ₱100.00 | December 31, 2014 | February 28, 2015 |
| | February 18, 2013 | 100.00 | December 31, 2012 | March 20, 2013 |
| | December 23, 2011 | 180.00 | November 30, 2011 | December 23, 2011 |
| GBPC | November 20, 2014 | 2,200.00 | December 31, 2014 | April 2015 |
| | December 2, 2013 | 2,000.00 | October 31, 2013 | June 30, 2014 |
| | December 17, 2012 | 2,870.00 | December 3, 2012 | March 31, 2013 |
| | August 11, 2012 | 1,050.00 | July 31, 2012 | August 31, 2012 |
| Toyota | April 29, 2014 | 4,608.60 | December 31, 2013 | May 2014 |
| | April 11, 2013 | 2,994.11 | December 31, 2012 | April 12, 2013 |

*Treasury shares*
As of December 31, 2014 and 2013, treasury shares of the Group pertain to 5,000 shares and 10,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱2.28 million and ₱6.13 million, respectively.

*Other equity adjustments*
2014
Charter Ping An
On January 27, 2014, the Parent Company acquired the remaining 33.33% equivalent to 1.71 million shares of Charter Ping An's outstanding capital stock from FMIC for a total consideration of ₱712.00 million. Prior to the said acquisition, the Parent Company's ownership interest in Charter Ping An was at 66.67%. This acquisition was accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of negative other equity adjustments amounting to ₱375.67 million.

TCI
On April 23, 2014, the Parent Company acquired 0.20 million shares equivalent to 0.26% of TCI for a total consideration of ₱1.00 million, resulting to 89.31% direct ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱0.42 million.

In June 2014, the Parent Company subscribed to 33.00 million shares of TCI for a total consideration of ₱33.00 million, resulting to 92.48% direct ownership over TCI. The acquisition was accounted for as an equity transaction resulting in the recognition of negative other equity adjustment amounting to ₱24.79 million.

On June 23, 2014, the Parent Company sold 45.00 million shares of TCI to Mitsui for a total consideration of ₱298.71 million. This represents 40.47% of TCI's outstanding capital stock. As a result, the Parent Company's direct ownership over TCI is 52.01% as of September 30, 2014. This acquisition was accounted for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱193.95 million.

GBPC
On May 28, 2014, the Parent Company subscribed to 7.22 million shares of GBPC, representing an additional 0.38% direct ownership of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%. This acquisition was accounted

for as an equity transaction and resulted in the recognition of other equity adjustments amounting to ₱60.52 million.

The aforementioned transactions were accounted for as changes in ownership without loss of control and are accounted for as equity transactions, which are presented under equity attributable to the Parent Company in the consolidated statement of financial position, representing the excess of the consideration paid over the carrying amount of the non-controlling interests acquired at the acquisition date. Total negative other equity adjustments recognized from these acquisitions and sale for the period amounted to ₱146.41 million.

2013
GBPC
On June 27, 2013, First Metro Investment Corporation (FMIC), the investment banking arm of MBTC, concluded a Share Sale and Purchase Agreement with Orix Corporation (ORIX) covering the sale of 200.00 million shares of GBPC owned by FMIC to ORIX at a price of ₱7.15 billion. Subsequently on October 22, 2013, FMIC and Meralco PowerGen Corporation (MGen) signed a Shareholders' Agreement to complete the sale of an additional 200.00 million shares of GBPC from FMIC to MGen for a total consideration of ₱7.15 billion. The transactions reduced the Parent Company's indirect ownership over GBPC from 12.23% to 2.27%. The disposals were accounted as equity transactions in the consolidated financial statements since the Parent Company did not lose control over GBPC even after the sale of the indirect interests.

The Group recognized other equity adjustments totaling ₱1.41 billion, presented under equity attributable to equity holders of the Parent Company in the consolidated statement of financial position, representing the excess of the considerations received over the carrying amount of the indirect interests sold.

2012
GBPC
On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC from 34.41% to 39.00% (Note 31). This also resulted in the recognition of negative equity adjustment amounting to ₱54.78 million representing the excess of cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC from 39.00% to 50.89%. This acquisition resulted to a negative equity adjustment amounting to ₱112.93 million representing the excess of the cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

Fed Land
On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct ownership of the Parent Company in Fed Land from 80.00% to 100.00%. As of May 3, 2012, the carrying amount of the 20.00% non-controlling interest in Fed Land amounted to ₱2.20 billion. The acquisition of 20.00% of Fed Land also resulted in the recognition of a negative equity adjustment

amounting to ₱513.36 million representing the excess of cost consideration over the carrying amount of non-controlling interest (Notes 2 and 31).

*Effect of uniting of interest on HLRC and CRDC*
The net effect of uniting of interest on the acquisition of HLRC and CRDC amounted to ₱104.26 million as of December 31, 2011. This represents the difference between the Fed Land's aggregate consideration transferred on the acquisition and the respective HLRC and CRDC's equity as of December 31, 2010 attributable to parent and to non-controlling interest as of the time of the combination (Note 31).

The aggregate cost of investment of ₱420.00 million is presented as a reduction to the net assets pooled to the Group's financial statements at the time of combination for the year ended December 31, 2011.

*Non-controlling interests*
The following table presents the rollforward of non-controlling interests:

| | **2014** | 2013 |
|---|---|---|
| Beginning balance | **₱22,038,319,659** | ₱11,294,157,537 |
| Share of non-controlling interest shareholders on: | | |
| Net income | **5,998,528,767** | 3,890,464,362 |
| Other comprehensive income (loss) | **426,771,595** | (28,984,106) |
| Equity call of subsidiaries | **2,145,416,806** | – |
| Deposit for future subscription of subsidiaries | **531,907,700** | – |
| Sale of direct interest in a subsidiary | **104,761,043** | – |
| Effect of business combination (Note 31) | **42,175,650** | 7,222,853,016 |
| Acquisition of non-controlling interests in consolidated subsidiaries | **(372,637,017)** | – |
| Cash dividends paid to non-controlling interest shareholders | **(4,320,412,474)** | (3,456,348,554) |
| Issuance of capital stock | – | 959,350,239 |
| Sale of indirect interest in a subsidiary | – | 2,156,827,165 |
| | **₱26,594,831,729** | ₱22,038,319,659 |

<u>Capital Management</u>
The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2014 and 2013.

The Parent Company considers total equity as its capital amounting to ₱55.89 billion and ₱52.83 billion as of December 31, 2014 and 2013, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

## 23. Interest and Other Income

Interest Income
This account consists of:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Interest income on: | | | |
| Installment contract receivable (Note 5) | **₱1,157,396,924** | ₱749,146,595 | ₱279,445,937 |
| Cash and cash equivalents (Note 4) | **301,682,842** | 92,743,951 | 325,248,088 |
| AFS debt instruments | **67,748,446** | 12,613,367 | – |
| Short-term investments (Note 4) | **32,290,327** | 310,626,708 | – |
| Deposits (Note 12) | – | 263,850,062 | 257,736,632 |
| Others | **37,528,876** | 48,533 | 4,000,354 |
| | **₱1,596,647,415** | ₱1,429,029,216 | ₱866,431,011 |

Interest on deposit represents reimbursement of interest expense incurred by Fed Land from option money granted to affiliates (Notes 12 and 27).

Other Income
This account consists of:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Real estate forfeitures, charges and penalties | **₱433,649,664** | ₱123,201,267 | ₱88,118,947 |
| Gain on disposal of property and equipment | **90,170,461** | 15,998,480 | 8,316,148 |
| Management fee (Note 27) | **86,398,531** | 85,211,246 | 41,142,177 |
| Dividend income | **53,379,614** | 77,277,481 | 23,304,907 |
| Other underwriting income | **40,132,341** | 7,658,264 | – |
| Disposal of defective units | **12,471,807** | 7,074,435 | – |
| Gain on sale of shares | **11,719,110** | 8,522,850 | – |
| Recovery from insurance | **–** | 38,008,663 | – |
| Refund of rental payments | **–** | 21,228,274 | – |
| Others | **416,546,385** | 153,461,056 | 101,568,619 |
| | **₱1,144,467,913** | ₱537,642,016 | ₱262,450,798 |

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee includes services rendered by Fed Land in the administration of different projects related to the joint venture (Note 27).

Other underwriting income pertains to the fronting fees earned by the Charter Ping An for fronting arrangements made during the year with several agencies and intermediaries.

Others include ancillary income amounting to ₱250.48 million in 2014. Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Others also include charges from tenants of Fed Land pertaining to electricity and other utilities; these were recorded by Fed Land as other income upon receipt of the payments from the tenants.

## 24. **Power Plant Operation and Maintenance Expenses**

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Power plant operations expenses | **₱8,097,643,363** | ₱7,836,783,183 |
| Purchased power | **1,223,384,633** | 567,745,347 |
| Repairs and maintenance | **1,006,684,450** | 540,907,411 |
| | **₱10,327,712,446** | ₱8,945,435,941 |

## 25. **Cost of Goods Manufactured and Cost of Goods and Services Sold**

Cost of goods manufactured consists of:

| | **2014** | 2013 |
|---|---|---|
| Raw materials, beginning | **₱528,430,068** | ₱567,478,665 |
| Purchases | **21,821,722,994** | 17,531,617,445 |
| Total materials available for production | **22,350,153,062** | 18,099,096,110 |
| Less: Raw materials, end | **885,226,867** | 528,430,068 |
| Raw materials placed in process | **21,464,926,195** | 17,570,666,042 |
| Direct labor | **312,436,032** | 229,166,773 |
| Manufacturing overhead | **2,414,273,389** | 1,980,663,593 |
| Total cost of goods placed in process | **24,191,635,616** | 19,780,496,408 |
| Work-in-process, beginning | **53,027,159** | 79,583,854 |
| Total Cost of goods in process | **24,244,662,775** | 19,860,080,262 |
| Less: Work-in-process, ending | **43,355,195** | 53,027,159 |
| Total cost of goods manufactured | **24,201,307,580** | 19,807,053,103 |
| Finished goods, beginning | **42,685,755** | 252,177,779 |
| Total goods available for sale/transfer | **24,243,993,335** | 20,059,230,882 |
| Less: Finished goods, ending | **20,406,380** | 42,685,755 |
| Other transfers | **10,154,788** | 30,444,994 |
| | **₱24,213,432,167** | ₱19,986,100,133 |

Cost of goods and services sold consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Beginning inventory | | | |
| Automotive | **₱2,899,063,311** | ₱4,340,087,864 | ₱– |
| Gasoline, retail and petroleum products | **7,940,644** | 9,786,694 | 8,367,927 |
| Food | **1,310,005** | 2,351,541 | 2,160,335 |
| | **2,908,313,960** | 4,352,226,099 | 10,528,262 |
| Add: Net purchases | **71,668,974,131** | 43,419,704,745 | 642,162,033 |
| Total inventories available for sale | **74,577,288,091** | 47,771,930,844 | 652,690,295 |
| Less: ending inventory (Note 6) | | | |
| Automotive | **2,855,485,176** | 2,899,063,311 | – |
| Gasoline, retail and petroleum products | **5,769,494** | 7,940,644 | 9,786,694 |
| Food | **934,674** | 1,310,005 | 2,351,541 |
| | **71,715,098,747** | 44,863,616,884 | 640,552,060 |
| Cost adjustments | **(1,613,895,392)** | (20,203,084) | – |
| Internal and other transfers | **(338,862,582)** | (142,500,998) | – |
| Direct labor | **6,661,707** | 18,856,187 | 16,173,326 |
| Overhead (Note 30) | **827,784,474** | 749,690,677 | 24,185,460 |
| | **₱70,596,786,954** | ₱45,469,459,666 | ₱680,910,846 |

Overhead includes rent expense and common usage and service area charges.

## 26. General and Administrative Expenses

This account consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Salaries, wages and employee benefits (Notes 27 and 28) | **₱2,635,664,640** | ₱1,838,461,064 | ₱956,203,320 |
| Advertising and promotions | **2,046,650,153** | 2,167,375,730 | 165,656,540 |
| Taxes and licenses | **1,224,789,084** | 1,056,855,033 | 502,873,719 |
| Commissions | **1,106,053,052** | 478,915,030 | 189,703,924 |
| Depreciation and amortization (Note 11) | **886,738,212** | 870,958,796 | 368,237,556 |
| Donation and contributions | **429,645,388** | 18,465,510 | 3,802,056 |
| Delivery and Handling | **360,511,590** | 212,067,754 | – |
| Light, water and other utilities | **285,109,704** | 256,631,497 | 101,664,069 |
| Outside services | **265,267,059** | 344,401,523 | 91,369,952 |
| Insurance | **205,844,360** | 182,788,839 | 111,422,840 |
| Provision for credit losses (Note 5) | **195,221,699** | 22,557,768 | 849,036 |
| Repairs and maintenance | **181,633,148** | 189,607,784 | 69,575,384 |
| Administrative and management fees | **168,637,706** | 336,429,533 | 248,497,988 |
| Transportation and travel | **158,956,014** | 121,320,096 | 45,834,907 |
| Professional fees | **131,502,460** | 194,519,779 | 173,760,643 |
| Office supplies | **111,003,094** | 69,822,935 | 26,589,448 |
| Rent | **109,702,266** | 52,084,746 | 52,366,000 |
| Entertainment, amusement and recreation | **62,670,675** | 66,459,026 | 51,924,135 |
| Participation fee | **–** | 59,659,478 | – |
| Royalty and service fees | **58,457,183** | 13,582,752 | 5,865,917 |
| Communications | **53,953,395** | 41,284,806 | 10,850,899 |
| Loss on impairment of AFS | **10,219,296** | – | – |
| Provisions for inventory obsolescence (Note 6) | **9,819,141** | 26,912,531 | – |
| Unrealized foreign exchange loss | **1,106,204** | 42,309,137 | 7,113,039 |
| Provisions for claims and assessments | **–** | 168,366,015 | – |
| IPO - related expenses (Note 22) | **–** | – | 165,183,396 |
| Loss from initial recognition of financial asset (Note 5) | – | 275,000 | 94,224,170 |
| Others | **795,621,861** | 448,449,457 | 109,707,956 |
| | **₱11,494,777,384** | ₱9,280,561,619 | ₱3,553,276,894 |

Donations and contributions pertain to real properties and fund given to TMP School of Technology to finance its building construction and operations.

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

## 27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, jointly controlled entities, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are made at normal market prices.

As of December 31, 2014 and 2013, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The following table shows the related party transactions included in the consolidated financial statements.

| | December 31, 2014 | | |
|---|---|---|---|
| Category | Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
| **Ultimate Parent** | | | |
| Trade receivable | **₱46,405** | **₱46,405** | Management fee; 30 day term |
| Management income | **40,179** | | Management fee income for the period October 2014 to December 2014 |
| **Associates** | | | |
| Cash and cash equivalents | **483,036,715** | **23,141,633,630** | Savings, current and time deposit accounts with annual interest ranging from 0.50% to 3.75%; unsecured; no impairment |
| Interest receivable | **2,860,521** | **2,860,521** | Interest from cash and cash equivalents |
| Interest income | **127,870,581** | | Interest income from cash and cash equivalents |
| Trade receivable | **4,647,572,248** | **148,006,406** | Non-interest bearing; 30 days term; unsecured; no impairment |
| Deposit | **1,200** | **1,200** | Unsecured; no impairment |
| Nontrade receivable | **826,594,686** | **593,139,199** | Non-interest bearing; unsecured; no impairment |
| Accrued rent income | **32,817,096** | **2,970,513** | Unsecured; no impairment |
| Advances from officers, employees, and agents | **49,574,060** | **49,574,060** | Non-interest bearing; 30 days |
| Other noncurrent assets | **100,000,000** | **100,000,000** | Non-interest bearing; due and demandable |
| Due from related parties | **36,358,696** | **36,358,696** | Unsecured; no impairment |
| Inventories | **8,884,422,878** | **8,884,422,878** | |
| Investments in associates and joint ventures | **787,500,000** | **787,500,000** | Purchase of additional investment in jointly controlled entities |
| AFS equity securities | **5,411,670** | **35,255,658** | Unsecured; no impairment |
| Trade payable | **222,680,511** | **19,767,430** | Non-interest bearing, 45 days term; unsecured; no impairment |

(Forward)

| Category | Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
|---|---|---|---|
| | December 31, 2014 | | |
| Loans payable | **₱936,069,580** | **₱9,057,004,147** | GBP-Interest bearing with interest ranging from 2.42% to 10.37%; secured / FLI-Interest bearing with interest ranging from 3.25% to 7.10%; |
| Accrued interest payable | **138,638,163** | **138,638,163** | Interest on loans |
| Interest expense | **423,434,616** | | Interest on loans |
| Due to related parties | **2,604,765** | **2,604,765** | Unsecured; no impairment |
| Accrued expense | **24,822** | **24,822** | Unsecured; no impairment |
| Dividend income | **953,832,205** | | Dividend income from investments |
| Insurance expense | **80,522** | | Life insurance premium |
| Miscellaneous expense | **379,539** | | Retainer's and trustee fee |
| **Jointly controlled entities** | | | |
| Dividend receivable | **240,000,000** | **240,000,000** | Dividend receivable from FLOC |
| Rent receivable | **16,622,941** | **1,324,661** | Unsecured; no impairment |
| Due to related parties | | **10,915** | Unsecured; no impairment |
| Trade receivables | **1,737,500** | **1,737,500** | Non-interest bearing; 30 days term; unsecured; no impairment |
| Trade payable | **219,249,359** | **19,761,770** | Non-interest bearing, 45 days term; unsecured; no impairment |
| **Other related parties** | | | |
| Cash and cash equivalents | **230,594,153** | **6,599,369,136** | Short-term investments with interest rates ranging from 1.30% to 1.60% |
| Interest income | **4,952,035** | | Interest from cash and cash equivalents |
| Trade receivable | **143,749,203** | **1,177,782,966** | Non-interest bearing; 30 days term; unsecured; no impairment |
| Due from related parties | **284,609,708.22** | **134,270,780** | Non-interest bearing; due and demandable |
| Other current assets | | **7,641,889** | Unsecured; no impairment |
| AFS debt securities | **12,672,280.00** | **42,376,789** | 7 years, 5.68% to 5.75%; 10 years, 7.1875%; unsecured; no impairment |
| AFS equity securities | **7,641,889** | **7,641,889** | Unsecured; no impairment |
| Interest income | **22,732,473** | | Interest income from AFS securities |
| Rent receivable | **76,972,783** | **5,113,345** | Non-interest bearing; due and demandable; unsecured; no impairment |
| Rent income | **3,302,321** | | |
| Loans receivable | **7,877,666** | **626,8,44,230** | Interest bearing of 3.15%; Payable in 2022; unsecured |
| Trade payable | **25,977,476** | **37,154,605** | Non-interest bearing, 45 days term; unsecured; no impairment |
| Loans payable | | **759,831,933** | With interest ranging from 3.75% to 4%; Payable in 2015; unsecured; no impairment |
| Accrued interest payable | | **16,982,478** | Interest on loans |
| Long-term payable | **3,284,260** | **78,626,700** | Interest bearing, 3.00% interest; payable annually until 2026; unsecured |
| Due to related parties | **9,735,226** | **173,429,743** | Non-interest bearing; unsecured |
| Royalty payable | **27,143,182** | **289,718,823** | Unsecured; no impairment |
| Other payable | **23,066,961** | **21,506,332** | Underwriting fee; unsecured: no impairment |
| Dividends payable | | **1,072,060,000** | Dividends payable to FMIC, ORIX and MGEN |
| Dividend income | **24,471,481** | | Dividend income from TAPI |
| Miscellaneous expense | **195,602** | | IT services fee |
| Receivable - others | **68,920,430** | **46,951,956** | Management fee pertains to management fee being charged by the Parent Company to BLRDC and FLOC for the consultancy services |
| Investment in associates and jointly controlled entities | **1,549,756,250** | **1,549,756,250** | Acquisition of 19.25% of TMEC from FMIC; acquisition of 25% of TFS from PSBank |
| Deferred financing cost | **23,052,261** | **17,276,752** | Acquisition of GT Tower from PSC |
| Liabilities on purchased properties | **931,284,327** | **3,511,859,098** | Unsecured with interest rate of 3.15% payable on 2022; no impairment. |
| Donation | **350,274,000** | | Donation to Toyota Motor Philippines Foundation |
| **Key management personnel** | | | |
| Other payable and accrued expense | **1,087,741** | **1,087,741** | Unsecured; no impairment |
| Rent income | **418,125** | | Income from employees for car plans |
| Salaries and employee benefits | **79,020,802** | | Salaries and benefits to employees |
| Director’s fee | **16,515,833** | | Per diems and bonuses to directors |
| Short-term employee benefits | **513,774,208** | | |
| Post employee benefits | **50,596,622** | | |

| Category | Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
|---|---|---|---|
| | December 31, 2013 | | |
| **Subsidiaries** | | | |
| Due from related parties | ₱300,000,000 | | Non-interest bearing; due and demandable |
| Other current assets | 861,123 | ₱861,123 | Receivable from subsidy of expenses; non-interest bearing; due and demandable |
| **Associates** | | | |
| Cash and cash equivalents | 8,545,042,319 | 15,952,344,446 | Savings, current and time deposit account with annual interest ranging 0.5% to 5%; Unsecured; no impairment |
| Interest income | 124,126,178 | | Interest income from cash and cash equivalents |
| Advances to officers, employees and agents | | 67,970,674 | Non-interest bearing; 30 days |
| Rental deposits | 12,226,933 | | Guarantee Deposit on Properties |
| Due from related parties | 4,523,347 | | Receivable on sale of property; unremitted collections |
| Investments in associates and jointly controlled entities | 502,243,750 | 23,578,612,738 | Purchase of additional investment in associate |
| AFS equity securities | | 29,843,988 | Unsecured; no impairment |
| Accrued expense | 51,866 | 51,866 | Retainer's fee of an associate as stock and transfer agent and group life insurance premium of an associate |
| Accrued interest payable | 1,776,667 | 1,776,667 | Accrued interest on loans with an annual interest ranging from 2.60% to 10.35% per annum |
| Loans payable | 8,293,073,727 | 300,000,000 | Short term loans from an associate at 2.6-3.5% per annum; secured |
| Interest income | 287,445,669 | | Interest bearing at prevailing market rate; due and demandable; unsecured, no impairment |
| Dividend income | 263,107 | | Dividend income from investments in MBTC |
| Management fee income | 58,807,050 | | Management fee earned from MBTC and FMIC |
| Interest expense | 83,058,611 | | Interest bearing at prevailing market rate; due and demandable |
| Miscellaneous expense | 1,344,866 | | Retaineers fees and trust fees incurred |
| **Jointly controlled entities** | | | |
| Dividend receivable | 240,000,000 | 240,000,000 | Dividend receivable from FLOC |
| Accounts payable | 6,961,000 | 6,961,000 | Payable to TMBC 30 to 60 days, non-interest-bearing |
| **Other related parties** | | | |
| Cash and cash equivalents | 326,595,093 | | Interest bearing at prevailing market rate; due and demandable; Unsecured with no impairment. |
| Interest income | 5,066,377 | | Interest income from cash and cash equivalents |
| Due from related parties | 24,661,448 | 845,695,500 | Non-interest bearing; due and demandable |
| Deposits | 805,354 | – | With interest of 7.34%; option agreement will expire on December 31, 2013; Unsecured with no impairment. |
| AFS debt securities | | 29,704,509 | 7 years, 5.68% to 5.75%; 10 years, 7.1875%; Unsecured; no impairment |
| Interest income | 1,729,316 | | Interest income from AFS securities |
| Loans receivable | | 618,547,138 | |
| Accrued expense | 17,790,333 | 45,000 | Telemarketing charges with Metrobank Card Corporation |
| Loans payable | 1,037,320,579 | 2,000,000,000 | With interest ranging from 3.75% to 4%; Payable in 2015 |
| Interest expense | 76,799,829 | | Interest expense from loans payable |
| Due to related parties | | 188,385,414 | Non-interest bearing; due and demandable |
| Liabilities on purchased properties | 2,570,937,500 | 4,320,376,123 | Unsecured with interest rate of 3.15% payable on 2022; no impairment. |
| Interest expense | 117,206,668 | | Interest expense on purchased properties |
| Dividend income | 982,200,000 | | Dividend income earned from FMIC and ORIX |
| Miscellaneous expense | 59,693,036 | | Participation fee paid to the ultimate parent company in the private placement exercise |

(Forward)

| Category | Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
|---|---|---|---|
| | December 31, 2013 | | |
| **Key management personnel** | | | |
| Rent income | ₱310,982 | | Income from employees for car plans |
| Salaries and employee benefits | 68,948,180 | | Salaries and benefits to employees |
| Director's fee | 11,795,000 | | Per diems and bonuses to directors |

Details of the transactions with affiliates are as follows:

*Land for development*
In 2014, Fed Land acquired parcels of land amounting to ₱8.88 billion from MBTC to be held either for sale or for future land development (Note 6).

*Operating advances*
Due from and to related parties consist mostly of operating advances which are noninterest-bearing and due and demandable.

*Long-term loans receivable*
In 2012, Fed Land entered into a loan agreement with Cathay International Resources Corp. (Borrower). Fed Land agrees to lend to the Borrower a total amount of ₱705.00 million with nominal interest rate of 3.15% annually. This loan will mature on the tenth year anniversary from the date of the execution of the agreement. The outstanding balance of long-term loans receivable as of December 31, 2014 amounted to ₱626.01 million in 2012.

The interest expense from Day 1 difference recorded under 'General and administrative expenses' in the consolidated statements of income amounted to ₱94.22 million in 2012.

Fed Land
In 2011, Fed Land entered into an option agreement with its various affiliates (Grantor), whereby the Grantor grants and gives Fed Land the exclusive rights, for a period of three years to either (a) purchase the Property, (b) purchase the shares of stock of the Grantor which owns the Property, (c) to develop the property as Developer in joint venture with the Grantor's affiliates or (d) to undertake combination of any of the foregoing, as may be agreed upon the parties. There were no outstanding deposits in 2014 and 2013.

In addition, the Grantor will reimburse Fed Land for its interest expense, borrowing cost and related expenses incurred in obtaining the option money. The Group recognized interest income amounting to nil and ₱263.85 million in 2014 and 2013, respectively.

*Affiliated bank loans*
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 3.75% to 4.50% per annum in 2014 and 6.52% to 6.78% per annum in 2013 and 2012, respectively.

*Management fee*
Management fee amounting to ₱78.26 million, ₱70.18 million and ₱41.14 million in 2014, 2013 and 2012, respectively, pertains to the income received from a joint venture of Fed Land with FLOC and MBTC (Note 23).

*Lease agreements*
In 2011, Fed Land also leased its mall to some of its associates and affiliates. The lease term ranged from 5 to 10 years. The rental income on these leases amounted to ₱175.54 million and ₱127.32 million for 2014 and 2013, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2014, 2013 and 2012 follow:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Short-term employee benefits | **₱513,774,208** | ₱111,560,155 | ₱195,072,227 |
| Post employment benefits | **50,596,622** | 49,782,006 | 7,607,244 |
| | **₱564,370,830** | ₱161,342,161 | ₱202,679,471 |

*Transactions with the Group Retirement Funds*
The retirement funds of the subsidiaries' employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2014 and 2013 amounted to ₱1.25 billion and ₱1.11 billion, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2014 and 2013:

| | **December 31, 2014** | | |
|---|---|---|---|
| **Category** | **Amount/ Volume** | **Outstanding Balances** | **Terms and Conditions/Nature** |
| **Associate** | | | |
| Savings deposit | | **₱122,273** | Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment; |
| Time deposit | | **22,541,000** | With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment |
| Investment in equity securities | | **12,285,825** | Unsecured with no impairment |
| Interest income | **₱179,484** | | Income earned from savings deposit |
| Gain on sale of shares | **351,188** | | Income from sale of shares |
| Mark-to-market gain | | **1,800,980** | Gain from mark-to-market of shares |
| **Parent** | | | |
| Investment in equity securities | | **6,792,578** | Unsecured with no impairment |
| Gain on sale | | | Income from sale of shares |
| Mark-to-market gain | | **737,939** | Gain from mark-to-market of shares |

| | December 31, 2013 | | |
|---|---|---|---|
| Category | Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
| **Associate** | | | |
| Savings deposit | | ₱276,533 | Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment; |
| Time deposit | | 14,100,000 | With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment |
| Investment in equity securities | | 7,101,096 | Unsecured with no impairment |
| Interest income | ₱219,568 | | Income earned from savings deposit |
| Gain on sale of shares | 1,370,769 | | Income from sale of shares |
| Mark-to-market gain | 287,396 | | Gain from mark-to-market of shares |

(Forward)

| Category | December 31, 2013<br>Amount/ Volume | Outstanding Balances | Terms and Conditions/Nature |
|---|---|---|---|
| **Parent** | | | |
| Investment in equity securities | ₱– | ₱5,087,480 | Unsecured with no impairment |
| Gain on sale | 2,877,808 | | Income from sale of shares |
| Mark-to-market gain | 310,175 | | Gain from mark-to-market of shares |

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

## 28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made at least every one to three years.

Principal actuarial assumptions used to determine pension obligations follow:

| | | **2014 Actuarial Assumptions** | | |
|---|---|---|---|---|
| | **Date of Actuarial Valuation** | **Expected Return on Plan Assets** | **Salary Rate Increase** | **Discount Rate** |
| Real estate | **December 31, 2014** | **3.50%** | **8.00%** | **4.74%** |
| Power | **-do-** | **5.00%** | **10.00%** | **4.45%-4.78%** |
| Non-life insurance | **-do-** | **7.00%** | **10.00%** | **4.69%** |
| Automotive | **-do-** | **9.00%** | **6.00%-7.00%** | **4.47%** |
| Financial | **-do-** | **5.00%** | **7.00%** | **4.62%** |

| | | 2013 Actuarial Assumptions | | |
|---|---|---|---|---|
| | Date of Actuarial Valuation | Expected Return on Plan Assets | Salary Rate Increase | Discount Rate |
| Real estate | December 31, 2013 | 3.50% | 6.25% | 5.65% |
| Power | -do- | 5.00% | 8.00% | 4.66% - 6.14% |
| Non-life insurance | -do- | 7.00% | 10.00% | 4.99% |
| Automotive | -do- | 9.00% | 5.00%-7.00% | 4.90%-6.11% |
| Financial | -do- | – | 8% | 5.43% |

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Net retirement liability (asset) included in the statement of financial position follow:

| | **2014** | 2013 |
|---|---|---|
| Retirement asset (Note 14) | **(₱3,519,970)** | ₱– |
| Retirement liability | **2,260,951,566** | 1,703,632,361 |
| Net retirement liability | **₱2,257,431,596** | ₱1,703,632,361 |

The net pension liability and asset recognized in the Group's statements of financial position are as follows:

| | **2014** | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | **Remeasurements in other comprehensive income** | | | | | |
| | **January 1, 2014** | **Effect of business combination** | **Balance after business combination** | **Net benefit cost Current service cost** | **Net interest** | **Subtotal** | **Benefits paid** | **Return on plan assets (excluding amount included in net interest)** | **Actuarial changes arising from experience adjustments** | **Actuarial changes arising from demographic assumptions** | **Actuarial changes arising from changes in financial assumptions** | **Subtotal** | **Contributions paid** | **December 31, 2014** |
| Present value of defined benefit obligation | **₱2,816,779,368** | **₱93,945,209** | **₱2,910,724,577** | **₱257,570,566** | **₱141,407,329** | **₱398,977,895** | **(₱97,684,357)** | **₱–** | **₱94,294,853** | **₱–** | **₱211,888,265** | **₱306,183,118** | **₱–** | **₱3,518,201,233** |
| Fair value of plan assets | **(1,113,147,007)** | **(1,335,251)** | **(1,114,482,258)** | **–** | **(54,914,268)** | **(54,914,268)** | **47,845,498** | **8,192,030** | **–** | **–** | **–** | **8,192,030** | **(147,410,639)** | **(1,260,769,637)** |
| Net defined benefit liability | **₱1,703,632,361** | **₱92,609,958** | **₱1,796,242,319** | **₱257,570,566** | **₱86,493,061** | **₱344,063,627** | **(₱49,838,859)** | **₱8,192,030** | **₱94,294,853** | **₱–** | **₱211,888,265** | **₱314,375,148** | **(₱147,410,639)** | **₱2,257,431,596** |

| | 2013 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Remeasurements in other comprehensive income | | | | | |
| | January 1, 2013 | Effect of business combination | Balance after business combination | Net benefit cost Current service cost | Net interest | Subtotal | Benefits paid | Return on plan assets (excluding amount included in net interest) | Actuarial changes arising from experience adjustments | Actuarial changes arising from demographic assumptions | Actuarial changes arising from changes in financial assumptions | Subtotal | Contributions paid | December 31, 2013 |
| Present value of defined benefit obligation | ₱631,313,168 | ₱2,157,293,976 | ₱2,788,607,144 | ₱227,983,529 | ₱146,203,647 | ₱374,187,176 | (₱72,836,781) | ₱– | ₱4,750,767 | (₱94,712,871) | (₱183,216,067) | (₱273,178,171) | ₱– | ₱2,816,779,368 |
| Fair value of plan assets | (98,701,895) | (873,565,502) | (972,267,397) | – | (44,725,426) | (44,725,426) | 20,163,736 | (8,102,940) | – | – | – | (8,102,940) | (108,214,980) | (1,113,147,007) |
| Net defined benefit liability | ₱532,611,273 | ₱1,283,728,474 | ₱1,816,339,747 | ₱227,983,529 | ₱101,478,221 | ₱329,461,750 | (₱52,673,045) | (₱8,102,940) | ₱4,750,767 | (₱94,712,871) | (₱183,216,067) | (₱281,281,111) | (₱108,214,980) | ₱1,703,632,361 |

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

| | **2014** | 2013 |
|---|---|---|
| Cash and cash equivalents | **₱54,945,935** | ₱74,857,144 |
| Investment in government securities | **778,894,544** | 693,457,738 |
| Investment in equity securities | **207,712,497** | 162,728,547 |
| Investment in debt and other securities | **111,832,371** | 63,800,661 |
| Receivables | **85,976,479** | 7,851,213 |
| Investment in mutual funds | **21,367,780** | 15,241,230 |
| Others | **40,031** | 95,210,474 |
| | **₱1,260,769,637** | ₱1,113,147,007 |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

| | | **2014** | 2013 |
|---|---|---|---|
| | **Possible Fluctuations** | **Increase (Decrease)** | Increase (Decrease) |
| Discount rates | **+1%** | **(₱349,500,517)** | (₱489,919,722) |
| | **-1%** | **421,150,209** | 607,053,371 |
| Turnover rate | **+1%** | **(43,200,300)** | (34,624,950) |
| | **-1%** | **48,113,600** | 38,705,250 |
| Future salary increase rate | **+1%** | **508,596,489** | 599,310,655 |
| | **-1%** | **(406,848,534)** | (490,661,296) |

The Group expects to contribute ₱110.47 million to its defined benefit pension plan in 2015.

The average duration of the defined benefit retirement liability at the end of the reporting period is 14.76 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments:

| | **2014** |
|---|---|
| Less than 1 year | **₱98,921,792** |
| More than 1 year to 5 years | **792,311,084** |
| More than 5 years to 10 years | **2,507,973,173** |
| More than 10 years to 15 years | **2,929,247,232** |
| More than 15 years to 20 years | **2,503,297,344** |
| More than 20 years | **10,166,855,799** |

The Group does not currently have any asset-liability matching study.

## 29. **Income Taxes**

Provision for income tax account consists of:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Current | **₱2,934,761,193** | ₱1,736,415,071 | ₱120,152,710 |
| Deferred | **(278,599,568)** | 17,579,768 | 144,923,530 |
| Final | **54,435,318** | 49,275,282 | 22,574,356 |
| | **₱2,710,596,943** | ₱1,803,270,121 | ₱287,650,596 |

The components of the Group's deferred taxes as of December 31, 2014 and 2013 are as follow:

Net deferred tax asset:

| | **2014** | 2013 |
|---|---|---|
| Deferred tax asset on: | | |
| Retirement benefit obligation | **₱628,794,162** | ₱485,285,082 |
| Unrealized gain on sale of land | **627,412,073** | – |
| Warranties payable and other provisions | **237,613,907** | 269,892,617 |
| Allowance for impairment losses | **67,698,603** | 39,970,139 |
| Decommissioning liability | **65,692,699** | 57,798,142 |
| NOLCO | **56,430,236** | 97,235,999 |
| Allowance for probable losses | **50,749,305** | 229,086,607 |
| Accrued expenses | **50,608,915** | 40,316,088 |
| Unearned premiums | **46,264,047** | 42,523,751 |
| Capitalized commissioning income | **96,505,237** | 95,097,784 |
| Deferred gross profit | **21,924,938** | – |
| Others | **34,194,947** | 40,527,930 |
| | **1,983,889,069** | 1,397,734,139 |
| Deferred tax liability on: | | |
| Deferred acquisition costs | **92,641,479** | 64,912,883 |
| Deferred financing cost | **57,263,434** | 69,834,890 |
| Dismantling costs | **40,085,039** | 36,125,990 |
| Capitalized custom duties | **20,724,088** | – |
| Capitalized borrowing cost | **7,804,674** | 7,517,847 |
| Fair value adjustment on acquisition - by Parent | – | 33,707,943 |
| Others | **39,194,850** | 76,463,200 |
| | **257,713,564** | 288,562,753 |
| Net deferred tax asset | **₱1,726,175,505** | ₱1,109,171,386 |

Net deferred tax liability:

| | **2014** | 2013 |
|---|---|---|
| Deferred tax asset on: | | |
| Excess of cost over fair value of investment property | **₱125,300,151** | ₱115,469,258 |
| Accrued expenses | **95,732,185** | 9,499,022 |
| Retirement benefit obligation | **33,085,137** | 32,109,122 |
| Prepaid commission | **29,504,227** | 29,504,227 |
| Interest expense on Day 1 loss | **23,698,386** | 26,061,686 |
| Fair value adjustment on acquisition - by Parent | – | 34,087,631 |
| Others | **48,369,019** | 24,490,336 |
| | **355,689,105** | 271,221,282 |
| Deferred tax liability on: | | |
| Fair value adjustment on acquisition - by Parent | **2,972,074,225** | 2,850,921,020 |
| Excess of book basis over tax basis of deferred gross profit | **270,948,611** | 50,482,992 |
| Capitalized borrowing cost and guarantee fees | **270,822,176** | 201,128,200 |
| Fair value adjustment on acquisition - by subsidiaries | **206,688,774** | 226,373,419 |
| Unamortized discount on long term payable | **110,792,792** | 107,832,042 |
| Lease differential | **20,376,662** | 9,344,048 |
| Others | **36,139,688** | 76,880,407 |
| | **3,887,842,928** | 3,522,962,128 |
| Net deferred tax liability | **₱3,532,153,823** | ₱3,251,740,846 |

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

As of December 31, 2014, 2013 and 2012, the Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

| Year Incurred | Amount | Expired/Applied | Balance | Expiry Date |
|---|---|---|---|---|
| 2014 | ₱974,274,770 | ₱– | ₱974,274,770 | 2017 |
| 2013 | 1,052,769,050 | – | 1,052,769,050 | 2016 |
| 2012 | 968,338,310 | – | 968,338,310 | 2015 |
| 2011 | 632,568,376 | 632,568,376 | – | 2014 |
| | ₱3,627,950,506 | ₱632,568,376 | ₱2,995,382,130 | |

MCIT

| Year Incurred | Amount | Expired/Applied | Balance | Expiry Date |
|---|---|---|---|---|
| 2013 | ₱217,786 | ₱– | ₱217,786 | 2016 |
| 2012 | 446,800 | – | 446,800 | 2015 |
| 2011 | 17,559 | 17,559 | – | 2014 |
| | ₱682,145 | ₱17,559 | ₱664,586 | |

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Provision for income tax computed at statutory rate | **30.00%** | 30.00% | 30.00% |
| Tax effects of: | | | |
| Income subjected to final tax | **(0.54)** | (0.22) | (0.18) |
| Nondeductible interest and other expenses | **0.74** | 0.62 | (0.03) |
| Change in unrecognized deferred tax assets | **2.55** | 2.50 | – |
| Nontaxable income | **(11.26)** | (12.91) | (26.57) |
| Operating income within ITH | **(6.31)** | (7.41) | – |
| | **15.18%** | 12.58% | 3.22% |

Board of Investments (BOI) Incentives

Fed Land

The BOI issued a Certificate of Registrations as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012, The Capital Towers-Beijing, Marquinton Gardens Terraces-Toledo, Oriental Gardens-Lilac and Peninsula Garden Midtown Homes-Tower A are entitled to ITH in years 2009 to 2013, Oriental Garden Heights - A, B and C in 2010 to 2014, Marquinton Garden Terraces - Valderrama Tower in 2010 to 2013, Peninsula Garden Midtown Homes (PGMH) - Maple Tower and Tropicana Garden City - Ibiza Tower are entitled to ITH from 2012 to 2015 and PGMH - Narra is entitled to ITH from 2014 to 2017.

CEDC

CEDC was registered with the BOI on a pioneer status under Executive Order No. 226 or the Omnibus Investments Code of 1987 on June 25, 2008, initially under the name of GBPC. On February 18, 2009, BOI granted the transfer of its registration from GBPC to CEDC. BOI incentives include, among others, an income tax holiday of six (6) years from December 2010 or actual start of commercial operations, whichever is earlier, and zero percent duty importation of capital equipment, spare parts and accessories from date of registration up to June 16, 2011. CEDC started commercial operations on February 26, 2011. Its paid-up capital amounted to ₱554.40 million as of December 31, 2012.

TPC

Toledo Power Co. (“TPC”), as expanding operator of an 82MW Coal-Fired Power Plant (TPC 1A), was registered with the BOI on a pioneer status under Executive Order No. 226 or the Omnibus Investments Code of 1987 on October 23, 2012. BOI incentives include, among others, an income tax holiday of three (3) years from December 2014 or actual start of commercial operations, whichever is earlier and zero percent duty importation of capital equipment, spare parts, and accessories from date of effectivity of Executive Order No. 70 and its Implementing Rules and Regulations for a period of five (5) years reckoned from the date of its registration or until the expiration of EO 70, whichever is earlier. TPC began delivery of power from TPC 1A on February 26, 2015.

PEDC
PEDC was registered with BOI under the provisions of the Omnibus Investments Code as a new operator of a 246MW coal-fired power generation plant in Iloilo City under BOI Certificate of Registration No. 2008-171 dated July 24, 2008, initially under the name of GBPC. It has been transferred under PEDC's name after its incorporation. Under the terms of its registration, PEDC is subject to certain requirements, principally: (a) that PEDC should start operations no later than December 2011, (b) that PEDC should increase its authorized, subscribed, and paid-up capital stock to at least ₱4.45 billion and (c) that PEDC should secure a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) prior to the start of its commercial operations. PEDC declared commercial operations on March 26, 2011. As of December 31, 2012, PEDC had paid-up capital of ₱554.40 million.

## 30. **Lease Commitment**

*The Group as a lessee*
The Group is a party under various lease agreements including the lease of premises occupied by the head office, office space leased for the Group's branches, land leased for Fed Land Group's mall and gasoline station and lease of parking spaces with terms ranging from 1 to 10 years. Rent expense included under "General and administrative expenses amounted to₱109.70 million, ₱52.08 million and ₱52.37 million, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the "Cost of goods and services sold" account, amounting to ₱20.56 million and ₱30.97 million and ₱24.19 million in 2014 and 2013, respectively (Note 25).

As of December 31, 2014 and 2013, the future minimum rental payments are as follows:

| | **2014** | 2013 |
|---|---|---|
| Within one year | **₱49,780,921** | ₱39,201,598 |
| After one year but not more than five years | **151,124,572** | 98,891,027 |
| More than five years | **365,160,285** | – |
| | **₱566,065,778** | ₱138,092,625 |

*The Group as a lessor*
The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from 5 to 10 years. The Group's rental income on these leases amounted to ₱764.49 million, ₱592.04 million and ₱233.44 million, in 2014, 2013 and 2012, respectively (Note 9). The cost of rental services amounting ₱270.09 million, ₱113.15 million and ₱5.74 million in 2014, 2013 and 2012, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses.

As of December 31, 2014 and 2013, the future minimum receipts from these lease commitments are as follows:

| | **2014** | 2013 |
|---|---|---|
| Within one year | **₱954,270,511** | ₱527,362,863 |
| After one year but not more than five years | **2,384,112,193** | 1,202,054,987 |
| More than five years | **1,497,684,816** | 254,680,118 |
| | **₱4,836,067,520** | ₱1,984,097,968 |

31. **Business Combinations**

2014

Acquisition of TCI

In March 2014 the Parent Company acquired an aggregate of ₱69.62 million common shares of TCI for a total purchase price of ₱347.40 million. The acquisition represents 89.05% of the TCI's outstanding capital stock. The Parent Company assessed that it has control over TCI through its ability to direct the relevant activities and accounted for TCI as a subsidiary.

The acquisition was accounted for as a business combination using the acquisition method. The Group engaged a third party valuer to conduct the purchase price allocation. The Group elected to measure the non-controlling interest at the proportionate share of the non-controlling interest in the identifiable net assets of TCI.

The fair values of the identifiable assets and liabilities of TCI as of acquisition date are as follows:

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱65,843,434 |
| Receivables | 489,139,851 |
| Inventories | 116,777,335 |
| Other current assets | 101,508,995 |
| Available-for-sale investments | 711,019 |
| Property and equipment | 201,227,584 |
| Investment properties | 301,367,000 |
| Deferred tax assets | 23,933,097 |
| Other noncurrent assets | 837,272 |
| | 1,301,345,587 |
| **Liabilities** | |
| Accounts and other payables | 254,455,022 |
| Loans payable | 497,000,000 |
| Pension liability | 93,357,542 |
| Deferred tax liability | 71,367,274 |
| | 916,179,838 |
| **Net assets** | ₱385,165,749 |

The gross contractual amount of receivables acquired amounted to ₱489.14 million. The aggregate consideration transferred consists of:

| | |
|---|---|
| Cash consideration | ₱347,403,800 |
| Fair value of non-controlling interests | 42,175,650 |
| | ₱389,579,450 |

The business combination resulted in goodwill computed as follows:

| | |
|---|---|
| Total consideration transferred | ₱389,579,450 |
| Less: fair value of identifiable net assets | 385,165,749 |
| Goodwill | ₱4,413,701 |

Goodwill arising from the acquisition of TCI is allocated to the operations of TCI. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, TCI contributed gross revenues and net income amounting to ₱4.20 billion and ₱7.00 million, respectively.

If the business combination had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2014 would have been ₱144.20 billion and ₱9.16 billion, respectively.

2013

Acquisition of Toyota

On January 17, 2013, the Parent Company and MBTC executed a Deed of Absolute Sale for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC as provided in the MOU for a total consideration of ₱4.54 billion. This represented an additional 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%.

The acquisition of Toyota was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's 36.00% direct ownership interest over Toyota was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer to conduct a purchase price allocation. The Group elected to measure the non-controlling interest in Toyota at the proportionate share of the non-controlling interest in the fair value of the identifiable net assets of Toyota, amounting to ₱6.88 billion.

The fair values of the identifiable assets and liabilities of Toyota as of acquisition date were finalized as follows:

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱8,581,503,619 |
| Receivables | 2,384,910,913 |
| Inventories | 5,256,937,104 |
| AFS investments | 560,349,347 |
| Prepayments and other current assets | 657,124,867 |
| Property, plant and equipment | 3,168,629,863 |
| Investment properties | 2,251,349,832 |
| Deferred tax assets | 421,764,219 |
| Other non-current assets | 337,258,975 |
| Intangible assets - customer relationship (Note 13) | 3,883,238,361 |
| | 27,503,067,100 |
| **Liabilities** | |
| Accounts payable and accrued expenses | 10,873,614,987 |
| Loans payable | 290,000,000 |
| Income tax payable | 51,952,821 |
| Long-term debt | 229,481,790 |
| Deferred tax liability | 2,232,084,208 |
| | 13,677,133,806 |
| Total identifiable net assets at fair value | ₱13,825,933,294 |

The gross contractual amount of receivable acquired amounted to ₱2.44 billion.

The aggregate consideration transferred consists of:

| | |
|---|---|
| Amount of non-controlling interest | ₱6,879,802,794 |
| Fair value of previously held interest | 8,006,101,371 |
| Cash consideration | 4,536,985,322 |
| | ₱19,422,889,487 |

The fair value of the previously held interest of ₱1,435.33 per share was based on the valuation of a third party valuer. The Company recognized gain on the revaluation of the previously held interest amounting to ₱1.99 billion reflected under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱5.60 billion computed as follows:

| | |
|---|---|
| Total consideration transferred | ₱19,422,889,487 |
| Less: Fair value of identifiable net assets including intangible assets | 13,825,933,294 |
| Goodwill | ₱5,596,956,193 |

Goodwill arising from the acquisition of Toyota Group is allocated entirely to the operations of Toyota. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, the Toyota Group has contributed gross revenues of ₱75.13 billion and net income amounting to ₱3.94 billion to the Group. If the business combination with Toyota had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱111.04 billion and ₱8.67 billion, respectively.

Acquisition of Charter Ping An

On October 10, 2013, GT Capital acquired 2,334,434 common shares of Ping An from Ty family investment holding companies at a fixed price of ₱614.3 per share for a total consideration of ₱1.4 billion. The acquisition represented 66.7% of the firm's outstanding capital stock. The Parent Company has effective ownership over Ping An of 74.97% (66.67% direct holdings and 8.30% indirect ownership). The Parent Company's 8.30% indirect ownership came from its 25.11% direct interest in MBTC which has 99.23% direct interest in FMIC. FMIC, in turn, has 33.33% direct interest in Ping An.

On June 19, 2012 and April 23, 2013, the BOD and the stockholders of Ping An approved the amendment of the Articles of Incorporation for the purpose of increasing the authorized capital stock and the declaration of 1.62 million stock dividends equivalent to ₱162.50 million. On October 18, 2013, the Securities and Exchange Commission approved the application for the increase in Ping An's authorized capital stock from ₱350.00 million to ₱1.00 billion consisting of 10.00 million common shares with par value of ₱100.00 per share. The ₱162.50 million stock dividend equivalent to 1.62 million common shares represented the minimum 25.00% subscribed and paid-up capital for the above-mentioned increase in authorized capital stock.

The acquisition of Ping An was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over Ping An through its associate MBTC which owns 99.23% of FMIC which in turn owns 33.33% of Ping An before the business combination date was regarded as the previously held interest and remeasured at fair value. As of

December 31, 2013, the accounting for the business combination was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. The Group elected to measure the non-controlling interest in Ping An at the proportionate share of the non-controlling interest in the identifiable net assets of Ping An. In October 2014, the Parent Company finalized its purchase price allocation. There were no changes in the provisional values as the additional information subsequently obtained was not significant to affect the preliminary values.

The fair values of the identifiable assets and liabilities of Ping An as of acquisition date are as follows:

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱52,376,512 |
| Short-term investments | 874,410,676 |
| Receivables | 1,615,879,399 |
| Reinsurance assets | 3,701,512,371 |
| Deferred acquisition cost | 221,204,997 |
| Prepayments and other current assets | 25,589,459 |
| AFS investments | 1,208,433,444 |
| Property, plant and equipment | 195,469,447 |
| Other non-current assets | 18,736,582 |
| | 7,913,612,887 |
| **Liabilities** | |
| Accounts payable and accrued expenses | 618,336,186 |
| Insurance contract liabilities | 5,326,709,306 |
| Insurance payable | 373,629,735 |
| Deferred reinsurance commission | 44,005,499 |
| Income tax payable | 43,944,818 |
| Other current liabilities | 68,066,431 |
| Pension liability | 29,707,977 |
| Deferred tax liability | 38,535,272 |
| | 6,542,935,224 |
| **Total identifiable net assets at fair value** | ₱1,370,677,663 |

Total contractual amount of receivables amounted to ₱1.64 billion.

The aggregate consideration transferred consists of:

| | |
|---|---|
| Amount of non-controlling interest | ₱343,050,222 |
| Fair value of previously held interest | 162,160,900 |
| Cash consideration | 1,419,620,522 |
| | ₱1,924,831,644 |

The fair value of the previously held interest is ₱557.84 per share. The Company recognized a gain on the revaluation of the previously held interest amounting to ₱59.5 million reported under the 'Gain (loss) on revaluation of previously held interest' account in the 2013 consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱554.15 million computed as follows:

| | |
|---|---|
| Total consideration transferred | ₱1,924,831,644 |
| Less: Fair value of identifiable net assets | 1,370,677,663 |
| Goodwill | ₱554,153,981 |

None of the goodwill is expected to be deductible for income tax purposes. Goodwill arising from the acquisition of Charter Ping An is allocated to the operations of Charter Ping An. From the date of acquisition, Charter Ping An contributed gross revenues totaling ₱547.84 million and net income amounting to ₱34.58 million to the Group. If the business combination with Charter Ping An had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱106.70 billion and ₱8.76 billion, respectively.

Common Control Business Combination
On February 18, 2013, the BOD approved the merger of Federal Land with its two subsidiaries namely: Fedsales Marketing, Inc. and Omni-Orient Marketing Network, Inc. wherein Federal Land will be the surviving entity and the two (2) subsidiaries will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on November 29, 2013.

As a result of the merger, non-controlling interest amounting to ₱2.59 million arising from the previous consolidation of OOMNI in Fed Land was reversed and reflected as part of 'Other equity adjustment' account in the consolidated statement of financial position.

Also on May 8, 2013, the BOD of HLRDC, SHDC and HLPDC approved the merger of the three (3) entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on October 21, 2013.

2012
Acquisition of GBPC
As of December 31, 2011, the Parent Company had an indirect interest of 7.61% over GBPC through its investment in MBTC-FMIC. The Parent Company also had deposits for future subscription (DFS) amounting to ₱3.40 billion while FMIC had DFS to GBPC amounting to ₱5.59 billion.

On December 9, 2011, as part of the Parent Company's plan to acquire control over GBPC, the Parent Company and GBPC entered into a Subscription Agreement which provided that for the planned increase of ₱760.00 million in GBPC's authorized capital stock, the Parent Company shall subscribe to and purchase, and GBPC agrees to issue and sell, 117,067,800 shares with par value of ₱100.00 per share, for a total consideration of ₱3.40 billion.

On January 16, 2012, the SEC approved the application for the increase in authorized capital stock and reduction in the par value of common shares of GBPC from ₱100.00 per share to ₱1.00 per share. Upon approval of the increase, the Parent Company's DFS in GBPC was converted into 117,067,800 common shares representing interest of 21.04% in GBPC while FMIC's DFS was converted to 195,058,600 common shares representing interest of 35.06% in GBPC and a corresponding increase of 4.48% in the Parent Company's indirect interest over GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with a third party to acquire and transfer 35,504,900 and 38,863,000 common shares of GBPC, respectively, with the third party as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.24 billion and ₱1.36 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37% interest over GBPC.

In summary, the Parent Company acquired an additional 11.89% direct interest over GBPC for a total direct interest of 50.89%.

The acquisition of GBPC was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over GBPC through its associate MBTC which owns 98.06% of FMIC which in turn owns 38.09% of GBPC before the business combination date was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer to conduct a purchase price allocation. The fair value of the identifiable assets and liabilities was finalized in April 2013. The Group elected to measure the non-controlling interest in GBPC at the proportionate share of the non-controlling interest in the identifiable net assets of GBPC.

The fair values of the identifiable assets and liabilities of GBPC as of acquisition date were finalized as follows:

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱10,506,427,392 |
| Receivables | 3,935,964,042 |
| Inventories | 895,882,766 |
| Prepayments and other current assets | 1,212,354,008 |
| Receivables from affiliates | 427,605,411 |
| Property, plant and equipment | 33,492,302,035 |
| Investments and other non-current assets | 3,077,687,617 |
| Intangible assets (Note 13) | 8,995,160,191 |
| | 62,543,383,462 |
| **Liabilities** | |
| Accounts payable and accrued expenses | 3,103,143,856 |
| Long-term debt | 34,260,023,586 |
| Other liabilities | 854,225,652 |
| Deferred tax liability | 593,256,587 |
| | 38,810,649,681 |
| **Total identifiable net assets at fair value** | ₱23,732,733,781 |

The aggregate consideration transferred consists of:

| | |
|---|---|
| Amount of non-controlling interest | ₱15,238,649,131 |
| Fair value of previously held interest | 690,643,951 |
| Cash consideration and cost of indirect interest | 7,375,910,045 |
| | ₱23,305,203,127 |

The fair value of the previously held interest of ₱37.81 per share was based on the valuation of the third party valuer. The Company recognized a loss on the revaluation of the previously held interest amounting to ₱53.95 million.

The business combination resulted in a gain on bargain purchase amounting to ₱427.53 million computed as follows:

| | |
|---|---|
| Total consideration transferred | ₱23,305,203,127 |
| Less: Fair value of identifiable net assets including intangible assets | 23,732,733,781 |
| Gain on bargain purchase | (₱427,530,654) |

Acquisition of Non-Controlling Interest

2014

*Ping An*

On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An The Parent Company purchased the remaining 33.33% (represented by 1.71 million shares) of Charter Ping An's outstanding capital stock from FMIC for a total consideration of ₱712.00 million.

*TCI*

On April 23, 2014, the Parent Company acquired 200,000 shares of TCI for a total consideration of ₱1.00 million, resulting to 89.31% ownership over TCI.

*GBPC*

On May 28, 2014, the Parent Company subscribed to 7,217,470 shares of GBPC, representing an additional 0.38% of GBPC. With this transaction, the Parent Company's direct ownership over GBPC increased from 50.89% to 51.27%.

These acquisitions were accounted for as change in ownership without loss of control and are accounted for as equity transactions. Total negative other equity adjustments recognized from these acquisitions amounted to ₱315.67 million (Note 22).

2012

*GBPC*

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC to 39.00%.

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC to 50.89%.

*Fed Land*

On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80.00% to 100.00%.

These acquisitions were accounted for as change in ownership without loss of control and are accounted for as equity transactions. Total negative other equity adjustments recognized from these acquisitions amounted to ₱681.07 million (Note 22).

## 32. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

*Cash and cash equivalents and Other current assets (short-term cash investments)*
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities these instruments.

*Receivables*
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 12.00% as of December 31, 2014 and 2013, respectively. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

*Due from and to related parties*
The carrying amounts approximate fair values due to short term in nature. Related party receivables and payables are due and demandable.

*AFS investments unquoted*
These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

*AFS investments quoted*
Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date.

*Accounts and other payables*
The fair values of accounts and other payables and loans payable approximate the carrying amounts due to the short-term nature of these transactions.

*Loans payable*
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. The interest rates used ranged from 2.27% to 10.35% and 3.75% to 7.10% for the year ended December 31, 2014 and 2013, respectively.

*Liabilities on purchased properties*
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred on December 20, 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

| | | **2014** | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial Assets** | | | | | |
| Loans and receivables | | | | | |
| Installment contracts receivable | **₱7,545,443,471** | **₱–** | **₱–** | **₱11,056,454,369** | **₱11,056,454,369** |
| AFS investments | | | | | |
| Government securities | **780,975,000** | **–** | **780,975,000** | **–** | **780,975,000** |
| Quoted debt securities | **316,017,874** | **316,017,874** | **–** | **–** | **316,017,874** |
| Quoted equity securities | **2,549,232,004** | **2,549,232,004** | **–** | **–** | **2,549,232,004** |
| Total Financial Assets | **₱11,191,668,349** | **₱2,865,249,878** | **₱780,975,000** | **₱11,056,454,369** | **₱14,702,679,247** |
| **Non-Financial Assets** | | | | | |
| Investment properties | **₱8,642,628,922** | **₱–** | **₱–** | **₱11,141,367,000** | **₱11,141,367,000** |
| **Financial Liabilities** | | | | | |
| Loans payable | **₱47,525,076,547** | **₱–** | **₱49,161,870,376** | **₱–** | **₱49,161,870,376** |
| Bonds payable | **21,774,719,662** | **21,516,574,800** | **–** | **–** | **21,516,574,800** |
| Total Financial Liabilities | **₱69,299,796,209** | **₱21,516,574,800** | **₱49,161,870,376** | **₱–** | **₱70,678,445,176** |

| | | 2013 | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | | | | | |
| Loans and receivables | | | | | |
| Installment contracts receivable | ₱5,819,661,101 | ₱– | ₱– | ₱7,690,378,192 | ₱7,690,378,192 |
| AFS investments | | | | | |
| Government securities | 850,098,893 | – | 850,098,893 | – | 850,098,893 |
| Quoted debt securities | 282,457,747 | 282,457,747 | – | – | 282,457,747 |
| Quoted equity securities | 1,497,970,179 | 1,497,970,179 | – | – | 1,497,970,179 |
| Total Financial Assets | ₱8,450,187,920 | ₱1,780,427,926 | ₱850,098,893 | ₱7,690,378,192 | ₱10,320,905,011 |
| Non-Financial Assets | | | | | |
| Investment properties | ₱8,328,668,533 | ₱– | ₱– | ₱10,840,000,000 | ₱10,840,000,000 |
| Financial Liabilities | | | | | |
| Loans payable | ₱45,692,608,996 | ₱– | ₱47,609,127,777 | ₱– | ₱47,609,127,777 |
| Bonds payable | 9,903,088,308 | – | 9,994,354,200 | – | 9,994,354,200 |
| Total Financial Liabilities | ₱55,595,697,304 | ₱– | ₱57,603,481,977 | ₱– | ₱57,603,481,977 |

As of December 31, 2014 and 2013, other than bonds payable, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group’s investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group’s investment properties are done every three years with the latest valuation report issued in February 2012.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

| | Valuation Techniques | Significant Unobservable Inputs |
|---|---|---|
| Land | Market Data Approach | Price per square meter, size, location, shape, time element and corner influence |
| Building and Land Improvements | Cost Approach and Market Data Approach | Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees |

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques

| | |
|---|---|
| Market Data Approach | A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale. |
| Cost Approach | A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence. |

Significant Unobservable Inputs

| | |
|---|---|
| Reproduction Cost New | The cost to create a virtual replica of the existing structure, employing the same design and similar building materials. |
| Size | Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value. |
| Shape | Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property. |
| Location | Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road. |
| Time Element | "An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data. |
| Discount | Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent. |

Significant Unobservable Inputs

| | |
|---|---|
| Corner influence | Bounded by two (2) roads. |

## 33. **Financial Risk Management and Objectives**

The Group's principal financial instruments are composed of cash and cash equivalents, receivables, due from related parties, AFS investments, accounts and other payable, due to/from related parties, and loans payable.

Exposures to credit, liquidity and foreign currency, interest rate risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit Risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise cash and cash equivalents, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

*a.* *Maximum exposure to credit risk after taking into account collateral held or other credit enhancements*

As of December 31, 2014 and 2013, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium units collateral is greater than the carrying value of the installment contracts receivable.

*b.* *Credit quality per class of financial assets*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment-based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

AFS investments - quoted AFS investments is based on the quoted market bid prices at the close of business on the reporting date while the unquoted financial assets are unrated.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

| | December 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Neither Past Due Nor Individually Impaired | | | | Past Due but not Individually Impaired | Individually Impaired | Total |
| | High Grade | Medium Grade | Low Grade | Total | | | |
| Cash and cash equivalents* (Note 4) | **₱29,670,091,668** | **₱–** | **₱–** | **₱29,670,091,668** | **₱–** | **₱–** | **₱29,670,091,668** |
| Short-term Investments | **1,308,977,823** | – | – | **1,308,977,823** | – | – | **1,308,977,823** |
| Receivables (Note 5) | | | | | | | |
| Trade receivables | **6,051,526,630** | **1,512,795,581** | **473,077,928** | **8,037,400,139** | **396,321,270** | **54,985,085** | **8,488,706,494** |
| Installment contracts receivable | **3,651,540,871** | **2,597,104,037** | **680,654,196** | **6,929,299,104** | **614,493,519** | **1,650,848** | **7,545,443,471** |
| Insurance receivables | **1,554,999,127** | – | – | **1,554,999,127** | **470,775,487** | **16,305,509** | **2,042,080,123** |
| Nontrade receivables | **798,210,161** | **312,916,686** | **40,492,651** | **1,151,619,498** | – | – | **1,151,619,498** |
| Loans receivable | **700,231,199** | – | – | **700,231,199** | – | – | **700,231,199** |
| Dividends receivable | **240,000,000** | – | – | **240,000,000** | – | – | **240,000,000** |
| Accrued rent and commission income | **328,924,716** | **5,291,002** | **3,501,609** | **337,717,327** | **14,752,513** | **16,376,195** | **368,846,035** |
| Others | **625,986,178** | **743,048** | – | **626,729,226** | **65,823,506** | **2,815,201** | **695,367,933** |
| Due from related parties (Note 27) | **163,779,149** | **6,850,327** | – | **170,629,476** | – | – | **170,629,476** |
| AFS investments (Note 10) | | | | | | | |
| Equity securities | | | | | | | |
| Quoted | **2,516,915,182** | – | – | **2,516,915,182** | – | **32,316,822** | **2,549,232,004** |
| Unquoted | **480,655,253** | – | – | **480,655,253** | – | – | **480,655,253** |
| Quoted debt securities | **1,096,992,874** | – | – | **1,096,992,874** | – | – | **1,096,992,874** |
| | **₱49,188,830,831** | **₱4,435,700,681** | **₱1,197,726,384** | **₱54,822,257,896** | **₱1,562,166,295** | **₱124,449,660** | **₱56,508,873,851** |

**Excludes cash on hand amounting to ₱32,312,324*

| | December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Neither Past Due Nor Individually Impaired | | | | Past Due but not Individually Impaired | Individually Impaired | Total |
| | High Grade | Medium Grade | Low Grade | Total | | | |
| Cash and cash equivalents* (Note 4) | ₱27,161,145,896 | ₱– | ₱– | ₱27,161,145,896 | ₱– | ₱– | ₱27,161,145,896 |
| Short-term Investments | 1,466,463,867 | – | – | 1,466,463,867 | – | – | 1,466,463,867 |
| Receivables (Note 5) | | | | | | | |
| Trade receivables | 7,412,130,179 | | | 7,412,130,179 | 610,924,329 | 9,923,816 | 8,032,978,324 |
| Installment contracts receivable | 2,301,427,513 | 2,412,942,503 | 628,024,445 | 5,342,394,461 | 475,615,793 | 1,650,847 | 5,819,661,101 |
| Insurance receivables | 1,622,829,840 | – | – | 1,622,829,840 | – | – | 1,622,829,840 |
| Accrued rent and commission income | 335,682,637 | – | – | 335,682,637 | – | – | 335,682,637 |
| Loans receivable | 719,934,106 | – | – | 719,934,106 | – | – | 719,934,106 |
| Dividends receivable | 240,000,000 | – | – | 240,000,000 | – | – | 240,000,000 |
| Nontrade receivables | 198,940,565 | | | 198,940,565 | | | 198,940,565 |
| Others | 309,890,868 | 15,183,102 | 835,903 | 325,909,873 | 77,028,664 | 30,028,493 | 432,967,030 |
| Due from related parties (Note 27) | 849,398,310 | – | – | 849,398,310 | – | – | 849,398,310 |
| AFS investments (Note 10) | | | | | | | |
| Equity securities | | | | | | | |
| Quoted | 1,497,970,179 | – | – | 1,497,970,179 | – | – | 1,497,970,179 |
| Unquoted | 480,269,424 | – | – | 480,269,424 | – | – | 480,269,424 |
| Quoted debt securities | 1,132,556,640 | – | – | 1,132,556,640 | – | – | 1,132,556,640 |
| | ₱45,728,640,024 | ₱2,428,125,605 | ₱628,860,348 | ₱48,785,625,977 | ₱1,163,568,786 | ₱41,603,156 | ₱49,990,797,919 |

**Excludes cash on hand amounting to ₱5,742,556*

As of December 31, 2014 and 2013, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

| | December 31, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Neither Past Due nor Individually Impaired | Past Due but not Individually Impaired | | | | | | Individually Impaired | Total |
| | | <30 days | 30-60 days | 61-90 days | 91-120 days | >120 days | Total | | |
| Cash and cash equivalents (Note 4) | **₱29,702,403,992** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱29,702,403,992** |
| Short-term investment | **1,308,977,823** | – | – | – | – | – | – | – | **1,308,977,823** |
| Receivables (Note 5) | | | | | | | | | |
| Trade receivable | **8,037,400,139** | **157,932,318** | **79,560,518** | **20,246,303** | **129,698,547** | **8,883,584** | **396,321,270** | **54,985,085** | **8,488,706,494** |
| Installment contracts receivable | **6,929,299,104** | **176,664,445** | **106,455,836** | **66,918,739** | **32,809,729** | **231,644,770** | **614,493,519** | **1,650,848** | **7,545,443,471** |
| Insurance Receivables | **1,554,999,127** | **86,186,395** | **72,640,437** | **42,327,294** | **269,621,361** | – | **470,775,487** | **16,305,509** | **2,042,080,123** |
| Loans receivable | **700,231,199** | – | – | – | – | – | – | – | **700,231,199** |
| Dividend receivable | **240,000,000** | – | – | – | – | – | – | – | **240,000,000** |
| Accrued rent and commission income | **337,717,327** | **9,191,523** | **1,525,958** | **1,362,476** | **2,672,556** | – | **14,752,513** | **16,376,195** | **368,846,035** |
| Non-trade receivable | **1,151,619,498** | – | – | – | – | – | – | – | **1,151,619,498** |
| Others | **626,729,226** | **558,893** | **26,684,543** | **1,154,865** | **37,425,205** | – | **65,823,506** | **2,815,201** | **695,367,933** |
| Due from related parties (Note 27) | **170,629,476** | – | – | – | – | – | – | – | **170,629,476** |
| AFS investments (Note 10) | | | | | | | | | |
| Equity securities | | | | | | | | | |
| Quoted | **2,516,915,182** | – | – | – | – | – | – | **32,316,822** | **2,549,232,004** |
| Unquoted | **480,655,253** | – | – | – | – | – | – | – | **480,655,253** |
| Quoted debt securities | **1,096,992,874** | – | – | – | – | – | – | – | **1,096,992,874** |
| | **₱54,854,570,220** | **₱430,533,574** | **₱286,867,292** | **₱132,009,677** | **₱472,227,398** | **₱240,528,354** | **₱1,562,166,295** | **₱124,449,660** | **₱56,541,186,175** |

| | December 31, 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Neither Past Due nor Individually Impaired | Past Due but not Individually Impaired | | | | | | Individually Impaired | Total |
| | | <30 days | 30-60 days | 61-90 days | 91-120 days | >120 days | Total | | |
| Cash and cash equivalents (Note 4) | ₱27,166,888,452 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱27,166,888,452 |
| Short-term investment | 1,466,463,867 | – | – | – | – | – | – | – | 1,466,463,867 |
| Receivables (Note 5) | | | | | | | | | |
| Trade receivable | 7,521,518,936 | 209,793,262 | 108,323,500 | 3,326,557 | 181,297,997 | 6,474,437 | 509,215,753 | 2,243,635 | 8,032,978,324 |
| Installment contracts receivable | 5,342,394,460 | 96,681,907 | 52,542,331 | 61,146,857 | 27,909,477 | 237,335,220 | 475,615,792 | 1,650,849 | 5,819,661,101 |
| Insurance Receivables | 1,051,504,220 | 92,906,206 | 39,502,507 | 41,582,476 | 359,865,628 | – | 533,856,817 | 37,468,803 | 1,622,829,840 |
| Loans receivable | 719,934,106 | – | – | – | – | – | – | – | 719,934,106 |
| Dividend receivable | 240,000,000 | – | – | – | – | – | – | – | 240,000,000 |
| Accrued rent and commission income | 335,682,637 | – | – | – | – | – | – | – | 335,682,637 |
| Non-trade receivable | 198,940,565 | – | – | – | – | – | – | – | 198,940,565 |
| Others | 413,486,694 | 738,053 | 1,440,010 | 1,269,083 | 13,717,989 | 2,315,201 | 19,480,336 | – | 432,967,030 |
| Due from related parties (Note 27) | 849,398,310 | – | – | – | – | – | – | – | 849,398,310 |
| AFS investments (Note 10) | | | | | | | | | |
| Equity securities | | | | | | | | | |
| Quoted | 1,497,970,179 | – | – | – | – | – | – | – | 1,497,970,179 |
| Unquoted | 480,269,424 | – | – | – | – | – | – | – | 480,269,424 |
| Quoted debt securities | 1,124,248,174 | – | – | – | – | – | – | 8,308,466 | 1,132,556,640 |
| | ₱48,408,700,024 | ₱400,119,428 | ₱201,808,348 | ₱107,324,973 | ₱582,791,091 | ₱246,124,858 | ₱1,538,168,698 | ₱49,671,753 | ₱49,996,540,475 |

*Liquidity risk*
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | < 1 year | > 1 to < 5 years | > 5 years | Total |
| **Financial assets** | | | | |
| Cash and cash equivalents (Note 4) | **₱29,702,403,992** | **₱–** | **₱–** | **₱29,702,403,992** |
| Short-term investments (Note 4) | **1,308,977,823** | **–** | **–** | **1,308,977,823** |
| Receivables (Note 5) | | | | |
| Trade receivable | **7,966,096,507** | **522,609,987** | **–** | **8,488,706,494** |
| Installment contracts receivable | **4,482,961,600** | **3,008,904,575** | **53,577,296** | **7,545,443,471** |
| Insurance receivable | **2,042,080,123** | **–** | **–** | **2,042,080,123** |
| Nontrade receivable | **1,151,619,498** | **–** | **–** | **1,151,619,498** |
| Accrued rent income | **302,047,117** | **–** | **–** | **302,047,117** |
| Dividend receivable | **240,000,000** | **–** | **–** | **240,000,000** |
| Accrued interest receivable | **103,696,004** | **–** | **–** | **103,696,004** |
| Loans receivable | **94,622,500** | **159,202,519** | **446,406,180** | **700,231,199** |
| Accrued commissions | **66,798,918** | **–** | **–** | **66,798,918** |
| Others | **321,222,172** | **52,287,759** | **21,858,002** | **395,367,933** |
| Due from related parties (Note 27) | **170,629,476** | **–** | **–** | **170,629,476** |
| AFS investments (Note 10) | | | | |
| Equity Securities | | | | |
| Quoted | **2,549,232,004** | **–** | **–** | **2,549,232,004** |
| Unquoted | **480,655,253** | **–** | **–** | **480,655,253** |
| Debt | **25,660,458** | **348,921,191** | **722,411,225** | **1,096,992,874** |
| Total undiscounted financial assets | **₱51,008,703,445** | **₱4,091,926,031** | **₱1,244,252,703** | **₱56,344,882,179** |
| **Other financial liabilities** | | | | |
| Accounts and other payables (Note 15) | | | | |
| Trade | **₱6,678,480,896** | **₱–** | **₱174,720,365** | **₱6,853,201,261** |
| Telegraphic transfers and drafts and acceptances payable | **4,321,184,608** | **–** | **–** | **4,321,184,608** |
| Accrued expenses | **3,268,666,729** | **2,859,970** | **–** | **3,271,526,699** |
| Dividends payable | **2,034,256,000** | **–** | **–** | **2,034,256,000** |
| Customer's deposit | **2,549,222,602** | **–** | **–** | **2,549,222,602** |
| Accrued interest | **604,933,456** | **–** | **–** | **604,933,456** |
| Accrued commissions | **486,037,865** | **–** | **–** | **486,037,865** |
| Insurance payable | **433,111,602** | **–** | **–** | **433,111,602** |
| Customer advances | **293,691,646** | **–** | **–** | **293,691,646** |
| Royalty payable | **289,718,824** | **–** | **–** | **289,718,824** |
| Retentions payable | **100,150,602** | **504,750,145** | **–** | **604,900,747** |
| Others | **923,400,420** | **–** | **–** | **923,400,420** |
| Loans payable (Note 17) | **7,928,909,953** | **32,981,475,173** | **16,993,066,030** | **57,903,451,156** |
| Bonds payable (Note 17) | **1,125,505,600** | **12,217,227,750** | **16,731,031,933** | **30,073,765,283** |
| Due to related parties (Note 27) | **176,045,423** | **–** | **–** | **176,045,423** |
| Liabilities on purchased properties | **783,028,773** | **1,981,589,087** | **747,241,237** | **3,511,859,097** |
| Total undiscounted financial liabilities | **₱31,996,344,999** | **₱47,687,902,125** | **₱34,646,059,565** | **₱114,330,306,689** |
| **Liquidity Gap** | **₱19,012,358,446** | **(₱43,595,976,094)** | **(₱33,401,806,862)** | **(₱57,985,424,510)** |

**Excludes cash on hand amounting to ₱32,312,324*

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | < 1 year | > 1 to < 5 years | > 5 years | Total |
| Financial assets | | | | |
| Cash and cash equivalents (Note 4) | ₱28,416,018,465 | ₱– | ₱– | ₱28,416,018,465 |
| Short-term investments (Note 4) | 2,016,387,817 | – | – | 2,016,387,817 |
| Receivables (Note 5) | | | | |
| Trade receivable | 8,032,978,324 | – | – | 8,032,978,324 |
| Installment contracts receivable | 2,771,155,157 | 3,859,481,354 | 52,862,327 | 6,683,498,838 |
| Insurance receivables | 1,622,829,840 | – | – | 1,622,829,840 |
| Loans receivable | 30,091,649 | 156,598,649 | 804,630,064 | 991,320,362 |
| Dividends receivable | 240,000,000 | – | – | 240,000,000 |
| Accrued commission income | 335,682,637 | – | – | 335,682,637 |
| Nontrade receivables | 198,940,565 | – | – | 198,940,565 |
| Others | 432,967,030 | – | – | 432,967,030 |
| Due from related parties (Note 27) | 849,398,310 | – | – | 849,398,310 |
| AFS investments (Note 10) | | | | |
| Equity Securities | | | | |
| Quoted | – | – | 1,497,970,179 | 1,497,970,179 |
| Unquoted | – | – | 480,269,424 | 480,269,424 |
| Debt | 31,074,450 | 285,979,794 | 836,013,777 | 1,153,068,021 |
| Total undiscounted financial assets | ₱44,977,524,244 | ₱4,302,059,797 | ₱3,671,745,771 | ₱52,951,329,812 |
| Other financial liabilities | | | | |
| Accounts and other payables (Note 15) | | | | |
| Trade | ₱8,014,607,566 | ₱– | ₱– | ₱8,014,607,566 |
| Telegraphic transfers and drafts and acceptance payable | 4,493,193,586 | – | – | 4,493,193,586 |
| Accrued expenses | 3,011,227,283 | – | – | 3,011,227,283 |
| Deferred output tax | 2,454,049,984 | – | – | 2,454,049,984 |
| Accrued interest | 389,752,174 | – | – | 389,752,174 |
| Accrued commissions | 367,772,684 | – | – | 367,772,684 |
| Insurance payable | 296,242,243 | – | – | 296,242,243 |
| Customer advances | 293,691,646 | – | – | 293,691,646 |
| Royalty payable | 289,718,824 | – | – | 289,718,824 |
| Retentions payable | 500,417,643 | – | – | 500,417,643 |
| Others | 1,046,599,001 | – | – | 1,046,599,001 |
| Loans payable (Note 17) | 1,092,492,332 | 36,613,052,569 | 17,335,750,224 | 55,041,295,125 |
| Bonds payable (Note 17) | 489,175,200 | 1,956,700,800 | 11,268,212,840 | 13,714,088,840 |
| Due to related parties (Note 27) | 188,385,414 | – | – | 188,385,414 |
| Liabilities on purchased properties | – | 1,486,916,469 | 3,873,645,362 | 5,360,561,831 |
| Total undiscounted financial liabilities | ₱22,927,325,580 | ₱40,056,669,838 | ₱32,477,608,426 | ₱95,461,603,844 |
| Liquidity Gap | ₱22,050,198,664 | (₱35,754,610,041) | (₱28,805,862,655) | (₱42,510,274,032) |

**Excludes cash on hand amounting to ₱5,742,556*

*Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US$0.25 million and JP¥11.72 million as of December 31, 2014 and US$8.55 million and JP¥3.24 million as of December 31, 2013. Short-term investments denominated in foreign currency amounted to US$27.98 million and JP¥90.0 million as of December 31, 2014 and US$27.31 million and JP¥76.00 million as of December 31, 2013.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱44.72 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.37 to JP¥1.00 as at December 31, 2014 and ₱44.40 to US$1.00 and ₱41.05 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.42 to JP¥1.00 as at December 31, 2013.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2014 and 2013. There is no other impact on the Group's equity other than those already affecting the statements of comprehensive income.

| | | Increase (Decrease) in Income Before Tax | | |
|---|---|---|---|---|
| **Reasonably Possible Change** | | **2014** | 2013 | 2012 |
| **US$** | **₱1.00** | **₱19,757,813** | (₱2,510,102,063) | ₱6,236,619 |
| | **(1.00)** | **(19,757,813)** | 2,510,102,063 | (6,236,619) |
| **JP¥** | **7.2%** | **1,903,306** | 1,692,262 | – |
| | **(7.2%)** | **(1,903,306)** | (1,692,262) | – |

*Interest rate risk*
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

| | Increase (decrease) in income before tax | | |
|---|---|---|---|
| Reasonably Possible Changes in Interest Rates | **2014** | 2013 | 2012 |
| 100 basis points (bps) | **(₱174,841,512)** | (₱155,702,489) | (₱174,197,246) |
| 100 bps | **174,841,512** | 155,702,489 | 174,197,246 |

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

*Equity price risk*
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

| | Percentage change in PSEi | Increase (decrease) in total comprehensive income |
|---|---|---|
| **2014** | **Increase by 23.31%** | **₱55,482,569** |
| | **Decrease by 23.31%** | **(55,482,569)** |
| 2013 | Increase by 23.31% | 79,769,658 |
| | Decrease by 23.31% | (79,769,658) |

## 34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2014 and 2013 were computed as follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Net income attributable to Parent Company | **₱9,152,612,962** | ₱8,640,186,114 | ₱6,589,727,953 |
| Weighted average number of shares | **174,300,000** | 173,853,425 | 148,081,967 |
| | **₱52.51** | ₱49.70 | ₱44.50 |

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

## 35. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Power is engaged mainly in the generation and distribution of electricity; and
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;

Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Segment Assets
Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group (amounts in thousands) as of and for the years ended December 31, 2014 and 2013:

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Real Estate | Financial Institution | Automotive Operations | Power* | Others | Total |
| Revenue | **₱6,423,592** | **₱1,751,356** | **₱108,816,378** | **₱18,973,393** | **₱–** | **₱135,964,719** |
| Other income | **1,420,376** | **190,471** | **428,952** | **139,948** | **(3,231)** | **2,176,516** |
| Equity in net income of associates and jointly controlled entities | **357,895** | **2,988,262** | **74,403** | **(63)** | **–** | **3,420,497** |
| | **8,201,863** | **4,930,089** | **109,319,733** | **19,113,278** | **(3,231)** | **141,561,732** |
| Cost of goods and services sold | **539,929** | **–** | **70,056,858** | **–** | **–** | **70,596,787** |
| Cost of goods manufactured | **–** | **–** | **24,213,432** | **–** | **–** | **24,213,432** |
| Cost of rental | **270,092** | **–** | **–** | **–** | **–** | **270,092** |
| Cost of real estate sales | **4,333,872** | **–** | **–** | **–** | **–** | **4,333,872** |
| Power plant operation and maintenance | **–** | **–** | **–** | **8,571,517** | **–** | **8,571,517** |
| Net insurance benefits | **–** | **784,239** | **–** | **–** | **–** | **784,239** |
| General and administrative expenses | **1,833,798** | **1,110,074** | **5,020,964** | **5,103,405** | **182,732** | **13,250,973** |
| | **6,977,691** | **1,894,313** | **99,291,254** | **13,674,922** | **182,732** | **122,020,912** |
| Earnings before interest and taxes | **1,224,172** | **3,035,776** | **10,028,479** | **5,438,356** | **(185,963)** | **19,540,820** |
| Depreciation and amortization | **246,034** | **39,812** | **587,956** | **2,324,167** | **5,107** | **3,203,076** |
| EBITDA | **1,470,206** | **3,075,588** | **10,616,435** | **7,762,523** | **(180,856)** | **22,743,896** |
| Interest income | **1,170,292** | **75,450** | **192,041** | **105,164** | **18,610** | **1,561,557** |
| Interest expense | **(472,185)** | **367** | **(120,690)** | **(1,848,305)** | **(799,825)** | **(3,203,076)** |
| Depreciation and amortization | **(246,034)** | **(39,812)** | **(587,956)** | **(2,324,166)** | **(5,107)** | **(2,642,934)** |
| Pretax income | **1,922,279** | **3,111,593** | **10,099,830** | **3,695,216** | **(967,178)** | **17,861,739** |
| Provision for income tax | **(426,332)** | **597,516** | **(2,766,770)** | **(111,289)** | **(3,722)** | **(2,710,597)** |
| Net income | **₱1,495,947** | **₱3,709,109** | **₱7,333,060** | **₱3,583,927** | **(₱970,900)** | **15,151,142** |
| Segment assets | **₱51,855,156** | **₱50,441,921** | **₱52,922,850** | **₱20,310,272** | **₱42,732,927** | **₱218,263,126** |
| Segment liabilities | **₱21,947,418** | **₱7,019,071** | **₱24,966,013** | **₱40,310,443** | **₱18,078,276** | **₱112,321,221** |

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱154.53 million*

| | December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Real Estate | Financial Institution | Automotive Operations | Power* | Others | Total |
| Revenue | ₱5,359,112 | ₱504,585 | ₱74,358,719 | ₱16,944,069 | ₱– | ₱97,166,485 |
| Other income | 1,042,486 | 43,263 | 109,054 | 100,182 | 2,069,099 | 3,364,084 |
| Equity in net income of associates and jointly controlled entities | 410,249 | 3,058,216 | 119,345 | – | – | 3,587,810 |
| | 6,811,847 | 3,606,064 | 74,587,118 | 17,044,251 | 2,069,099 | 104,118,379 |
| Cost of goods and services sold | 619,600 | – | 44,849,860 | – | – | 45,469,460 |
| Cost of goods manufactured | – | – | 19,986,100 | – | – | 19,986,100 |
| Cost of real estate sales | 3,666,932 | – | – | – | – | 3,666,932 |
| Power plant operation and maintenance | – | – | – | 8,945,436 | – | 8,945,436 |
| Net insurance benefits | – | 289,525 | – | – | – | 289,525 |
| General and administrative expenses | 1,732,919 | 235,939 | 4,282,206 | 2,842,079 | 300,568 | 9,393,711 |
| | 6,019,451 | 525,464 | 69,118,166 | 11,787,515 | 300,568 | 87,751,164 |
| Earnings before interest and taxes | 792,396 | 3,080,600 | 5,468,952 | 5,256,736 | 1,768,531 | 16,367,215 |
| Depreciation and amortization | 164,248 | 5,785 | 190,432 | 2,492,320 | 4,489 | 2,857,274 |
| EBITDA | 956,644 | 3,086,385 | 5,659,384 | 7,749,056 | 1,773,020 | 19,224,489 |
| Interest income | 1,043,592 | 16,252 | 177,061 | 133,561 | 58,563 | 1,429,029 |
| Interest expense | (620,928) | (420) | (87,282) | (2,153,906) | (599,787) | (3,462,323) |
| Depreciation and amortization | (164,248) | (5,785) | (190,432) | (2,492,320) | (4,489) | (2,857,274) |
| Pretax income | 1,215,060 | 3,096,432 | 5,558,731 | 3,236,391 | 1,227,307 | 14,333,921 |
| Provision for income tax | 203,969 | 3,640 | 1,506,595 | 77,353 | 11,713 | 1,803,270 |
| Net income | ₱1,011,091 | ₱3,092,792 | ₱4,052,136 | ₱3,159,038 | ₱1,215,594 | ₱12,530,651 |
| Segment assets | ₱27,310,535 | ₱8,239,989 | ₱29,179,086 | ₱50,586,094 | ₱77,044,142 | ₱192,359,846 |
| Segment liabilities | ₱24,655,375 | ₱7,897,017 | ₱17,957,456 | ₱38,519,309 | ₱10,766,934 | ₱99,796,091 |

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱196.97 million*

Geographical Information
The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

| | 2014 | 2013 |
|---|---|---|
| Domestic | **₱131,358,969,893** | ₱95,585,094,803 |
| Foreign | **11,764,318,345** | 10,106,201,620 |
| | **₱143,123,288,238** | ₱105,691,296,423 |

In 2012, all of the Group's consolidated revenues to external customers are derived from the domestic market.

## 36. Contingencies

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

In order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱1.36 billion and ₱901.82 million as of December 31, 2014 and 2013, respectively.

## 37. Events after the Reporting Date

*Investment in Fed Land Preferred Shares–Series B*
On January 20, 2015 and February 16, 2015, the Parent Company disbursed funds totaling ₱3.50 billion and ₱2.50 billion, respectively representing its deposit for future stock subscription of Fed Land's Preferred Shares–Series B.

*Amendment of Articles of Incorporation to Create Voting Preferred Shares of Stock*
On January 9, 2015, the stockholders of the Parent Company by the affirmative vote of over two-thirds (2/3) of the outstanding capital stock of the Parent Company, approved the amendment of Article Seventh of the Parent Company's Articles of Incorporation by creating of a new class of shares – voting preferred shares, taken out of the Parent Company's existing and unissued portion of the Authorized Capital Stock. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on February 18, 2015.

*Voting Preferred Shares Stock Rights Offering*
On March 13, 2015, the BOD of the Parent Company approved the issuance of 174,300,000 Voting Preferred Shares with a par value of Ten Centavos (₱0.10) per share through a 1:1 Stock Rights Offering, to all stockholders of record as of March 25, 2015, to be offered from April 1 to 8, 2015 and will be issued on April 13, 2015.

*Amendment of Articles of Incorporation to Create Perpetual Preferred Shares of Stock*
On March 13, 2015, the BOD of the Parent Company approved the amendment of Article SEVENTH of its Amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the Corporation of Five Billion Pesos (₱5,000,000,000.00) in lawful money of the Philippines, will be divided into Two Hundred Ninety Eight Million, Two Hundred Fifty Seven Thousand (298,257,000) Common Shares with a par value of Ten Pesos (₱10.00) per share, Twenty Million (20,000,000) Perpetual Preferred Shares with a par value of One Hundred Pesos (₱100.00) per share and One Hundred Seventy Four Million Three Hundred Thousand (174,300,000) Voting Preferred Shares with a par value of Ten Centavos (₱0.10) per share.

The Perpetual Preferred Shares shall have the following features, rights and privileges:

a. The Issue Value and Dividend Rate shall be determined by the BOD at the time of the issuance thereof;

b. The Perpetual Preferred Shares shall be entitled to the payment of current as well as any accrued or unpaid dividends before any dividends can be paid to the holders of Common Shares. No dividend shall be declared or paid on the Common Shares unless the full accumulated dividends on all the Perpetual Preferred Shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Corporation;

c. The holders of Perpetual Preferred Shares shall have preference over holders of Common Shares in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary;

d. The Perpetual Preferred Shares shall not be entitled to vote, except in those cases specifically provided by law;

e. The Perpetual Preferred Shares shall be non-participating in any other further dividends beyond that specifically payable thereon;

f. The Perpetual Preferred Shares shall be non-convertible to common shares or Voting Preferred Shares;

g. The Perpetual Preferred Shares shall be redeemable at the option of the Corporation under such terms that the Board may approve at the time of the issuance thereof;

h. The Perpetual Preferred Shares shall have no pre-emptive rights to any issue of shares, common or preferred; and

i. Other features, rights and privileges as determined by the BOD.

*Declaration of cash dividends*
On March 13, 2015, the BOD of the Parent Company approved the declaration of cash dividends of ₱3.00 per share to all stockholders of record as of April 17, 2015 which shall be payable on May 4, 2015.

## 38. Approval for the Release of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the Company's BOD on March 13, 2015.

## 39. **Notes to Cash Flows Statements**

Below are the noncash operating, investing and financing transactions of the Company:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Transfers from investment property to inventories (Note 6) | **(₱182,101,483)** | ₱1,765,346,107 | ₱368,314,414 |
| Transfers from property and equipment to inventories (Note 6) | **–** | – | 855,240 |
| Borrowing cost capitalized to inventories (Note 6) | **709,649,989** | 299,265,598 | 332,926,798 |
| Conversion of deposit for future stock subscription (Note 8) | **–** | – | 3,397,120,759 |
| Indirect interest included in the consideration for the business combination: | | | |
| Fair value of previously held interest (Note 31) | **–** | 8,168,271,296 | 690,643,951 |
| Additional indirect interest (Note 8) | – | – | 1,375,910,045 |
| Fair value of net assets acquired from business combinations (Note 31): | | | |
| Assets | | | |
| Receivables | **489,139,851** | 4,000,790,312 | 3,935,964,042 |
| Inventories | **116,777,335** | 5,256,937,104 | 895,882,766 |
| Reinsurance assets | – | 3,701,512,371 | – |
| Prepayments and other current assets | **101,508,995** | 903,919,323 | 1,212,354,008 |
| Due from related parties | – | – | 427,605,411 |
| Available-for-sale investments | **711,019** | 2,643,193,467 | – |
| Investment properties | **301,367,000** | 2,251,349,832 | – |
| Property, plant and equipment | **201,227,584** | 3,364,099,310 | 33,492,302,035 |
| Investments in associates and jointly controlled entities | **–** | – | 3,077,687,617 |
| Intangible assets | | 10,034,348,535 | 8,995,160,191 |
| Deferred tax assets | | 421,764,219 | – |
| Other non-current assets | **837,272** | 356,077,960 | – |
| Liabilities | | | |
| Accounts payable and accrued expenses | **254,455,022** | 11,865,580,908 | 3,103,143,854 |
| Loans payable | **497,000,000** | – | – |
| Other current liabilities | **–** | 207,969,569 | – |
| Long-term debt | **–** | 229,481,790 | 34,260,023,586 |
| Other noncurrent liabilities | **93,357,542** | (29,707,977) | 854,225,652 |
| Deferred tax liability - from fair value change | **71,367,274** | 2,270,619,482 | 593,256,587 |

**ISSUER**

**GT Capital Holdings, Inc.**
43rd Floor, GT Tower International
6813 Ayala Ave. cor. H.V. dela Costa St.,
Makati City

**ISSUE MANAGER AND JOINT LEAD UNDERWRITER**

**First Metro Investment Corporation**
45th Floor, GT Tower International
6813 Ayala Ave. cor. H.V. dela Costa St.,
Makati City

**JOINT LEAD UNDERWRITERS**

**BDO Capital & Investment Corporation**
20th South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City

**BPI Capital Corporation**
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**LEGAL COUNSEL TO THE ISSUER**

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**LEGAL COUNSEL TO THE JOINT LEAD UNDERWRITERS**

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