GT CAPITAL HOLDINGS, INC.

Php10,000,000,000.00
with an oversubscription option
of up to Php 2,000,000,000.00

4.7106% Bonds Due 2019
5.1965% Bonds Due 2021
5.6250% Bonds Due 2024
Offer Price: 100% of Face Value

Issue Manager and Bookrunner

Joint Lead Underwriters
First Metro Investment Corporation
BDO Capital and Investment Corporation
BPI Capital Corporation
China Banking Corporation

Participating Underwriters
Maybank ATR Kim Eng Capital Partners, Inc.
PNB Capital and Investment Corporation
United Coconut Planters Bank

The date of this Prospectus is July 23, 2014

THE 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 SECURITIES AND EXCHANGE COMMISSION.

GT CAPITAL HOLDINGS, INC.

43/F GT TOWER INTERNATIONAL
6813 AYALA AVE. CORNER H.V. DELA COSTA ST.
1227 MAKATI CITY, PHILIPPINES
TELEPHONE NUMBER: (632) 836-4500
FAX NUMBER: (632) 836-4159

GT Capital Holdings, Inc. ("GT Capital" the "Issuer" or the "Company") is offering fixed rate bonds (the "Bonds") with an aggregate principal amount of Php10,000,000,000.00, with an oversubscription option of up to Php2,000,000,000.00. The Bonds shall be issued simultaneously in three (3) series on Issue Date: (a) the Series A Bonds shall have a term ending five (5) years and three (3) months from Issued Date , or on November 7, 2019 with a fixed interest rate of 4.7106% per annum, (b) the Series B Bonds shall have a term ending seven (7) years from the Issue Date, or on August 7, 2021, with a fixed interest rate of 5.1965% per annum and an optional redemption on every anniversary date, or the immediately succeeding Banking Day if such date is not a Banking Day, starting on the third (3rd) month of the fifth (5th) anniversary from Issue Date; and c) the Series C Bonds shall have a term ending ten (10) years from the Issue Date, or on August 7, 2024, with a fixed interest rate of 5.6250% per annum and an optional redemption on every anniversary date, or the immediately succeeding Banking Day if such date is not a Banking Day, starting on the seventh (7th) anniversary from Issue Date. Interest on the Bonds shall be payable quarterly in arrears on August 7, November 7, February 7 and May 7 of each year while the Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the Bonds are outstanding (see "Description of the Bonds" – "Interest").

The Bonds shall be repaid at maturity at par (or 100% of face value) on the relevant Maturity Date, unless the Company exercises its early redemption option according to the conditions therefore (see "Description of the Bonds" – "Redemption and Purchase").

Upon issuance, the Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of GT Capital and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of GT Capital, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of GT Capital's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines (see "Description of the Bonds" – "Ranking").

The Bonds have been rated PRS Aaa by Philippine Rating Services Corporation ("PhilRatings"). A rating of PRS Aaa is assigned to long-term debt securities of the highest quality with minimal credit risk. A rating of PRS Aaa is the highest credit rating on PhilRatings' long-term credit rating scale. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Bonds are offered to the public at face value through the Issue Manager and the, Underwriters named below with the Philippine Depository & Trust Corp. ("PDTC") as the Registrar of the Bonds. The Bonds shall be issued in minimum denominations of Php50,000 each, and in integral multiples of Php10,000 thereafter. The Bonds shall be traded in denominations of Php10,000 in the secondary market.

GT Capital intends to cause the listing of the Bonds on a securities exchange licensed with the SEC and has initiated discussions with the Philippine Dealing & Exchange Corporation ("PDEx") for this purpose. However, there can be no assurance that such a listing will actually be achieved either before or after the Issue Date or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

GT Capital expects to raise gross proceeds of Php12,000,000,000 from the offering assuming that the oversubscription option is exercised in its full amount. The net proceeds, assuming the oversubscription option is exercised in full, are estimated to be approximately Php11,874,433,778 after deducting fees, commissions and expenses relating to the issuance of the Bonds. Proceeds of the Offer shall be used for general corporate requirements, which are discussed further in the section entitled "Use of Proceeds" of this Prospectus. The Underwriters shall receive a fee of up to 0.30% on the final aggregate nominal principal amount of the Bonds issued, which is inclusive of underwriting fees and fee ceding to the Participating Underwriter.

On May 22, 2014, GT Capital filed a Registration Statement with the Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of debt securities with an aggregate principal amount of Php12,000,000,000 constituting the Offer. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the offer.

GT Capital confirms that this Prospectus contains all material information relating to the Company, its affiliates and subsidiaries, as well as all material information on the issue and offering of and the Bonds as may be required by the applicable laws of the Republic of the Philippines. No facts have been omitted that would make any statement in this Prospectus misleading in any material respect. GT Capital confirms that it has made all reasonable inquiries with respect to any information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. GT Capital, however, has not independently verified any or all such publicly available information, data or analysis. The Issue Manager and the Underwriters assume no liability for any information supplied herein by GT Capital. Accordingly, GT Capital accepts responsibility.

The prices of securities can and do fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the Bonds described in this Prospectus involves a certain degree of risk.

In deciding whether to invest in the Bonds, a prospective purchaser of the Bonds ("Prospective Bondholder") should, therefore, carefully consider all the information contained in this Prospectus, including but not limited to, several factors inherent to the Company, which includes significant competition, exposure to risks relating to the performance of the economies of other countries, and other risks relating to customer default (detailed in "Risk Factors and Other Considerations" section of this Prospectus), and those risks relevant to the Philippines vis-à-vis risks inherent to the Bonds.

No representation or warranty, express or implied, is made by the Issue Manager and the Underwriters as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to the Offering shall, under any circumstances, constitute a representation or create any implication that the information contained or referred to in this Prospectus is accurate, complete or correct as of any time subsequent to the date hereof or that there has been no change in the affairs of GT Capital since the date of this Prospectus.

The contents of this Prospectus are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of this Prospectus acknowledges that he has not relied on the Issue Manager and the Underwriters or any person affiliated with the Issue Manager and the Underwriters, in his investigation of the accuracy of any information found in this Prospectus or in his investment decision. Prospective Bondholders should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds, among others. It bears emphasis that investing in the Bonds involves certain risks. It is best to refer again to the section on "Risk Factors and Other Considerations" for a discussion of certain considerations with respect to an investment in the Bonds.

No person nor group of persons has been authorized by GT Capital, the Issue Manager and the Underwriters to give any information or to make any representation concerning GT Capital or the Bonds other than as contained in this Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorized by GT Capital or the Issue Manager or the Underwriters.

GT Capital is organized under the laws of the Philippines. Its principal office is at the 43/F GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa St. 1227 Makati City, Philippines with telephone number (632) 836-4500.

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

GT CAPITAL HOLDINGS, INC.
By:

CARMELO MARIA L. BAUTISTA
President

SUBSCRIBED AND SWORN to before me this JUL 2 3 2014 day of ________ 2014, affiant exhibiting to me his Passport No. EC0813466 issued on 14 April 2014 at Manila.

Doc. No. 313;
Page No. 63;
Book No. 5;
Series of 2014.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2014
ROLL NO. 41369 / APPOINTMENT NO. M-270
IBP NO. 913785 / PTR. NO. 3874214
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

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FORWARD-LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by use of statements that include words or phrases such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “foresees,” or other words or phrases of similar import. Similarly, statements that describe GT Capital’s objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations of GT Capital 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.

For further discussion of such risks, uncertainties and assumptions, see “*Risk Factors and Other Considerations*”. Prospective purchasers of the Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. 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 and the Underwriters do not take any responsibility for, or give any representation, warranty or undertaking in relation to, any such forward-looking statement.

DEFINITION OF TERMS

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

DEFINITION OF TERMS RELATED TO THE OFFER

Application to Purchase	The document to be executed by any Person or entity qualified to become a Bondholder.
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.
Beneficial Owner	Any person (and "Beneficial Ownership" shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that a person shall be deemed to have an indirect beneficial ownership interest in any security which is held by: i. members of his immediate family sharing the same household; ii. a partnership in which he is a general partner; iii. a corporation of which he is a controlling shareholder; or iv. subject to any contract, arrangement or understanding, which gives him voting power or investment power with respect to such securities; provided, however, that the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer: a. A broker dealer; b. An investment house registered under the Investment Houses Law; c. A bank authorized to operate as such by the Bangko Sentral ng Pilipinas; d. An insurance company subject to the supervision of the Office of the Insurance Commission; e. An investment company registered under the Investment Company Act; f. A pension plan subject to regulation and supervision by the Bureau of Internal Revenue and/or the Securities and

	Exchange Commission or relevant authority; and g. A group in which all of the members are persons specified above.
BIR	The Bureau of Internal Revenue.
Bonds	The SEC-registered fixed-rate Peso-denominated retail bonds in the amount of Php10,000,000,000, of which shall be issued by GT Capital on July, 2014 and mature five (5) years and three (3) months from Issue date or on November 7, 2019 for the Five-Year Three-Month Bonds, seven (7) years from the Issue date or on August 7, 2021 for the Series B Bonds and Ten (10) years from the Issue date or on August 7, 2024 for the Series C Bonds.
Bond Agreements	Shall mean the Trust Agreement between the Issuer and the Trustee, and the Registry and Paying Agency Agreement between the Issuer, the Registrar and the Paying Agent and the Underwriting Agreement between the Issuer and, Issue Manager and the Underwriters.
Bondholder	A Person whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.
BSP	Bangko Sentral ng Pilipinas
Debt-to-Equity Ratio	Means the ratio of Consolidated Total Liabilities over Consolidated Stockholders' Equity of the Issuer
Government	The Government of the Republic of the Philippines
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Interest Payment Date	For the Series A Bonds, November 7 for the first Interest Payment Date and February 7, May7 and August 7 for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment if such Interest Payment Date is not a Business Day, for the Series B Bonds, November 7 for the first Interest Payment Date and February 7, May7 and August 7 of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment if such Interest Payment Date is not a Business Day, and, for the Series C Bonds, November 7 for the first Interest Payment Date and February 7, May7 and August 7 of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the Maturity Date of the Bonds, which is five (5) years and three (3) months from Issue Date or on November 7, 2019 for the Series A Bonds, seven (7) years from Issue Date or on August 7, 2021 for the Series B Bonds and

	which is ten (10) years from Issue Date or on August 7, 2024 for the Series C Bonds .
Issue Date	August 7, 2014 or such date on which the Bonds shall be issued by GT Capital to the Bondholders
Issue Manager	First Metro Investment Corporation
Joint Lead Underwriters	The Issue Manager, BDO Capital and Investment Corporation, BPI Capital Corporation and China Banking Corporation, the entities appointed as the Joint Lead Underwriters for the Bonds pursuant to the Underwriting Agreement dated July 23, 2014.
Lien	Any mortgage, pledge, lien, encumbrance or similar security interest constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligations.
Majority Bondholders	At any time, the Bondholder or Bondholders who hold, represent or account for more than 50% of the aggregate outstanding principal amount of the Bonds.
Material Adverse Effect	Means a material adverse effect on (a) the ability of GT Capital to perform or comply with its material obligations, or to exercise any of its material rights, under the Bond Agreements in a timely manner; (b) the business, operations, prospects or financial condition of GT Capital; or (c) the rights or interests of the Bondholders under the Bond Agreements or any security interest granted pursuant thereto.
Master Certificate of Indebtedness	The certificate to be issued by GT Capital to the Trustee evidencing and covering such amount corresponding to the Bonds.
Maturity Date	November 7, 2019 or five (5) years and three (3) months from the Issue Date for the Series A Bonds, August 7, 2021 or seven (7) years after the Issue Date for the Series B Bonds and August 7, 2024 or ten (10) years after the Issue Date for the Series C Bonds; provided that, in the event that any of the Maturity Dates falls on a day that is not a Business Day, the Maturity Date shall be automatically extended to the immediately succeeding Business Day.
Offer	The issuance of Bonds by GT Capital under the conditions as herein contained.
Offer Period	The period, commencing on July 25, 2014 and ending on July 31, 2014 or such other date as may be mutually agreed between the Issuer and the Issue Manager, during which the Bonds shall be offered to the public.
Participating Underwriters	Maybank ATR Kim Eng Capital Partners, Inc., PNB Capital and Investment Corporation and United Coconut Planters Bank, the entities appointed as the Participating Underwriters for the Bonds pursuant to the Underwriting Agreement dated July 23, 2014.

PAS	Philippine Accounting Standards
Paying Agent	Philippine Depository & Trust Corporation, the party which shall receive the funds from GT Capital for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders.
PCD Nominee	PCD Nominee Corporation, a corporation wholly owned by the PDTC
PDEx	Philippine Dealing & Exchange Corp.
PDTC	Philippine Depository & Trust Corporation, (formerly, the Philippine Central Depository, Inc.), which provides an infrastructure post trade securities services through the operations of the central depository; and likewise provides registry services in relation to which it maintains the electronic official registry or records of title to the Bonds, in accordance with the PDTC Rules, and its successor-in-interest.
PDTC Rules	The SEC-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented, or modified from time to time.
Pesos, Php and Philippine currency	The legal currency of the Republic of the Philippines.
Philratings	Philippine Rating Services Corporation
PFRS	Philippine Financial Reporting Standards
PSE	the Philippine Stock Exchange
Register of Bondholders	The electronic record of the issuances, sales and transfers of the Bonds to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement.
Registrar	The Philippine Depository & Trust Corporation, being the registrar appointed by GT Capital to maintain the Register of Bondholders pursuant to the Registry and Paying Agency Agreement.
SEC	The Philippine Securities and Exchange Commission.
SEC Permit	The Permit to Sell Securities issued by the SEC in connection with the Offer.
Security	Means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security or preferential arrangement on or with respect to any asset or revenue of such Person
Series A Bonds	The Bonds maturing on November 7, 2019

Series B Bonds	The Bonds maturing on August 7, 2021
Series C Bonds	The Bonds maturing on August 7, 2024
Tax Code	The Philippine National Internal Revenue Code of 1997, as amended.
Taxes	Any present or future taxes, including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, taxes on the overall income of the Underwriter or of the Bondholders, value-added tax, and taxes on any gains realized from the sale of the Bonds.
Trustee	Development Bank of the Philippines – Trust Services Group, the entity appointed by GT Capital which shall act as the legal title holder of the Bonds and shall monitor compliance and observance of all covenants of and performance by GT Capital of its obligations under the Bonds and enforce all possible remedies pursuant to such mandate.
$ or US$	United States Dollars, being the currency of the United States of America.
Underwriters	The entities appointed as the Underwriters pursuant to the Underwriting Agreement
VAT	Value-added tax.

DEFINITION OF TERMS RELATED TO THE BUSINESSES

AVID	Association of Vehicle Importers and Distributors
AXA	Philippine AXA Life Insurance Corporation
AXA APH	AXA Asia Pacific Holdings Limited, a subsidiary of the AXA Group
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
BPO	Business process outsourcing
CAMPI	Chamber of Automotive Manufacturers of the Philippines, Inc.

CAR	Capital adequacy ratio
CEDC	Cebu Energy Development Corporation
CEDC Contract of Services	The operation and maintenance agreement between FHIC and CEDC dated January 26, 2011
CFB	Circulating fluidized bed boiler technology
CIR	Cathay International Resources Corporation
CKD	Completely knocked down
Coal Orbis	Coal Orbis AG
COC	Certificate of Compliance, which is the permit issued by the ERC that allows a generation facility to generate electricity
Code	Philippine Insurance Code
CPAIC	Charter Ping An Insurance Corporation
CTS	Contracts-to-sell
DAR	Philippine Department of Agrarian Reform
DENR	Philippine Department of Environment and Natural Resources
DMTM	A multi-channel distribution network comprised of agents, bancassurance, corporate solutions and direct marketing/telemarketing
DOE	Philippine Department of Energy
DOSRI	Directors, officers, stockholders and related interests
DST	The Philippine documentary stamp tax
EPC	Engineering, procurement and construction
EPIRA	Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, as amended from time to time, and including the rules and regulations issued thereunder
EPPAs	Electric power purchase agreements
ERC	Philippine Energy Regulatory Commission

FAMI	First Metro Asset Management, Inc.
Fed Land	Federal Land, Inc.
FHIC	Formosa Heavy Industries Corporation
FLOC	Federal Land Orix Corporation
FMIC	First Metro Investment Corporation
FMIIC	First Metro International Investment Company Limited
FMSBC	First Metro Securities Brokerage Corporation
Foundation	Metrobank Foundation, Inc.
GBH	Global Business Holdings, Inc.
GBP	Global Business Power Corporation
GCLDC	GBH Generation Cebu Limited Duration Company
Generation Subsidiaries	CEDC, PEDC, TPC, PPC and GPRI
GOF	First Metro Global Opportunity Fund, Inc.
Governance Manual	The Manual on Corporate Governance of the Company
GPIoS	Green Philippine Islands of Sustainability
GPRI	GBH Power Resources, Inc.
Grid Code	The Philippine Grid Code
GT-TACC	GT-Toyota Asian Cultural Center
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
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
kW	Kilowatt, or one thousand watts
kWh	Kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
LC	Letters of credit
Lexus Distributor Agreement	The Lexus brand distributor agreement among TMP, TMC and TMAP renewed on December 3, 2009
LGU	Local government unit
Maceda Law	Republic Act No. 6552, a Philippine statute known as the "Realty Installment Buyer Act" as amended from time to time
Management Committee	The Management Committee of MBT
MBCL	Metropolitan Bank (China) Ltd.
MBT	Metropolitan Bank & Trust Company
MBT Group	MBT along with its subsidiaries and associates
MCC	Metrobank Card Corporation
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.
MOA	Memorandum of agreement
MRCI	Metro Remittance Center, Inc.
Named executive officers	The three most highly compensated executive officers of the Company

NEA	National Electrification Administration
NGCP	National Grid Corporation of the Philippines
NLI	Northpine Land Inc.
Non-NPC	Plants owned and operated by IPPs that supply electricity to customers other than NPC
NPAC	Non-Performing Assets Committee
NPAs	Non-performing assets
NPC	National Power Corporation
NPLs	Non-performing loans
NREB	National Renewable Energy Board
OEM	Original equipment manufacturer, a category of parts under the Toyota Distributer Agreement
OFWs	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
Orix Risingsun	ORIX Risingsun Properties, Inc.
Orix Risingsun II	ORIX Risingsun Properties II, Inc.
PCIC	PBC Capital Investment Corporation
PEDC	Panay Energy Development Corporation
PEDC Contract of Services	The operation and maintenance agreement between FHIC and PEDC dated January 26, 2011
PhilCharter	Philippine Charter Insurance Corporation

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
PPSRP	Philippine Peñablanca Sustainable Reforestation Project
PRC	The People's Republic of China
PSALM	Power Sector Assets and Liabilities Management Corporation
PSBank	Philippine Savings Bank
PSCES	Pulong Sta. Cruz Elementary School
PT Adaro	PT Adaro Indonesia
PT Sion	PT Sion Anugrah Mandiri
QAR	Quality Assurance Review
RBC	Risk-based capital
RCIT	Regular corporate income tax
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
RSK	The Risk Management Group of MBT
SALFIF	First Metro Save & Learn Fixed Income Fund, Inc.
SALMMF	First Metro Save & Learn Money Market Fund, Inc.
Samtan	Samtan Co. Ltd.
Semirara	Semirara Mining Corporation
SES	Supervision and Examination Sector of the BSP

SGV & Co	SyCip Gorres Velayo & Co., a member firm of Ernst & Young Global Limited
Shell Oil	Pilipinas Shell Petroleum Corporation
SMBC Metro	SMBC Metro Investment Corporation
SMEs	Small-and-medium-enterprises
SMFC	Sumisho Motor Finance Corporation
Smile	Safety Milestone Recognition from the Bureau of Working Conditions of the Department of Labor and Employment
SoC	Substance of Concern elements
SPI	SBC Properties, Inc.
TCI	Toyota Cubao, Inc.
TFSPH	Toyota Financial Services Philippines Corporation
THC	Toledo Holdings Corporation
TLI	Taal Land, Inc.
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
Toyota Distributor Agreement	The Toyota brand distributor agreement amongst TMP, TMC and TMAP renewed on December 3, 2009
TPC	Toledo Power Company
TPS	The Toyota Production System, TMC's system of just-in-time production and quality control and feedback mechanisms

Treasury	MBT’s treasury operations
TSEZ	The TMP facility in Santa Rosa, Laguna, which was given special economic zone status through Presidential Proclamation No. 381
UITF	Unit investment trust funds
Union	Associated Labor Union – Trade Union Congress of the Philippines, the trade union of MBT
UP	The University of the Philippines
VaR	Value-at-Risk
WESM	Wholesale Electricity Spot Market
wheel or wheeled	The transmission of electricity

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" and the financial statements and the related notes to those statements included in this Prospectus.

OVERVIEW OF GT CAPITAL

GT Capital Holdings, Inc. is a major Philippine conglomerate with interests in market-leading businesses across banking, property development, power generation, automotive assembly, importation and distribution, and life and non-life insurance. 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 current portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The current portfolio comprises directly-held interests in the following GT Capital companies:

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

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

- **Power generation –** GT Capital conducts its power generation business through its 50.9% direct ownership in the holding company, Global Business Power Corporation ("GBP"). GBP, through its operating subsidiaries, is a leading independent power generation producer in the Visayas region, with a combined gross dependable capacity of 622 megawatts (MW) (475 MW attributable to GBP, net of minority interests in its subsidiaries).

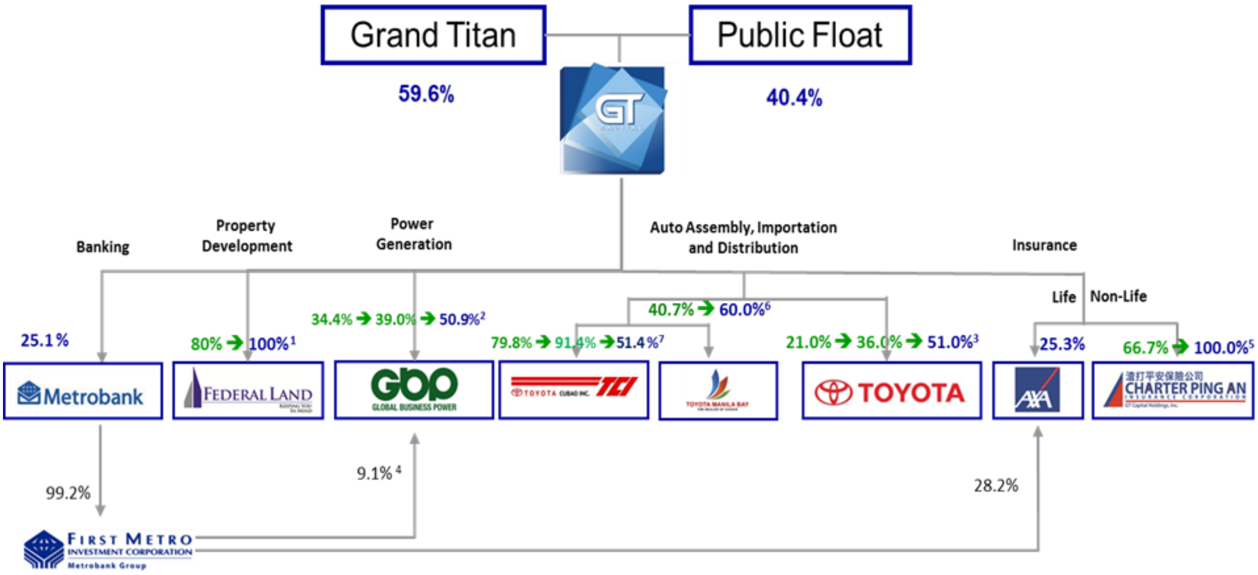
- **Automotive Assembly and Importation** – GT Capital conducts its automotive assembly and importation business through its 51.0% interest in Toyota Motor Philippines Corporation ("TMP"). TMP is engaged in the auto assembly, importation, and wholesale distribution of Toyota motor vehicles in the Philippines. It is also engaged in the manufacture and sale of Toyota motor vehicle parts and accessories, for the domestic and export markets. In addition, TMP is involved in the distribution of Lexus motor vehicles in the Philippines.

- **Automotive Distribution -** GT Capital conducts its automotive distribution business through its 60.0% interest in Toyota Manila Bay Corporation ("TMBC") and 51.4% interest in Toyota Cubao, Inc. ("TCI"). TMBC and TCI are engaged in the retail sale of Toyota motor vehicles, parts and accessories in Luzon, particularly in Metro Manila; and provide after-sales services to Toyota motor vehicles.

- **Life Insurance** – GT Capital conducts its life insurance business through its 25.3% 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 distributes its products through a multi-channel distribution network comprised of agents, bancassurance (through MBT), corporate solutions and direct marketing/telemarketing.

- **Non-Life Insurance -** GT Capital conducts its non-life insurance business through its 100.0% interest in Charter Ping An Insurance Corporation ("Charter Ping An" or "CPAIC"), which offers insurance products in the Philippines, that include fire/property, marine, motor car, personal accident, bonds, other casualty, and engineering insurance, among others.

In addition to the direct ownership stakes set out above, GT Capital owns additional indirect stakes in GBP and AXA Philippines, as set out in the chart below.



Notes:

1 *On May 3, 2012, GT Capital acquired the remaining 20.0% ownership interest in Fed Land for an aggregate consideration of Php2.7 billion. The acquisition increased the direct holdings of GT Capital in Fed Land from 80.0% to 100.0%.*

2 *On May 2, 2012, the Company exercised its option to acquire an additional 4.6% of GBP at a fixed price of Php35.00 per share for a total consideration of Php893.2 million. On September 12, 2012, GT Capital acquired an additional 11.9% of GBP at a fixed price of Php35.13 per share for a total consideration of Php2.3 billion. The acquisitions increased GT Capital's direct equity stake in GBP to 50.9%.*

3 *On December 3, 2012, GT Capital and MBT executed a Deed of Absolute Sale wherein GT Capital acquired 15.0% of TMP for a consideration of Php4.5 billion. The acquisition increased the direct equity stake of GT Capital in TMP to 36.0%.*
On January 17, 2013, GT Capital and MBT executed a Deed of Absolute Sale wherein GT Capital acquired another 15.0% of TMP for a consideration of Php4.5 billion. The acquisition increased the direct equity stake of GT Capital in TMP to 51.0%.

4 *On June 27, 2013, First Metro Investment Corporation (FMIC) concluded with ORIX Corporation of Japan a Sale and Purchase Agreement for a 20% equity stake in GBP for a consideration of Php7.15 billion.*
On October 22, 2013, FMIC and Meralco PowerGen Corporation signed a Shareholders' Agreement to complete the sale of additional 20.0% ownership stake in GBP for a total consideration of Php7.2 billion.

5 *On October 10, 2013, GT Capital acquired 66.7% ownership interest in CPAIC from Ty Family at a fixed price of Php614.30 per share for a total consideration of Php1.4 billion.*
On January 27, 2014, GT Capital acquired the remaining 33.3% ownership interest in CPAIC from FMIC for a

total consideration of Php712.0 million..

6 *On December 18, 2013, GT Capital acquired 40.7% ownership in TMBC at a fixed price of Php4.93 per share for a total consideration of Php502.3 million*
On March 4, 2014, GT Capital acquired additional 19.3% ownership in TMBC from FMIC for a total purchase price of Php237.3 million.

7 *On March 24 and 31, 2014, GT Capital acquired 89.1% ownership interest in TCI for a total purchase price of Php347.4 million. On June 18, 2014, GT Capital infused Php33.0 million in TCI thereby increasing its direct equity stake to 91.4%. Subsequently on June 23, 2014, GT Capital sold 40% of its direct equity stake to Mitsui & Co., Ltd. of Japan. This reduced GT Capital's direct equity stake to 51.4%.*

COMPETITIVE STRENGTHS

Established market leadership across all current GT Capital Businesses

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

- As of March 31, 2014, the **MBT Group** was the second largest Philippine bank by asset size and net loans and receivables with total assets of Php1.4 trillion and net loans and receivables of Php623.5 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 and 2013.

- **Fed Land** is one of the major property developers involved in vertical master-planned communities in the Philippines. Fed Land is the dedicated property development company of the Ty family in the Philippines and is currently implementing a comprehensive and sustainable growth program to fully capitalize on its expertise, land bank and brand recognition. In 2013, Fed Land made reservation sales of 2,353 residential units with a total sales value of Php14.0 billion for a three-year CAGR of 24% in terms of sales value. As of March 31, 2014, Fed Land had 33 different ongoing residential projects at various stages of completion.

- **GBP** is one of the largest independent power producers in the Visayas, with a combined gross dependable capacity of 622 MW (475 MW attributable to GBP, net of minority interests in its subsidiaries) comprising 614.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied to Mindoro Island. In 2012, GBP, through TPC embarked on an 82-MW clean coal-fired power plant expansion project, as an addition to its existing coal plant in Toledo City, Cebu. The project is intended to supply the electric power requirements of Carmen Copper Corporation. Carmen Copper, a subsidiary of Atlas Mining and Development Corporation, will need an additional electric supply to power its mining expansion undertakings. The project construction is now ongoing. GBP is also embarking on a 150-MW clean coal-fired power plant expansion project in Panay through its subsidiary, Panay Energy Development Corporation (PEDC), using the same clean coal technology of its existing 2 x 82 MW coal plant in Panay. PEDC broke ground on its expansion project on March 7, 2014, and construction is scheduled to commence in July 2014.

- **TMP** is the Philippines' largest automobile manufacturer and the exclusive importer and wholesale distributor in the Philippines of the no.1 global automotive brand. TMP has been number one in total vehicle sales in 23 out of 25 years since 1989, with a market share of 38.3% as of March 31, 2014 based on data from CAMPI and AVID. TMP received the "Excellent Quality Company" award from TMC in April 2011 for its outstanding performance in quality vehicle production and the "Outstanding Achievement on Productivity and Quality" award at the 2011 Kapatiran sa Industriya Awards organized by the Employers Confederation of the Philippines.

- **AXA Philippines** was first in first year premium and single premium of variable life insurance in the Philippines as of December 31, 2010. 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.

- **CPAIC** is one of the leading non-life insurance companies in the Philippines. As of December 31, 2012, CPAIC was 3rd in terms of asset size with total assets of Php5.8 billion and 4th in terms of net premiums written (NPW) with NPW valued at Php1.6 billion. Currently, CPAIC offers value-added services unique in the insurance market which include motor insurance with life coverage and travel assistance which has global coverage of services.

- **TMBC**, with its three 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 March 31, 2014, TMBC’s retail sales volume accounted for 11.9% of total Toyota sales. TMBC is currently under a joint venture agreement between GT Capital and Mitsui.

- Established in 1989, **TCI** is one of the pioneering Toyota dealers in the country. With its two outlets strategically located in Metro Manila, TCI is a leading group within the Toyota dealership network in terms of retail car sales. As of March 31, 2014, TCI’s retail sales volume accounted for 5.3% of total Toyota sales. In February 2014, TCI was awarded by Toyota Motor Philippines Corporation with the “Overall Dealer Performance Award” during the Annual Dealer Conference and Gala Awards.

High levels of ownership in all businesses

GT Capital currently owns directly 100% of its fully-consolidated, unlisted subsidiary Fed Land. GT Capital’s interest in the power industry is through its fully-consolidated subsidiary GBP, in which it directly owns a 50.9% stake and where a further 9.1% stake is held by FMIC, a majority-owned subsidiary of MBT. GT Capital conducts its automotive businesses through TMP, TMBC and TCI in which it holds 51.0%, 60.0% and 51.4% direct stakes. GT Capital’s involvement in the insurance business is through AXA Philippines and CPAIC, in which it directly owns 25.3% and 100.0%, respectively. An additional 28.2% of AXA Philippines stake is held by FMIC.

Strong partnerships with leading global players

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 partnerships with leading global players such as AXA, Australia and New Zealand Banking Group Limited (“ANZ”), Formosa Heavy Industries Corporation (“FHIC”), Mitsui & Co. Ltd. (“Mitsui”), ORIX Corporation of Japan (“Orix”), Sumitomo Corporation and TMC.

For example, in addition to its market-leading brand value, TMC has contributed a superior product range as well as excellence in manufacturing, marketing, and customer service to TMP. Meanwhile, AXA is a leading global insurance brand with recognized leadership in product design and risk management practices. FHIC, for its part, has contributed state-of-the-art coal technology to GT Capital’s power business.

GT Capital believes it 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 that GT Capital believes has earned it 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 through both stable and volatile socio-economic and political environments. GT Capital believes that it 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.

GT Capital believes that strategic partnerships with leading global players leverage the complementary skill sets, expertise and resources of GT Capital and its partners, while GT Capital is able to optimize time to market, market impact, customer recognition and corporate performance based on global best practices.

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's Chairman, Dr. George 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 also believes that the GT Capital companies follow global best practices for corporate governance. For example, MBT's board of directors consists of 12 members, seven of whom are independent.

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 crystallize available synergies. GT Capital believes that 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 each of the GT Capital companies exhibit a strong and resilient financial profile. As of March 31, 2014, consolidated net income attributable to Equity holders of the Parent Company reached Php1.7 billion. As of December 31, 2013, total revenue and net income attributable to shareholders amounted to Php105.5 billion and Php8.6 billion, from Php23.0 billion and Php6.6 billion in 2012. Over the period from 2011 to 2013, the growth in net income attributable to equity holders (CAGR) for each of the GT Capital companies MBT, Fed Land, GBP, TMP, AXA Philippines, CPAIC and TMBC was 42.8%, 30.5%, 10.7%, 39.4%, 10.6%, 12.4% and 75.3%, respectively.

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

The Philippine economy has experienced significant growth from 2003 to 2011, with real gross domestic product ("GDP") growing at a compound rate of 5.0% per annum according to the BSP. The economy maintained positive growth throughout the global financial crisis of 2008 to 2009 and according to Economic Intelligence Unit ("EIU"), real GDP growth in the Philippines is expected to continue on a strong upward trajectory, at a compound annual growth rate of 5.0% from 2011 to 2015. The Philippine economy particularly benefits from several key pillars of growth, including sustained increases in remittances from overseas Filipino workers ("OFWs") and domestic consumption, which in 2011 accounted for 71% of GDP according to the BSP. Fed Land, for example, stands to benefit from strong growth in the business process outsourcing ("BPO") sector and OFW remittances by tailoring its commercial and residential real estate products to cater to these markets.

The Philippines is one of the most populous country in the world with a total population of 94.2 million in 2011, according to the BSP. According to the United Nations, as of 2010, 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 Nation's medium estimate for the Philippines population in 2030 is 126.3 million. According to the World Bank, the primary school completion rate in the Philippines in 2009 was 92% and the adult literacy rate in 2008 was 95%, both well above the worldwide 2009 averages of 88% and 84%, respectively. Overall, the Philippines has a large, growing, young and well-educated population, which provides the Philippine economy with very favorable 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, power, automotive, and insurance. GT Capital's businesses are well positioned within these industries which it believes are resilient and high growth sectors that particularly stand to benefit from the projected strong and sustained growth in Philippine domestic consumption.

RECENT DEVELOPMENTS

On February 13, 2013, GT Capital issued Php10.0 billion retail bonds broken down into 7-year and 10-year tranches due on February 27, 2020 and February 27, 2023, respectively with interest rates of 4.84% and 5.09%, respectively. Net proceeds from the issuance amounted to Php9.9 billion, net of issuance costs of Php0.1 billion. The said bonds were listed on February 27, 2013.

On June 27, 2013, FMIC concluded with Orix a Sale and Purchase Agreement (SPA) for a 20% equity stake in GBP for a consideration of Php7.15 billion. On October 22, 2013, FMIC concluded with Meralco PowerGen Corporation an SPA for another 20.0% equity stake in GBP for a consideration of Php7.15 billion.

On October 10, 2013, GT Capital executed a Deed of Absolute Sale (DOAS) with various shareholders of CPAIC to acquire a 66.7% equity stake in the non-life insurance firm for an aggregate consideration of Php1.4 billion. On January 27, 2014, GT Capital executed another DOAS with FMIC to acquire the remaining 33.3% equity stake in CPAIC for an aggregate consideration of Php712 million.

On December 18, 2013, GT Capital executed a DOAS with various selling shareholders of TMBC to acquire a 40.7% equity stake in the Toyota dealership for an aggregate amount of Php502.25 million. On March 4, 2014, GT Capital executed another DOAS with FMIC to acquire an additional 19.3% equity stake for an aggregate amount of Php237.26 million.

On March 24, 2014, GT Capital executed a DOAS with various selling shareholders of TCI to acquire a 79.8% equity stake in the Toyota dealership for an aggregate amount of Php311.48 million. On March 31, 2014, GT Capital executed another DOAS with FMIC to acquire an additional 9.2% equity stake for an aggregate amount of Php35.93 million. On April 22, 2014, GT Capital executed another DOAS with an individual shareholder of TCI to acquire an additional 0.3% equity stake for an aggregate amount of Php1.00 million. On June 18, 2014, GT Capital infused Php33 million in TCI thereby increasing its direct equity stake to 91.4%. Subsequently, on June 23, 2014, GT Capital sold 40% of its direct equity stake to Mitsui & Co., Ltd. of Japan. This reduced GT Capital's direct equity stake to 51.4%

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:

- At MBT, 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.

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

- At GBP, the management will partner with key stakeholders to plan and effect forward-looking investments in power to support economic growth. Specifically, GBP will closely coordinate with the national and local government units, economic zones and heavy industries to identify their future power requirements and provide customized power solutions. These customized power solutions will utilize industry best practice technologies such as on-demand peaking power, renewable energy and clean-coal technologies to supply energy and minimize environmental impact.

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

- At AXA Philippines, greater brand awareness will be created, while tailor fitting product propositions to specific segment requirements. 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.

- At CPAIC, corporate efforts will focus on intensifying brand awareness and creating more value adding services that will differentiate CPAIC from the competition. There will be programs designed to increase distribution channels, to attract and retain intermediaries, to increase synergy activities with the GT Capital Group and to streamline processes to be more responsive to the growing needs and demands of CPAIC's customers.

- At TMBC, there will be continued business growth by making available top-quality facilities and innovative approaches to ensure superb dealership experience. The strong branch network of MBT and PSBank, provides a firm source of volume for bank referrals and to further fortify our market share. TMBC will continue market penetration through mall displays, new car financing schemes as well as parts and after sales service packages.

- At TCI, synergies with GT Capital group shall be further enhanced. TCI's strong ties with the GT Capital component companies, specifically the nationwide branch network of Metrobank and PSBank, provides a solid source of revenues in terms of referrals from bank clients and vehicle requirements of the branches themselves.

  The downward trend in interest rates, strong buyer acceptance of the "all-in-promo" and financing-related revenues are good opportunities for TCI to further improve its profit margin per unit. Marketing activities such as mall displays shall be intensified to take advantage of these opportunities and further penetrate the market.

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 and power generation. For example, Fed Land intends to capitalize on the significant future growth expected in the BPO sector by providing innovative commercial real estate solutions in key locations to potential BPO customers. In addition, GBP is currently exploring both greenfield and brownfield power generation projects, including those in the renewable energy sector such as hydroelectric. 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 relevant insights, expertise and resources. Where appropriate value-enhancing business initiatives exist, GT Capital will seek to expand on its successful partnership model with recognized global industry leaders.

Consolidate GT Capital's ownership of the GT Capital companies

GT Capital is the primary vehicle for the holding and management of the various business interests of the Ty family in the Philippines. Subject to applicable laws and regulations and the conformity of its strategic business partners, GT Capital intends to acquire, over time, additional interests in current GT Capital companies, or in other companies controlled by the Ty family. Such consolidation would be consistent with GT Capital's active management approach to its portfolio and may allow an even more integrated approach among the GT Capital companies.

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

The following tables set forth the summary of the consolidated financials of the Issuer as at and for the periods indicated. The selected financial information presented below as at and for the years ended December 31, 2013 and 2012 has been derived from the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2013 and 2012 and for the period then ended. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Issuer, including the notes thereto, included elsewhere in this Prospectus. The summary financial data as at and for the periods ended March 31, 2014 and 2013 under columns "unaudited" are derived from the Issuer's unaudited interim condensed consolidated financial statements as of March 31, 2014 and the audited consolidated financial statements as of December 31, 2013 and for the quarters ended March 31, 2014 and 2013, which are found elsewhere in this Prospectus.

Consolidated Statements of Income

	Unaudited Three Months Ended March 31		**Year Ended December 31**	
(In millions, except for percentage)	**2014**	**2013**	**2013 (Audited)**	**2012 (Restated)**
REVENUE				
Automotive operations	**23,626**	13,169	74,359	-
Equity in net income of associates and joint ventures	**723**	2,218	3,588	3,902
Net fees	**4,004**	3,861	16,944	12,845
Real estate sales	**1,438**	955	4,702	2,131
Gain (loss) on revaluation of previously held interest	**-**	1,260	2,046	(54)
Net premium earned	**441**	-	505	-
Interest income	**339**	248	1,429	866
Sale of goods and services	**163**	170	657	731
Commission income	**47**	61	188	185
Rent income	**175**	154	592	233
Gain from loss of control in a subsidiary	**-**	-	-	1,448
Gain on bargain purchase	**-**	-	-	428
Other income	**167**	145	537	263
	31,123	22,241	105,547	22,978
COSTS AND EXPENSES				
Cost of goods and services sold	**14,827**	8,256	45,469	681
Cost of goods manufactured	**5,983**	3,331	19,986	-
Power plant operation and maintenance expenses	**2,331**	1,980	8,945	6,711
General and administrative expenses	**2,587**	1,884	9,394	3,559
Cost of real estate sales	**998**	743	3,667	1,342
Interest expense	**823**	851	3,462	1,750
Net insurance benefits and claims	**180**	-	290	-
	27,729	17,045	91,213	14,043
INCOME BEFORE INCOME TAX	**3,394**	5,196	14,334	8,935
PROVISION FOR INCOME TAX	**605**	404	1,803	288
NET INCOME	**2,789**	4,792	12,531	8,647
Attributable to:				
Equity holders of the Parent Company	**1,737**	3,969	8,640	6,590
Non-controlling interest	**1,052**	823	3,891	2,057
	2,789	4,792	12,531	8,647

Consolidated Statements of Financial Position

(In Millions, except for Percentage)	Unaudited March 2014	Audited December 2013	Restated December 2012
ASSETS			
Current Assets			
Cash and cash equivalents	**27,734**	27,167	11,553
Short-term investments	**1,255**	1,467	-
Receivables	**13,671**	12,451	6,505
Reinsurance assets	**5,116**	4,966	-
Inventories	**26,536**	20,813	12,275
Due from related parties	**656**	849	489
Prepayments and other current assets	**4,943**	5,969	6,000
Total Current Assets	**79,911**	73,682	36,822
Noncurrent Assets			
Receivables	**4,919**	4,929	3,159
Long-term cash investment	**2**	-	-
Available-for-sale investments	**3,373**	3,111	1,060
Investments in associates and joint ventures	**39,635**	40,559	42,789
Investment properties	**8,502**	8,329	7,816
Property and equipment	**41,953**	41,163	33,661
Deposits	**-**	-	2,085
Goodwill and intangible assets	**18,309**	18,275	8,715
Deferred tax assets	**1,249**	1,109	331
Other noncurrent assets	**2,295**	1,203	547
Total Noncurrent Assets	**120,237**	118,678	100,163
	200,148	192,360	136,985
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	**21,391**	20,837	7,377
Insurance contract liabilities	**6,878**	6,684	-
Short-term debt	**5,026**	1,744	9,138
Current portion of long-term debt	**3,307**	3,364	7,427
Current portion of liabilities on purchased properties	**949**	783	-
Customers' deposits	**1,918**	1,844	974
Due to related parties	**183**	188	191
Dividends payable	**2,489**	1,966	1,949
Income tax payable	**696**	876	26
Other current liabilities	**761**	907	1,370
Total Current Liabilities	**43,598**	39,193	28,452
Noncurrent Liabilities			
Pension liability	**1,821**	1,704	533
Long term debt - net of current portion	**41,886**	40,584	39,188
Bonds payable	9,886	9,883	-
Liabilities on purchased properties - net of current portion	3,371	3,537	2,581
Deferred tax liabilities	**3,228**	3,252	935
Other noncurrent liabilities	**1,726**	1,643	242
Total Noncurrent Liabilities	**61,918**	60,603	43,479
	105,516	99,796	71,931

Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock	**1,743**	1,743	1,580
Additional paid-in capital	**46,695**	46,695	36,752
Treasury shares	**(2)**	(6)	-
Retained earnings			
Unappropriated	**20,016**	21,802	13,685
Appropriated	**3,000**	-	-
Other equity adjustments	**353**	729	(681)
Other comprehensive income (loss)	**(1,598)**	(437)	2,424
	70,207	70,526	53,760
Non-controlling interest	**24,425**	22,038	11,294
Total equity	**94,632**	92,564	65,054
	200,148	192,360	136,985

CAPITALIZATION AND INDEBTEDNESS

As of March 31, 2014, the Company's authorized capital stock was Php5,000,000,000.0, consisting of 500,000,000 common shares with a par value of Php10.00 per common share. As of March 31, 2014, the Company's issued and outstanding share capital amounted to Php1,743,00,000.0, which is equivalent to 174,300,000 common shares.

The following table sets forth GT Capital's consolidated short-term and long-term debt as at March 31, 2014 (unaudited) and as at December 31, 2013 and 2012, respectively (audited).

	As at March 31 (Unaudited) *In Php million except for ratio*	As at December 31 (Audited) *In Php million except for ratio*	As at December 31 (Audited) *In Php million except for ratio*
	2014	**2013**	**2012**
Short-term debt	**5,026**	**1,744**	**9,138**
Current portion of long-term debt	**3,307**	**3,364**	**7,427**
Current portion of liabilities on purchased properties	**949**	**783**	**-**
Long-term debt – net of current portion	**41,886**	**40,584**	**39,188**
Bonds payable	**9,886**	**9,883**	**-**
Non-current portion of liabilities on purchased properties	**3,371**	**3,537**	**2,581**
Total debt	**64,425**	**59,895**	**58,334**
Less:			
Cash and cash equivalent	**27,734**	**27,167**	**11,553**

Net debt	36,691	32,728	46,781
Total Liabilities	105,516	99,796	71,931
Total Equity	94,632	92,564	65,054
Net debt to equity	0.39	0.35	0.72
Debt to equity	0.68	0.65	0.90

FINANCIAL SOUNDNESS INDICATORS

The following are the financial soundness indicators of the Company for the period ended March 31, 2014 and for the years ended December 31, 2013 and 2012:

	AS AT AND FOR THE PERIOD ENDED		
	MARCH 31, 2014 (Unaudited)	**DECEMBER 31, 2013 (Audited)**	**DECEMBER 31, 2012 (Audited)**
1. Liquidity Ratio Current Ratio	1.83x	1.88x	1.29x
2. Solvency Ratio Debt to Equity Ratio	0.68x	0.65x	0.90x
3. Asset-to-Equity Ratio*	2.85x	2.73x	2.55x
4. Interest Rate Coverage Ratio**	5.12x	5.14x	6.11x
5. Profitability Ratios			
Return on Assets***	3.54%	5.25%	6.38%
Return on Equity****	9.87%	13.90%	14.97%

*Computed as total assets divided by equity attributable to equity holders of the Parent Company
**Computed as EBIT/Interest Expense
***Annualized net income attributable to equity holders of the Parent Company divided by the average total assets; where average total assets is the sum of total assets at the beginning and end of the period/year divided by 2.
**** Annualized net income attributable to equity holders of the Parent Company 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.

SUMMARY OF THE OFFER

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.

Issuer	GT Capital Holdings, Inc.
Issue	Fixed rate bonds (the "Bonds") constituting the direct, unconditional, unsecured and general obligations of the Issuer
Issue Amount	Up to Php10,000,000,000
Oversubscription Option	The Issuer, in consultation with the Issue Manager, shall have the option to increase the Issue Amount by up to Php2,000,000,000 in the event of oversubscription.
Manner of Distribution	Public Offering
Use of Proceeds	For general corporate requirements which may include, but shall not be limited to, any or all of the following: (1) refinance outstanding loans; (2) partially finance projects; and (3) working capital requirements.
Form and Denomination	The Bonds shall be issued in scripless form in minimum denominations of Php50,000 each and in multiples of Php10,000 thereafter.
Issue Price	At par (or 100% of face value)
Offer Period	The Offer shall commence at 9 a.m. of July 25, 2014 and end at 12 noon of July 31, 2014.
Issue Date	The Bonds are expected to be issued on August 7, 2014.
Maturity Date	**Series A:** Five (5) years and Three (3) months from Issue Date unless otherwise earlier redeemed by the Issuer; **Series B:** Seven (7) years from Issue Date unless otherwise earlier redeemed by the Issuer; and/or **Series C:** Ten (10) years from Issue Date unless otherwise earlier redeemed by the Issuer. Provided that, if such date is declared to be a non-Banking Day, the Maturity Date shall be the next succeeding Banking Day. The Issuer has the ability to repurchase any Bonds from the secondary market on a purely voluntary basis, at any time. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.
Interest Rate	**Series A:** Fixed interest rate of 4.7106% per annum **Series B:** Fixed interest rate of 5.1965% per annum **Series C:** Fixed interest rate of 5.6250% per annum
Interest Payment	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears
Early Redemption Option	Prior to 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 (i) **For Series B:** the third (3rd) month after the fifth (5th) anniversary of Issue Date; and (ii) **For**

Series C: the seventh (7th) anniversary of Issue Date (collectively, the relevant Early Redemption Option Dates).

The amount payable to the Bondholders in respect of the exercise of the Early Redemption Option shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Early Redemption Option Date, and (ii) the product of the principal amount and the applicable Early Redemption Option Price (except in case of Change in Law (see "Change in Law or Circumstance") in accordance with the following schedule:

	Early Redemption Option Dates	Early Redemption Option Price
Series B	Third (3rd) month after the Fifth (5th) anniversary of Issue Date	101.5%
	Sixth (6th) anniversary of Issue Date	101.0%
Series C	Seventh (7th) anniversary of Issue Date	102.0%
	Eighth (8th) anniversary of Issue Date	101.5%
	Ninth (9th) anniversary of Issue Date	101.0%

The Issuer shall give not less than thirty (30) days nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Option Date stated in such notice.

Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days' notice) at par plus accrued interest.

Final Redemption

Except when the Early Redemption Option is exercised, the Bonds will be redeemed at par or 100% of face value on Maturity Date.

Purchase and Cancellation

The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

Status of the Bonds

The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of GT Capital and shall at all times rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated unsecured obligations of GT Capital other than obligations preferred by law.

Bond Rating

PRS Aaa by Philippine Rating Services Corporation

Bond Listing

The Bonds are intended to be listed at the Philippine Dealing & Exchange Corp. or such other securities exchange licensed as such by the SEC on which the trading of debt securities in significant volume occurs.

PARTIES TO THE TRANSACTION

Issuer	GT Capital Holdings, Inc.
Issue Manager and Bookrunner	First Metro Investment Corporation
Joint Lead Underwriters	First Metro Investment Corporation, BDO Capital and Investment Corporation, BPI Capital Corporation and China Banking Corporation
Participating Underwriters	Maybank ATR Kim Eng Capital Partners, Inc., PNB Capital and Investment Corporation and United Coconut Planters Bank
Trustee	Development Bank of the Philippines – Trust Services Group
Registrar and Paying Agent	Philippine Depository and Trust Corporation
Counsel to the Issue Manager and the Underwriters	Picazo Buyco Tan Fider & Santos
Independent Auditor	SyCip Gorres Velayo & Co.

USE OF PROCEEDS

Based on the maximum gross proceeds of Php12,000,000,000, assuming that the oversubscription option is exercised in its full amount the estimated net proceeds to be raised by GT Capital from this Offer, will be approximately Php11,874,433,778 after deducting fees and other issue-related expenses.

GT Capital intends to use the net proceeds for general corporate requirements which may include, but shall not be limited to, any or all of the following: (1) refinance outstanding loans; (2) partially finance projects; and (3) working capital requirements. See section on "Use of Proceeds" for more information.

RISKS OF INVESTING

An investment in the Bonds involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether or not to invest in the Bonds.

Risks Relating to GT Capital

- GT Capital is a holding company that depends on dividends and distributions from the GT Capital companies.
- 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.
- GT Capital may face risks associated with inorganic growth through acquisitions.
- 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 depends on the continued service of its senior management team, and its ability to attract and retain talented personnel.
- 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's reputation may be affected by the operations of some of its portfolio companies.
- The interests of the joint venture partners of the GT Capital companies may conflict with the interests of GT Capital and its shareholders.
- GT Capital's voting interests in some portfolio companies may be diluted.

Risks Relating to the Business

- Banking
- Property Development
- Automotive Manufacturing
- Power Generation
- Insurance

Risks Relating to the Country

- Any political instability in the Philippines may adversely affect GT Capital's business, results of operations and financial condition
- 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 sovereign credit ratings of the Philippines may adversely affect GT Capital's business.
- The occurrence of natural catastrophes could adversely affect the GT Capital companies' business, financial condition and results of operations

Risks Relating to the Bonds

- Liquidity Risk
- Pricing Risk
- Retention of Ratings Risk
- Bonds have no Preference under Article 2244(14) of the Civil Code

A detailed discussion on the above enumerated risks appears on the "Risk Factors and Other Considerations" of this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. GT Capital adopts what it considers conservative financial and operational controls and policies to manage its business risks. GT Capital's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of GT Capital, in particular, and those that pertain to the over-all political, economic, and business environment, in general.

RISK FACTORS AND OTHER CONSIDERATIONS

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 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 Bonds.

This section does not purport to disclose all of the risks or other significant aspects of investing in the Bonds. 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 Bonds and the investors may lose all or part of their investment. Investors may request publicly available information on the Bonds 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 this offer or the nature of risks involved in purchasing, holding, and trading the Bonds. 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 Bonds.

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.

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 ability to continue to expand successfully through acquisitions or alliances depends on many factors, including GT Capital 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.

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.

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 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 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.

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 MBT and the Philippine Savings Bank ("PSBank"), which are regulated by the BSP, AXA, which is regulated by the Philippine Insurance Commission, and GBP, which is regulated by the Philippine Energy Regulatory Commission ("ERC") and the Philippine Department of Energy ("DOE"). 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 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 and PSBank 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.

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.

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. Also, GBP is a member of several business ventures, such as Cebu Energy Development Corporation ("CEDC"), for the development and operation of power generation facilities.

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's voting interests in some portfolio companies may be diluted.
Some of GT Capital's portfolio companies may from time to time require additional capital to achieve their expansion plans or other business objectives, and may issue additional shares or other equity securities to meet their capital needs. GT Capital may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by GT Capital's portfolio companies. If GT Capital fails to subscribe for additional securities of a portfolio company on a pro rata basis, GT Capital's equity interest in the portfolio company will be diluted. A dilution in GT Capital's equity interest in a portfolio company would reduce its share of the profits earned by such portfolio company, which could materially and adversely affect GT Capital's business, financial condition and results of operations.

Further, if GT Capital's ownership were reduced significantly, this may cause its representation on such portfolio company's board of directors to be reduced, or otherwise reduce its ability to direct or influence the operations of that portfolio company.

RISKS RELATING TO THE BUSINESS

GT Capital is an investment holding company that conducts its business through its eight component companies, which operate in their respective sectors, namely banking, property development, automotive manufacturing, power generation, and insurance. 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.

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. 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 residential condominium project achieves a percentage of completion of at least 15%. In addition, GT Capital, is less dependent on cash dividends received from Fed Land. In 2013, cash dividends from Fed Land accounted for 3% of total dividends received by GT Capital.

Automotive Manufacturing

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.

Power Generation

Power generation in the Philippines is a highly regulated industry. The operation of power generation facilities is subject to a broad range of safety, health, and environmental laws and regulations. These laws and regulations impose controls on air and water discharges, on the storage, handling, discharge, and disposal of fuel, and employee exposure to hazardous substances and other aspects of the operations of these facilities and businesses. Companies in the industry have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, they have made and expect to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. The discharge of hazardous substances or other pollutants into the air, soil, or water may cause companies to be liable to third parties, the Government or the LGUs with jurisdiction over the areas where company facilities are located. Companies may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Additionally with the operation of the market and ongoing restructuring of the whole industry, a lot of policy issues are still being debated and put in-place which could affect the operating costs of generating facilities and possibly reduce potential revenues from the market. At the same time while the generation has been opened as a competitive sector, power supply agreements with regulated entities (i.e. DU's and EC's) are still subject to regulatory approval.

Moreover, power generation facilities may be potential targets of terrorist activities, as well as subject to events occurring in response to or in connection with them, that could result in full or partial disruption of the ability to generate electricity. Strategic targets, such as energy-related facilities, may be at greater risk of future terrorist activities than other domestic targets.

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.

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, electricity and insurance 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 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. Under the previous administration, allegations of corruption and other misconduct brought about a series of public protests and failed military uprisings. The May 2010 elections brought in the administration of President Benigno S. Aquino III. Despite high popularity ratings, strong congressional and military support and a persistent anti-corruption campaign, there is no assurance that political stability in the country will be maintained. 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 army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, 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.

As of November 30, 2012, the Philippines did not have an investment grade rating for its sovereign debt. The Philippines' sovereign debt rating is Ba1 and BB+ by Moody's and Standard & Poor's Rating Services, respectively. The sovereign credit ratings of the Government directly and adversely affect companies resident in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Moody's, Standard & Poor's Rating Services 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.

RISKS RELATING TO THE BONDS

Liquidity Risk

The Philippine debt securities markets, particularly the market for corporate debt securities are substantially smaller, less liquid and more concentrated than other securities markets. The Company cannot guarantee whether an active trading market for the Bonds will develop or if the liquidity of the Bonds will be sustained throughout its life. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed of at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

The market price of the Bonds will be subject to market and interest rate fluctuations, which may result in the investment being appreciated or reduced in value. The Bonds when sold in the secondary market will be worth more if interest rates decrease since the Bonds will have a higher interest rate, relative to similar debt instruments being offered in the market, further increasing demand for the Bonds. However, if interest rates increase, the Bond might be worth less when sold in the secondary market. Thus, a Bondholder could face possible losses if he decides to sell in the secondary market.

Retention of Ratings Risk

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Bonds have no Preference under Article 2244(14) of the Civil Code

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds, without the Oversubscription Option, is approximately Php9,890,870,391, Assuming the Oversubscription Option is fully exercised, the total net proceeds is estimated to be approximately Php11,874,418,778.

The net proceeds from the Bonds are detailed as follows:

For a Php10.0 Billion Issuance		
Estimated Gross Proceeds from the sale of the Bonds		Php10,000,000,000
Documentary Stamp Tax	Php50,000,000	
SEC Registration Fee, Legal Research and Publication Fees	3,698,125	
Underwriting Fees	32,258,065	
Professional Fees	21,997,419	
Registry and Paying Agency Fees	450,000	
Listing Fees	336,000	
Marketing, printing and publication expenses	375,000	109,114,609
Estimated Net Proceeds for a Php10 Billion Issuance		Php9,890,885,391
For a Php2.0 Billion Issuance		
Estimated Gross Proceeds from the sale of the Bonds		Php2,000,000,000
Documentary Stamp Tax	Php10,000,000	
Underwriting Fees	6,451,613	16,451,613
Estimated Net Proceeds for a Php2 Billion Oversubscription Option		Php1,983,548,387
Total Net Proceeds (inclusive of the Oversubscription Option)		Php11,874,433,778

Aside from the one-time costs enumerated above, the Company will be paying the following estimated annual expenses related to the Bonds:

1.	Professional Fees	Php560,000
2.	Trustee Fees	Php300,000
3.	Registry Maintenance Fees	Php250,000 per tranche
4.	Paying Agency Fees	Php300,000
5.	Listing Maintenance Fees	Php150,000 per tranche

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: (1) Refinance outstanding loans amounting to Php3.61 billion; (2) Partially finance projects of Fed Land amounting to up to Php8.00 billion; and (3) working capital requirements amounting to Php0.39 million.

	Amount (In Php)	**Timing (Requirement)**
Prepay Short Term Loans		
Metropolitan Bank & Trust Company	300,000,000	Third Quarter 2014
Bank of the Philippine Islands	1,900,000,000	Third Quarter 2014
Banco de Oro	1,410,000,000	Third Quarter 2014
Sub-Total	**3,610,000,000**	

Partially Finance Ongoing Projects		
Veritown Fort	4,222,000,000 to 6,222,000,000	Third Quarter 2014
Metropolitan Park	1,778,000,000	Third Quarter 2014
Sub-Total	**6,000,000,000 to 8,000,000,000**	
Working Capital	**390,000,000**	Third Quarter 2014
TOTAL	**10,000,000,000 to 12,000,000,000**	

The short term loans were availed from: 1) Metropolitan Bank and Trust Company (MBT), Bank of the Philippine Islands (BPI), and Banco de Oro (BDO). These loans have a maximum term of one (1) year. The interest rate is determined based on prevailing market rates and repriced every thirty (30) days. These loans have prepayment options without prepayment penalties. The details of the bank loans as of March 31, 2014 and April 30, 2014 are presented in the table below:

As of March 31, 2014

Bank	Availment Date	Maturity Date	Interest Rate	Outstanding Balance (In Php)
MBT	01/08/2014	04/03/2015	2.65%	300,000,000
BPI	12/17/2013	12/12/2014	2.50%	500,000,000
BPI	01/06/2014	01/01/2015	2.50%	700,000,000
BPI	02/25/2014	02/20/2015	2.39%	700,000,000
BDO	01/24/2014	01/19/2015	2.30%	800,000,000
BDO	03/03/2014	02/26/2015	2.30%	250,000,000
BDO	03/21/2014	03/16/2015	2.30%	360,000,000
TOTAL				**3,610,000,000**

As of April 30, 2014

Bank	Availment Date	Maturity Date	Interest Rate	Outstanding Balance (In Php)
MBT	01/08/2014	04/03/2015	2.65%	300,000,000
BPI	12/17/2013	12/12/20/14	2.50%	500,000,000
BPI	01/06/2014	01/01/2015	2.50%	700,000,000
BPI	02/25/2014	02/20/2015	2.50%	700,000,000
BDO	01/24/2014	01/19/2015	2.30%	800,000,000
BDO	03/03/2014	02/26/2015	2.30%	250,000,000
BDO	03/21/2014	03/16/2015	2.30%	360,000,000
TOTAL				**3,610,000,000**

The Company intends to allocate a portion of the net proceeds of an approximate amount of Php6.0 billion to Php8.0 billion through an equity investment to partially and indirectly finance several prime projects of Fed Land in Metro Manila. GT Capital believes that such investment shall benefit the Company by way of strengthening returns. About Php4.2 billion to Php6.2 billion will be allocated to partially finance the Park West, Central Park West and Madison Park West projects in Veritown Fort in Bonifacio Global City. Approximately Php1.778 billion is earmarked to partially finance the Palm Beach Villas Boracay, Six Senses 1, Six Senses 2 and Six Senses 3 projects situated in Metropolitan Park Project in Pasay City. The projects are described in detail in "The Company - Business – Fed Land" in this Prospectus.

Total working capital requirement is approximately Php390 million. About Php250 million will be allocated to partly service finance charges due on August 27, 2014 and November 27, 2014 relative to the Company's outstanding retail bonds issued on February 27, 2013.

As to the balance of Php140 million, approximately Php125 million will be used for the estimated expenses of the 2014 proposed retail bond transaction and Php14 million for other overhead expenses of the current year.

Pending the above uses, the Company intends to invest the net proceeds in short-term liquid investments including but not limited to short-term money-market placements, government securities, and bank deposits which are expected to earn prevailing market rates.

In the event of any deviation or/adjustment in the use of proceeds, the Company shall inform the SEC and the stockholders within 30 days prior to its implementation.

PLAN OF DISTRIBUTION

GT Capital plans to issue the Bonds on a lump-sum basis through designated Underwriters.

UNDERWRITING OBLIGATIONS OF THE UNDERWRITERS

First Metro Investment Corporation, , BDO Capital and Investment Corporation, BPI Capital Corporation and China Banking Corporation (collectively referred to as the "Joint Lead Underwriters"), Maybank ATR Kim Eng Capital Partners, Inc., PNB Capital and Investment Corporation and United Coconut Planters Bank (collectively referred to as the "Participating Underwriters") pursuant to an Underwriting Agreement with GT Capital (the "Underwriting Agreement") executed on July 23, 2014, have agreed to act as the Underwriters for the Offer and as such, distribute and sell the Bonds at the Issue Price, and have also committed to underwrite up to Ten Billion Pesos (Php10,000,000,000.00) on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

First Metro Investment Corporation is the sole Issue Manager for this transaction.

The Underwriters will receive a fee of up to 0.30% on the underwritten principal amount of the Bonds issued. Such fee shall be inclusive of underwriting and participation commissions.

The amounts of the commitments of the Underwriters are as follows:

First Metro Investment Corporation	Php2,012,500,000.00
BDO Capital and Investment Corporation	2,012,500,000.00
BPI Capital Corporation	2,012,500,000.00
China Banking Corporation	2,012,500,000.00
United Coconut Planters Bank	1,000,000,000.00
Maybank ATR Kim Eng Capital Partners, Inc.	800,000,000.00
PNB Capital and Investment Corporation	150,000,000.00
Total	Php10,000,000,000.00

There is no arrangement for the Underwriters to put back to GT Capital any unsold Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to GT Capital of the net proceeds of the Bonds. The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for GT Capital or other members of the GT Capital Group of which GT Capital forms a part.

Except for First Metro, the Underwriters have no direct relations with GT Capital in terms of ownership by either of their respective major stockholder/s. First Metro is a 99.2% owned subsidiary of Metrobank as May 5,2014, an affiliate of GT Capital, which has an effective ownership of 25.1% in Metrobank as of March 31, 2014.

None of the Underwriters has the right to designate or nominate a member of the Board of GT Capital.

SALE AND DISTRIBUTION

(a) The distribution and sale of the Bonds shall be undertaken by the Underwriters who shall sell and distribute the Bonds to third party buyers/ investors. Nothing herein shall limit the rights of the Underwriters from purchasing the Bonds for their own respective accounts.

(b) The obligations of each of the Underwriters will be several, and not joint and solidary and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by any of the Underwriters to carry out its obligations thereunder shall not relieve any other Underwriter of its obligations thereunder, nor shall any Underwriter be responsible for the obligations of any other Underwriter thereunder.

DESIGNATED SHARES AND ALLOCATIONS

Each Underwriter may take on any portion of the Issue, as determined by GT Capital, but no obligation to do so over the amount set out on the previous page.

TERM OF APPOINTMENT

The engagements of the Underwriters, as well as the Issue Manager shall subsist so long as the SEC Permit remains valid, unless otherwise terminated by GT Capital, the Issue Manager or the Underwriters.

MANNER OF DISTRIBUTION

The Underwriters shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, Bonds shall be solicited, with the primary sale of Bonds to be effected only through the Underwriters.

OFFER PERIOD

The Offer Period shall commence on July 25, 2014 and end on July 31, 2014.

APPLICATION TO PURCHASE

Applicants may purchase the Bonds during the Offer Period by submitting to the Underwriters a properly completed Application to Purchase, together with two (2) signature cards, and the full payment of the purchase price of the Bonds in the manner provided therein. Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory(ies) thereof. Individual applicants must also submit, in addition to the foregoing, a clear signature-bearing and photo-bearing copy of any one of the following government issued identification cards ("ID"): tax identification number (TIN), passport/driver's license/postal ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) a copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue addressed to the applicant confirming the exemption or preferential rate and certified by an authorized officer of the applicant as being a true copy of the original on file with the applicant; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting the applicant's tax exempt status, undertaking to immediately notify the Issuer and the Registrar of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities, *provided further*, that all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by GT Capital. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of Fifty Thousand Pesos (Php50,000.00) shall be considered for acceptance. Purchases in excess of the minimum shall be in integral multiples of Ten Thousand Pesos (Php10,000.00).

ALLOTMENT OF THE BONDS

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, subject to GT Capital's right of rejection.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest to such applicant through the relevant Underwriter from whom such application to purchase the Bonds was made.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk.

PURCHASE AND CANCELLATION

GT Capital may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders and the Bondholders shall not be obliged to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

REGISTRY OF BONDHOLDERS

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Register of Holders to be maintained by the designated registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. GT Capital will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders.

EXPENSES

All out-of-pocket expenses, including but not limited to, registration with the SEC, credit rating, printing, publicity, communication and signing expenses incurred by the Issue Manager and the Underwriters in the negotiation and execution of the transaction will be for GT Capital's account irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account.

DETERMINATION OF OFFER PRICE

The Bonds shall be issued on a fully-paid basis at 100% of the principal amount or face value

DESCRIPTION OF THE BONDS

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of GT Capital, the information contained in this Prospectus, the Trust Agreement, Registry and Paying Agency Agreement, and other agreements relevant to the Offer.

The issue of up to Php12,000,000,000 aggregate principal amount of Bonds was authorized by a resolution of the Board of Directors of GT Capital dated May 12, 2014. The Bonds are comprised of 4.7106% per annum Series A Bonds, 5.1965% per annum Series B Bonds and 5.6250% per annum Series C Bonds. The Bonds shall be constituted by a Trust Agreement executed on July 23, 2014 (the "Trust Agreement") entered into between GT Capital and Development Bank of the Philippines – Trust Services Group (the "Trustee"), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A registry and paying agency agreement was executed on July 23, 2014 (the "Registry and Paying Agency Agreement") in relation to the Bonds among the Issuer and Philippine Depository & Trust Corp. as registrar (the "Registrar") and paying agent (the "Paying Agent"). The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (Php50,000) and in multiples of Ten Thousand Pesos (Php10,000) thereafter, and traded in denominations of Ten Thousand Pesos (Php10,000) in the secondary market. The Bonds will be repaid at 100% of Face Value on the respective Maturity Dates of the Series A, Series B and Series C Bonds, unless the Issuer exercises its early redemption option according to the conditions therefor. See "Description of the Bonds — Redemption and Purchase".

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Paying Agency and Registry Agreement applicable to them.

1. Form, Denomination and Title

(a) *Form and Denomination*
The Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (Php50,000) each as a minimum and in integral multiples of Ten Thousand Pesos (Php10,000) thereafter and traded in denominations of Ten Thousand Pesos (Php10,000) in the secondary market.

(b) *Title*
Legal title to the Bonds shall be shown in the Register of Bondholders (the "Register of Bondholders") maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Register of Bondholders maintained by the Registrar. Settlement with respect to such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) *Bond Rating*
The Philippine Rating Services Corporation (PhilRatings) has assigned a PRS Aaa rating to GT Capital's proposed issuance of up to Php12.0 Billion in fixed-rate bonds, having considered GT Capital's business plans, growth prospects and cash flow. PRS Aaa is the highest rating available. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. GT Capital's capacity to meet its financial commitment on the obligation is extremely strong.

The ratings reflect GT Cap's solid financial profile, backed by strong liquidity and sound capital structure; the strong market position of businesses in its investment portfolio; the demonstrated ability of its shareholders to provide direction for sustainable growth, with support from highly-experienced management; and expectations that its diversified portfolio will benefit from the continued growth of the domestic economy.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall likewise monitor compliance by the Issuer with certain covenants in relation to the Bonds through regular annual reviews.

2. Transfer of Bonds

(a) *Register of Bondholders*
GT Capital shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and all transfers of Bonds shall be entered in the Register of Bondholders. As required by Circular No. 428-04 issued by the Bangko Sentral ng Pilipinas, the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any and/ or all requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of Bonds may be made during the period commencing on a Record Date as defined in the section on "Interest Payment Date."

(b) *Transfers; Tax Status*
Bondholders may transfer their Bonds at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non-tax exempt entities shall be treated as non-tax exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEx shall be allowed between non-tax exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guideline of PDEx and PDTC. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified below under *"Payment of Additional Amounts; Taxation"*, before such transfer, and such tax-exempt status shall be accepted and approved by the Issuer, acting through the Trustee.

(c) *Secondary Trading of the Bonds*
GT Capital intends to list the Bonds in PDEx for secondary market trading. Secondary market trading and settlement in PDEx shall follow the applicable PDEx rules, conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEx and PDTC.

3. Ranking

The Bonds constitute direct, unconditional, unsecured and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by the law.

4. Interest

(a) *Interest Payment Dates*

Series A Bonds

The Series A Bonds bear interest on its principal amount from and including Issue Date at the rate of 4.7106% p.a., payable quarterly in arrears, commencing on November 7, 2014, for the first Interest Payment Date and February 7, May 7 and August 7 of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Series A Bonds shall fall on the Maturity Date or November 7, 2019 or five (5) years and three (3) months from the Issue Date.

Series B Bonds

The Series B Bonds bear interest on its principal amount from and including Issue Date at the rate of 5.1965% p.a., payable quarterly in arrears, commencing on November 7, 2014, for the first Interest Payment Date and February 7, May 7 and August 7 of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Series B Bonds shall fall on the Maturity Date or August 7, 2021 or seven (7) years from the Issue Date.

Series C Bonds

The Series C Bonds bear interest on its principal amount from and including Issue Date at the rate of 5.6250% p.a., payable quarterly in arrears, commencing on November 7, 2014, for the first Interest Payment Date and February 7, May 7 and August 7 of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Series C Bonds shall fall on the Maturity Date or August 7, 2024 or ten (10) years from the Issue Date.

The cut-off date in determining the existing Bondholders entitled to receive the interest or principal amount due shall be the day which is two (2) Business Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

(b) *Interest Accrual*

Each Bond shall cease to bear interest from and including the Maturity Date, as defined in the discussion on *"Final Redemption",* below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest" b*elow) shall apply.

(c) *Determination of Interest Amount*

The interest shall be calculated on the basis of a 30/360-day basis, consisting of 12 months of 30 days each; provided, however in the case of an incomplete month, due to reasons such as, but not limited to trades in the secondary market or early redemption and purchase, the number of days elapsed on the basis of a month of 30 days.

5. Redemption and Purchase

(a) *Optional Redemption*

Prior to 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 (i) **For the Series B Bonds:** the third (3^{rd}) month after the fifth (5^{th}) anniversary of Issue Date; and (ii) **For the Series C Bonds:** the seventh (7^{th}) anniversary of Issue Date (collectively, the relevant Early Redemption Option Dates).

The amount payable to the Bondholders in respect of the exercise of the Early Redemption Option shall be calculated based on the principal amount of the Bonds being redeemed as the aggregate of the: (i) accrued interest computed up to the relevant Early Redemption Option Date, and (ii) the product of the principal amount and the applicable Early Redemption Option Price (except in case of Change in Law (see "Change in Law or Circumstance")) in accordance with the following schedule:

	Early Redemption Option Dates	Early Redemption Option Price
Series B Bonds	Third (3^{rd}) month after the Fifth (5^{th}) anniversary of Issue Date	101.5%
	Sixth (6^{th}) anniversary of Issue Date	101.0%
Series C Bonds	Seventh (7^{th}) anniversary of Issue Date	102.0%
	Eighth (8^{th}) anniversary of Issue Date	101.5%
	Ninth (9^{th}) anniversary of Issue Date	101.0%

The Issuer shall give not less than thirty (30) days nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Option Date stated in such notice.

(b) *Final Redemption*

Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on November 7, 2019 or five (5) years and three (3) months after the Issue Date for the Series A Bonds, on August 7, 2021 or seven (7) years after the Issue Date for the Series B Bonds and on August 7, 2024 or ten (10) years after the Issue Date for the Series C Bonds. However if the Maturity Date is not a Business Day payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment in computation as to the amount of interest payable, on the succeeding Business Day.

(c) *Redemption for Tax Reasons*

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days' notice to the Trustee and the Registrar and Paying Agent) at par plus accrued interest computed up to the date when the Bonds shall be redeemed earlier than its Maturity date. Any such redemption made shall not be subject to any penalty under this Agreement.

(d) *Change in Law or Circumstance*

If any provision of the Trust Agreement or any of the related documents is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents, the Issuer shall provide the Trustee an opinion of legal counsel confirming the foregoing, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon the Trustee, upon notice to the Issuer, shall declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without and pre-payment penalty, notwithstanding anything in the Trust Agreement or in the Bonds to the contrary.

(e) *Purchase and Cancellation*
The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase the Bonds pro-rata from all Bondholders and the Bondholders shall not be obliged to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

6. Payments

The principal of, interest on and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

GT Capital will ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and GT Capital or the Paying Agent may only terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement.

7. Payment of Additional Amounts - Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between twenty percent (20%) and thirty-five percent (35%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest shall 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 Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the same shall be for the account of GT Capital, provided, however, that GT Capital shall not be liable for:

(a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as may be in effect from time to time (the "Tax Code"). An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by GT Capital as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify GT Capital of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold GT Capital and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to GT Capital that the Bondholder is not doing business in the Philippines, provided further, that all sums payable by GT Capital to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

(d) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for GT Capital's account.

8. Maintenance of Financial Ratios

For as long as any of the Bonds remain outstanding, GT Capital hereby covenants that it shall not permit its Debt-to-Equity Ratio to exceed 2.3:1.

There are no other regulatory ratios that the Issuer is required to comply with.

9. Negative Pledge

For as long as any of the Bonds remain outstanding, GT Capital covenants that it shall not, without the prior written consent of the Majority Bondholders, permit any indebtedness for borrowed money to be secured by or to benefit from Security in favor of any creditor or class of creditors without providing the Bondholders with the same kind or class of Security, the benefit of which is extended equally and ratably among them to secure the Bonds; provided however that, this restriction shall not prohibit the following:

(i) any Security over any asset to secure: (i) payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

(ii) any Security created for the purpose of paying for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings diligently conducted, and adequate reserves have been provided for payment thereof;

(iii) deposits or pledges to secure statutory obligations, surety, or appeal bonds, bonds for release of attachments, stays of execution of injunction, or performance bonds for bids, tenders, contracts (other than for the repayment of borrowed money) or leases in the normal course of business;

(iv) any Security: (i) imposed by Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (ii) arising out of pledges or deposits under workmen's compensation Laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (iii) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

(v) any Security in favor of banks, insurance companies, other financial institutions, and Philippine government agencies, departments, authorities, corporations of other juridical entities which secure a preferential financing obtained by the Issuer under a governmental program and the aggregate principal amount of such preferential financing does not exceed Thirty Five percent (35%) of the Issuer's total assets;

(vi) any Security over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Ten Million (US$10,000,000.00) or its equivalent; and/or (ii) Standby Letters of Credit to be used to guarantee additional equity infusion by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

(vii) any Security: (i) created solely by operation of law; and (ii) on such other assets as may be disclosed in writing by the Issuer to the Bond Holders prior to the execution of this Agreement; and

(viii) any Security constituted over the investment of the Issuer in any of its Subsidiaries or Affiliates, whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said Subsidiaries or Affiliates.

10. Events of Default

GT Capital shall be considered in default under the Bonds and the Trust Agreement in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) *Payment Default*
The Issuer fails to pay when due and payable any amount which the Issuer is obligated to pay the Bondholders under the Trust Agreement and Bonds, provided that such non-payment shall not constitute an Event of Default if it is caused by administrative or technical error not attributable to Issuer's fault or negligence despite timely payment instruction having been given by the Issuer and such payment is made two (2) Banking Days after its due date;

(b) *Representation/Warranty Default*
Except for clerical or typographical error, any representation or warranty made by the Issuer in any of the Bond Agreements or in any certification, financial statement or document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect or misleading in any material respect as of the time it was made or deemed to have been made or is violated or not complied with, and such breach or violation, is not remediable or if remediable, continues unremedied for a period of fourteen (14) days from date after receipt of written notice from the Bondholders to that effect, unless such longer period is approved by the Majority Bondholders;

(c) *Other Default*
The Issuer fails to perform or comply with any term, obligation or covenant contained in any of the Bond Agreements or in any other document/instruments related or otherwise in connection therewith and any such failure, violation, or non-compliance is not remediable or if remediable, continues unremedied for a period of ninety (90) days for financial covenants and sixty (60) days for all other covenants from the date after written notice thereof shall have been given by any of the Bondholders; Provided, however, that no grace period shall apply to the Events of Default specified in (d), (e), (f) and (h) of this Section;

(d) *Cross Default*
Any other material obligation of the Issuer for borrowed money, deferred purchase price or monetary obligation is not paid when due or after giving effect to any applicable grace period and, in general, any default in the performance or observance of any instrument, contract or agreement pursuant to which any other obligation of the Issuer was created, unless contested in good faith, which default shall result in the acceleration or declaration of the whole obligation thereunder to be due and payable prior to the stated normal date of maturity, and which would cause or result in a Material Adverse Effect;

(e) *Insolvency Default*
The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in insolvency, suspension of payment, any bankruptcy, reorganization by reason of financial difficulty, winding up or liquidation proceedings by or against the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any party other than the Issuer, such event shall be considered an Event of Default if such petition is not dismissed or decided in favor of the Issuer, within a period of ninety (90) days, from the date of filing thereof; (ii) the making of an assignment by the Issuer, of all or substantially all of its properties for the benefit of its creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer, or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its

property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;

(f) *Closure Default*
Cessation in the business of the Issuer that will result in a Material Adverse Effect;

(g) *Event or Condition Affecting Loan Documents.*
Any adverse event, condition, or circumstance (including, without limitation, any change in the economic or financial condition of the Issuer) shall occur which, in the reasonable determination of the Majority Bondholders, will have a Material Adverse Effect;

(h) *Expropriation Default*
Any act or deed or judicial or administrative proceedings in the nature of an expropriation, confiscation, nationalization, acquisition, seizure, sequestration or condemnation of, or with respect to the business and operations of the Issuer, all or substantially all of the property or assets of the Issuer, shall be undertaken or instituted by any Governmental Authority, unless such act, deed or proceedings are contested in good faith by the Issuer;

(i) *Cancellation of Licenses, Permits, etc.*
Any of the licenses, permits, rights, options or privileges presently or hereafter enjoyed, utilized, or required or necessary in the conduct of the business or operations of the Issuer shall be revoked, cancelled, or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in each case in such manner as to have a Material Adverse Effect;

(j) *Judgment Default*
Any other final judgment or decree for a sum of money, damages or for a fine or penalty against the Issuer or any attachment against property in excess of Five Hundred Million Pesos (Php500,000,000.00) or its equivalent in any other currency is left undischarged, unbonded or undismissed for a period of ninety (90) days after finality of judgment, which will result in a Material Adverse Effect;

(k) *Writ and Similar Process Default*
Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of GT Capital's assets, business or operations and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within 30 calendar days after its issue or levy;

(l) *Non-Payment of Taxes*
Non-payment of any Taxes, or any assessments or governmental charges levied upon it or against its properties, revenues and assets by the date on which such Taxes, assessments or charges attached thereto, which are not contested in good faith by GT Capital, or after the lapse of any grace period that may have been granted to GT Capital by the Bureau of Internal Revenue or any other Philippine tax body or authority;

(m) *Contest*
The Issuer shall contest in writing the validity or enforceability of the Bond Agreements or shall deny generally in writing the liability of the Issuer under the Bond Agreements;

(n) *Illegality*
Any of the Bond Agreements or any material portion thereof is declared to be illegal or unenforceable, unless such illegality or unenforceability is remedied within sixty (60) days of the occurrence or declaration of the illegality or unenforceability, as the case may be, or when such illegality or unenforceability can be treated independently from the unaffected portion of the Bond Agreements and related documents; and,

(o) *Analogous Effect*
Any event occurs which under the Law has an analogous effect to any of the events referred to in the foregoing

paragraphs of this Section 10 and as provided in the Trust Agreement.

11. Consequences of Default

Subject to the terms of the Trust Agreement, the Trustee shall, within ten (10) Business Days after receiving notice, or having knowledge of, the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice.

If any one or more of the Events of Default shall have occurred and be continuing without the same being cured within the periods provided in the Trust Agreement and in these Terms and Conditions, the Trustee may on its own, or, if upon the written direction of Bondholders holding more than 50% of the aggregate principal amount of the issued Bonds (the *Majority Bondholders*), shall, by notice in writing delivered to GT Capital, with a copy furnished to the Paying Agent, Receiving Agent, and Registrar, declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable (the *Accelerated Amounts*), and upon such declaration the same shall be immediately due and payable.

All the unpaid obligations under the Bonds, including accrued Interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by GT Capital.

12. Notice of Default

The Trustee shall, within ten (10) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of Payment Default under Section 10(a) above and as provided in the Trust Agreement, the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in the Philippines for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification to the Trustee.

13. Penalty Interest

In case any amount payable by GT Capital under the Bonds, whether for principal, interest, fees due to Trustee or Registrar or otherwise, is not paid on due date, GT Capital shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 12% p.a. (the "Penalty Interest") from the time the amount falls due until it is fully paid.

14. Payment in the Event of Default

GT Capital covenants that upon the occurrence of any Event of Default, GT Capital shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest as described above, where applicable and in addition thereto, GT Capital shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee.

15. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first,* to the payment to the Trustee, the Paying Agent and the Registrar, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second,* to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest; *third,* to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, with Penalty Interest; and *fourth,* the remainder, if any shall be paid to GT Capital, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

16. Prescription

Claims with respect to principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years from the date on which payment becomes due.

17. Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion below on *"Ability to File Suit".*

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

18. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from GT Capital hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

19. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and on behalf of the Bondholders to waive any past default, except the Events of Default specified in Sections 10 (a), (d), (e), (f), and (g) above. In case of any such waiver, written notice of which shall be given to the Issuer by the Trustee, GT Capital, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

20. Trustee; Notices

(a) *Notice to the Trustee*

All documents required to be submitted to the Trustee pursuant to the Trust Agreement and this Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Development Bank of the Philippines – Trust Services Group
Attention:	The Trust Officer
Subject:	GT Capital Holdings, Inc. Fixed Rate Bonds
Address:	DBP Trust Services Group, DBP Building, Sen. Gil Puyat Ave. cor. Makati Ave., Makati City
Facsimile:	(632) 893-7131; (632) 893-0942
Email Address:	trust@dbp.ph

All documents and correspondence not sent to the above-mentioned address shall be considered as not sent at all.

(b) *Notice to the Bondholders*

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders 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; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or; (iv) on date of delivery, for personal delivery.

(c) *Binding and Conclusive Nature*

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on GT Capital and all Bondholders. No liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement resulting from the Trustee's reliance on the foregoing.

21. Duties and Responsibilities of the Trustee

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by GT Capital with all its representations and warranties, and the observance by GT Capital of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with respect to any matters that must be taken up with GT Capital.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, exercise in the management of their own affairs.

(c) None of the provisions contained in this Agreement or Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

22. Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to GT Capital and to the Bondholders of such resignation.

(b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a *bona fide* holder for at least six months (the "*bona fide* Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.

(c) A successor trustee should possess all the qualifications required under pertinent laws and shall be bound by the terms of the Trust Agreement as stipulated in Section 23(a) hereof; otherwise, the incumbent trustee shall continue to act as such.

(d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then GT Capital may within thirty (30) days from such time remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If GT Capital fails to remove the Trustee concerned and appoint a successor trustee, any Bona Fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to GT Capital of the required evidence of the action in that regard taken by the Majority Bondholders.

(f) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (the "Resignation Effective Date") provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "Holdover Period"), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by GT Capital.

23. Successor Trustee

(a) Any successor trustee appointed shall execute, acknowledge and deliver to GT Capital and to its predecessor

Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of GT Capital or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, GT Capital shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor trustee, GT Capital shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If GT Capital fails to notify the Bondholders within 10 days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of GT Capital.

24. Reports to the Bondholders

(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(i) Trust Agreement
(ii) Registry and Paying Agency Agreement
(iii) Articles of Incorporation and By-Laws of GT Capital
(iv) Registration Statement of GT Capital with respect to the Bonds

25. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or on behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) *Notice of Meetings*

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the

Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to GT Capital and to each of the registered Bondholders not earlier than forty five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Agreement. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by GT Capital within ten (10) days from receipt of the duly supported billing statement.

(b) *Failure of the Trustee to Call a Meeting*
In case at any time GT Capital or the holders of at least twenty five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then GT Capital or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) *Quorum*
The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) *Procedure for Meetings*

(i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by GT Capital or by the Bondholders, in which case GT Capital or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Bondholders duly called may be adjourned from time to time for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting so adjourned may be held upon written agreement by the Issuer and the Bondholders on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) *Voting Rights*
To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one (1) or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (Php10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representatives of GT Capital and its legal counsel.

(f) *Voting Requirement*
All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement (please refer to the preceding discussion on "Quorum"). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as provided in the Trust Agreement shall be binding upon all the Bondholders and GT Capital as if the votes were unanimous.

(g) *Role of the Trustee in Meetings of the Bondholders*
Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the

secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

26. Amendments

GT Capital and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Terms and Conditions of the Bonds and the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver thereafter.

GT Capital and the Trustee may amend the Terms and Conditions of the Bonds without notice to every Bondholder but with the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds). However, without the consent of each Bondholder affected thereby, an amendment may not:

(a) reduce the percentage amount of Bonds outstanding that must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on any Bond;

(c) reduce the principal of or extend the Maturity Date of any Bond;

(d) impair the right of any Bondholder to receive payment of principal of and interest on such Bond holdings on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Bond holdings;

(e) reduce the amount payable upon the redemption or repurchase of any Bond under the Terms and Conditions or change the time at which any Bond may be redeemed;

(f) make any Bond payable in money other than that stated in the Bond;

(g) subordinate the Bonds to any other obligation of GT Capital;

(h) release any security interest that may have been granted in favor of the Bondholders;

(i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or

(j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, GT Capital shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the section entitled “Notices”.

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall -

(a) Without the consent of each Bondholder affected thereby:

(i) extend the fixed maturity of the Bonds, or

(ii) reduce the principal amount of the Bonds, or

(iii) reduce the rate or extend the time of payment of interest and principal thereon;

(b) Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or

(c) Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

27. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the Bondholders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

28. Non-Reliance

Each Bondholder represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of GT Capital on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature with respect to the Trustee's performance of its obligations under the Trust Agreement, except those arising from the Trustee's gross negligence or wilful misconduct.

29. Governing Law

The Bond Agreements are governed by and shall be construed in accordance with Philippine law.

INTERESTS OF LEGAL COUNSEL AND INDEPENDENT AUDITORS

LEGAL MATTERS

All legal opinion/matters in connection with the issuance of the Bonds, which are subject of this Offer, shall be passed upon by Picazo Buyco Fider, Tan & Santos Law Offices, for the Issue Manager and the Underwriters and GT Capital's Legal and Compliance Department for the Company. Picazo Buyco Fider Tan & Santos Law Offices has no direct and indirect interest in GT Capital. Picazo Buyco Fider Tan & Santos Law Offices may, from time to time, be engaged by GT Capital to advise in its transactions and perform legal services on the same basis that Picazo Buyco Fider Tan & Santos Law Offices provides such services to its clients.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company and its subsidiaries as of January 1, 2012, December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013 have been audited by SGV & Co. (a member firm of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

The Company has not had any disagreements on accounting and financial disclosures with its current independent external auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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, 2011, 2012 and 2013 for professional services rendered by SGV & Co. to the Company, excluding fees directly related to the Offer.

For the year ended December 31	**2011**	**2012**	**2013**
		(in Php thousands)	
Audit and Audit-Related Services	330	1,440	1,400
Non-Audit Services	–	30,000	11,161
Total	**330**	**31,440**	**12,561**

THE COMPANY

OVERVIEW

GT Capital is a major Philippine conglomerate with interests in market-leading businesses across banking, property development, power generation, automotive assembly, importation and distribution, and life and non-life insurance. 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 current portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The current portfolio comprises directly-held interests in the following GT Capital companies:

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

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

- **Power generation –** GT Capital conducts its power generation business through its 50.9% direct ownership in holding company, Global Business Power Corporation ("GBP"). GBP, through its operating subsidiaries, is a leading independent power generation producer in the Visayas region, with a combined gross dependable capacity of 622 megawatts (MW) (475 MW attributable to GBP, net of minority interests in its subsidiaries).

- **Automotive Assembly and Importation** – GT Capital conducts its automotive assembly and importation business through its 51.0% interest in Toyota Motor Philippines Corporation ("TMP"). TMP is engaged in the auto assembly, importation, and wholesale distribution of Toyota motor vehicles in the Philippines. It is also engaged in the manufacture and sale of Toyota motor vehicle parts and accessories, for the domestic and export markets. In addition, TMP is involved in the distribution of Lexus motor vehicles in the Philippines.

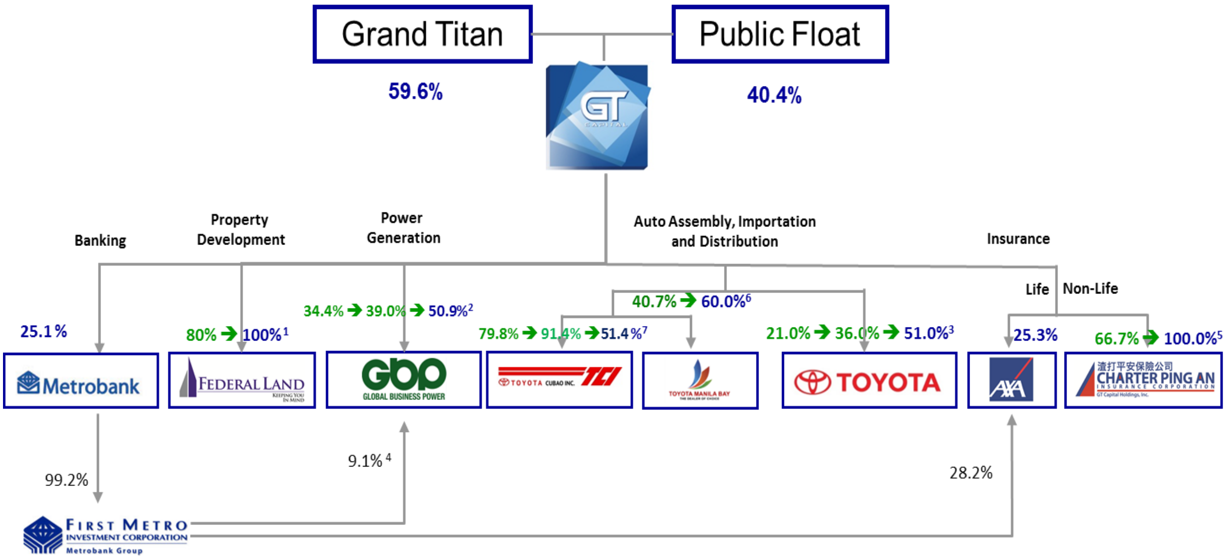
- **Automotive Distribution -** GT Capital conducts its automotive distribution business through its 60.0% interest in Toyota Manila Bay Corporation ("TMBC") and 51.4% interest in Toyota Cubao, Inc. ("TCI"). TMBC and TCI are engaged in the retail sale of Toyota motor vehicles, parts and accessories in Luzon, particularly in Metro Manila; and provide after-sales services to Toyota motor vehicles.

- **Life Insurance** – GT Capital conducts its life insurance business through its 25.3% 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 distributes its products through a multi-channel distribution network comprised of agents, bancassurance (through MBT), corporate solutions and direct marketing/telemarketing.

- **Non-Life Insurance -** GT Capital conducts its non-life insurance business through its 100.0% interest in Charter Ping An Insurance Corporation ("Charter Ping An" or "CPAIC"), which offers insurance products in the

Philippines, that include fire/property, marine, motor car, personal accident, bonds, other casualty, and engineering insurance, among others.

In addition to the direct ownership stakes set out above, GT Capital owns additional indirect stakes in GBP and AXA Philippines, as set out in the chart below.



Notes:

1 *On May 3, 2012, GT Capital acquired the remaining 20.0% ownership interest in Fed Land for an aggregate consideration of Php2.7 billion. The acquisition increased the direct holdings of GT Capital in Fed Land from 80.0% to 100.0%.*

2 *On May 2, 2012, the Company exercised its option to acquire an additional 4.6% of GBP at a fixed price of Php35.00 per share for a total consideration of Php893.2 million. On September 12, 2012, GT Capital acquired an additional 11.9% of GBP at a fixed price of Php35.13 per share for a total consideration of Php2.3 billion. The acquisitions increased GT Capital's direct equity stake in GBP to 50.9%.*

3 *On December 3, 2012, GT Capital and MBT executed a Deed of Absolute Sale wherein GT Capital acquired 15.0% of TMP for a consideration of Php4.5 billion. The acquisition increased the direct equity stake of GT Capital in TMP to 36.0%.*
On January 17, 2013, GT Capital and MBT executed a Deed of Absolute Sale wherein GT Capital acquired another 15.0% of TMP for a consideration of Php4.5 billion. The acquisition increased the direct equity stake of GT Capital in TMP to 51.0%.

4 *On June 27, 2013, First Metro Investment Corporation (FMIC) concluded with ORIX Corporation of Japan a Sale and Purchase Agreement for a 20% equity stake in GBP for a consideration of Php7.15 billion.*
On October 22, 2013, FMIC and Meralco PowerGen Corporation signed a Shareholders' Agreement to complete the sale of additional 20.0% ownership stake in GBP for a total consideration of Php7.2 billion.

5 *On October 10, 2013, GT Capital acquired 66.7% ownership interest in CPAIC from Ty Family at a fixed price of Php614.30 per share for a total consideration of Php1.4 billion.*
On January 27, 2014, GT Capital acquired the remaining 33.3% ownership interest in CPAIC from FMIC for a total consideration of Php712.0 million..

6 *On December 18, 2013, GT Capital acquired 40.7% ownership in TMBC at a fixed price of Php4.93 per share for a total consideration of Php502.3 million*
On March 4, 2014, GT Capital acquired additional 19.3% ownership in TMBC from FMIC for a total purchase price of Php237.3 million.

7 *On March 24 and 31, 2014, GT Capital acquired 89.1% ownership interest in TCI for a total purchase price of Php347.4 million. On June 18, 2014, GT Capital infused Php33.0 million in TCI thereby increasing its direct equity stake to 91.4%. Subsequently on June 23, 2014, GT Capital sold 40% of its direct equity stake to Mitsui & Co., Ltd. of Japan. This reduced GT Capital's direct equity stake to 51.4%.*

The following tables present summary information for each of GT Capital's businesses:

Industry/Company Name	Unaudited Three Months Ended March 31, 2014			
	Total Assets	Total Revenue	Net Income	Net Income Attributable to Parent Company Shareholders
	(Php millions)	(Php millions)	(Php millions)	(Php millions)
Banking				
Metropolitan Bank & Trust Company	1,400,319	23,156	6,545	5,686
Real Estate				
Federal Land, Inc.	43,345	2,297	429	424
Power Generation				
Global Business Power Corporation	64,785	4,037	450	225
Automotive Assembly and Importation				
Toyota Motor Philippines Corporation	27,117	23,650	1,405	1,388
Automotive Distribution				
Toyota Manila Bay Corporation	1,953	2,664	32	32
Toyota Cubao, Inc.	1,064	1,079	6	6
Life Insurance				
Philippine AXA Life Insurance Corporation	58,018	2,360	231	231
Non-Life Insurance				
Charter Ping An Insurance Corporation	9,497	501	55	55

Industry/Company Name	Audited Year Ended December 31, 2013			
	Total Assets	Total Revenue	Net Income	Net Income Attributable to Parent Company Shareholders
	(Php millions)	(Php millions)	(Php millions)	(Php millions)
Banking				
Metropolitan Bank & Trust Company	1,378,569	128,816	24,156	22,488
Real Estate				
Federal Land, Inc.	43,226	7,896	1,019	999
Power Generation				
Global Business Power Corporation	59,770	16,995	2,962	1,937
Automotive Assembly and Importation				
Toyota Motor Philippines Corporation	23,750	80,989	4,259	4,219
Automotive Distribution				
Toyota Manila Bay Corporation	1,934	9,460	110	110
Life Insurance				
Philippine AXA Life Insurance Corporation	54,950	5,596	1,184	1,184
Non-Life Insurance				
Charter Ping An Insurance Corporation	9,211	1,900	190	190

GT Capital's revenues were Php8.0 billion, Php23.0 billion and Php105.5 billion for the years ended December 31, 2011, 2012 and 2013, respectively, with net income of Php3.5 billion, Php8.6 billion and Php12.5 billion, respectively. Of GT Capital's total revenue for the year ended December 31, 2013, TMP was the largest contributor with Php74.8 billion, while GBP and Fed Land contributed revenues of Php17.2 billion and Php7.9 billion, respectively, during the same period. GT Capital's total assets amounted to Php69.7 billion, Php137.0 billion and Php192.4 billion as of January 1, 2012, December 31, 2012 and 2013, 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 Php20.0 million and subscribed and paid-up capital of Php5.0 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 Php20.0 million divided into 2.0 million shares, with a par value of Php10.00 per share, to Php5.0 billion, divided into 500 million shares with a par value of Php10.00 per share. The following companies subscribed to the increase in the authorized capital stock of GT Capital:

Subscriber	No. of Shares Subscribed
Grand Titan Capital Holdings, Inc ……………………………………………………………….	114,520,452
Titan Resources Corporation………………………………………………………………………..	7,532,333
Ausan Resources Corporation ………………………………………………………………………	2,447,215
Total	124,500,000

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 Php24.3 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.

THE TY FAMILY

The early 1960s marked the beginning of a new era in the Philippine banking industry. The decade saw the emergence of several commercial and thrift banks to answer the financial needs of a growing economy. It was at this time that Dr. George S.K. Ty saw an opportunity to take an active part in this historic economic development by providing needed funding to entrepreneurs and, together with a group of local businessmen, founded the Metropolitan Bank and Trust Company (MBT). MBT 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 various smaller banks such as the Philippine Banking Corporation, Asian Bank, Solid Bank and Global Business Bank, making it one of the Philippines' largest universal banks today.

With MBT as its flagship company, the Ty family business diversified into both financial and non-financial industries through several partnerships and joint ventures.

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, TMC, to form TMP. 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 the Sumisho Motor Finance Corporation between PSBank and the Sumitomo Corporation of Japan; Orix Metro Leasing & Finance Corporation ("ORIX Metro Leasing") with Orix; the Toyota Financial Services (Philippines) Corporation with Toyota Financial Services Corporation of Japan; and the 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 in property development. The Ty family, through its various real estate business interests, has made its mark as one of the top real estate developers in the country, with more than 50 completed projects in the Philippines. Although its focus is primarily on residential projects in Metro Manila, one of its most recognized developments is the GT International Tower office building along Ayala Avenue in Makati City. Other notable completed projects are the Bay Garden in Macapagal Avenue in Pasay City and Marquinton Residences in Marikina City. Another of the Ty family companies' recognized projects is the Grand Midori in Makati, which is a joint venture between Fed Land and Orix.

The Ty family has also ventured into the power generation industry through its investment in GBP, which runs power plants in the Visayas through its subsidiaries. GBP is now one of the largest independent power producers in the Visayas region.

Over the years, the Ty family has successfully entered into long term joint ventures 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.

The Ty family companies are run by professionals that are experts in their respective fields. At the helm is 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 across all current GT Capital businesses

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

- As of March 31, 2014, the **MBT Group** was the second largest Philippine bank by asset size and net loans and receivables with total assets of Php1.4 trillion and net loans and receivables of Php623.5 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 and 2013.

- **Fed Land** is one of the major property developers involved in vertical master-planned communities in the Philippines. Fed Land is the dedicated property development company of the Ty family in the Philippines and is currently implementing a comprehensive and sustainable growth program to fully capitalize on its expertise, land bank and brand recognition. In 2013, Fed Land made reservation sales of 2,353 residential units with a total sales value of Php14.0 billion for a three-year CAGR of 24% in terms of sales value. As of March 31, 2014, Fed Land had 33 different ongoing residential projects at various stages of completion.

- **GBP** is one of the largest independent power producers in the Visayas, with a combined gross dependable capacity of 622 MW (475 MW attributable to GBP, net of minority interests in its subsidiaries) comprising 614.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied to Mindoro Island. In 2012, GBP, through TPC embarked on an 82-MW clean coal-fired power plant expansion project, as an addition to its existing coal plant in Toledo City, Cebu. The project is intended to supply the electric power requirements of Carmen Copper

Corporation. Carmen Copper, a subsidiary of Atlas Mining and Development Corporation, will need an additional electric supply to power its mining expansion undertakings. The project construction is now ongoing. GBP is also embarking on a 150-MW clean coal-fired power plant expansion project in Panay through its subsidiary, Panay Energy Development Corporation (PEDC), using the same clean coal technology of its existing 2 x 82 MW coal plant in Panay. PEDC broke ground on its expansion project on March 7, 2014, and construction is scheduled to commence in July 2014.

- **TMP** is the Philippines' largest automobile manufacturer and the exclusive importer and wholesale distributor in the Philippines of the no.1 global automotive brand. TMP has been number one in total vehicle sales in 23 out of 25 years since 1989, with a market share of 38.3% as of March 31, 2014 based on data from CAMPI and AVID. TMP received the "Excellent Quality Company" award from TMC in April 2011 for its outstanding performance in quality vehicle production and the "Outstanding Achievement on Productivity and Quality" award at the 2011 Kapatiran sa Industriya Awards organized by the Employers Confederation of the Philippines.

- **AXA Philippines** was first in first year premium and single premium of variable life insurance in the Philippines as of December 31, 2010. 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.

- **CPAIC** is one of the leading non-life insurance companies in the Philippines. As of December 31, 2012, CPAIC was 3rd in terms of asset size with total assets of Php5.8 billion and 4th in terms of net premiums written (NPW) with NPW valued at Php1.6 billion. Currently, CPAIC offers value-added services unique in the insurance market which include motor insurance with life coverage and travel assistance which has global coverage of services.

- **TMBC**, with its three 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 March 31, 2014, TMBC's retail sales volume accounted for 11.9% of total Toyota sales. TMBC is currently under a joint venture agreement between GT Capital and Mitsui.

- **TCI**, established in 1989, is one of the pioneering Toyota dealers in the country. With its two outlets strategically located in Metro Manila, TCI is a leading group within the Toyota dealership network in terms of retail car sales. As of March 31, 2014, TCI's retail sales volume accounted for 5.3% of total Toyota sales. In February 2014, TCI was awarded by Toyota Motor Philippines Corporation with the "Overall Dealer Performance Award" during the Annual Dealer Conference and Gala Awards.

High levels of ownership in all businesses

Currently, GT Capital directly owns 100.0% of its fully-consolidated, unlisted subsidiary Fed Land. GT Capital's interest in the power industry is through its fully-consolidated subsidiary GBP, in which it directly owns a 50.9% stake and where a further 9.1% stake is held by FMIC, a majority-owned subsidiary of MBT. GT Capital conducts its automotive businesses through TMP, TMBC and TCI in which it holds 51.0%, 60.0% and 51.4% direct stakes. GT Capital's involvement in the insurance business is through AXA Philippines and CPAIC, in which it directly owns 25.3% and 100.0%, respectively. An additional 28.2% of AXA Philippines stake is held by FMIC.

Strong partnerships with leading global players

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 partnerships with leading global players such as AXA, ANZ, FHIC, Mitsui, Orix, Sumitomo and TMC. For example, in addition to its market-leading brand value, TMC has contributed a superior product range as well as 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. FHIC has contributed state-of-the-art coal technology to GT Capital's power business.

GT Capital believes it 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 that GT Capital believes has earned it 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 through both stable and volatile socio-economic and political environments. GT Capital believes that it 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.

GT Capital believes that strategic partnerships with leading global players leverage the complementary skill sets, expertise and resources of GT Capital and its partners, while GT Capital is able to optimize time to market, market impact, customer recognition and corporate performance based on global best practices.

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's Chairman, Dr. George 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 crystallize available synergies. GT Capital believes that 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 each of the GT Capital companies exhibit a strong and resilient financial profile. As of March 31, 2014, consolidated net income attributable to equity holders of the Parent Company reached Php1.7 billion. As of December 31, 2013, total revenue and net income attributable to shareholders amounted to Php105.5 billion and Php8.6 billion, from Php23.0 billion and Php6.6 billion in 2012. Over the period from 2011 to 2013, the growth in net income attributable to equity holders (CAGR) for each of the GT Capital companies MBT, Fed Land, GBP, TMP, AXA Philippines, CPAIC and TMBC was 42.8%, 30.5%, 10.7%, 39.4%, 10.6%, 12.4% and 75.3%, respectively.

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

The Philippine economy has experienced significant growth from 2003 to 2011, with real gross domestic product ("GDP") growing at a compound rate of 5.0% 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 Economic Intelligence Unit ("EIU"), real GDP growth in the Philippines is expected to continue on a strong upward trajectory, at a compound annual growth rate of 5.0% from 2011 to 2015. The Philippine economy particularly benefits from several key pillars of growth, including sustained increases in remittances from overseas Filipino workers ("OFWs") and domestic consumption, which in 2011 accounted for 71% of GDP according to the BSP. Fed Land, for example, stands to benefit from strong growth in the business process outsourcing ("BPO") sector and OFW remittances by tailoring its commercial and residential real estate products to cater to these markets.

The Philippines is one of the most populous country in the world with a total population of 94.2 million in 2011, according to the BSP. According to the United Nations, as of 2010, 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 Nation's medium 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 2009 was 92% and the adult literacy rate in 2008 was 95%, both well above the worldwide 2009 averages of 88% and 84%, respectively. Overall, the Philippines has a large, growing, young and well-educated population, which provides the Philippine economy with very favorable 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, power, automotive and insurance. GT Capital's businesses are well positioned within these industries which it believes are resilient and 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:

- At MBT, 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.

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

- At GBP, the management will partner with key stakeholders to plan and effect forward-looking investments in power to support economic growth. Specifically, GBP will closely coordinate with the national and local government units, economic zones and heavy industries to identify their future power requirements and provide customized power solutions. These customized power solutions will utilize industry best practice technologies such as on-demand peaking power, renewable energy and clean-coal technologies to supply energy and minimize environmental impact.

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

- At AXA Philippines, greater brand awareness will be created, while tailor fitting product propositions to specific segment requirements. 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.

- At CPAIC, corporate efforts will focus on intensifying brand awareness and creating more value adding services that will differentiate CPAIC from the competition. There will be programs designed to increase distribution channels, to attract and retain intermediaries, to increase synergy activities with the GT Capital Group and to streamline processes to be more responsive to the growing needs and demands of CPAIC's customers.

- At TMBC, there will be continued business growth by making available top-quality facilities and innovative approaches to ensure superb dealership experience. The strong branch network of MBT and PSBank, provides a firm source of volume for bank referrals and to further fortify our market share. TMBC will continue market penetration through mall displays, new car financing schemes as well as parts and after sales service packages.

- At TCI, synergies with GT Capital group shall be further enhanced. TCI's strong ties with the GT Capital component companies, specifically the nationwide branch network of Metrobank and PSBank, provides a solid source of revenues in terms of referrals from bank clients and vehicle requirements of the branches themselves.

  The downward trend in interest rates, strong buyer acceptance of the "all-in-promo" and financing-related revenues are good opportunities for TCI to further improve its profit margin per unit. Marketing activities such as mall displays shall be intensified to take advantage of these opportunities and further penetrate the market.

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 and power generation. For example, Fed Land intends to capitalize on the significant future growth expected in the BPO sector by providing innovative commercial real estate solutions in key locations to potential BPO customers. In addition, GBP is currently exploring both greenfield and brownfield power generation projects, including those in the renewable energy sector such as hydroelectric. 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 relevant insights, expertise and resources. Where appropriate value-enhancing business initiatives exist, GT Capital will seek to expand on its successful partnership model with recognized global industry leaders.

Consolidate GT Capital's ownership of the GT Capital companies
GT Capital is the primary vehicle for the holding and management of the various business interests of the Ty family in the Philippines. Subject to applicable laws and regulations and the conformity of its joint venture partners, GT Capital intends to acquire, over time, additional interests in current GT Capital companies, or in other companies controlled by the Ty family. Such consolidation would be consistent with GT Capital's active management approach to its portfolio and may allow an even more integrated approach among the GT Capital companies.

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
Banking	BDO and Bank of the Philippine Islands
Property Development	Ayala Land, Inc., Filinvest Land, Inc., Megaworld Corporation, Century Properties, and Robinsons Land Corporation
Power	Kepco Salcon Power Corporation, Salcon Island Power Corporation, Green Core, Unified Leyte Geothermal, and Palm Concepcion Power Corporation
Automotive Assembly and Importation	Hyundai, Honda, Mitsubishi, Isuzu, Nissan and Ford
Automotive Distribution	Hyundai Dealers, Honda Dealers, Mitsubishi City Motors
Life Insurance	Philippine American Life Insurance Co., Sun Life of Canada, Insular Life, Pru Life of the U.K. and Manufacturers Life
Non-life Insurance	Prudential Guarantee, Malayan Insurance, BPI/MS, Pioneer Insurance, AIG Philippines

EMPLOYEES

As of March 31, 2014, the GT Capital companies had a combined 14,878 full-time employees (excluding contract and temporary employees), broken down by operating company or division as follows:

Operating Company	Number of Employees
GT Capital………	20
MBT	10,382
Fed Land	313
GBP	790
TMP	1,520
AXA Philippines	865
CPAIC	365
TMBC	383
TCI…	240
Total	**14,878**

GT Capital's management believes that labor relations are generally good 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

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 March 31, 2014, GT Capital leases its office space at GT Tower International located at 43/F GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, Manila 1227, Philippines. 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.

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.

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 March 31, 2014, the Company is not a party to any material contracts, except for contracts entered into the ordinary course of business.

BUSINESS – MBT

OVERVIEW

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 March 31, 2014, the MBT Group was the second largest Philippine bank by asset size, with total assets of Php1.4 trillion, net loans and receivables of Php623.5 billion and capital of Php136.5 billion. MBT was also the second largest Philippine bank by total deposits and controlled 13.8% of the Philippine banking system's total asset base as of December 31, 2013, according to the BSP.

The MBT Group offers corporate and commercial banking products and services throughout the Philippines. The MBT Group's corporate banking services consists of banking services provided to corporate customers (generally recognized by MBT as the top 1,000 Philippine companies, multinational companies and Government-owned and controlled companies). The MBT Group's commercial banking services consist of banking services provided to micro industries and SMEs. As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, corporate and commercial loans represented 72.9%, 72.4%, 72.5% and 72.7% of the MBT Group's total loan portfolio, respectively.

The MBT Group, through MBT and PSBank (a 75.98% owned subsidiary of MBT), is also a leading provider of consumer banking products and services in the Philippines. Through its network of branches, the MBT Group offers a wide range of deposit, mortgage and vehicle finance products and services, targeted primarily at its existing customers. MBT offers a variety of products to high net worth individuals, which is a growing demographic group in the Philippines.

The MBT Group offers trust banking services, credit card services and investment banking services through subsidiaries of MBT, and is also engaged in other businesses, some of which are unrelated to the financial services sector.

As of March 31, 2014, the MBT Group had a total of 861 branches in the Philippines, of which 637 were operated by MBT and 224 were operated by PSBank. The MBT Group had a total of 1,951 ATMs as of March 31, 2014. 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. According to the BSP, the MBT Group accounted for 16% of the total remittance volume for the Philippines in September 2013. As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, the MBT Group's total assets amounted to Php962.1 billion, Php1.0 trillion, Php1.4 trillion and Php1.4 trillion respectively, while equity attributable to equity holders of MBT amounted to Php108.1 billion, Php117.7 billion, Php134.9 billion and Php136.5 billion, respectively. Consolidated net income attributable to equity holders of MBT for the years ended December 31, 2011, 2012, and 2013, amounted to Php11.0 billion, Php15.4 billion and Php22.5 billion, respectively; and for the quarters ended March 31, 2013 and 2014, amounted to Php11.4 billion and Php5.7 billion, respectively.

MBT has been listed on the PSE since February 1981 after its initial public offering. Its market capitalization as of March 31, 2014 was Php212.2 billion. MBT was founded by Dr. George S.K. Ty. GT Capital is the single largest shareholder of MBT, owning 25.11% of MBT's outstanding shares as of December 31, 2013. As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, the MBT Group's Tier 1 and total capital adequacy ratios as reported to BSP were 13.7%, 13.7%, 15.0% and 12.8%; and 17.4%, 16.3%, 16.7% and 16.0%, respectively.

HISTORY

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.

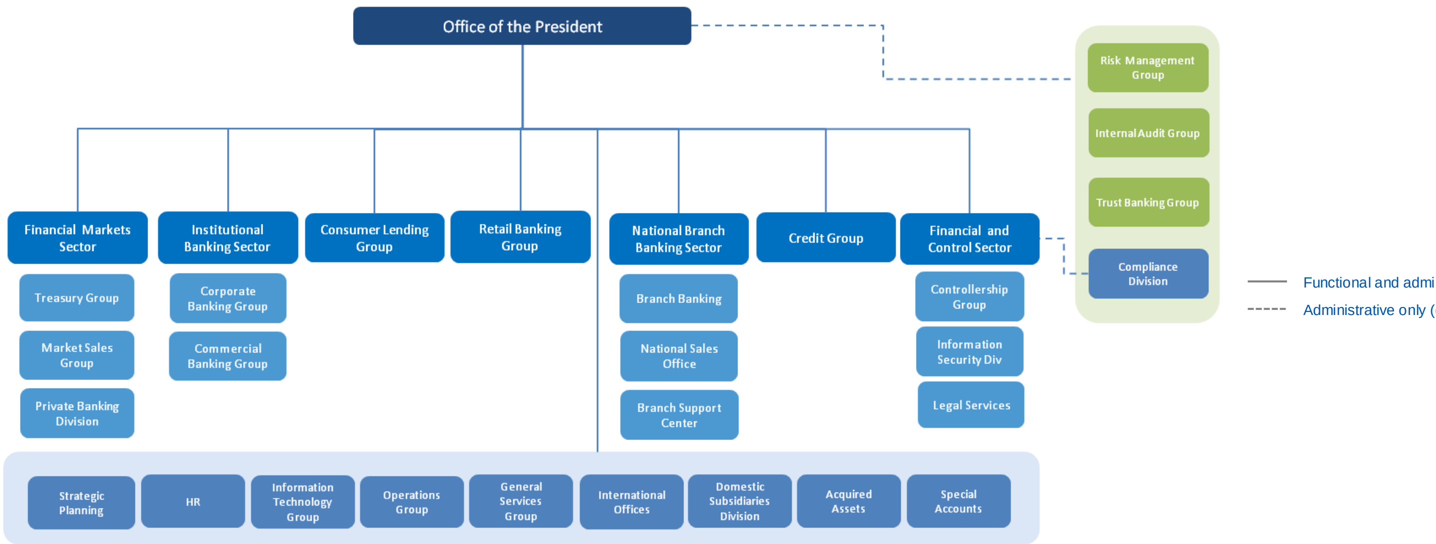
MBT was one of the first banks in the Philippines to gain a universal banking license, which was granted by the BSP in August 1981. This license allows MBT to engage in finance-related businesses such as savings and consumer banking, credit card and leasing products and services as well as "non-allied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

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 OFWs. 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.

ORGANIZATIONAL STRUCTURE

The following chart sets forth an overview of the organizational structure of MBT and its principal activities:



COMPETITIVE STRENGTHS

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

Strong financial position

As of March 31, 2014, the MBT Group was the second largest Philippine bank by asset size, net loans and receivables and book capitalization, with total assets of Php1.4 trillion, net loans and receivables of Php623.5 billion and book capitalization of Php136.5 billion. MBT was also the second largest Philippine bank by total deposits. MBT controlled 13.8% of the Philippine banking system's total asset base as of December 31, 2013, according to the BSP. Consolidated net income attributable to equity holders of MBT for the years ended December 31, 2011, 2012, and 2013, amounted to Php11.0 billion, Php15.4 billion and Php22.5 billion, respectively; and for the quarters ended March 31, 2013 and 2014, amounted to Php11.4 billion and to Php5.7 billion, respectively. The MBT Group's Tier 1 and total capital adequacy ratios as reported to BSP as of March 31, 2014 were 12.8% and 16.0%, respectively, well above the minimum standards set by the BSP of 10.0%. MBT believes its financial strength contributes to its strong market position. MBT's strong financial position 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.

Leading market position across diverse product segments

Each of MBT's product segments are among the leaders in the Philippine banking industry. In retail banking, the MBT Group has the largest car financing portfolio and the third largest housing portfolio. In addition, it is the largest card issuer, through MCC, based on the March 2014 report of the Credit Card Association of the Philippines ("CCAP"), of which BDO is no longer a reporting member. There are over 1.3 million cards in force. The MBT Group has the third largest trust business with assets under management ("AUM") of Php324.8 billion based on publicly available reports submitted by Philippine banks to the BSP, as of December 31, 2013. MBT has been awarded Best Performing Government Securities Dealer from 2008 – 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. With Php82.7 billion in total assets as of March 31, 2014, MBT's subsidiary, FMIC, is the largest domestic investment bank and one of the leading Government securities eligible dealers according to the Investment Houses Association of the Philippines and the Philippine Dealing and Exchange Corporation. MBT also believes that FMIC is a leader in the domestic debt capital markets, having participated in a majority of the Peso-denominated debt issuances in 2013. In terms of market share, FMIC continues to dominate the Philippine bond market as it successfully participated in 94% of the total bond issuance, raising a total of Php219.5 billion for the year. FMIC also ranked number 1 in Bloomberg's League Table for the Philippine debt market. FMIC was chosen for the fourth consecutive year as the Best Domestic Bond House in the Philippines by The Asset in its Triple A Country Awards for 2012. FMIC was cited for its leadership in the Philippine domestic bond market, participating in 77.9% of the total bond issuance for both private and public sectors. FinanceAsia, on the other hand, named FMIC the Best Domestic Bond House citing that FMIC's success as a domestic bond house and its strengths in deal origination, structuring and execution. FMIC was also voted as Best Primary Bank for Corporate Bonds, Investors' Vote Philippines by The Asset Benchmark Research 2013. 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. 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.

Diversified franchise with large scale of operations

The MBT Group, through MBT and PSBank, operates the largest branch network in the Philippines, with a total of 861 branches in the Philippines as of March 31, 2014. 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 1,951 ATMs as of March 31, 2014. The MBT Group also derives significant synergies from the diversified MBT Group and affiliated franchises such as FMIC, the largest, according to IHAP, publicly listed Philippine investment bank; MCC, the largest card issuer, with 1.3 million cards in force and a 21% share of the

Philippine market (excluding BDO), based on the March 2014 report of the CCAP; and AXA, which is among the top five life insurance providers in the country, posting Php18.3 billion in gross written premiums for 2013, and is also one of the leading providers of variable life insurance, with an 11% market share in 2013 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 services to its existing customers, which it believes is one of its core strengths, as well as to potentially capture a broader range of new clients.

Low cost deposit base

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. 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 March 31, 2014, saving and demand deposits, which typically represent the lowest cost of funding for a bank, accounted for 51.0% of the MBT Group's total deposit base. In addition, the MBT Group has a strong cost of deposits ratio of 0.8% and a strong cost of funds ratio of 1.0% as of March 31, 2014, which MBT believes are among the lowest in the Philippines.

Well recognized brand

MBT believes that "Metrobank" is one of the most-widely recognized brands for financial services in the Philippines. This belief is supported by recent awards that MBT has received, including "Strongest Bank in the Philippines" by The Asian Banker for 2011 and 2013, "20th Strongest Bank in Asia Pacific Region" by The Asian Banker for 2011, "Best Bank in the Philippines" by Euromoney for 2010, 2011 and 2012, "Bank of the Year in the Philippines" for 2010 by The Banker and "Trusted Brand Gold" for 2004 to 2012 by Reader's Digest, "Financial Inclusion Award" by The Banker for 2013, and "Best Domestic Bank in the Philippines" by Asiamoney for 2010. MBT believes this brand recognition helps attract low-cost funding as depositors are more willing to place deposits with MBT, especially during economic downturns, than with some of its competitors. PSBank, MCC and FMIC also actively brand themselves as members of the MBT Group.

Strong 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 28 years of experience in the banking sector. As of March 31, 2014, MBT had five banking industry leaders on its board of directors, including Remedios L. Macalincag, Jesli A. Lapus, Robin A. King, Francisco F. del Rosario, Jr. and Vicente P. Valdepeñas, while its other top executives have a proven track record in banking and finance. 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) increasing market share and business volumes through improved products and services, (b) increasing operational efficiency, and (c) becoming an employer of choice with continuous enhancements for its employees and organization.

Continue to improve product and service offerings and create new revenue streams across its product segments

MBT continues to focus on low-cost deposit growth and is exploring options to further promote cross-selling of its financial products to existing and new customers. MBT's current strategy is to deploy more sales officers at MBT's branches and work on a list of targeted clients. Cash management solutions are being sold aggressively to support this effort.

MBT's corporate banking business was reorganized to encourage MBT's top 250 clients to maximize their existing credit lines and to acquire new clients for its lending activities. MBT also introduced its SME Lending Division for clients with assets below P10 million to better manage the requirements of SMEs and micro industries. In auto finance and home mortgages, both of which are increasingly important parts of the MBT Group's business, the "Great Rates" promotion was conducted for the third straight year.

To grow sales from its trust business, MBT has increased the number of investment desks at select branches in the larger cities of Metro Manila, Cebu and Davao, as well as increase the number of account officers and frontline support employees in pursuit of higher AUM targets. MBT believes these initiatives will help it to increase the cross-selling of its trust and investment products.

Strengthen MBT's position as a leader in convenience by strategically expanding its distribution network, especially outside of Metro Manila

MBT believes that its extensive branch and ATM networks enable it to access a large number of retail customers as well as provide a wide range of retail banking needs. MBT intends to continue growing its large and diversified branch network, most notably in the provincial areas of the country outside of Metro Manila. MBT believes that there is a greater need for additional branches in these areas as these areas have traditionally been underserved by the leading Philippine banks.

Rationalize costs and increase operational efficiencies

MBT seeks to remain competitive by rationalizing costs while increasing operational efficiencies that impact positively on the customer experience. Rather than simply adding head count to deal with the increase in business volumes over the last several years, MBT has focused on maximizing the efficiency of its existing staff in order to scale its operations. MBT is currently working on maximizing existing investments on frontline systems, including treasury and cash management systems, and a re-tooling of the core banking system, and backroom systems, including risk, accounting and purchasing systems and related operating platforms that facilitate transaction turnaround or improve customer face time. MBT is also exploring outsourcing, particularly third-party service arrangements with subsidiaries or external parties for non-sensitive functions, such as pre-departure briefings for OFW target clients and cash sorting for old bills and coins.

MBT continues to invest in customer service enhancements, such as the one-stop shop for high transaction customers, and interconnection with electronic payment gateways, which complements lending and deposit taking that have traditionally driven business growth. Similar enhancements have helped various Bank units, such as the International Operations and Subsidiaries Group, to increase business volume.

MBT has required its various head office units to publish their respective service standards and uphold corresponding customer service pledges, so that its customers are served with a consistent level of integrity and professionalism throughout MBT.

Invest in skilled and experienced personnel and enhanced organizational competencies

MBT's human resource initiatives are aimed at attracting top talent, in order to help transform MBT into an employer of choice. At present, the human resources management group is reviewing its rewards philosophy framework in an effort to strengthen its retention program, specifically by revising current employee scorecards to value more relevant performance metrics. Other enhancements are likewise being contemplated for its 360-degree feedback process, wherein each employee is scored based on inputs from his superiors, peers and subordinates.

MBT has taken further steps to develop a values and culture program, for which a trial run in 2010 yielded significant inputs from key executives. MBT has also improved module-based training, which has contributed to increasing employee accreditations or certifications by the Philippines' regulatory authorities in the fields of foreign exchange, securities trading, trust marketing, financial advisory, accountancy and audit.

A review of organizational competencies is currently under evaluation. This is primarily to prepare for segment and industry expertise and to identify tools that will drive a more efficient sales effort. In the future, MBT intends to promote constant organizational reviews to sustain change-readiness and cope with dynamic market conditions.

Develop the overseas Filipino remittances segment

MBT believes that overseas Filipinos have been one of the fastest growing segments in the Philippine banking sector, with remittance volume reaching U.S. $21.4 billion and U.S. $25.1 billion in the years ended December 31, 2012 and 2013, respectively, doubling from the U.S.$10.7 billion in the year ended December 31, 2005, according to data from the BSP. MBT believes this is a business it can continue to grow from its approximate 16% market share based on BSP reports for the full year ended December 31, 2013. MBT is continuously looking to grow this segment by expanding its presence in the Middle East, Europe, Australia, New Zealand and Malaysia.

In order to attain its goals for the remittance business, MBT has embarked on a strategy to focus on:

- Enhancing product offerings – by introducing new products and services and enhancing existing ones;
- Expanding its presence – particularly in Australia, New Zealand, the Middle East (Bahrain), Asia (Malaysia) and in Europe (the United Kingdom and Greece);
- Extending onshore distribution points – with a key focus on covering payout channels in the Philippines in addition to its network of branches and ATMs. These include domestic money transfer companies, major department store and supermarket chains and pawnshops, which offer longer business hours and presence in rural areas; and
- Efficient delivery of services – through the upgrade of its originating, processing and distribution systems.

Continue to improve the MBT Group's capital position

MBT plans to continue to improve on the MBT Group's strong capital position, which has benefited from significant recent capital markets transactions. In 2006, MBT issued U.S. $125.0 million Hybrid Tier 1 notes in February and 173,618,400 common shares at Php38.00 per common share in October. MBT issued subordinated notes in October 2007 for Php8.5 billion with a coupon of 7.0%; in October 2008 for Php5.5 billion with a coupon of 7.75%; and in May 2009 for Php4.5 billion with a coupon of 7.5%. In May 2010, MBT raised an additional Php5.0 billion in capital through a private placement of common shares. In January 2011 MBT raised approximately U.S.$220.0 million through a rights offer for 200 million common shares at the offer price of Php50.00 per rights share. In August 2013, MBT increased its capital stock from Php50 billion to Php100 billion and on September 16, 2013, it issued a stock dividend equivalent to 633,415,805 common shares (with a par value of Php20) that was applied as payment of the required subscription to the increase in capital stock, which further improved MBT's capital position.

On April 15, 2013, the board of directors of MBT approved the issuance of Basel III-compliant Tier 2 capital notes of up to US$500 million in one or more tranches, issued as part of MBT's regulatory capital compliance in accordance with Basel III capital guidelines of the BSP and to proactively manage its capital base for growth and refinancing of maturing capital securities. The issuance was approved by the BSP on July 26, 2013 and on January 30, 2014, the BSP approved the amendment to the terms and conditions. Specifically, the BSP approved the issuance of up to USD500 million equivalent in either USD or PHP or combination in one or more tranches over the course of one (1) year. On March 27, 2014, MBT issued such notes with the following terms:

- Maturity: 2024
- Denomination: Peso
- Amount: Php16.0 billion
- Interest rate: 5.375% per annum

On March 13, 2014, the BSP approved MBT's request to exercise its option to redeem the unsecured subordinated debt issued in May 2009 amounting to Php4.5 billion. MBT exercised the call option on May 7, 2014, ahead of the security's original maturity on May 6, 2019.

Basel III penalizes banks for their holdings in non-allied undertakings. As such, the MBT Group has actively sought to divest itself of such undertakings and strengthen its standing under Basel III. As a result of MBT's sale of its ownership in Toyota Motor Philippines Corporation to GT Capital Holdings, Inc. in the fourth quarter of 2012 and the first quarter of 2013 as well as the partial sale of FMIC's holdings in GBP in the second and fourth quarters of 2013, MBT has been able to increase its CAR position under Basel III. MBT continues to review its holdings in non-allied undertakings and may sell additional stakes in the near term. With a total capital adequacy ratio as reported to BSP of 16.0% as of March 31, 2014, the MBT Group is well above the 10.0% level required by the BSP. In addition, the MBT Group's Tier 1 CAR as reported to BSP was 12.8% as of March 31, 2014.

Maintain superior asset quality through enhanced non-performing asset ("NPA") management

In conjunction with its growth strategy, the MBT Group continues to review opportunities for divestments of NPAs. Over the last nine years, the MBT Group embarked on an aggressive campaign to dispose its ROPA. This resulted in a significant drop in the MBT Group's NPA ratio from 13.2% as of December 31, 2003 to 1.7% as of March 31, 2014. The MBT Group has reduced its NPAs from Php68.9 billion in 2003 to Php30.3 billion, Php29.7 billion, Php25.2 billion and Php24.5 billion as of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, respectively, and increased its NPA coverage ratio from 30% in 2003 to 42%, 47%, 61% and 65% as of December 31 2011, 2012 and 2013 and March 31, 2014, respectively. MBT has improved its early-intervention efforts to reduce the number of mortgages that need to be foreclosed. These efforts are supported by the Special Account Management Group of MBT ("SAMG") which is tasked with remedial management including the sale of NPLs and to initiate foreclosures before these are turned over to the Acquired Asset Management and Disposition Group ("AAMDG"), which was set up to actively manage and, where appropriate, sell properties acquired in connection with MBT's lending activities. The MBT Group is confident that it has the capability to execute its strategy of growing its loan portfolio, while maintaining a conservative provisioning policy for its NPAs.

The key strategies for continued NPA disposal include:
- direct sales with the help of real estate brokers;
- cross-selling of ROPA through MBT's nationwide branch network;
- volume sales with potential investors; and
- joint venture initiatives with reputable real estate companies.

Strengthen corporate governance

MBT recognizes that good risk management goes beyond regulatory compliance and must be part of its growth strategy and day-to-day business. With increasingly strict corporate governance requirements and compliance targets under Basel III, MBT aims to promote credit excellence, focus on market and operational risks, and account for other important risks.

To promote credit excellence, MBT has implemented the Achieving Credit Excellence Project to automate and accelerate credit processing as well as minimize attendant credit-related risks. To meet this goal, MBT has begun re-engineering all aspects of the lending process, from defining the client's credit appetite to loan origination, administration, monitoring, servicing and recovery. Supporting tools such as the Internal Credit Risk Rating System have been developed to rate the overall borrower and facility risk of a particular corporate or commercial counterparty. In terms of credit risk exposure in the consumer segment, a scorecard is utilized. Account risk management, terms of offering and pricing are guided by the credit risk rating of counterparties.

Furthermore, MBT is implementing an electronic credit approval and central liability system from Algorithmics Incorporated, a leading provider of enterprise risk management solutions, to facilitate better credit risk management through electronic data storage for credit modelling and to ensure the integrity of the credit process through system-based controls. This was a substantial investment on the part of MBT and is a concrete manifestation of its commitment to credit risk management. MBT is also developing a complementary Credit Risk Management System which will serve as its platform to develop and maintain automated quantitative and qualitative risk management tools requisite to the diversity and growth of MBT's business, as well as to enhance the portfolio and sub-portfolio analyses. These tools are expected to enable MBT to gain a more robust credit risk-based capital assessment and allocation.

To minimize market and operational risks, MBT has programmed the upgrade of its market risk management and asset-liability management systems, the refinement of all its market risk models, such as value-at-risk, interest rate repricing gap and earnings-at-risk, the implementation of risk documentation and a risk database to track loss events and fraud cases, and the tightening of its business continuity plan.

To safeguard asset quality, the management of its NPAs remains a top priority.

PRINCIPAL BUSINESS ACTIVITIES

The MBT Group's principal areas of business are corporate and commercial banking, consumer banking, investment banking, treasury, branch banking and others. The following table sets out the amount and percentage of revenue net of interest expense generated by each of these businesses in 2011, 2012 and 2013 and in the quarters ended March 31, 2013 and 2014:

	For the year ended December 31,						For the quarters ended March 31,			
	2011 (As restated)		2012 (As restated)		2013		2013		2014	
	(Php millions, except for %)									
Corporate and commercial banking	6,530	13.3%	3,422	6.0%	4,367	5.5%	842	3.2%	2,521	12.6%
Consumer banking	8,652	17.6%	10,003	17.5%	11,639	14.8%	2,982	11.3%	3,521	17.6%
Branch banking	12,778	26.0%	21,477	37.6%	26,083	33.1%	5,459	20.6%	5,357	26.8%
Investment banking	401	0.8%	673	1.2%	687	0.9%	585	2.2%	126	0.6%
Treasury	12,947	26.4%	11,086	19.4%	18,579	23.5%	9,902	37.4%	2,506	12.5%
Others[(1)]	7,825	15.9%	10,417	18.3%	17,569	22.2%	6,686	25.3%	5,984	29.9%
Total Revenue[(2)]	49,133	100.0%	57,078	100.0%	78,924	100.0%	26,456	100.0%	20,015	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.

In 2011, 2012 and 2013, 3.4%, 1.0% and1.2%, respectively, of the MBT Group's consolidated net income was generated from its operations outside of the Philippines.

The MBT Group's core businesses are its corporate and commercial banking and consumer banking businesses. The following table sets out the gross amount and percentages of loans made by these businesses as of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014:

	As of January 1, 2012		As of December 31, 2012		2013		As of March 31, 2014	
	(Php millions, except %)							
Corporate loans[1]	270,177	59.5%	315,152	60.0%	379,883	62.2%	389,635	62.5%
Commercial loans[2]	61,129	13.4%	65,188	12.4%	63,189	10.3%	63,584	10.2%
Consumer loans	123,035	27.1%	145,204	27.6%	168,147	27.5%	170,307	27.3%
Total Loans	454,341	100.0%	525,544	100.0%	611,219	100.0%	623,526	100.0%

Notes:
(1)Loans made to large Philippine corporations, generally with total assets of more than Php100 million.
(2)Loans made to micro industries and SMEs generally with total assets of Php100 million and below.

Consumer banking

The MBT Group provides consumer banking services through MBT and PSBank. 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:

	MBT Group	MBT	PSBank	MCC
	(Php billions)			
January 1, 2012	113.9	33.7	53.8	23.9
December 31, 2012	135.8	42.0	61.8	27.8
December 31, 2013	153.6	47.0	71.0	32.6
March 31, 2014	158.1	47.2	75.7	32.1

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 borrowing 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.

In recent years, both 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 methods. In particular, MBT offers a wide range of consumer banking products to customers that are employees of MBT's corporate customers and to owners of SMEs by using its branch network. To increase face-to-face contact with consumer banking clients, MBT is currently working to expand its branch network to be more accessible to its clients and to reach clients in areas that have previously been underserved. MBT, to a lesser extent, also utilizes traditional communication channels, such as print and advertising, to offer MBT's consumer loan products to the market. As part of its growth strategy, MBT has been developing a comprehensive database of target customers for its consumer banking products and services.

The MBT Group's consumer banking business generated net interest income of Php5.7 billion, Php6.6 billion and Php7.6 billion in 2011, 2012 and 2013, respectively; and Php2.1 billion and Php2.1 billion in the quarters ended March 31, 2013 and 2014, respectively.

Home mortgage loans

Home mortgage loans issued by MBT and PSBank represented Php44.3 billion or 36.0% as of January 1, 2012; Php53.0 billion or 36.5%, as of December 31, 2012; Php65.1 billion or 38.7% as of December 31, 2013; and Php66.8 billion or 39.2% as of March 31, 2014 of the MBT Group's consumer loan portfolio. The MBT Group is currently growing its home mortgage loan business through tie-ups with real estate developers and, to a lesser extent, advertising campaigns. In 2005, MBT spun-off the Wholesale Department of the Home Financing Division into its Wholesale Real Estate Division to focus on developer and corporate tie-ups. MBT offers a range of different home mortgage products under the "Metro Home Financing" brand and PSBank offers its home mortgage products under the "Home Loan" brand. MBT typically relies on existing customers for the majority of its home mortgage sales, while PSBank relies more on direct marketing activities to secure new customers.

The majority of the MBT Group's home mortgage loans are extended to property buyers in the Philippines who intend to occupy the premises, with a small proportion being extended to individuals purchasing residential units for investment purposes. Through tie-ups with housing developers, including Federal Land, Inc., the MBT Group also purchases home loans via contracts-to-sell from developers that directly finance sales to their buyers. These loans usually provide full recourse to the developer. These contracts-to-sell transactions may be converted into regular end-buyer financing by the MBT Group upon loan application approval. All of the MBT Group's home mortgage loans are secured by a first ranking legal charge over the property. In the case of loans to certain corporate borrowers, the MBT Group often requires personal guarantees to be given by appropriate officers of the borrower as additional security. Traditionally, the MBT Group, as well as other lenders, have required home mortgage borrowers to have an equity interest equal to at least 30.0% of the value of the property. Due to an increase in competition in the mortgage industry, however, many borrowers are now able to secure mortgages for certain types of residential property from lenders, including MBT, with a 20.0% down payment.

The average maturity of the MBT Group's home mortgage loans is ten years. In accordance with industry practice in the Philippines, interest rates on the MBT Group's home mortgage loan portfolio are generally agreed with the relevant borrower at a fixed rate applicable for an initial period of between one and ten years, depending on the maturity of the loan. Following the expiry of this initial period, the interest rate is reset at a fixed rate applicable for succeeding periods. The MBT Group believes that the repayment term on the average mortgage loan issued by the MBT Group is shorter than the industry average due to the quality of its customers, which helps lower the default rates on its mortgage loans, while also promoting sustainable growth in its mortgage loan portfolio.

When a borrower falls in arrears with its mortgage payments, it can either agree to a voluntary disposition of the property to the MBT Group or the MBT Group may commence foreclosure proceedings. It generally takes between six to12 months to foreclose mortgaged collateral, which is then typically sold by public auction or through brokers on behalf of the MBT Group. However, the individual mortgagor or any of its creditors having a lien over the collateral continues to have the right to repurchase such collateral within one year of completing foreclosure in return for payment of principal and interest owed plus the MBT Group's out-of-pocket expenses.

MBT established the AAMDG to actively manage and, where appropriate, sell properties acquired in connection with its lending activities. In 2011, 2012 and 2013, the MBT Group sold Php4.8 billion, Php3.7 billion and Php3.3 billion, respectively, worth of investment properties, which primarily consist of foreclosed real estate properties. Efforts to diversify methods for the disposal of investment properties have been actively pursued by the MBT Group and include public auctions, sales conducted through brokers and pursuant to employee referrals, as well as entering joint venture projects with property developers. The MBT Group has also increased its early intervention efforts in order to reduce the number of mortgages that need to be foreclosed.

Vehicle finance

As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, loans advanced by MBT and PSBank for the purchase of vehicles amounted to Php45.4 billion, Php51.9 billion, Php57.6 billion and Php58.3 billion, respectively, or 36.9%, 35.8%, 34.2% and 34.2% of the MBT Group's consumer loan portfolio, respectively.

Vehicle loans advanced by the MBT Group generally have maturities of between 12 to 60 months, and the MBT Group retains the right to repossess the vehicle in the event of payment default.

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, 2013, 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 January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, PSBank had total assets of Php120.3 billion, Php116.2 billion, Php130.0 billion and Php141.1 billion, respectively, total deposits of Php101.6 billion, Php94.6 billion, Php106.5 billion and Php112.7 billion, respectively, and total loans and receivables of Php58.2 billion, Php70.4 billion, Php82.9 billion and Php86.6 billion, respectively. PSBank's net income in 2011, 2012 and 2013 were Php2.0 billion, Php2.3 billion and Php2.9 billion, respectively; and in the quarters ended March 31, 2013 and 2014, were Php2.0 billion and Php0.5 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 "Metrobank Group" in its logo. As of March 31, 2014, PSBank had a total of 224 branches, 123 of which were located in Metro Manila. 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 110 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. For a discussion on PSBank's home mortgage and vehicle financing, see "– Home mortgage loans" and "– Vehicle finance" above. 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 to 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 January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, PSBank's total deposits represented 14.9%, 12.8%, 10.5% and 10.8% of the MBT Group's total deposits, respectively. As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, PSBank had total loans and receivables of Php58.2 billion, Php70.4 billion, Php82.9 billion and Php86.6 billion, respectively, representing 12.7%, 13.4%, 13.6% and 13.9% of the MBT Group's total loan portfolio.

As of January 1, 2012, December 31, 2012 and 2013, home mortgage, vehicle finance and personal loans represented 83.1%, 82.9% and 84.0%, of PSBank's total loan portfolio, respectively.

As of January 1, 2012, December 31, 2012 and 2013, PSBank's total NPLs represented 3.1%, 3.7% and 3.7% of its total loan portfolio. PSBank's allowance for credit losses on receivables from customers as of January 1, 2012, December 31, 2012 and 2013 were Php3.6 billion, Php4.1 billion and Php3.9 billion, respectively, representing 84.8%, 91.5% and 106.5%, respectively, of its total NPLs.

PSBank's Tier 1 capital adequacy ratio and total capital adequacy ratio as reported to BSP were at 13.8% and 16.9%, as of December 31, 2013 compared with 13.6% and 17.1% as of December 31, 2012, respectively, and both 13.9% as of January 1, 2012. As of December 31, 2013, PSBank had a market capitalization of Php33.6 billion.

The tables below set forth selected financial ratios of PSBank as of January 1, 2012, December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013:

	As of January 1, 2012	**As of and for the year ended December 31,**	
		2012	**2013**
		(%)	
Return on average assets[1]	1.8	2.0	2.4
Return on average equity[2]	14.9	15.1	18.7
Net interest margin on average interest earning assets[3]	5.5	5.2	5.9
Capital adequacy ratio[4]	13.9	17.1	16.9
Loans to deposits ratio[5]	59.7	77.8	82.3
Non-performing loans to total loans[6]	3.1	3.7	3.7
Non-accruing loans to total loans[7]	5.7	5.5	4.2
Allowance for credit losses to NPLs[8]	84.8	91.5	106.5
Allowance for credit losses to non-accruing loans[9]	86.3	91.6	106.9

Notes:

(1)Net income divided by average total assets for the year indicated

(2)Net income divided by average total equity for the year indicated

(3)Net interest income divided by average interest-earning assets (including due from the BSP, due from other banks, interbank loans receivable and securities purchased under repurchase agreements ("SPURA"), financial assets at FVPL, AFS and HTM investments, current gross receivables from customers, sales contract receivable, unquoted debt instruments and bills purchased)

(4)Total qualifying capital divided by total risk-weighted assets, as reported to the BSP

(5)Total loans divided by total deposits (excluding from other banks)

(6)Total NPLs divided by total loans (excluding interbank call loan)

(7)Total non-accruing loans divided by total loans

(8)Allowance for credit losses divided by total NPLs

(9)Allowance for credit losses divided by total non-accruing loans

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 business venture with Australia New Zealand Banking Group Ltd. (ANZ). ANZ Funds Pty Ltd., a wholly-owned subsidiary of ANZ Bank, 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 solid Php2.0 billion net profit after tax in 2013, which is 17% higher than the prior year. MCC also grew its customer base to 1,315,949 cards-in-force which yielded an 11% growth in billings and 18% growth in receivables. Given that it has performed better than industry average, MCC improved its industry ranking from 2nd to 1st in terms of card base, maintained 2nd ranking in receivables and 3rd ranking in billings by end of 2013.

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. Customers' purchasing power continued to be enhanced with strategic rewards tie-ups with key merchant partners, 0% installment 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 4.83% past due rate, better than the industry average of 5.52%. MCC continues to be an industry leader in portfolio management and proactive credit and collections strategies. Meanwhile, its merchant acquiring business line registered Php64.5 billion in billings in 2013, representing a 19% increase from 2012. This major accomplishment catapulted MCC from 3rd to 2nd ranking in the acquiring business. With an expected booming economy and healthy consumer spending in 2014, MCC will continue to provide 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.

In 2009, MBT launched Chinese Yuan-denominated products and services, making it the first bank in the Philippines to do so. MBT believes these products put it in a strong position to capture business from both individual and corporate clients.

MBT introduced Versa load in the second half of 2010, one of the latest services under its mobile banking platform, which was enhanced and upgraded to run on all local telecommunication networks. Versa load enables customers to send Peso credits from their bank account to any mobile phone regardless of the telecommunications provider. In addition to Versa load, the enhanced Mobile Banking facility provides secure, comprehensive, and real-time mobile banking services, such as paying bills, transferring funds or checking account balances.

Since 2010, MBT increased its sales force and adjusted the size and location of certain branches in order to maximize their efficiency. From 2012 to 2013, MBT opened 71 branches to bring its consolidated domestic network to 856, the largest in the industry. MBT opened another five branches in 2014 to bring its consolidated domestic network to 861, still the largest in the industry.

MBT has a regional branch control system with branches reporting to, and receiving support services from, their sub-regional offices ran by cluster heads, who themselves report to the area heads. This system seeks to ensure control at all levels and is complemented by each branch accountant also being required to report on significant matters directly to the Controllership Group at MBT's head office.

MBT has, as a matter of policy, endeavored to balance the responsibility given to its branches with the need for centralized control. Branch Credit Committees, for example, are permitted to process and approve bills, purchase accommodations and approve back-to-back loans (loans with deposits as collateral). MBT has established Business Lending Divisions and Credit Support Units at the regional level to centralize the branches' lending operations in order to improve efficiency and maximize cost-effectiveness. Following approval of a loan, these units are responsible for the documentation, bookkeeping, and ongoing administration of the loan.

The MBT Group, through MBT and PSBank, operates a total of 1,951 ATMs as of March 31, 2014. 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 comply with the Triple Data Encryption System requirements of MasterCard and Visa.

Deposits

MBT offers corporates and consumers a range of deposit products, including current accounts, which are interest and non-interest bearing demand deposits, savings accounts and time deposits in Pesos, U.S. dollars and other foreign currencies. The MBT Group's principal depositors are individuals in the Philippines and customers using MBT's cash management services. As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, the MBT Group's total deposits were Php681.0 billion, Php738.7 billion, Php1.0 trillion and Php1.0 trillion, respectively. As of the same dates, 82.8%, 83.1%, 86.3% and 85.5% of the MBT Group's deposits were Peso-denominated, with the remainder denominated in foreign currencies, principally U.S. dollars.

Domestic branch network

As of March 31, 2014, the MBT Group had a total domestic branch network of 861 branches, comprising 637 branches of MBT and 224 branches of PSBank. MBT will continue to look to open new branches in order to maintain its market share. Most of MBT's new branches are expected to be in areas outside of Metro Manila where MBT believes there is the greatest need for additional banking services.

MBT believes its domestic branch network, including PSBank, is the second largest in both Metro Manila and the Philippines as a whole based on internal research. MBT's branches are divided into two principal groups, one covering Metro Manila and the other covering all other areas in the Philippines in which MBT operates. Each group is responsible for the management and operation of branches in its area. Staff are employed and trained at MBT's head office training center, which provides courses for new branch officers and staff.

The following table illustrates the expansion of MBT and PSBank's network in recent years and sets forth the number of domestic branches as of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014:

	As of January 1,	**As of December 31,**		**As of March 31,**
	2012	**2012**	**2013**	**2014**
Metro Manila				
MBT	296	296	278	278
PSBank	106	112	123	123
	402	408	401	401
Countryside				
Luzon				
MBT	152	166	190	192
PSBank	57	67	60	60
	209	233	250	252
Visayas				
MBT	78	84	95	96
PSBank	21	24	24	24

	As of January 1, 2012	As of December 31, 2012	2013	As of March 31, 2014
	99	108	119	120
Mindanao				
MBT	59	62	69	71
PSBank	16	17	17	17
	75	79	86	88
Total MBT	585	608	632	637
Total PSBank	200	220	224	224
Total MBT Group branches	785	828	856	861

Corporate and commercial 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. MBT believes it is the leading bank in the Philippines for middle-market Filipino-Chinese businesses in terms of deposit-taking and lending.

In 2011, 2012 and 2013, the MBT Group's corporate and commercial banking business generated net interest income of Php6.3 billion, Php3.2 billion and Php4.0 billion, respectively; and in the quarters ended March 31, 2013 and 2014, net interest income of Php0.8 billion and Php2.4 billion, respectively. As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, loans to corporate and commercial customers represented 72.9%, 72.4%, 72.5% and 72.7%, respectively, of the MBT Group's total loan portfolio.

Corporate banking

The MBT Group offers a wide range of products and services to its corporate customers (classified by MBT as customers within the top 1,000 companies in the Philippines, multinational companies and Government-owned and controlled companies), including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance and cash management products and services. MBT 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.

As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, accounts of corporate customers of MBT represented 56.1%, 55.9%, 58.3% and 58.5% of the MBT Group's total loan portfolio, respectively. MBT believes that more than half of the top 1,000 Philippine companies are currently customers of MBT. Most of MBT's corporate lending is typically undertaken on a non-syndicated basis, although MBT does syndicate certain large transactions. Substantially all of MBT's corporate clients are based in the Philippines and are engaged in manufacturing, services, wholesale and retail trade, power generation and distribution, leasing and financing, tourism and real estate. Almost all of MBT's corporate lending activities support projects and businesses in the Philippines. Facilities offered to corporate customers include both secured and unsecured loan products, with pricing based on the credit risks associated with the customer and their business. The majority of MBT's current corporate lending consists of short- to medium-term term loans. MBT participates in syndicated loans and provides a limited amount of working capital funding by way of bills purchased and/or trade finance. MBT also offers deposit taking and cash management services for its corporate clients.

For MBT's corporate banking business, MBT has become increasingly market-focused and has established different sub-groups and desks to serve MNCs, conglomerates, Japanese corporations, large corporates, the public sector and entrepreneurial firms.

MBT offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans to its corporate customers. It is MBT's policy to extend foreign currency loans only to those customers who have U.S. dollar revenues or who are otherwise hedged. Most of MBT's corporate loans are made on a floating rate basis.

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. Accreditation is required for export credit agencies to determine credit-worthiness of the participating bank, as well as lay out the rules of engagement for all parties to a loan transaction. MBT may lend out the cash against an export credit agency guarantee, or the export credit agency may provide the funds for MBT to lend out to the corporate customer. Export credit agency programs provide longer-term funding and address tenor mismatches between long term loans and typical short-term funding.

MBT has a customer-focused strategy and has recruited qualified professionals, including relationship managers and other management personnel, to strengthen its business development and portfolio management capabilities. MBT aims to develop and maintain mutually beneficial relationships with institutional clients within its target market segments by providing wholesale banking services including, but not limited to, corporate finance, investment banking, cash management, trade services and structured finance. MBT's relationship managers are responsible for business generation, new product development, customer satisfaction and maintenance of a high quality loan portfolio. Relationship managers are also focused on selling the MBT Group's wide range of financial products and services. The expanded line of non-lending services offered by the MBT Group, including investment and trust banking services, are actively promoted by MBT's relationship managers to existing and potential clients of MBT. As of March 31, 2014, the MBT Group's corporate loan portfolio was highly concentrated on manufacturing, real estate and renting and business activities, wholesale and retail trade, private households and other community and social and personal activities. These five sectors comprised 18.0%, 16.9%, 16.1%, 13.3% and 8.8%, respectively, or 73.1% in aggregate, of the MBT Group's total loan portfolio as of March 31, 2014.

MBT has also directed its efforts toward increasing low-cost deposits, representing demand and regular savings deposits, from its corporate banking clients. Such deposits accounted for a substantial portion of MBT's total deposit business, contributing Php344.0 billion, Php388.5 billion, Php483.0 billion and Php499.9 billion, or 59.1%, 61.2%, 54.2% and 54.8%, of MBT's total deposits as of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, respectively. MBT believes it is a major depository bank for many of its corporate banking customers.

Commercial 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 is focused primarily on commercial lending for amounts in excess of Php5.0 million. In addition to term loans and revolving credit facilities, the banking products and services offered by MBT to its commercial banking customers include deposit products, bills purchase facilities, trade finance, payment remittances and foreign exchange transactions. In addition, MBT cross-sells the other products and services of the MBT Group, including investment and trust banking services, to its commercial banking customers.

As of January 1, 2012, December 31, 2012 and 2013, MBT (excluding PSBank) had 10,987, 11,026 and 9,618 commercial accounts, respectively, with a significant portion attributable to the Filipino-Chinese community, and outstanding loans to commercial customers constituted 11.7%, 10.5% and 7.4%, respectively, of the MBT Group's total loan portfolio. As of January 1, 2012, December 31, 2012 and 2013, accounts of MBT's small-to-medium sized commercial customers (consisting of all Philippine companies other than large corporate customers) represented 20.6%, 19.4% and 16.1% of the MBT Group's total loan portfolio, respectively. As of January 1, 2012, December 31, 2012 and 2013, the contribution of MBT's commercial banking business to the MBT Group's loan portfolio was Php53.0 billion, Php55.2 billion and Php45.1 billion, respectively. Most of MBT's commercial customers are engaged in the manufacturing, wholesale and retail trade industries. The predominant needs of MBT's Filipino-Chinese commercial middle-market customers are trade financing facilities (such as letters of credit ("LCs"), trust receipts, export-financing and the discounting of commercial bills, as well as inventory financing) and term loans.

MBT offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans to its commercial customers. It is MBT's policy to extend foreign currency loans primarily to customers who have foreign currency revenues or who are otherwise hedged. Most of MBT's commercial loans are made on a floating rate basis.

MBT's strategy is to increase its small- and medium-market customer base by continuing to pursue a selective lending program that will ensure the quality of its loan portfolio and maintain a low loan delinquency ratio. MBT believes that there are many under-served customers within this market that have the asset base, cash flows, management and business plan necessary to become quality customers of MBT.

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. This is made possible through a program of providing cash management solutions for this client segment. Dedicated teams focused on product development, sales, implementation and customer care ensure the seamless set-up of the client's collections, payment and liquidity solutions. By doing so, MBT is able to capture the operating accounts of its key clients, as well as that of its client's own customers and suppliers.

Investment banking

First Metro Investment Corporation

The MBT Group's investment banking activities are principally undertaken through FMIC, a majority-owned subsidiary of MBT. FMIC is a leading underwriter and arranger of loan syndications and issues of debt, equity and equity-linked securities in the Philippine capital markets. It is a leading dealer of Government securities and other fixed income securities which it trades for its own account or sells to its customers. FMIC also participates in stock market trading for its customers through its wholly owned subsidiary, First Metro Securities Brokerage Corporation, with proprietary trading carried out by FMIC. FMIC also provides investment advisory and research services to business units within the MBT Group and institutional funds.

FMIC was incorporated in 1972, making it one of the Philippines' oldest and most established investment banks. In September 2000, MBT acquired Solid Bank Corporation, a listed Philippine commercial bank, and Solid Bank Corporation's investment banking license was later transferred to FMIC. This merger resulted in FMIC becoming the first PSE-listed investment bank. Since that time, FMIC has become the largest Philippine investment banking institution in terms of total assets.

On October 12, 2012, FMIC 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 PSEwas subsequently approved by the PSE effective December 21, 2012.

FMIC earned the following significant awards and recognitions from different institutions:

- Top 10 Best Managed Companies in 2011, 2012 and 2013 – Finance Asia;
- Global Banking and Finance Awards 2013: Best Investment Bank, Best Equity House, Best Domestic Bond House;
- Best Bond House in the Philippines in 2011, 2012 and 2013 – FinanceAsia Country Awards for Achievement;
- Best Equity House in the Philippines in 2011, 2012 and 2013 – FinanceAsia Country Awards for Achievement;
- Best Domestic Bond House in 2011, 2012 and 2013 - The Asset Triple A Country Awards; and
- Cesar E.A. Virata Award for Best Securities House 2011 and 2012 (Investment House Category) - PDS Group.

FMIC's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. FMIC's operating segments are:

- Investment Banking and Strategic Finance: FMIC's Investment Banking Group is responsible for raising long-term funding requirements of the government and the private sectors. Its products and services include debt and equity underwriting, loan syndication, financial advisory, project finance and structured financial solutions. It holds over 50.0% market share in origination and underwriting of debt and equity. Strategic Finance also handles the loan portfolio of FMIC and pursues corporate markets by providing proprietary lending facilities and unique structures. Among its proprietary structures include loans against receivables, participation in securitization, trade acceptances, term loans and "special funded" short-term facilities.
- Treasury Group: FMIC's Treasury Group manages the liquidity and funding requirements and the distribution of financial instruments such as government securities and corporate papers. It offers a wide variety of profitable and secure instruments such as Treasury Bills, Treasury Notes/Bonds, Commercial Papers, and Promissory Notes. As a quasi-bank licensed by the BSP, it borrows money from the public and issues its own financial instruments. Moreover, it is an accredited government securities eligible dealer authorized by the Bureau of Treasury in trading government securities and it remains a dominant selling agent in the distribution of government securities, GOCCs and other corporate issuances.
- Investment Advisory Group: FMIC's Investment Advisory Group develops and enhances the wealth of private clients, uncovering investment opportunities and seeking a thorough understanding of the market through first-hand research. It also provides meticulous and comprehensive professional portfolio advisory and research services to both individuals and firms.
- Mutual Funds: FMIC operates a business focusing on mutual funds.
- Strategic Investments: FMIC's investment business focuses on power, leasing and finance, life and non-life insurance and mining industries.
- Other: FMIC's other segment principally consists of institutions with significant presence in each of its respective markets, which include stock brokerage, real estate and travel.

FMIC also offers non-traditional trust products and services, fund management, and wealth creation and management through its Trust Department. FMIC's venture into the trust business, which was meant to complement MBT's existing trust business, focuses primarily on a wide base of retail investors with longer-term investment solutions. MBT's trust business, on the other hand, offers more traditional trust products such as retirement fund management and estate planning. FMIC also offers Strategic Finance Services, which include mezzanine financing, standby letters of credit, securitization, vendor financing and leveraged buy-outs.

FMIC's total assets amounted to Php81.4 billion, Php87.6 billion, Php82.8 billion and Php82.7 billion as of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, respectively. In 2011, 2012 and 2013, FMIC's net income was Php2.2 billion, Php3.3 billion and Php11.5 billion, respectively; while in the quarters ended March 31, 2013 and 2014, Php2.3 billion and Php1.2 billion, respectively.

The table below sets forth selected financial ratios of FMIC as of and for each of the years indicated:

	As of and for the year ended December 31,		
	2011	**2012**	**2013**
Return on average assets(1).	3.07%	3.88%	13.54%
Return on average equity(2)	20.56%	25.04%	68.34%
Non-performing loans to total receivables from customers(3)	–	0.51%	–
Allowance for credit losses to non-performing loans(4)	–	100%	–

Notes:

(1)Net income divided by average total assets for the year indicated
(2)Net income divided by average total equity for the year indicated
(3)Total NPLs divided by total loans
(4)Allowance for credit losses divided by total NPLs

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.

MBT's Treasury Group is responsible for its treasury operations, managing its domestic liquidity and funding position in accordance with regulatory reserve requirements and the objective of MBT's management. As part of its liquidity management, the Treasury Group invests in sovereign and corporate debt instruments, commercial paper and other securities. The Treasury Group also manages MBT's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange and risk hedging derivative instruments to MBT's corporate customers such as forward contracts, interest rate swaps, currency swaps and foreign currency options.

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.

The Treasury Group engages in domestic and foreign exchange operations. As part of its treasury activities, MBT also maintains proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. During the fiscal year MBT undertakes foreign exchange sales and purchases on behalf of its corporate customers by engaging in back-to-back derivatives transactions. MBT also sells hedging products to large and medium-sized corporate customers. MBT offers derivative products to its clients including foreign exchange forward contracts, options, and currency and interest rate swaps.

MBT believes it is among the top interbank dealers in foreign exchange, interest rate and foreign currency swaps, government securities and euro bonds in the Philippine financial markets. MBT has received numerous awards and recognitions for its treasury activities, including the following:

- Overall Best Performing Government Securities Dealer for the years 2008, 2009, 2010 and 2012 – Bureau of Treasury;
- Best Performing Government Securities Eligible Dealers in the Primary Market in 2012 – Bureau of Treasury;
- Best provider of structured products and a top provider of FX services, innovative FX products, and structured ideas among domestic banks in 2010 – Asia Money;
- Top Brokering Participant Retail Transactions in 2011 and 2012 – Philippine Dealing and Exchange Corporation; and
- Top Five Fixed-Income Dealing Participant in 2011 and 2012 and Top Five Spot FX Dealer in 2011 – Philippine Dealing and Exchange Corporation.

MBT's Treasury Group generated revenue net of interest expense of Php9.3 billion, Php6.9 billion and Php8.9 billion, respectively, in 2011, 2012 and 2013; and Php6.0 billion and Php1.3 billion, respectively, in the quarters ended March 31, 2013 and 2014.

Other banking services

Trust banking

The Trust Banking Group's trust banking business offers a wide range of funds and asset management products and services catering to corporates, high net worth individuals (defined as individuals with liquid assets of over Php20.0 million) and retail investors. As of January 1, 2012, December 31, 2012 and 2013 and March 31, 2014, the MBT Group had Php382.1 billion, Php420.4 billion, Php324.8 billion and Php330.7 billion in AUM, respectively. The Trust Banking Group has, according to the Published Statement of Conditions, delivered one of the highest growth rates in the industry market of over 15% over the past five years.

Revenue from the trust business is generated through trust fees from the management of UITFs and corporate and personal trust products and services, as well as from custody and other agency services. Increased market competition has compressed income from management of UITFs, leading MBT to refocus increasingly on trust banking services offered to private wealth clients.

The Trust Banking Group offers a broad range of trust banking products and services that address the needs of each of the market segments it serves, such as the management of retirement, corporate and pre-need funds, employee benefit trusts, and custody and facility agency services for corporate clients. Corporate clients contributed Php140.2 billion, Php165.0 billion and Php124.3 billion in AUM in 2011, 2012 and 2013, respectively, which were principally invested in government securities. Products and services offered to high net worth individuals include estate planning trusts, personal investment trusts and investment management arrangements. High net worth individuals contributed Php228.3 billion, Php231.6 billion and Php87.2 billion in AUM as of January 1, 2012, December 31, 2012 and 2013, respectively.

The Trust Banking Group also offers other fiduciary services, such as escrow agency services, mortgage trust indenture services and transfer agency services for public offerings by Philippine corporations.

MBT's Trust Banking Group generated gross revenues of Php1.1 billion, Php1.2 billion and Php1.5 billion in 2011, 2012 and 2013, respectively; and Php0.3 billion and Php0.4 billion in the quarters ended March 31, 2013 and 2014, respectively.

Trade Finance

MBT offers corporate and commercial banking customers a range of trade finance products and services including LCs, standby LCs, export advances and the discounting of commercial bills.

MBT believes that it is a leading provider (by value and by volume) of commercial import LCs and bank guarantees in the Philippines. In addition, MBT provides documentary collections for exports by local and multinational companies in the Philippines. MBT's position as a market leader reflects its strategy to leverage the geographic reach of its international branch network in the provision of its trade finance products and services.

MBT also extends other trade finance-related services to its customers including advice on documentary credits and advances to exporters against export bills. Trade finance loans typically have short maturities and MBT's primary focus is on providing working capital trade finance.

Leasing

The Group operates a leasing business through a 59.8%-owned subsidiary of MBT, ORIX Metro Leasing and Finance Corporation (ORIX Metro), a joint venture with Orix Corporation, Japan. ORIX Metro and its 100.0% owned subsidiaries, ORIX Auto Leasing Philippines Corporation and ORIX Rental Corporation, are principally involved in both financial and operating leases of motor vehicles, various types of equipment for manufacturing, materials handling, medical, telecommunications, office and other assets catering primarily to corporations as well as extending mortgage loans to small- and medium-sized entrepreneurs, particularly in provincial areas. ORIX Metro has a total branch network of 61 offices located in key cities throughout the country.

For the years ended December 31, 2012 and 2013, ORIX Metro generated net income of Php495.5 million and Php601.9 million, respectively.

The MBT Group, through its 34.0% ownership interest in Toyota Financial Services (Philippines) Corporation, also offers lease financing for Toyota vehicles. See "– Subsidiaries and Associates."

INTERNATIONAL BRANCH NETWORK AND REMITTANCE SERVICES

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:

Branches	Representative offices	Subsidiaries
Taipei	Hong Kong	Metropolitan Bank (China) Ltd.
New York	Beijing	First Metro International Investment Company Limited and Subsidiary
Seoul		Metro Remittance Center, Inc. and Subsidiaries:
Pusan		Metro Remittance (Canada), Inc.
Tokyo		MB Remittance Center (Hawaii), Ltd.
Osaka		Metro Remittance (USA), Inc.
		Metropolitan Bank (Bahamas) Limited
		Metro Remittance (UK) Limited
		Metro Remittance (Italia), S.p.A.
		Metro Remittance (Singapore) Pte. Ltd.
		Metro Remittance (Japan) Co. Ltd.

MBT's foreign branches deliver full banking operations and have been predominantly engaged in lending to local businesses, primarily those involved in trade finance. MBT channels a substantial part of its import LCs through this international network. In addition, MBT's international offices are licensed to handle remittances for OFWs and other nationalities. MBT's current strategy is to position its operations internationally to take advantage of trade flows with, and investment in, the Philippines and the presence of large Filipino populations overseas.

Each of MBT's international branches conducts commercial and trade-related lending operations within each of the jurisdictions in which it operates. The loan portfolio of MBT's overseas branches, including commercial loans and trade finance, amounted to Php1.3 billion, Php1.6 billion and Php3.5 billion as of January 1, 2012, December 31, 2012 and 2013, respectively.

In 2011, 2012 and 2013, 3.4%, 1.0% and 1.2%, respectively, of the MBT Group's net income attributable to equity holders of MBT was generated from its operations outside of the Philippines.

Remittances

Reflecting the large market in OFW foreign currency remittances to the Philippines, the activities of the international branches of MBT, together with those of its subsidiaries and its associates which act as remittance centers, are geared towards the handling of remittances to the Philippines, as well as supporting the trade and capital flows of the Philippines. Income from the remittance business is generated from an administration fee and, more significantly, from the foreign exchange margin. In addition, MBT generates foreign currency holdings which can be utilized in meeting its import LC obligations. Remittances are now being distributed in the Philippines not only through the MBT Group's domestic branches and ATM network, but also through its local remittance payout partners, such as pawnshops, extending its remittance services outside normal banking hours. In 2011, 2012 and 2013, MBT provided remittance services for funds in the amount of U.S.$2.8 billion, U.S.$3.1 billion and U.S.$3.5 billion, respectively.

Remittances into the Philippines have reached a record high for 2013. This increased by 6.4% from a year ago to a volume of U.S.$22.8 billion, according to the BSP. The MBT Group believes that it is one of the largest providers in the Philippines of remittance services for OFWs, with approximately 16% of the total remittance volume for the Philippines in 2013, according to the BSP. In addition, the MBT Group believes it is one of the fastest growing providers of remittance services in the Philippines. The MBT Group has achieved this by utilizing its international network of branches, subsidiaries, associates and representative offices and through its relationships with correspondent banks and other overseas providers of remittance services. The systems installed in the foreign branches and offices enable real-time remittances to be processed.

As a result of the liberalization of foreign exchange controls in the Philippines in the 1990s, the MBT Group continues to expand facilities for the handling of foreign currency remittances. The MBT Group intends to (i) expand its existing international presence by establishing partnerships with local and international remittance service providers in Europe, the United States, Australia and the Middle East, (ii) rationalize its correspondent banking relationships and (iii) enhance its technology in electronic remittance processing to enable the quickest delivery of remittance services in the industry such as door-to-door delivery of remittance within hours and cash pick-up at MBT Group and local payout partner's branches in seconds.

As of March 31, 2014, the MBT Group had 31 foreign branches, subsidiaries and representative offices in over 30 countries and territories worldwide.

In addition to its network of branches and subsidiaries, the MBT Group has a number of remittance arrangements with banks and remittance tie-ups and agents in regions with high concentrations of OFWs. The MBT Group currently has a joint remittance agreement with PT Bank Central Asia, the largest private bank in Indonesia, which allows selected international branches of the MBT Group to process remittances for overseas Indonesian workers, as well as an arrangement with the United Overseas Bank (Thai Public Company Limited) in Thailand which caters to overseas Thai workers and with CIMB to cater to Filipinos working in Malaysia. In an effort to establish a stronger remittance business in Saudi Arabia, the MBT Group partnered with the Arab National Bank, one of the largest banks in that country. More recently, the MBT Group has established its presence in countries such as the Netherlands, Ireland, New Zealand and Jordan. As of March 31, 2014, the MBT Group had over 100 remittance tie-ups and over 150 remittance agents present in the United States, Europe, the Middle East, Asia and the Asia-Pacific. The MBT Group is currently seeking to expand this type of relationship for other countries with large numbers of OFWs and expects that this line of business will continue to increase the volume of remittances made by the MBT Group's international network.

The following table sets out the total volume and value of remittances made by the MBT Group's overseas operations in the periods indicated:

	For the year ended December 31,					
	2011		2012		2013	
Remittances	Volume (number of transactions)	Value (U.S.$ millions)	Volume (number of transactions)	Value (U.S.$ millions)	Volume (number of transactions)	Value (U.S.$ millions)
Foreign Branches and Subsidiaries	2,091,140	1,454	1,998,095	1,500	2,092,974	1,545
Joint Remittance	1,694,074	1,351	2,066,006	1,677	2,970,847	2,012

Remittances	For the year ended December 31, 2011 Volume (number of transactions)	2011 Value (U.S.$ millions)	2012 Volume (number of transactions)	2012 Value (U.S.$ millions)	2013 Volume (number of transactions)	2013 Value (U.S.$ millions)
Arrangements						
Total	3,785,214	2,805	4,064,101	3,177	5,063,821	3,557

The higher value per transaction of remittances by correspondent banks and other financial institutions, compared to MBT's foreign branches, reflects the practice of large foreign corporations, such as shipping companies, making large lump sum remittances for multiple beneficiaries in the Philippines using their regular banking providers.

INFORMATION TECHNOLOGY

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 MBT Card Corporation's credit card processing system. Recent major IT-based initiatives were undertaken as follows:

- In 2010, MBT completed the upgrade of its wide area network, by increasing line speeds from head office to the branches. This upgrade accommodates the new online application processes at its branches, as well as improves network response times. In parallel, MBT is replacing its branch tellers' desktop computers with more current hardware and operating systems.
- In 2010, MBT replaced its legacy systems with new-generation core banking systems in its People's Republic of China and Japan offices.
- In 2011, MBT implemented a desktop computer refresh project to replace aging desktop computers. A new security suite was also implemented bank-wide to protect MBT's information assets.
- In 2011, MBT implemented an automated loans origination system, and an exposures management system to streamline commercial loans applications processing and improve risk management.
- In 2011, MBT implemented document imaging for branches and international trade operations.
- In 2012, MBT began upgrading its core banking system for a medium term rollout. The upgrade is expected to assist MBT on its cross-selling initiatives.

MBT utilizes a disaster recovery system as part of its business contingency recovery plan. This system allows MBT to mirror and duplicate all critical operations and resume business during disaster situations. The disaster recovery system is provided through a third party. MBT maintains a backup ATM switch in its disaster recovery center which will enable uninterrupted ATM use even when the primary computer center is inaccessible or rendered inoperable due to a disaster. In addition, MBT uses an online disk replication system between MBT's corporate headquarters and MBT's business recovery data centers, thereby minimizing data loss during disaster scenarios and resulting in the capability to be online within three hours upon declaration of a disaster for all critical applications of MBT. Aside from the online disk replication system, MBT uses a virtual tape system to replace the slower conventional tape-based backup mechanisms.

Electronic banking

In 2001, MBT launched its electronic banking platform with the launch of its mobile banking facility, which allows customers of MBT to carry out banking activities using SMS text messaging via mobile telephones. MBT also offers the following electronic banking services:

- Metrobank E.T. International Cards. This refers to ATM cards that provide MBT's clients with access to more than 1,000,000 ATMs worldwide.
- Metrophonebanking. Telephone banking is an automated transaction processing service available to all deposit holders of MBT and allows for electronic processing of banking transactions through a touch-tone phone.
- Metrobankdirect-retail. This internet banking facility allows MBT's consumer customers to conduct banking transactions and access MBT's products and services through the internet using their personal computers. In the third quarter of 2006, Metrobankdirect-retail was enhanced to allow pledging of funds for equities trading through an automated straight-thru-process to the stock trading website of the MBT Group's securities brokerage firm.
- Metrobankdirect-corporate. This internet banking facility is similar to Metrobankdirect-retail and is offered to MBT's corporate and commercial customers. In 2007, Metrobankdirect-corporate was enhanced to include the electronic invoice presentment and payment features. In 2008, Metrobankdirect-corporate was enhanced to include the comprehensive disbursement module.
- Metrobankdirect-retail and Metrobankdirect-corporate were launched in 2002. MBT considers these platforms to have significant growth potential. MBT also believes that its internet banking platform offers a strong competitive advantage as it enables a much wider range of banking services to be transacted via the internet compared to the platforms operated by many of MBT's competitors.
- Tax Direct Facility. This tax facility, in conjunction with the Bureau of Internal Revenue, allows MBT's corporate customers to file their tax returns and pay their taxes directly through the internet.
- Mobile Phone. In 2010, MBT re-launched its mobile banking channel, which was originally launched in 2001. Distinct from the traditional text-based mobile phone human interface, the new interface is more user friendly and graphical. MBT's customers are able to buy airtime credits for mobile phone usage. Common mobile banking functions are also supported, such as balance inquiry, funds transfer, and bills payment.

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 MBT's board of directors 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. IAG has authorized and unrestricted access to all functions, records/documents, property and personnel.

The internal audit activity is performed in accordance with the International Standards for the Professional Practice of Internal Auditing ("ISPPIA") and the Code of Ethics. An independent Quality Assurance Review of MBT' s internal audit activity was conducted in 2011 by a reputable professional firm that confirmed in the Quality Assurance Review report that MBT' s internal audit activities generally conform (the highest among three classifications) to the ISPPIA and the Code of Ethics and exceeds the global conformance rating. MBT' s Quality Assessment and Improvement Program includes continuous independent quality assurance reviews benchmarked against ISPPIA, continuous implementation of process improvements (e.g. increased use of technology in audit engagements) and successful practices and ensures that IAG activities add value and meet stakeholder' s expectations.

IAG's annual audit plan is developed based on MBT's strategic plan which reflects the overall business objectives and MBT's attitude toward risk. IAG employs integrated IT and operational audits and follows a risk-based approach in its internal audit programs and procedures. Using this approach, the nature, timing and scope of audit are based on the preliminary evaluation of the degree of risks and adequacy of risk management, mitigating factors and internal controls within each particular operating unit being audited. Business risks are assessed through discussions with management and review of management-accomplished risk measurement tools such as value at risk, earnings at risk and operational risk self-assessment. IAG also advises project teams, internal departments, management and MBT's board of directors on key areas, such as governance, risk management and controls.

The effectiveness of an auditable units' implementation of controls and risk mitigation techniques is measured using a risk-based audit rating system which was developed in-house under the direction of MBT's senior management and approved by the Audit Committee. It is periodically updated to incorporate emerging risks. The audit rating result impacts the performance appraisal of auditable units. Monitoring of unresolved audit findings has been centralized in IAG to ensure the timely resolution of audit findings and to facilitate elevation of common and significant audit findings/observations to the Audit Committee and operating and senior management. Reports produced from the system's findings analyze areas where process enhancements may be instituted or risk tolerance levels in attaining business objectives may be re-evaluated.

IAG staff members are mostly Certified Public Accountants and some auditors hold global certifications such as Certified Internal Auditor, Certified Information Systems Auditor, Certified Internal Control Auditor, Certified Anti-Money Laundering Specialist, Certified Fraud Examiner and Certified Financial Services Auditor. To further strengthen MBT's internal audit capabilities and ensure continuing professional education, the IAG implements a training program to ensure that officers and staff obtain the necessary skills and are kept abreast with current developments to better discharge their responsibilities. In addition, IAG's officers and staff now include auditors from other disciplines, such as mathematics, statistics and information technology, to meet additional internal audit responsibilities as required by the BSP to regularly and independently perform risk model validations. The Special Audit Department assists the Management through fact-finding and investigation of fraud and irregularities, in close coordination with other units of MBT.

Based on the results of IAG's internal audit assurance and consulting services and the work of other control and monitoring functions within MBT, such as the Risk Management Group and the Compliance Division, the IAG renders an opinion on MBT's framework of control as to the adequacy and effectiveness in relation to MBT's business objectives and within limit of internal controls.

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.

PROPERTIES

MBT's head office is located at Metrobank Plaza, Sen Gil J. Puyat Avenue, 1200 Makati City. MBT owns the premises occupied by its head office, including most of its branches. The following table provides a geographic breakdown of the Philippine branch network owned by MBT as of March 31, 2014:

Location	Branches owned (percentage terms)
Metro Manila	40%
Luzon	32%
Visayas	15%
Mindanao	13%

MBT holds clean titles to these 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. The following table provides a geographic breakdown of the Philippine branches that occupy leased premises:

Location	Number of leased branches
Metro Manila	165
Countryside	189

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 "Metrobank", 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

In September 2008, MBT filed petitions for rehabilitation against two Philippine subsidiaries of Lehman Brothers Holdings, Inc. ("Lehman") in connection with a combined Php2.4 billion loan exposure. These came as a result of the declaration of bankruptcy filed by Lehman, a surety under the loan agreements. The rehabilitation plans were duly approved by the Rehabilitation Court ("RC"). A management committee was created for each of the two Lehman subsidiaries and these management committees oversaw and managed the company assets until their abolition in July 2012. In lieu of the management committees, the RC appointed a Comptroller who was nominated by MBT. Earlier, in April 2012, the RC resolved to recognize the new equity holder in Philippine Investment One (SPV-AMC), Inc. ("PI One") and Philippine Investment Two (SPV-AMC), Inc. ("PI Two"). On October 31, 2012, MBT and PI One and PI Two (through the new equity holder) entered into a universal compromise agreement to settle the issues among the parties. The compromise bears the conformity of the Rehabilitation Receiver. On August 30, 2013, the RC issued an Order excluding another creditor bank as a creditor of PI Two entitled to payments under the approved Rehabilitation Plan. The Court of Appeals, however, issued a Temporary Restraining Order enjoining the RC from enforcing such Order upon a petition filed before it by this creditor bank. In November 2013, the Court of Appeals issued a resolution denying this creditor bank's application for the issuance of a writ of preliminary injunction and accordingly, upheld the RC's order excluding it as creditor of PI Two.

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.

Several suits and claims relating to the MBT Group's lending operations and labor-related cases remain unsettled. In the opinion of MBT's management, if these suits and claims, if decided adversely, will not involve sums having a material effect on the MBT Group's consolidated financial position.

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. The MBT Group may also face increased competition from foreign banks if the Philippine retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced. 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 December 31, 2013. Industry lending posted a growth of 16.4% by yearend 2013 based on publicly available financial statements reported by banks to 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 and SMEs.

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 BDO Unibank and Bank of the Philippine Islands.

EMPLOYEES AND LABOR RELATIONS

As of March 31, 2014, the MBT Group had a total of 10,382 employees (excluding MBT's foreign branches), of which 4,376 were engaged in a professional management capacity and classified as bank officers.

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. MBT successfully concluded a new Collective Bargaining Agreement for the years 2013 to 2015, where it granted a salary increase for each employee of Php1,800.00 effective January 1, 2013, Php1,500.00 effective January 1, 2014 and Php1,500.00 effective January 1, 2015. These increases have considered industry developments and continue to ensure that its employees are properly compensated.

MBT has not experienced any labor strikes since 1989, and the management of MBT considers relations with its employees and their trade union to be good.

The following table provides the total employee headcount for MBT (excluding MBT's foreign branches), PSBank, MCC and FMIC, divided by function, as of March 31, 2014:

	Number of Employees
Executives:	292
President and CEO	1
Senior Executive Vice President	3
Executive Vice Presidents	7
Senior Vice Presidents	22
First Vice Presidents	47
Vice Presidents	88
Assistant Vice Presidents	124
Managers:	1,478
Senior Managers	314
Managers	485
Senior Assistant Managers	679
Junior Managers	2,606
Assistant Managers	1,189
Junior Assistant Managers	1,417
General Staff	6,006
Total Headcount	10,382

The mandatory retirement age for a Bank employee is 55 years or on completion of 30 years of service, whichever comes first. The normal compulsory retirement benefit for the employee who has rendered 30 years of service consists of a lump sum benefit equivalent to 210% of the employee's gross monthly salary at the time of his retirement for each year of service rendered. For employees that retire with less than 30 years of service, the retirement benefit will be a lesser percentage of the gross monthly salary of the employee at the time of his retirement for each year of service rendered. The retirement benefit vests after 10 years of service and the percentage of the gross monthly salary used to calculate the benefit increases over time.

Consistent with MBT's goal of being one of the Philippines' preferred employers, MBT has adopted a compensation policy that it believes is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talent. Tied to this is a competency-based performance management system that calls for the alignment of individual key results, competencies, and development plans with MBT's overall business targets and strategy. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives. MBT currently has no plans of hiring additional employees, except where necessary to complement its commercial lending, business intelligence, product development and customer service.

CORPORATE SOCIAL RESPONSIBILITY

On January 8, 1979, the Metrobank Foundation, Inc. (the "Foundation") was established by the MBT Group to contribute to social development efforts of the Government. As of March 31, 2014, the Foundation held 0.74% of the MBT Group's common shares. The current advisory board of the Foundation includes former Prime Minister Cesar Virata, former Supreme Court Chief Justice Antonio Panganiban, Washington SyCip and others. The

Foundation seeks to foster a culture of excellence by funding and implementing programs in education, health services and the visual arts in the Philippines, primarily by honoring outstanding members of key professions, including teachers, artists, police and military personnel and blue-collar workers. The Foundation also provides scholarships for intellectually gifted and disadvantaged students and provides grants in support of noteworthy programs in education, health care and the arts, among others. The Foundation also manages and helps operate the Manila Doctors Hospital and its educational arm, the Manila Tytana Colleges, as part of its advocacy for excellent health care services.

SUBSIDIARIES AND ASSOCIATES

Subsidiaries

The following table sets out summary information in respect of the MBT Group's significant subsidiaries as of and for the year ended December 31, 2013:

Subsidiaries	MBT Group's effective ownership	Activity	Principal place of business	Issued capital stock(2)	Total assets	Total revenues	Net income (loss)
				(Php millions)			
Philippine Savings Bank	75.98%	Savings Banking	Philippines	2,403	130,026	15,134	2,928
First Metro Investment Corporation and subsidiaries	99.23%	Investment Banking Holding Company	Philippines	4,209	82,824	17.068	11,772
First Metro Securities Brokerage Corporation(1)	100.00%	Stock Brokerage	Philippines	169	953	248	102
PBC Capital Investment Corporation(1)	100.00%	Investment House	Philippines	300	586	40	35
SBC Properties, Inc.(1).	100.00%	Real Estate	Philippines	130	61	4	3
Prima Ventures Development Corporation(1)	100.00%	Holding Company	Philippines	4	19	1	1
First Metro Save & Learn Dollar Bond Fund, Inc.(1)	99.35%	Management of Mutual Funds	Philippines	20	213	4	1
First Metro Global Opportunity Fund, Inc.(1).	100.00%	Management of Mutual Funds	Philippines	1	145	4	3
First Metro Asset Management, Inc.(1)	70.00%	Management of Mutual Funds	Philippines	47	249	313	110
FMIC Equities, Inc.	100.00%	Holding Company	Philippines	13	13	-	-
Resiliency (SPC), Inc.(1)	100.00%	Financial Holding Company	Philippines	5	5	-	-
First Metro Philippine Equity Exchange Traded Fund, Inc. (1)	100.00%	Management of Mutual Funds	Philippines	788	743	(31)	(46)
First Metro Save & Learn Fixed Income Fund, Inc.(1)	14.44%	Management of Mutual Funds	Philippines	1,538	3,410	320	180
First Metro Save & Learn Equity Fund, Inc.(1)	21.44%	Management of Mutual Funds	Philippines	1,067	7,293	(68)	(303)
First Metro Save & Learn Balanced Fund, Inc.(1)	17.03%	Management of Mutual Funds	Philippines	416	2,465	(1)	(89)
First Metro Insurance Brokers Corporation(1)	100.00%	Insurance Company	Philippines	16	3	-	-
Metrobank Card Corporation (A Finance Company)	60.00%	Credit Card Services	Philippines	1,000	39,468	9,983	2,006
Metropolitan Bank (China) Ltd.	100.00%	Banking	People's Republic of China	8,655	42,131	1,282	72
ORIX Metro Leasing and Finance Corporation and subsidiaries	59.85%	Leasing, Finance	Philippines	1,265	19,401	2,972	602
Circa 2000 Homes, Inc.	100.00%	Real Estate	Philippines	800	620	3	(33)
Metropolitan Bank (Bahamas) Limited	100.00%	Holding Company	Bahamas	46	807	48	17
First Metro International Investment Company Limited and subsidiary	99.85%	Investments and deposit taking	Hong Kong	231	908	6	(8)
Metro Remittance (Hong Kong) Limited	100.00%	OFW Remittances	Hong Kong	26	145	106	5

Subsidiaries	MBT Group's effective ownership	Activity	Principal place of business	Issued capital stock[(2)]	Total assets	Total revenues	Net income (loss)
				(Php millions)			
Metro Remittance (Singapore) Pte. Ltd.	100.00%	OFW Remittances	Singapore	16	303	158	78
Metro Remittance Center, Inc.	100.00%	OFW Remittances	United States	64	107	169	(4)
Metro Remittance (USA), Inc.	100.00%	OFW Remittances	United States	117	135	32	(4)
Metro Remittance (Italia), S.p.A.	100.00%	OFW Remittances	Italy	88	17	61	(38)
Metro Remittance (UK) Limited	100.00%	OFW Remittances	United Kingdom	31	55	53	6
Metro Remittance (Japan) Co. Ltd.	100.00%	OFW Remittances	Japan	41	31	-	(10)
MBTC Technology, Inc.	100.00%	Computer Services	Philippines	200	32	-	(21)

Notes:

(1)FMIC, 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 Global Opportunity 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 FMIC 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 December 31, 2013, 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 (Italia), S.p.A., Metro Remittance (UK) Limited and the Metro Remittance (Japan) Company Limited. Set forth below is a brief description of the MBT Group's primary subsidiaries.

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**.**"

First Metro Securities Brokerage Corporation

First Metro Securities Brokerage Corporation ("FMSBC"), a wholly owned subsidiary, was incorporated in the Philippines on October 16, 1987 to engage in the trading of or otherwise dealing in stocks, bonds, debentures and other securities or commercial papers and rendering financial advisory services. It started commercial operations in June 1994. FMSBC is a member of the PSE. FMSBC serves both institutional and retail clients. Since October 2006, FMSBC has put in place an online stock trading facility where clients can trade equities by simply logging on to www.firstmetrosec.com.ph.

PBC Capital Investment Corporation

PBC Capital Investment Corporation ("PBC Capital"), a wholly owned subsidiary, was incorporated on March 1, 1996 and started commercial operations on March 8, 1996. MBT originally acquired PBC Capital as part of its acquisition of the Philippine Banking Corporation. It was incorporated primarily to perform basic investment banking activities, such as equity and debt underwriting, loan arrangement and syndication, financial advisory services and other corporate finance work.

SBC Properties, Inc.

SBC Properties, Inc., a wholly owned subsidiary, was incorporated in the Philippines and was registered with the SEC on June 27, 1997 primarily to engage in the acquisition, development, lease and sale of real properties intended for residential, commercial or industrial use.

Prima Ventures Development Corporation

Prima Ventures Development Corporation (formerly Prima Estate Realty Corporation), a holding company, is a wholly owned subsidiary registered with SEC on January 31, 1978. On November 3, 2010, it sold 50.0% of its 60.0% ownership in Travel Services, Inc. (formerly First Metro Travel, Inc.) which is engaged in the general business of travel services both domestic and international.

First Metro Save & Learn Dollar Bond Fund, Inc.

First Metro Save & Learn Dollar Bond Fund, Inc., formerly First Metro Save & Learn Money Market Fund, Inc., 99.4% owned by FMIC, was incorporated on November 4, 2008. It is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in selected fixed–income securities. It can also redeem its outstanding capital stock at net asset value per share at any time upon redemption of its investors.

First Metro Global Opportunity Fund, Inc.

First Metro Global Opportunity Fund, Inc., formerly First Metro Save & Learn Global Currency Fund, Inc., a wholly owned subsidiary, was incorporated on December 23, 2009 to generally engage and to carry on the business of an open-ended investment company.

First Metro Asset Management, Inc.

First Metro Asset Management, Inc. was incorporated on April 21, 2005 to manage, provide and render management and technical advice/services for partnerships, corporations and other entities. It is registered and authorized by the SEC to act as an investment company adviser and manager, administrator, and principal distributor of First Metro Save & Learn Fixed Income Fund, Inc., First Metro Save & Learn Equity Fund, Inc., First Metro Save & Learn Balanced Fund, Inc., First Metro Save & Learn Dollar Bond Fund, Inc. and First Metro Global Opportunity Fund, Inc. It is 70.0% owned by First Metro, while 30.0% is shared equally by the Catholic Educational Association of the Philippines and by the Marist (Marist Brothers) Development Foundation.

FMIC Equities, Inc.

FMIC Equities, Inc. (FEI) is a wholly owned subsidiary of FMIC. It was incorporated on November 9, 2001 to acquire, invest in, own, control, use, lease, sell or otherwise dispose of any and all kinds of property, businesses and enterprises. On February 27, 2012, the BOD of FEI approved the shortening of its corporate life from 50 years to 11 years from the date of its incorporation.

Resiliency (SPC), Inc.

Resiliency (SPC), Inc., a wholly owned subsidiary of FMIC, was registered with the SEC as a financial holding company on June 22, 2009 primarily to engage in the securitization of assets which shall include, but not be limited to, receivables, mortgage loans and other debt instruments.

First Metro Save & Learn Fixed Income Fund, Inc.

First Metro Save & Learn Fixed Income Fund, Inc., 11.4% owned by FMIC, was incorporated in the Philippines on June 3, 2005 and subsequently registered under the Philippine Investment Company Act on September 6, 2005. It is an open-end mutual fund company engaged in selling its capital to the public and investing the proceeds in selected high grade fixed income generating instruments, such as bonds, commercial papers and other money market instruments. It stands at any time to redeem its outstanding capital stock at net asset value per share.

First Metro Save & Learn Equity Fund, Inc.

First Metro Save & Learn Equity Fund, Inc., 16.3% owned by FMIC, was registered with the SEC on May 27, 2005 and registered under the Philippine Investment Company Act on September 6, 2005 as an open-end mutual fund primarily engaged in selling its capital and investing the proceeds in selected stocks with strong balance sheets and attractive valuations.

First Metro Save & Learn Balanced Fund, Inc.

First Metro Save & Learn Balanced Fund, Inc., 14.5% owned by FMIC, was incorporated in the Philippines on January 29, 2007 and subsequently registered under the Philippine Investment Company Act on May 10, 2007 to engage in the trading of stocks and fixed income securities.

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 ("CBRC") 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例"), 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 Metrobank 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.

ORIX Metro Leasing and Finance Corporation

See "– Principal Business Activities – Other banking services – Leasing."

Circa 2000 Homes, Inc.

A wholly owned subsidiary of the MBT Group, Circa 2000 Homes, Inc. was incorporated on January 29, 1997 to engage in the business of home building and home development through the acquisitions of land and other assets, as well as the construction, sale and lease of management of houses, apartments, townhouses, apartelles, residential condominiums and other dwelling places.

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.

First Metro International Investment Company Limited

FMIIC is a Hong Kong-registered company incorporated in 1972. FMIIC acts as a deposit taking investment house which also provides loans to local businessmen. MBT acquired majority shares in FMIIC in 1978. Currently, MBT owns 53.3%, Metrobank Bahamas owns 26.7%, and FMIC owns the remaining 20.0%.

Metro Remittance (Hong Kong) Limited

Metro Remittance (Hong Kong) Limited is a wholly owned subsidiary of the MBT Group and was incorporated in Hong Kong in October 1994. MBT provides remittance services to OFWs in Hong Kong in conjunction with the MBT Group's own representative office and subsidiary in Hong Kong.

Metro Remittance (Singapore) Pte. Ltd.

Established in April 2004, this is a wholly owned remittance center of MBT providing foreign exchange and remittance services to Filipinos and other nationals in Singapore. The Company started commercial operations on November 12, 2004.

Metro Remittance Center, Inc.

Metro Remittance Center, Inc., a wholly owned subsidiary of the MBT Group, was set up to facilitate the MBT Group's remittance services for Filipino communities in the United States. It has branches in New York and Chicago.

Metro Remittance (USA), Inc.

Metro Remittance (USA), Inc., formerly Metro Remittance Center (California), Inc., was established August 8, 2007 to pursue the MBT Group's plan for expanding its remittance operations in California, U.S.A. Its head office is located at Artesia City (Southern California) and it has a branch in Union City (Northern California).

Metro Remittance (Italia), S.p.A.

Metro Remittance (Italia), S.p.A. was incorporated in November 28, 2002 and licensed by "Ufficio Italiano Dei Cambi" (Italian Office of Exchange) to perform payment and currency exchange brokerage services. The MBT Group acquired Metro Remittance (Italia), S.p.A. on March 3, 2005. MBT's two offices in Rome and Milan cater to remittances by OFWs and Chinese clients. On July 16, 2013, MBT's BOD approved the voluntary closure of MR Italia effective November 1, 2013; MR Italia is in process of dissolution.

Metro Remittance (UK) Limited

Metro Remittance (UK) Limited, a wholly owned subsidiary of the MBT Group, was set up to facilitate the MBT Group's remittance services for Filipino communities in the UK and Ireland. This subsidiary has its office in London**.**

Metro Remittance (Japan) Co., Ltd

Metro Remittance (Japan) Co., Ltd was established in Yohohama, Japan on May 8, 2013 to carry on remittance business to foreign countries and undertake intermediary business between Japan and the Philippines.

Associates

The following table sets out summary information in respect of the MBT Group's significant associates as of and for the year ended December 31, 2013:

Associates and Joint Ventures	Effective ownership	Activity	Principal place of business	Issued capital stock	Total assets	Total revenues	Net income (loss)
					(Php millions)		
Philippine AXA Life Insurance Corporation	27.96%	Life Insurance	Philippines	1,000	54,931	10,617	1,192
Toyota Financial Services (Philippines) Corporation	34.00%	Motor Vehicle Financing	Philippines	1,000	29,576	1,931	437
Lepanto Consolidated Mining Company	16.80%	Mining	Philippines	4,344	8,706	2,025	(258)
CPAIC	33.07%	Non-life Insurance	Philippines	513	9,134	1,653	193
Cathay International Resources Corporation	34.73%	Holding Company	Philippines	501	2,390	117	1
Northpine Land, Inc.	20.00%	Real Estate Developer	Philippines	1,225	2,174	234	69
Sumisho Motor Finance Corporation	30.39%	Financing of Motor Vehicles	Philippines	2,000	1,739	347	6
SMBC Metro Investment Corporation	30.00%	Investment House	Philippines	600	890	148	72

Note:
FMIC holds interests in Philippine AXA Life Insurance Corporation, Lepanto Consolidated Mining Company, CPAIC, and Cathay International Resources Corporation. The MBT Group holds interests in Toyota Financial Services (Philippines) Corporation, Northpine Land, Inc. and SMBC Metro Investment Corporation while PSBank holds interests in Toyota Financial Services (Philippines) Corporation and Sumisho Motor Finance Corporation.

Set forth below is a brief description of the MBT Group's significant associates.

Philippine AXA Life Insurance Corporation

AXA Philippines is 28.2% owned by FMIC. AXA Philippines is among the top five life insurance providers in the country, posting Php18.3 billion in gross written premiums in 2013, and is also one of the leading providers of variable life insurance, with an 11% market share in 2013 based on gross premiums, according to the Philippine Insurance Commission. AXA Philippines is a business venture between GT Capital, MBT Group and AXA Group, the global leader in life insurance and investments according to Interbrand's Best Global Brands.

Toyota Financial Services (Philippines) Corporation

In October 2002, the MBT Group and Toyota Financial Services Corporation of Japan established the Toyota Financial Services (Philippines) Corporation ("TFSPH"), in which the MBT Group has a 34.0% effective interest as of December 31, 2013. TFSPH extends credit facilities to customers of Toyota vehicle dealers in the Philippines and to commercial or industrial enterprises, including distributors and dealers, who are engaged in the distribution of Toyota vehicles in the Philippines. In June 2008, TFSPH secured regulatory approval for its venture into quasi-banking, allowing MBT to raise funds from the public for re-lending.

Lepanto Consolidated Mining Company

Lepanto Consolidated Mining Company was incorporated and registered with the Philippine SEC on September 8, 1936 primarily to engage in the exploration and mining of gold, silver, copper, lead, zinc and various types of ores, metals, minerals, oil, gas and coal and their related by-products. On January 29, 1985, the Philippine SEC approved the extension of its corporate term for another 50 years after the expiration of its original term on September 8, 1986. As of December 31, 2013, the MBT Group had an effective voting interest of 16.8% through FMIC.

CPAIC

CPAIC is 33.3% owned by FMIC as of December 31, 2013. It was incorporated in December 1987 and has been a major player in the non-life insurance industry for the past years. As approved by the board of directors on January 23, 2014, FMIC sold 33.3% of its ownership in CPAIC to GT Capital.

Cathay International Resources Corporation

Cathay International Resources Corporation, 35.0% owned by FMIC, was incorporated on April 26, 2005 primarily to acquire by purchase or exchange and use for investment or otherwise sell or transfer properties. It owns the Marco Polo Plaza Cebu Hotel.

Northpine Land Inc.

The MBT Group holds a 20.0% interest in Northpine Land Inc., formerly Jardine Land, Inc., which was established in April 1996 to acquire real estate and develop middle-income housing in the Philippines. The MBT Group's partners in Northpine Land Inc. include Hong Kong Land (PPI) BV, San Miguel Properties Philippines, Inc. and Banco de Oro Unibank, Inc. The Philippine SEC approved the change in corporate name on August 29, 2006.

Sumisho Motor Finance Corporation

Sumisho Motor Finance Corporation was incorporated on November 26, 2009 as a joint venture among PSBank, Philippine Savings Bank Retirement Fund, Sumitomo Corporation of the Philippines and Sumitomo Corporation to provide lending and leasing services for the purchase of motorcycles in the Philippines. As of December 31, 2013, the MBT Group had an effective voting interest of 30.4% through PSBank.

SMBC Metro Investment Corporation

SMBC Metro Investment Corporation ("SMBC Metro") is a business venture undertaking of the MBT Group (30.0% ownership), Sumitomo Mitsui Banking Corporation of Japan (40.0% ownership) and a third party investment vehicle, Gemland International Holdings, Inc. (30.0% ownership). Established in January 1995 as an investment house, SMBC Metro engages in investment and underwriting of securities without quasi-banking authority. Other services include lending, arranging U.S. dollar-denominated syndicated loans for various multinational companies and referral of Japanese clients to the MBT Group. SMBC Metro's clientele includes Philippine-based top-tier Japanese corporations.

RECENT FINANCIAL PERFORMANCE

In the first three months of 2014 and for the years ended December 31, 2013 and 2012, MBT registered a net income attributable to equity holders of the parent company of Php2,589 million, Php11,719 million and Php11,996 million, respectively, (net of intercompany gains eliminated in the consolidation amounting to Php3,097 million, Php10,769 million and Php3,403 million, respectively); accounting for 32.1%, 39.7% and 43.8% of GT Capital's net income for the said periods. For the financial highlights of MBT, please refer to the section on Financial Information found elsewhere in the Prospectus.

BUSINESS – Fed Land

OVERVIEW

With 42 years of industry experience, 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 reservation sales, developed area and net profit for the period 2011 to 2013.

	2011	2012	2013	% growth (CAGR) 2011-2013
Reservation sales (Php billions)…...	9	18	14	24%
Reservation sales (no. of units) ……...	2,168	3,273	2,353	4%
Developed residential area (sq. m.)	114,105	39,181	101,400	-6%
Net income (Php millions)	601	1,993	1,019	30%

As of March 31, 2014, Fed Land's land bank comprised 95 hectares of land (including 3.4 hectares held through joint ventures), primarily in prime locations such as Manila, Makati, Fort Bonifacio, Marikina, 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 33 ongoing projects in various stages of completion. Fed Land's high-quality residential projects include Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences, Bay Garden Residences, Oriental Garden Makati, The Grand Midori 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 Veritown Fort (including the landmark Metrobank/Grand Hyatt Project), projects in 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. The following are some of the key residential and commercial projects completed by the Ty family real estate companies, including Fed Land:

Property	Developer	Completion Date
Residential Condominiums		
Bayview International Towers	Granview Realty	1989
Skyland Plaza	Skyland Realty	1991
Escolta Twin Tower	City Tower Realty	1992
Valencia Hills	Topsphere Realty	2002
Bayview Garden Homes	Granview Realty	2002
Ocean Tower	Ocean Park Realty	2003
Oriental Garden Makati (2 Towers)	Fed Land	2005
Marquinton Residences Barcelona	Fed Land	2006
Marquinton Residences Alicante	Fed Land	2007
Bay Garden Residences (5 Towers)	Fed Land/Baywatch Realty	2009
The Capital Towers Athens	Fed Land	2010
Florida Sun Estate - Oriental Garden Residences and Commercial Area	Fed Land	2010
The Oriental Place	Fed Land	2011
Marquinton Residences Cordova	Fed Land	2011
The Grand Midori Tower 1	Federal Land Orix Corporation	2012
Bay Garden Club & Residences Royal Palm	Fed Land	2013
Florida Sun Estate Tampa	Fed Land/Horizon Land	2013
Riverview Mansion	Fed Land	2013
The Capital Towers Beijing	Fed Land	2013
Tropicana Garden City Valderrama	Fed Land/Horizon Land	2013
Office Buildings/Retail Centers		
PSBank Tower	Matsuda Property Devt. Corp	1980
Philippine AXA Life Centre	Heritage Consolidated Assets Inc.	1996
GT Tower International	Philippine Securities Corporation	2000
Blue Wave – Marquinton	Federal Brent Retail Inc.	2003
Blue Wave – Macapagal Blvd.	Federal Brent Retail Inc.	2005
BPO at Metropark	Fed Land	2010
Blue Bay Walk	Fed Land	2013

COMPETITIVE STRENGTHS

Fed Land believes that its principal strengths are the following:

Dedicated real estate developer of the Ty family with a 42-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 42 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

For example, in the Fort Bonifacio, Taguig area, Fed Land is developing a ten-hectare master-planned project known as Veritown Fort 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 the Metrobank/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.

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 Veritown Fort project is located in Fort Bonifacio, which is commonly referred to 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 March 31, 2014, Fed Land had an available land bank for development of approximately 95 hectares. In addition to its own land bank, Fed Land continues to have access, through Federal Homes and other Ty family companies, to other prime land that often is located adjacent to Fed Land properties (e.g. in Metropolitan Park or Veritown Fort).

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 Bin˜ an, Laguna, Sta. Rosa, Laguna, General Trias, Cavite and 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. For details relating to Fed Land's land bank, see "– Land Bank".

Synergies with affiliates under the GT Capital group

In addition to real estate development, the Ty family has several other business interests with their most significant and recognized business being MBT. As a member of GT Capital, Fed Land continues to benefit from this affiliation in several ways. In terms of marketing, Fed Land is marketed as part of the GT Capital group of companies, which increases Fed Land's profile and exposure to potential customers as well as with potential development partners. In terms of financing, Fed Land is able to leverage on the MBT Group as a key retail banking channel to provide financing solutions for its customers. Both MBT and PSBank offer preferential rates to Fed Land's residential real estate customers. In addition, MBT Group customers are exposed to Fed Land's product portfolio through a variety of channels. Fed Land also benefits from its affiliation with GT Capital and the Ty family in terms of land for development. A significant portion of Fed Land's current land bank is comprised of properties that once belonged to Ty family companies, including MBT. Ty family companies, including MBT, have partnered with Fed Land on several projects by contributing land for development.

In terms of management, Fed Land is able to draw upon the breadth of resources across the GT Capital group to enhance its management's resources.

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 Php3.2 million, which qualify for VAT elimination.

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, Veritown Fort in Bonifacio Global City, 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.

Leverage off synergies of the GT Capital companies

Fed Land plans to continue to leverage its reputation as a Ty family company and a subsidiary within the GT Capital group of companies to enable it to expand its market reach and land bank. In particular, Fed Land intends to consider land-bank opportunities presented by the MBT Group as it considers site-development plans and engages in market studies for future development projects. In addition, Fed Land intends to strengthen its ties with MBT and PSBank for developing financing solutions for its real estate customers. Fed Land believes that it will be able to enhance its competitive strengths by continuing to leverage off of its synergies with the MBT Group, in particular through pro-active land bank management, asset enhancement and expansion, and by capitalizing on MBT's extensive real estate lending experience, brand and access to financial resources.

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 table below shows how many square meters of development have been completed by Fed Land in each year since 2005.

	Area developed (sq. m.)
2005	32,803
2006	52,006
2007	19,203
2008	21,203
2009	21,203
2010	35,730
2011	114,105
2012	39,181
2013	101,400
Total	436,834

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.

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,					Quarter ended March 31,
Category	2009	2010	2011	2012	2013	2014
Real Estate Sales	59%	69%	60%	56%	69%	73%
Commercial Operations						

Retail	26%	19%	17%	17%	8%	7%
Rental	8%	6%	5%	5%	8%	8%
Services and others	7%	6%	18%	22%	15%	12%

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 EDSA, as well as The Mall of Asia, one of the largest shopping mall 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. Fed Land's first residential development in the area is the five-tower Bay Garden Residences, which has been fully sold out, built and turned over to buyers. This project was followed by Bay Garden Club and Residences, a cluster of three residential condominium towers with commercial establishments at the podium ground level and amenities at the podium roof deck. The first tower has been completed and is in the process of being turned over to buyers while the remaining two towers are currently under construction. For more information, see "– High-End Market Projects – Bay Garden Residences" and "– High-End Market Projects – Bay Garden Club and Residences". In addition, Metropolitan Park includes the Blue Wave Mall and Blue Bay Walk, a retail project developed by Fed Land in 2003. See "– Commercial Real Estate – Retail Buildings".

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.

Veritown Fort

The Veritown Fort project is a 10-hectare community development project on the northern boundary of Fort Bonifacio in Metro Manila. Under a joint venture land development agreement executed between Fed Land and MBT, Fed Land owns 20% of the saleable land while MBT owns the remaining 80%. Fed Land believes that Fort Bonifacio is quickly becoming a second central business district in Metro Manila as companies and residents look for an alternative to the current Makati central business district. Veritown Fort's prime location is directly linked to the cities of Makati, Mandaluyong, Pasig and Taguig. Currently, the two developments being undertaken are the upscale Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences, which are mixed-use developments, and the Parkwest Tower, a residential condominium. The Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences will include two towers that will share a common high-end retail podium. The first tower will be a prime 66-storey building and will comprise a luxury Grand Hyatt Hotel and premium office floors, with MBT expected to be the primary occupant. The second tower will comprise of a 50-storey premium residential condominium known as The Grand Hyatt Manila Residences. The Metrobank/Grand Hyatt Project is being developed by a jointly-controlled entity of Fed Land and ORIX Risingsun Properties II, Inc. ("Orix Risingsun II") where Fed Land owns 70% and Orix Risingsun II owns 30% of the joint venture. Orix Risingsun II is controlled by Orix.

Parkwest Tower is the first of a planned cluster of condominiums designed for the middle to upper-mid market. The first tower, which was launched in mid-2011, will comprise of a 41-storey residential condominium tower with 716 units. For more information, see "– Residential Developments – Middle-Market Projects – Parkwest Tower" and "– Commercial Developments – Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences Project".

Of the 10-hectare community development project in Veritown Fort, approximately 11% is currently under construction and approximately 89% is earmarked for future development.

Marikina

Fed Land's Marikina master-planned community development is situated on a 17-hectare property owned by Fed Land and located on the eastern boundary of Marikina City, Metro Manila. Fed Land's master plan is to develop three clusters of medium-to-high-rise residential condominiums. The first cluster developed was the Marquinton Residences. This development consists of a three-tower medium-rise mixed-use project targeting middle-income families, and includes the Alicante, Barcelona and Cordova towers. Fed Land is also developing the nine-tower residential complex called Tropicana Garden City Residences in the area. For more information, see "– Middle-Market Projects – Tropicana Garden City". A third development, the eight-tower Savana, is also envisioned for development. In addition, the 17-hectare Marikina property includes the Blue Wave Mall, a retail project developed by Fed Land in 2003, a Toyota automobile dealership and a MBT bank branch. See "– Commercial Real Estate – Retail Buildings".

Of the 17 hectares within Marikina, approximately 25% is built-up, approximately 2% is currently under construction and approximately 73% is earmarked for future development.

Florida Sun Estate

Florida Sun Estate is an 18-hectare property owned by Fed Land and located in the General Trias, Cavite area. Florida Sun Estate was designed and developed as a Florida, USA-themed residential community. It is conveniently located along Governor's Drive, the main thoroughfare in General Trias, Cavite. The master plan for the development contemplates offering 580 lots and house and lot packages, and 800 apartment units in 12 mid-rise condominium buildings. The first phase of development will involve four residential buildings developed under the project name Oriental Garden Residences. Two buildings, Bellflower and Cypress, were completed in 2010 and 2011, respectively. Miami was launched in 2012. Miami is designed to offer 163 residential lots with a total saleable area of 22,141 sq. m. The third and final phase of the subdivision project- Tampa - was launched in 2013. Tampa is designed to offer 227 residential lots and house and lot packages with a total saleable area of 30,828 sq. m. . The project is targeted at the mid-market segment.

Of the 18 hectares within Florida Sun Estate, approximately 6% is built-up, approximately 3% is currently under construction and approximately 91% is earmarked for future development.

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 March 31, 2014**.**

Recently-Completed Projects

PROJECTS	Target Market	GFA	GFA Attributable to Fed Land	Location	Master-Planned Community	Total no. of units
		(in sqm)	(in sqm)			
Bay Garden Club and Residences 1 (Banyan)	High-End	20,927	20,927	Pasay City	Metropolitan Park	130
The Capital 1 (Athens)	Mid-Market	33,033	29,234	Quezon City		445

The Oriental Place	Mid-Market	30,077	27,069	Makati City		642
Marquinton (Cordova)	Mid-Market	27,284	27,284	Marikina		536
Tropicana Garden City (Toledo)	Mid-Market	11,532	11,532	Marikina	Tropicana Garden City	264
Peninsula Garden Midtown Homes (Molave)	Mid-Market	15,762	15,762	Manila	Peninsula Garden Midtown Homes	204
Oriental Garden Residences 1 (Bellflower)	Mid-Market	2,697	2,697	Cavite	Florida Sun Estate	64
Oriental Garden Residences 2 (Cypress)	Mid-Market	2,979	2,979	Cavite	Florida Sun Estate	84
Bay Garden Club and Residences 2 (Royal Palm)	High-End	23,485	23,485	Pasay City	Metropolitan Park	171
The Grand Midori Makati 1	High-End	39,180	19,441	Makati		369
Riverview Mansion	High-End	32,212	32,212	Binondo, Manila		253
Marco Polo Residences 1	High-End	23,936	16,755	Cebu	Marco Polo Residences	170
Tropicana Garden City 2 (Valderamma)	Mid-Market	12,719	12,719	Marikina	Tropicana Garden City	370

Ongoing Developments

PROJECTS	Target Market	GFA	GFA Attributable to Fed Land	Location	Master-Planned Community	Total no. of units
		(in sqm)	(in sqm)			
Bay Garden Club and Residences 3 (Mandarin)	High-End	17,139	17,139	Pasay City	Metropolitan Park	190
Parkwest	High-End	71,140	71,140	Fort Boni, Taguig	Veritown Fort	713
Four Season – Riviera 1 (Plum Blossom)	High-End	30,590	27,164	Binondo, Manila		185
The Grand Midori Makati 2	High-End	38,621	19,164	Makati		445
Marco Polo Residences 2	High-End	32,559	22,791	Cebu	Marco Polo Residences	278
Oriental Garden Makati 3 (Lilac)	Mid-Market	27,817	27,817	Makati		521
Paseo de Roces 1 (Legazpi)	Mid-Market	28,285	25,457	Makati		436
Peninsula Garden Midtown Homes 2 (Maple)	Mid-Market	11,333	11,333	Manila	Peninsula Garden Midtown Homes	253
Peninsula Garden Midtown Homes 3 (Narra)	Mid-Market	13,547	13,547	Manila	Peninsula Garden Midtown Homes	319
Tropicana Garden City 3 (Ibiza)	Mid-Market	5,314	5,314	Marikina	Tropicana Garden City	144
Oriental Garden Residences 3 (Acacia)	Mid-Market	1,790	1,790	Cavite	Florida Sun Estate	33

Florida Sun Estate (Jacksonville) *H - Lot Only	Mid-Market			Cavite	Florida Sun Estate	180
Florida Sun Estate-Jacksonville *H - House Component Only	Mid-Market	1,841	1,841	Cavite	Florida Sun Estate	36
Florida Sun Estate (Tampa) *H - Lot Only	Mid-Market			Cavite	Florida Sun Estate	163
Florida Sun Estate (Tampa) *H - House Component Only	Mid-Market	1,674	1,674	Cavite	Florida Sun Estate	33
The Capital Towers 2 (Beijing)	Mid-Market	37,680	33,347	Quezon City		623
Peninsula Garden Midtown Homes (Magnolia)	Mid-Market	7,848	7,848	Manila	Peninsula Garden Midtown Homes	153
Peninsula Garden Midtown Homes (Mandarin)	Mid-Market	11,430	11,430	Manila	Peninsula Garden Midtown	259

Launched in 2012 (for construction)

PROJECTS	Target Market	GFA	GFA Attributable to Fed Land	Location	Master-Planned Community	Total no. of Units
		(in sqm)	(in sqm)			
Six Senses Resort 1	High-End	21,160	21,160	Pasay City	Metropolitan Park	152
The Big Apple (Central Parkwest) 1	High-End	46,650	37,530	Fort Boni, Taguig	Veritown Fort	356
Marco Polo Parkview 3	High-End	34,162	23,913	Cebu	Marco Polo Residences	382
The Capital Towers (Rio)	Mid-Market	37,232	32,950	Quezon City		538
Four Season Riviera (Lotus)	High-End	29,809	26,828	Binondo, Manila		170
Madison Parkwest	High-End	64,704	52,055	Fort Boni, Taguig	Veritown Fort	670

Launched in 2013

PROJECTS	Target Market	GFA	GFA Attributable to Fed Land	Location	Master-Planned Community	Total no. of Units
		(in sqm)	(in sqm)			
Six Senses Resort 2	High-End	22, 286	22, 286	Pasay City	Metropolitan Park	152
Six Senses Resort 3	High-End	22, 286	22, 286	Pasay City	Metropolitan Park	162
Peninsula Garden Midtown Homes (Mahogany)	Mid-Market	13,547	13,547	Manila	Manila	294
Palm Beach Villas - Boracay	High-End	17,236	17,236	Pasay City	Metropolitan Park	267
One Wilson Square	High-End	46,912	46,912	San Juan		240

Launched in 2014

PROJECTS	Target Market	GFA (in sqm)	GFA Attributable to Fed Land (in sqm)	Location	Master-Planned Community	Total no. of Units
Six Senses Resort 4	High-End	19,931	19,391	Pasay City	Metropolitan Park	152
Time Square West	High-End	33,030	33,030	Fort Boni, Taguig	Veritown Fort	496
Marco Polo Oceanview 4	High-End	28,871	20,210	Cebu	Marco Polo Residences	308
Palm Beach Villas - Panglao	Mid-Market	17,276	17,276	Manila	Metropolitan Park	269

*Note: * Horizontal development lots only.*

High-End Market Projects

Bay Garden Residences

Bay Garden Residences is one of the two residential developments in Metropolitan Park. The Bay Garden Residences is composed of five towers, with a total of 582 residential units. The towers are called Anchor, Boardwalk, Crystal, Mactan and Palawan Towers. The first three towers, Anchor, Boardwalk and Crystal, were developed under a joint-venture partnership with Mitsui Japan and Baywatch Realty, while the other two towers, Mactan and Palawan, were 100% owned by Fed Land. Baywatch Realty was acquired by Fed Land in 2006 and was merged into Fed Land in 2010. The residential project includes amenities such as a pool facility, barbeque area, community function rooms and 24-hour security. The Bay Garden Residences is also conveniently located near the shops of Fed Land's Blue Wave Mall and Blue Bay Walk. For more information, see "– Commercial Real Estate – Retail Buildings".

Bay Garden Club and Residences

Bay Garden Club and Residences is the second residential development project in Metropolitan Park, the construction of which is currently ongoing. The Bay Garden Club and Residences comprises of three new towers, the Banyan, Royal Palm and Mandarin Towers, with a total of 491 residential units. Construction of the Banyan Tower was completed in 2011 while Royal Palm was completed in 2013. Mandarin Tower is currently on-going and is expected to be fully completed by 2015. The residential project includes amenities such as a pool facility, barbeque area, community function rooms and 24-hour security. The Bay Garden Club and Residences is also conveniently located near Fed Land's Blue Wave Mall and Blue Bay Walk. For more information, see "– Commercial Real Estate – Retail Buildings".

Six Senses Resort

Six Senses Resort is Fed Land's next landmark undertaking in Metropolitan Park following its successful Bay Garden Residences and Bay Garden Club and Residences projects. Six Senses Resort is envisioned to be another signature development of Federal Land and similar to the Bay Garden projects. Six Senses Resort 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. Six Senses Resort was designed by renowned architectural firm, Arquitectonica. The first tower was launched in February 2012 and is scheduled for completion in 2016. The second tower was launched in March 2013 and is scheduled for completion in 2017. With brisk sales experienced by both towers, the third tower was launched in August 2013.

Palm Beach Villas

Palm Beach Villas is Horizon Land's first project in Metropolitan Park. The project consists of 2 towers on a common podium that will accommodate commercial establishments, parking spaces and amenities. Majority of its product offering are compact two-bedroom units ideal for start-up families. The first tower, Boracay was launched last March 2013 and is scheduled for completion in 2017. At completion, Palm Beach Villas will have a total of 536 residential units.

Four Season Riviera

The Four Season Riviera is a four-tower residential condominium project situated in the country's China Town, 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 first tower, Plum Blossom, began selling in 2010 while the second tower, Lotus was launched in 2012, both towers are currently under construction and expected to be completed in 2014 and 2016 respectively. The succeeding two towers are expected to be named Cher and Moi, and have a total of 179 residential units per tower for a total of 358 units with total saleable area of 40,702 sq. m

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. Four Seasons Riviera is a joint venture between Fed Land and Central Realty, the land owner, with ownership interests of 89% and 11%, respectively.

Riverview Mansion

Riverview Mansion is a stand-alone 253-unit residential condominium building located in Binondo, Manila. Fed Land believes that its close proximity to the Binondo central business district makes it an ideal home for second and third generation China Town residents seeking to live close to their families and businesses. The project is conveniently located next to Escolta Street, a major business thoroughfare in Metro Manila. The 32-storey building project overlooks the Pasig River offering residents unobstructed views of the river. This project began construction in 2010 and was completed in 2013.

Marco Polo Residences

The Marco Polo Residences will consist of a high-end, five-tower residential complex in Cebu City situated beside the Marco Polo Plaza Hotel, which is one of Cebu's five-star hotels and is owned and operated by a company belonging to the Ty family. 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. The Marco Polo Residences is the first Marco Polo 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 and beverage signing privileges, concierge, laundry services and apartment cleaning services. Excavation for the first two towers began in 2011, with a total of 448 residential units available for sale. This project is a joint venture between Fed Land and Cathay International Resources Corp. with ownership interests of 70% and 30%, respectively. Tower 1 is currently being handover to unit owners while tower 2 is scheduled for completion in early 2015. The third tower was launched in the second half of 2013, named Marco Polo Parkview while the fourth tower named Marco Polo Seaview was launched in the second quarter of 2014.

The Grand Midori Makati

The Grand Midori Makati project is a two-tower residential project in Legaspi Village, Makati City, the hub of business, commerce and leisure in Metro Manila. Positioned as a luxury condominium development, The Grand

Midori Makati is a Zen-inspired residential enclave with common areas designed by the distinguished Japanese architectural firm Tange Associates. The two towers have a combined total of 814 high-end residential condominium units. The building has state-of-the-art amenities and facilities including a Zen garden on every floor and a liquified petroleum gas supply system. This project is a joint venture among Fed Land, ORIX Risingsun Properties, Inc. ("Orix Risingsun") through FLOC and MBT. FLOC has an ownership interest of 83% (effectively, 50% for Fed Land and 33% for Orix Risingsun) and MBT has a 17% interest. The first tower began construction in 2009 and was completed in 2012. The second tower began construction in 2010 and is scheduled for completion by 2014.

Parkwest Tower

Parkwest Tower is one of the two current developments in Veritown Fort (the other being the Metrobank/Grand Hyatt Project). The project is a 41-storey residential tower that had its pre-selling launch in 2011. Parkwest Tower's theme is based on the contemporary elegance of a New York lifestyle. Its location in the fast-growing and progressive Bonifacio Global City, and proximity to the future Grand Hyatt Hotel, have made Parkwest Tower the most successful residential project of Fed Land in terms of sales velocity. This building comprises 716 residential units with commercial and retail facilities at the lower levels. Amenities include a library, game room and swimming pool, among others. The project is situated on a 4,538 sq. m. property owned by Fed Land. The project is scheduled for completion by 2015.

The Big Apple

The Big Apple block consists of 4 towers on a 5-level podium located on a 7,197-sqm lot in Veritown Fort. The first tower in The Big Apple, Central Parkwest, was launched in March 2012. Central Parkwest is a 33-storey residential condominium with 356 units and offering mostly one-bedroom units. Following the success of Central Parkwest, Madison Parkwest located behind Central Parkwest was launched after a few months. Madison Parkwest is a 43-storey residential condominium with 670 units and also offers mostly one-bedroom units. Similar to Parkwest, The Big Apple is envisioned to embody the New York lifestyle particularly through its retail and amenity offering.

Middle-Market Projects

Tropicana Garden City

Tropicana Garden City is a nine-tower condominium development occupying 27,378 sq. m. of land along Sumulong highway in Marikina City, Metro Manila. This is the second residential cluster in the Marikina master-planned development, the other being the Marquinton Residences. These two residential projects are complemented by a Blue Wave Mall, a supermarket and a BPO office. The Tropicana Garden City development is influenced by Spanish architectural styles. The first three towers, Toledo, Valderamma and Ibiza, began construction in 2009, 2011 and 2012, respectively. Toledo tower and Valderama tower were finished construction in 2011and 2013 respectively while Ibiza tower is scheduled for completion in 2014. These three towers will offer 778 of the planned total of approximately 2,800 residential units. Tropicana Garden City will be a mixed-use community that targets middle-market families and with features designed to appeal to both children and adults, such as a clubhouse, gym, jogging path, swimming pools, daycare, game room, picnic area, social hall and garden.

The Capital Towers

The Capital Towers is a three tower mixed-use development located on an 8,809 sq. m. property in Quezon City, Metro Manila. Each residential tower comprises a commercial arcade of retail outlets and offices on the lower floors, with residential units on the upper floors. The residences feature amenities such as a swimming pool, jogging path and community function room. The community is located near a major medical center and other commercial and retail outlets in Quezon City. The first tower, the 35-story Athens tower, began construction in 2008 and was completed in 2010. The second tower, Beijing, began selling in 2010 and is scheduled for completion by 2014. The first two towers have a total of 1,068 residential units. This project is a joint venture between Fed Land and MBT with ownership interests of 89% and 12%, respectively.

Peninsula Garden Midtown Homes

The Peninsula Garden Midtown Homes is a nine-tower, garden-inspired, gated, residential condominium development located in Paco, Manila. The project targets families with children. Its main selling points are safety and security, large open spaces and proximity to schools and places of work. The amenities being offered include swimming pools, garden, day care, library, indoor fitness and game room, multipurpose court, multipurpose hall and clubhouse. The first three towers, Molave, Maple and Narra, began selling in 2009 and 2011, respectively and comprise 776 residential units for sale. Molave was completed in 2011 while Maple and Narra are scheduled for completion by 2014. The fourth tower, Mandarin, was launched in of 2012 while Magnolia was launched in 2013. The last three towers Mimosa and Mahogany, are expected to be launched when the preceding towers have attained a certain pre-determined level of pre-sales. The last five towers are expected to offer a total of 1,239 condominium units with a total saleable area of 45,883 sq. m. This project is a joint venture between Fed Land and Fed Land’s wholly-owned subsidiary, Horizon Land, with ownership interests of 93% and 7%, respectively.

Marquinton Residences

Marquinton Residences is the first residential cluster developed by Fed Land in Marikina. It comprises three mid-rise residential towers, namely Alicante, Barcelona and Cordova, having a total of 1,136 units. Barcelona and Alicante were completed in 2006 and 2007, respectively, while Cordova was turned over to customers in 2011. The project is a joint venture between Fed Land and Horizon Land (formerly Heritage Consolidated Assets, Inc.), a wholly owned subsidiary of Fed Land), with ownership interests of 90% and 10%, respectively.

The Oriental Place

The Oriental Place is a 35-storey high-rise condominium project located in Makati City, one of Metro Manila’s central business districts. The tower comprises 642 units and targets office workers and young families. The project began construction in 2009 and was completed in 2011. This project is a joint venture between Fed Land and MBT with ownership interests of 90% and 10%, respectively.

Oriental Garden Makati

The Oriental Garden Makati is a three-tower residential condominium project located in Makati City, one of Metro Manila’s central business districts. The first two towers, Lotus and Orchid, were completed in 2005 and comprise 767 residential units. Fed Land believes that its proximity to the offices and leisure facilities of Makati has made the project popular with young families and expatriates. Sales for the third tower, Lilac, began in 2009. The Lilac tower comprises 521 residential units and was completed in 2013.

Oriental Garden Residences

The Oriental Garden Residences is part of Fed Land’s first, master-planned, mixed-use development project in General Trias, Cavite, known as the Florida Sun Estates. Florida Sun Estates community is designed to include commercial establishments, condominiums, townhouses and house and lot packages. The Oriental Garden Residences comprises four low-rise residential condominium buildings with a total of 181 residential units. Bellflower Building was launched in 2008 and was completed in 2010. The second building, Cypress, began selling in 2010 and was completed in 2011. Acacia was launched in 2011 and. is scheduled for completion by 2015.

Jacksonville, Tampa and Miami

Jacksonville, Tampa and Miami comprise the horizontal development project of Florida Sun Estates, the community development project of Fed Land in General Trias, Cavite. The project offers 567 lots and house-and-lot packages targeting the middle-income market in Cavite. A typical cut of a lot is 120 square meters. The first phase - Jacksonville - was launched in 2011, followed by Miami and Tampa in 2012. The entire subdivision area covers 11.7 hectares of the 18-hectare General Trias development**.**

Paseo de Roces

Paseo de Roces is a twin-tower development, with approximately 1,044 residential units. It is situated along Chino Roces Avenue in Makati City, Metro Manila. Each residential tower sits on a common podium designed to provide future residents amenities suitable for rest and recreation such as a meditation garden, theater and entertainment room, garden, outdoor fitness station, reflexology walk, swimming pool, gym and day care center. The project is being marketed as a residential development that provides buyers with the option to convert units into small offices such as health clinics or law firm offices. Its proximity to the Makati central business district is another key feature of the project. The project is a joint venture between Fed Land and MBT, with 90% and 10% ownership interests, respectively.

The first tower, Legaspi Tower, began pre-sales in 2011 and is expected to be completed by 2015.

Axis Residences

The Axis Residences project is located in Mandaluyong, along Edsa, the main road artery of Metro Manila. The total lot area for the project is 21,600 sq. m. with plans for six towers to be developed in two phases. Phase I will include two 42-storey towers occupying an estimated lot area of 12,600 sq. m. The two towers will have 1,832 units combined. Phase II will comprise four towers. The project is located at Pioneer St. Mandaluyong City, near Robinson's Cybergate Complex and Robinson's Forum. Axis Residences is based on a contemporary architectural design and targets office workers and young families. Its key features are its proximity to the business districts of Makati and Ortigas and easy access to transportation hubs. Both residential towers of Phase I will sit on a common podium designed to provide future residents with amenities such as adult and kids' pools with pool deck, function rooms, fitness center and gym, playground, basketball and multipurpose covered court, pavilion, landscaped garden and game room. The first tower of Phase I was launched for pre-selling in 2011. The project is a tri-partite joint venture among Fed Land, Harbour Land Realty & Development Corp. ("HLRDC") and Robinson's Land Corporation, based on a ratio of 25%, 25% and 50%, respectively. HLRDC is a fully-owned subsidiary of Fed Land.

Commercial Developments

Fed Land's commercial developments tend to complement Fed Land's residential offerings by providing a commercial element to its master-planned communities.

Metrobank/Grand Hyatt Hotel and Grand Hyatt Residences Project

One of Fed Land's current commercial development project is the Metrobank/Grand Hyatt Project. The project will occupy 12,984 sq. m. of land located at the 10-hectare property jointly owned by Fed Land and MBT in the fast-growing and progressive Bonifacio Global City. See "– Master-planned Community Developments − Veritown Fort". The Metrobank/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/Grand Hyatt Project is being developed by Fed Land in a joint venture with Orix Risingsun II, a company controlled by Orix. The joint venture development is being undertaken by Bonifacio Landmark Realty and Development Corporation 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 Bonifacio Landmark Realty and Development Corporation the management services agreement executed with Grand Hyatt Hotel**.**

Commercial Real Estate

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.

	Leasable area	Revenue for the year ended December 31, 2011	No. of tenants in 2011
	(in sq. m.)	(in Php millions)	
Blue Wave – Metropolitan Park	6,272	59.6	48
Blue Wave – Marikina City	12,956	60.6	71

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 March 31, 2014, 99% occupied. Its tenants include Starbucks, Kentucky Fried Chicken, 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 comprises 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 March 31, 2014, the said structure 93% 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 March 31, 2014, 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.

Office buildings

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 comprises a 47-storey grade-A office building, offering approximately 43,000 sq. m. of quality office space. The development has unrivalled technical specifications and a high level of building amenities. It is situated at the gateway to the Makati CBD from Ayala and Buendia avenues. It's an excellent and friendly vehicular and pedestrian access. As of March 31, 2014 occupancy rate is 99%.

The office property at Philippine AXA Life Centre measures 7,479 sq. m. 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 March 31, 2014, the vacancy rate for the Philippine AXA Life Centre was approximately 2%.

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 March 31, 2014, Fed Land directly owned a land bank of approximately 95 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 DENR and the 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 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.

Fed Land considers a buyer's credit quality by taking reference from the buyer's payment history during the period prior to enrollment in the in-house facility. Delinquencies are controlled by current and existing collection policies and activities implemented to all accounts incurring defaults on their scheduled payments. Delinquency rates, or accounts that are more than 90 days past due, are limited to a maximum of only 15% of the total accounts that availed Fed Land's in-house financing facility.

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 473 active property sellers and specialists affiliated with this unit as of March 31, 2014.

Fed Land also engages accredited independent brokers for the Florida Sun Estates project.

International sales and marketing, which primarily target overseas Filipinos, are handled by Fed Land's in-house international sales division based in Manila. Sales in overseas markets are likewise assisted by representative offices in Rome, Italy and Guam, USA. 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.

Local sales account for approximately 90%-95% of Fed Land's total sales, while international sales account for the remaining 5%-10%.

The age range of Fed Land's customers is generally between 31 to 60 years old. Up to 72% of 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 Top Leader Property Management Corp. ("TLC") as a wholly-owned subsidiary. The intention is to gradually transfer the property management contracts of all Fed Land projects to TLC. 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. With respect to township developments in Metro Manila and high-rise condominiums, Fed Land's major competitors are Ayala Land, Inc., Megaworld Corporation, Century Properties Group, Inc., SM Development Corporation and DMCI. 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 that its association with the MBT Group allows it to reach a wide network of potential customers, including the lucrative overseas-based investor market. For more information, see "– Competitive Strengths – Synergies with affiliates under the GT Capital group".

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, Shanghai Gardens, The MET, Embarcadero, my HOBS, Six Senses Resort, The Big Apple, One Xavier Mansion, Marco Polo Parkview and Veritown Fort, among others.

EMPLOYEES

As of March 31, 2014, full-time employees of Fed Land totaled 313. 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 March 31,
	2011	2012	2013	2014
Operations	76	82	85	93
Technical	32	44	26	27
Administrative	94	110	159	193
Total	202	236	270	313

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

Fed Land is not involved in legal actions which would have a material adverse effect on its operations and financial position, operating results or cash flows.

RECENT FINANCIAL PERFORMANCE

In the first three months of 2014 and for the years ended December 31, 2013 and 2012, Fed Land registered a net income attributable to equity holders of the parent company of Php424 million, Php1,004 million and Php1,976 million, respectively; accounting for 20.9%, 13.6% and 28.1% of GT Capital's net income for the said periods. For the financial highlights of Fed Land, please refer to the section on Financial Information found elsewhere in the Prospectus.

BUSINESS – GBP

OVERVIEW

GBP is a leading power producer in the Visayas Region and Mindoro Island, with a combined gross dependable capacity of 622 MW (475 MW attributable to GBP, net of minority interests in its subsidiary) comprising 614.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied to Mindoro Island. GBP is a business venture among GT Capital Holdings (50.9%), ORIX Corporation (20.0%), Meralco PowerGen (20.0%) and FMIC (9.1%).

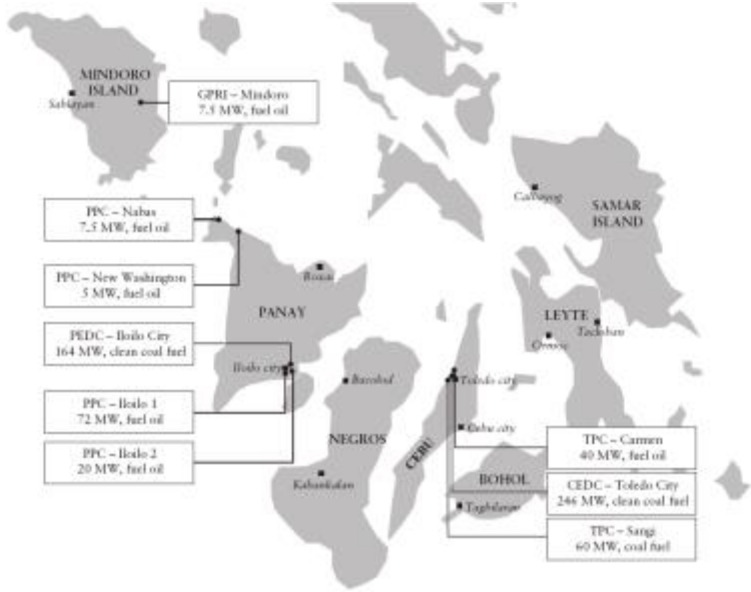
GBP owns nine power generation facilities in the Visayas and Mindoro Island. The largest is the 246 MW-rated clean coal-fired power plant in Toledo City, Cebu, which is operated by CEDC. CEDC is a joint venture between GBP and the Aboitiz Vivant Group, in which GBP holds a 52.2% beneficial interest. This facility is the first commercial clean coal power plant in the Philippines. The second largest power generation facility is the 164 MW-rated, clean coal-fired power plant in Iloilo City, Panay, which is operated by PEDC, in which GBP holds an 89.3% beneficial interest. The CEDC and PEDC projects began commercial operations on February 26 and March 26, 2011, respectively. Both the CEDC and PEDC plants utilize circulating fluidized bed boiler technology that produces very low levels of sulfur dioxide and nitrogen oxide and captures most solid emissions. As of March 31, 2014, CEDC and PEDC contributed 47.28% and 36.52%, respectively, of GBP's total revenues.

GBP's other power generation facilities consist of a 60 MW coal facility and a 40 MW fuel oil facility operated by TPC, a 72 MW fuel oil facility, a 20 MW fuel oil facility, a 7.5 MW fuel oil facility and a 5 MW fuel oil facility operated by PPC, and a 7.5 MW fuel oil facility operated by GPRI. TPC is an indirectly wholly owned subsidiary of GBP while GPRI is a wholly owned subsidiary.

To capitalize on the projected power demand growth in the Visayas and across the Philippines, GBP is considering several new projects, including projects in Mindanao and renewable energy projects. In the Visayas, GBP, through TPC embarked on an 82 MW clean coal-fired power plant expansion project, as an addition to its existing coal plant in Toledo City, Cebu. The project is intended to supply the electric power requirements of Carmen Copper Corporation beginning December 26, 2014. Carmen Copper, a subsidiary of Atlas Mining and Development Corporation, will need additional electric supply to power its mining expansion undertakings. The project construction is now ongoing. On December 18, 2013, GBP, through PEDC, signed a supply contract with FHIC for a 150MW clean coal-fired power plant. On March 7, 2014, PEDC broke ground on its 150 MW expansion project in La Paz, Iloilo City to support the increasing economic activity in Panay. It is targeted to commercially operate by 2016.

According to the DOE, the Visayas region has been the fastest growing power grid in the Philippines and annual demand growth is expected to be 4.5% from 2011 to 2030. Due to the increasing demand and the long lead-time of building new facilities, the region is expected to require 350 MW of additional power supply by 2018 according to the DOE's projections.

The map below shows the location of the Generation Subsidiaries' current power plant operations in the Visayas and Mindoro Island:



Company/Plants	Effective GBP Ownership (%)	Gross/Net Capacity[1] (MW)	Effective GBP Gross/Net capacity (MW)	Contracted Net Capacity (%)
CEDC	52.2	246/216	128/113	83.3
PEDC..........	89.3	164/144	146/129	81.6
TPC – Sangi	100.0	60/50	60/50	100.0
TPC – Carmen..........	100.0	40/36	40/36	0.0
PPC – Iloilo 1	89.3	72/69	64/62	21.7
PPC – Iloilo 2	89.3	20/18	18/16	44.4
PPC – Nabas..........	89.3	7.5/6.2	6.7/5.5	0.0
PPC – New Washington	89.3	5/4.5	4.5/4	100.0
GPRI..........	100.0	8/7	8/7	88.2
Total..........		**622/551**	**475/422**	

Note:

(1) Based on 100% of plants.
(2) Based on installed Capacity
(3) Above data as of March 31, 2014

GBP's revenues (net fees) were Php16.8 billion, Php19.2 billion and Php16.9 billion in 2011, 2012 and 2013, respectively, with net income of Php1.6 billion, Php2.2 billion and Php1.9 billion, respectively. Its total assets amounted to Php56.9 billion, Php58.3 billion and Php59.8 billion as of January 1, 2012, December 31, 2012 and 2013, respectively. GBP's principal source of revenue is fees from power. As of March 31, 2014, net fees and net income amounted to Php4.0 billion and Php0.2 billion, respectively; while total assets amounted to Php64.8 billion.

HISTORY

GBP originated in 2002 as Mirant Toledo Holdings Corporation as a wholly-owned subsidiary of Mirant (Philippines) Corporation, subsequently it changed its name to Mirant Global Corporation in September 2003 after Mirant (Philippines) Corporation partnered in a joint venture with GBH and FMIC. Mirant Global Corporation owned TPC, PPC and GPRI, which collectively had 179.5 MW of generation capacity. In 2004 and 2005, Mirant Global Corporation expanded its facilities in Panay Island with the installation of diesel plants in Iloilo City and Aklan. In

2006, Mirant (Philippines) Corporation's entire share in the company was acquired by GBH and FMIC, and the company was renamed Global Business Power Corporation.

CEDC was incorporated in 2008 as a joint venture with Global Formosa Power Holdings, Inc. and Abovant Holdings, Inc. for the development and operation of the 246 MW clean coal-fired facility in Toledo City, Cebu. CEDC broke ground on its facility in 2008 and declared commercial operations on February 26, 2011. PEDC was incorporated in 2008 to develop the 164 MW coal-fired facility in Iloilo City, which has an identical design to the CEDC facility. PEDC also broke ground on its facility in 2008 and declared commercial operations on March 26, 2011.

COMPETITIVE STRENGTHS

GBP believes that its principal strengths are the following:

Leading power producer in the Visayas with strategically located generation facilities

Being a leading power producer in the Visayas, GBP believes it significantly benefits from the strategic location of its generation facilities, which are distributed across major islands in the Visayas Islands. This allows GBP to address the structural limitations of the regional electricity grid and maintain a competitive advantage based on cost efficiency and an established presence in the region. The Visayas regional grid, which includes the main islands of Leyte, Cebu, Negros and Panay, is heavily reliant on, and constrained by, the submarine cables (interconnectors) that transmit power from island to island. Due to technical transmission constraints, supply-demand imbalances exist between the islands. The Leyte Geothermal Power Plant, an independent third party, represents the single largest source of power in the region, which supplies electricity to both the Luzon and Visayas grids. This creates a de facto "one-way" flow of electricity through the Visayas grid, which causes issues of voltage regulation, frequency stabilization and transmission constraints. GBP has power generation facilities spread throughout the grid and located near areas where high growth in demand is expected, most notably Cebu and Panay islands. This local supply reduces the distance that power needs to travel through the grid and also the amount of power that travels across undersea cables. GBP believes that because its power generation facilities are located near key off-takers, there is a reduced chance of supply disruptions, allowing GBP to deliver reliable power supply with lower transmission-related costs as compared to its competitors. GBP also believes that its ability to supply reliable power at competitive rates is a key consideration to its current and potential bilateral off-takers.

High quality, new and competitive generation assets

GBP believes that the CEDC and PEDC facilities are among the newest and most technologically advanced in the Philippines. The two facilities, which began commercial operations in the first quarter of 2011, are state-of-the-art clean coal-fired power plants. They use circulating fluidized bed boiler technology, which is 95% efficient in removing sulfur dioxide from the plants' emissions, produces very low nitrogen oxide and captures most solid particulate emissions. In addition, both the CEDC and PEDC facilities have surpassed internationally-recognized environmental standards set by the World Bank. The technology and age of the facilities also allows GBP to maintain low operating costs, since newer facilities are more efficient in the use of fuel and require comparatively little operational maintenance at this point of their lifecycles.

Strong partnerships with key industry leaders

GBP believes it enjoys strong partnerships with leading companies in the energy sector. For example, FHIC, a leading Taiwanese manufacturer of heavy industrial products including oil and refinery and petrochemical processing equipment and turnkey cogeneration plant projects, has been a key strategic partner for both the CEDC and PEDC facilities. FHIC designed, provided equipment for and oversaw the construction of both the CEDC and PEDC facilities.

GBP also enjoys a strong relationship with the Aboitiz Group, one of the Philippines' leading energy companies, which is a key strategic shareholder of CEDC. GBP believes that its strong partnerships with key industry leaders will support its future success. Moreover, another strategic partner in CEDC is Vivant Energy Corporation, an emerging player in the energy sector with both hydro and diesel plants in Luzon.

Diversified power generation facilities

GBP's nine power generation facilities provide a diverse range of power load capabilities. The CEDC, PEDC, and TPC Sangi power plant facilities are well suited for base load generation, while the fuel oil facilities can provide intermediate, peak load and ancillary support and cover any power deficiencies caused by routine maintenance shutdowns of other GBP facilities. This diversity allows GBP greater flexibility when providing customers with power across a variety of situations, and provides customers with the reassurance that one provider can manage their requirements on an integrated portfolio basis. GBP also conducts extensive research into its customer's current and future power needs in order to use its portfolio of power generation facilities to adjust effectively to the changes in the requirements of the electricity network. GBP believes it is one of the few power producers in the Visayas with the flexibility to supply base, intermediate, peak load and ancillary support to the grid.

Long-term power purchase agreements providing stable and predictable earnings

GBP typically enters into long-term, predominantly peso-based EPPAs with its customers. GBP also focuses on bilateral power agreements in an attempt to sell its full power generation capacity at set rates while also participating on the WESM spot market for its non-contracted capacity. Most of GBP's contracts carry terms of 15 to 25 years, with certain key industrial customers under 10-year contracts, and are approved by the ERC. These contracts are predominantly Peso-based, with some U.S. dollar-based expenses, which allow GBP to provide relatively stable rates to its customers. Changes in the tariffs charged by GBP are governed by stable formulas and fuel is charged on a full pass-through basis. Further, when negotiating these contracts, GBP provides a menu of service options allowing GBP to tailor its contracts to the demand and growth forecasts of its customers. GBP believes that these factors will allow it to produce stable and predictable long-term earnings which form the basis for sustainable growth.

Synergies with other GT Capital businesses

The Ty family has been involved in the Philippine power industry since FMIC and GBH entered into a joint-venture agreement with Mirant (Philippines) Inc. in 2003, and further when it later acquired Mirant Global Corporation in 2006. GBP continues to benefit from its affiliation with GT Capital in several ways. For example, many of GBP's customers and partners, such as VECO and the Aboitiz-Vivant Group, also conduct business with other GT Capital companies, such as MBT and FMIC. GBP believes that MBT is one of the leading banks in providing financing to electrical co-operatives. GT Capital believes that the common management between GBP, GT Capital and MBT helps assure GBP's customers and partners that GBP is a trusted and well-managed business partner. This relationship also allows GBP to draw upon the extensive business network and in-depth local business knowledge, relationships and expertise of GT Capital, as well as rely on its pool of experienced managers and technical personnel.

STRATEGIES

Continue sustainable growth in capacity through plant expansion, greenfield development and acquisitions

GBP intends to take advantage of the significant supply and demand imbalances that are expected in the Philippines by growing organically through plant expansion, the greenfield development of additional power facilities as well as inorganically through strategic acquisitions in the Visayas, Luzon and Mindanao. In the Visayas, GBP, through TPC embarked on an 82 MW clean coal-fired power plant expansion project, as an addition to its existing coal plant in Toledo City, Cebu. The project is intended to supply the electric power requirements of Carmen Copper Corporation. Carmen Copper, a subsidiary of Atlas Mining and Development Corporation, will need additional electric supply to power its mining expansion undertakings. The project construction is now ongoing. On December 18, 2014 GBP through PEDC executed a supply contract with FHIC for the design and supply of equipment of a 150MW clean coal-fired power plant in Iloilo city. GBP is reviewing opportunities for projects that include renewable energy facilities, such as hydroelectric and geothermal facilities, as well as coal plants that may be modeled after the CEDC and PEDC facilities. To evaluate organic growth opportunities, GBP uses feasibility analysis and site evaluations, and conducts research into the local communities and the socio-economic context of its potential sites. In evaluating potential sites, GBP focuses on areas with significant demand growth; on advantageous locations, such as those in proximity to water transportation facilities for fuel shipments or favorable river conditions for hydroelectric facilities; and those in proximity to a particular market, as long transmission distances deteriorates the quality of service GBP can provide and increases transmission costs. GBP will also consider actively pursuing opportunities to acquire power generation assets that add value to its existing business, including certain power generation assets that are expected to be privatized by the Philippine government. GBP will only consider such acquisitions if the opportunities fit within GBP's strategic framework. While GBP intends to maintain its primary focus on traditional forms of power generation, such as coal and oil-based facilities, it will also consider renewable energy projects to complement its existing portfolio and bring down its average cost of generation.

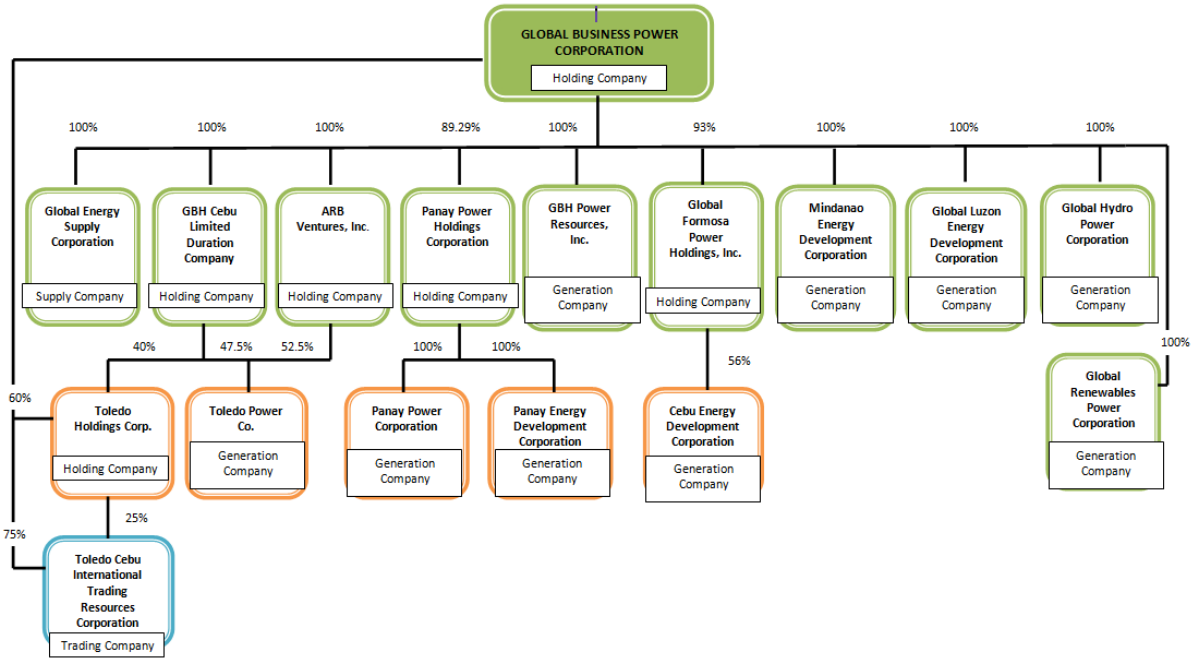
Optimize existing generation assets

GBP plans on maximizing the efficiency and productivity of its existing generation assets. For example, in 2011 GBP has expanded the CEDC facility's coal yard and, in November 2011, began a project to increase the size of its jetty to accommodate larger ships. Similar projects are scheduled to begin at PEDC in 2015. These projects will expand CEDC's and PEDC's ability to process larger coal shipments, thereby allowing GBP to significantly reduce associated coal transportation costs. GBP is also expanding or upgrading its existing facilities, including those at TPC and PEDC, in order to increase the efficiency of their facilities. GBP will also strive to continue to optimize the efficiency of its existing power plants through proper maintenance, facility upgrades, enhanced work processes and energy loss monitoring and mitigation. GBP seeks to remain a cost-efficient power producer by managing costs through strict cost-control initiatives that help reduce unit operating costs, while continuing to achieve operating standards above international benchmarks.

Participate in retail open access

In September 2011, GBP, through its subsidiary, Global Energy Supply Corporation (GESC), received a license to engage in retail electricity supply. This allows GBP to participate in the retail competition and open access initiative ("Open Access"), and to directly supply power to end-users, including major industrial customers. Commencing commercial operations on June 26, 2013 open access under the EPIRA is designed to create a competitive market for electricity generation in the Philippines by allowing qualified contestable customers to choose their electricity supplier based on price and generation source and to use the transmission, and/or distribution systems and associated facilities, subject to payment of transmission and/or distribution retail wheeling rates as approved by the ERC. Companies that consume at least 1 MW per year may purchase power directly from GBP, through GESC, and other power producers. GBP intends to take advantage of Open Access by focusing on supplying direct power to power- intensive industries, such as cement and semiconductor producers.

CORPORATE STRUCTURE



Notes:

(1) *Panay Power Holdings Corporation, formerly known as Claredon Tower Holdings, Inc., is a joint venture among GBP, La Filipina Uygongco Corporation, and Delta Pi. Ltd.*

(2) *Global Formosa Power Holdings, Inc. is a joint venture between GBP and Flat World Ltd.*

(3) *CEDC is a joint venture between GFPHI and Abovant Holdings, Inc.*

(4) *Corporate Structure as of April 8, 2014*

POWER GENERATION FACILITIES

A summary of the Generation Subsidiaries' power stations follows:

Name of Company	**Power Stations**	**Location of Facility**	**GBP effective ownership**
CEDC...........................	246 MW(1) clean coal fuel	Toledo City, Cebu	52.2%
PEDC	164 MW(1) clean coal fuel	Iloilo City, Panay	89.3%
TPC	Sangi Plant – 60 MW(2) coal fuel	Toledo City, Cebu	100.0%
	Carmen Plant – 40 MW(2) fuel oil		
PPC	Iloilo 1 Plant – 72 MW(1) fuel oil	Iloilo City, Panay	89.3%
	Iloilo 2 Plant – 20 MW(1) fuel oil		
	Nabas Plant – 7.5 MW(1) fuel oil	Aklan, Panay	
	New Washington Plant – 5 MW(1) fuel oil		
GPRI	7.5 MW(1) fuel oil	Mindoro	100.0%

Notes:

(1) *This figure represents gross capacity, which is the plant's name-plate rated capacity. GBP rates CEDC and PEDC at their total gross capacity because they have only recently begun commercial operations.*

(2) *This figure represents dependable capacity, which is capacity that can be relied upon to carry system load to meet firm power obligations. GBP rates the dependable capacity of these facilities as they believe that this best reflects GBP's operations and total capacity.*

Electric Power Purchase Agreements

GBP enters into bilateral off-take arrangements through EPPAs between its Generation Subsidiaries and the power off-takers. The EPPAs provide for a specific amount of capacity to be allocated to each customer, with provisions that allow for the periodic revision of the amounts in the agreement. The contracts are generally between 10 and 25 years in length, where 10- year contracts are standard for industrial off-takers and 15 to 25-year contracts are standard for power utilities and distributors.

GBP's EPPAs are take- or-pay contracts where the off-taker agrees to pay the higher of the actual energy off-take or the minimum contracted energy as specified in the EPPA. In the event that the off-taker does not take the minimum contracted energy, the off-taker must still pay the corresponding energy fees for such minimum contracted energy.

The electricity fees paid under the EPPAs are set by formulas. These formulas take into account capital recovery costs, operation and maintenance costs and fuel costs. Where costs are denominated in U.S. dollars, a foreign exchange adjustment is also applied. GBP passes all fuel costs to the off-takers. However, fuel costs are generally indexed to the Mean of Platt's Singapore, in the case of oil fuel, and Newcastle Coal, for coal fuel. Fees are paid in pesos.

EPPAs also contain provisions that allow certain amounts of specified and unspecified downtime for the Generation Subsidiary. The EPPAs also provide for penalties for late payment of fees as well as liquidated damages for termination of the contracts.

Under Open Access, in the event that a customer switches from the utility to the Generation Subsidiary, the EPPA specifies that the amount of power to be supplied to the utility will be reduced accordingly, to prevent any overhang under the EPPA.

GBP typically only enters into bilateral off-take agreements with off-takers that are rated A or better according to the National Electrification Administration ("NEA"), the Government agency tasked with overseeing electric cooperatives. EPPAs are generally tailored to the needs of the off-taker, whether baseload, intermediate or peaking power. With the operation of CEDC and PEDC, which specialize in baseload power, GBP has been using its other power facilities to specialize in intermediate and peak power, as the case may be. Thus, GBP has focused its efforts on transitioning many of its existing customers from EPPAs with the smaller generation facilities to EPPAs with CEDC and PEDC. Recently transitioned agreements include those with VECO, PECO and AKELCO.

Retail Supply Contracts

With the implementation of the Retail Competition and Open Access (RCOA), GBP ventures into the retail business of the energy market thru Global Energy Supply Corporation (GESC). Bulk electricity consumers with a load of 1MW and above (also known as "Contestable Customers") are entitled to choose a Retail Electricity Supplier (RES). GESC enters into bilateral off-take arrangements through Retail Supply Contracts with the Contestable Customers.

As of March 31, 2014, GBP had an uncontracted capacity of 210.5 MW, which it intends to market to bilateral, industrial off-takers contestable customers as well as to the WESM.

A summary of EPPAs of the Generation Subsidiaries as of March 31, 2014 follows:

Generation Subsidiary/Plant	**Customer**	**Contracted Amount (MW/year)**	**Expiration Date**
CEDC (246 MW)			
	Visayan Electric Company, Inc. (VECO)	105	2036
	Philippine Economic Zone Authority – MACTAN Economic Zone (PEZA-MEZ I)	25	2021
	Mactan Electric Company (MEC)	15	2026
	CEBU II Electric Cooperative, Inc. (CEBECO 2)	13	2026
	Bohol I Electric Cooperative, Inc. (BOHECO)	10	2026
	CEBU III Electric Cooperative, Inc. (CEBECO 3)	10	2026
	Balamban Enerzone Corporation (BEZ)	8	2026
	CEBU I Electric Cooperative, Inc. (CEBECO 1)	6	2026
	Global Energy Supply Corporation (GESC) - Taiheiyo Cement Philippines Inc.	6	2016
		198	
Contracted Capacity	(% of net capacity)	**91.67%**	
PEDC (164 MW)			
	Panay Electric Company, Inc. (PECO)	70	2036
	Aklan Electric Cooperative, Inc. (AKELCO)	12	2036
	Iloilo II Electric Cooperative, Inc. (ILECO 2)	10	2036
	Capiz Electric Cooperative, Inc. (CAPELCO)	8	2036

	Antique Electric Cooperative, Inc. (ANTECO)	7	2036
	Iloilo I Electric Cooperative, Inc. (ILECO 1)	4	2036
	Iloilo III Electric Cooperative, Inc. (ILECO 3)	2	2036
	Philippine Phosphate Fertilizer Corporation	4	2016
	Cathay Pacific Steel Corp. (thru GESC)	5	2015
		122	
Contracted Capacity	(% of net capacity)	**84.72%**	
TPC			
Sangi Plant (60 MW)	Carmen Copper Corporation (Carmen Copper)	40	2014
	CEBECO 3	15	2015
Carmen Plant (40 MW)	No contract	0	-
		50	
Contracted Capacity	(% of net capacity)	**63.95%**	
PPC			
Iloilo 1 Plant (72 MW)	PECO**(1)**	15	2026
Iloilo 2 Plant (20 MW)	ILECO 1(1)	8	2025
New Washington Plant (5 MW)	AKELCO	5	2025
		28	
Contracted Capacity	**(% of net capacity)**	**30.60%**	
GPRI – Mindoro (7.5 MW)	Oriental Mindoro Electric Cooperative, Inc.	6	2020
		6	
Contracted Capacity	**(% of net capacity)**	**96.77%**	

Note:
(1) EPPA is for peak power only

Cebu Energy Development Corporation

Overview

CEDC owns and operates a 246 MW clean coal-fired power plant located in Toledo City, Cebu. CEDC is a joint venture composed of GBP and Abovant Holdings, Inc., which in turn, is a joint venture between the Aboitiz Power Corporation and the Vivant Energy Corporation. Meanwhile, FHIC designed and supplied the equipment of CEDC.

The CEDC plant provides affordable energy while simultaneously improving the power system reliability of Cebu Island. CEDC utilizes the latest in circulating fluidized bed ("CFB") boiler technology and was the first commercial clean-coal facility in the Philippines.

The CEDC facility is a three-unit facility with a gross capacity of 246 MW and net capacity of 216 MW. GBP believes the CEDC facility is one of the largest power industry investments in the Visayas region. As of March 31, 2014, the contracted capacity of the facility was 198 MW across nine customers organized for terms of either 10, 15 or 25 years in length. The CEDC facility covers 28.1 hectares of land. Coal is stored on a 2.5 hectare, covered yard and serviced by a 200 meter (shoreline to pier) jetty. The facility utilizes three 82 MW Kawasaki turbines and is powered by three 300T/H boilers manufactured by FHIC. Power is transmitted to the CNP Grid via a 5.1 km 138 kV dedicated point-to-point transmission line from the plant switchyard to the Calung Calung substation of the NGCP in Talavera, Cebu.

CEDC broke ground on the facility in January 2008 and formal construction began in July of that year. The first unit of CEDC was synchronized with the grid in February 2010, with the second and third units becoming synchronized in June 2010 and December 2010, respectively. CEDC declared commercial operations on February 26, 2011.

The facility's key customers are VECO, PEZA-MEZ1, MECO and BOHECO, which off-take 42.7%, 10.2%, 6.1% and 4.07% of the CEDC plant's gross capacity, respectively. CEDC and VECO have entered into a 25-year EPPA, which expires in 2036. The EPPAs for PEZA-MEZ1, MECO and BOHECO expire in 2021, 2026 and 2026, respectively. VECO is a distribution utility associated with the Aboitiz and Garcia Group, which distributes power in Cebu City and other nearby areas. PEZA-MEZ1 is an industrial ecozone located in Mactan, Cebu. MECO is a distribution utility distributing power in Mactan, Cebu. BOHECO is a franchised electric utility.

Shareholders

CEDC is a joint venture between GFPHI and Abovant Holdings, Inc., which represents the interest of GBP, on the one hand, and Aboitiz Power Corporation and Vivant Corporation, on the other hand. On April 27, 2007, GBP and Flat World Ltd., a corporation organized under the laws of British Virgin Islands, entered into an agreement to form a strategic partnership which was incorporated on May 5, 2008 as Global Formosa Power Holdings, Inc. GBP has a 93.2% interest in GFPHI.

On August 11, 2007, GFPHI and Abovant Holdings, Inc. entered into a Memorandum of Agreement whereby both parties agreed to form a joint-venture company for the purpose of constructing a new coal-fired power plant in Toledo City, Cebu. This joint venture company was incorporated on December 5, 2008 as CEDC. The Memorandum of Agreement allows a third-party investor to participate on a minority basis in the equity contribution of GBP to CEDC. GFPHI has a 56% interest in CEDC. GBP's indirect interest in CEDC is therefore 52.1%. Under the joint-venture agreement, Abovant Holdings, Inc. appoints five of the 11 members of CEDC's board of directors and the quorum for board meetings and minimum votes to pass a motion or resolution requires at least one of the board members it selected to be present and vote for the motion or resolution.

On November 12, 2007, GBP entered into EPC contracts with FHIC and True North Manufacturing Services Corporation, under which FHIC designed the CEDC facility and supplied the needed machinery and equipment while True North constructed the CEDC facility under the supervision of FHIC. These contracts were later amended so that CEDC assumed GBP's rights and responsibilities. See "– Engineering, Procurement and Construction". FHIC is a leading manufacturer of heavy industrial products, including oil and refinery and petrochemical processing equipment, plastics and fiber processing and turnkey cogeneration plant projects and power plant equipment products.

Operations

In 2013, CEDC generated 1,692.6 GWh, equivalent to a net capacity factor of 77.2%. CEDC's first, second and third units began producing power in February 2010, June 2010 and December 2010, respectively, on a test basis. Prior to the ERC's approval of CEDC's bilateral rates, the rates charged by CEDC for its contracted capacity were significantly lower.

In 2013, the plant's availability factor, reliability factor and net heat rate were 92%, 96.7% and 11,462.3 Btu/kWh, respectively.

Fuel Supply

CEDC receives imported coal from PT Adaro and Coal Orbis, which provide coal from Indonesia, and local coal from Semirara Mining Corporation. Under the Coal Supply Agreement with PT Adaro, CEDC will receive coal from 2011 to 2019, with an option to extend until October 1, 2022. PT Adaro is required to supply approximately 250,000 metric tons of coal per year in accordance with specified quality standards, with an option to extend until October 1, 2022. Under the Coal Supply Agreement with Coal Orbis, CEDC will receive coal from 2010 to 2016, with an option to renew for an additional five years. Coal Orbis is required to supply approximately 150,000 metric tons of coal per year in accordance with specified quality standards. Under the Coal Supply Agreement with Semirara, CEDC will receive coal from 2010 to 2019. Semirara is required to supply approximately 400,000 metric tons of coal per year, with an option for additional volume, subject to availability, in accordance with specified quality standards. Semirara assumes any additional costs and related penalty charges due to the failure to meet these specifications. Coal prices under the agreements are indexed to Newcastle Coal prices and are modified and adjusted if they do not meet the required certain moisture, sulfur, ash and calorific value as specified in the supply agreement's coal particulate standards. Coal procurement is handled through GBP's fuel management group.

Engineering, Procurement and Construction

The CEDC plant was constructed by True North Manufacturing Services Corporation under the supervision of FHIC pursuant to a Supervisory Agreement dated November 12, 2007 between GBP and FHIC and amended on October 5, 2009, so that CEDC could assume GBP's obligations. Under the supervision agreement, FHIC agreed to provide advisory, project management, and supervisory services for the construction of the facility and installation and implementation of the power generation equipment.

FHIC also supplied the needed machinery and equipment under a Supply Contract dated November 12, 2007 between GBP and FHIC. The contract was amended on October 5, 2009 so that CEDC could assume GBP's obligations. Under the supply agreement, FHIC agreed to design and provide or procure the material and equipment necessary for the construction of the facility.

Financing and Capital Expenditures

CEDC obtained funding for the construction of the CEDC plant using a mix of project finance debt and equity at a 70/30 ratio. Total long-term debt incurred was Php16.0 billion with a final maturity in 2020, of which Php12.7 billion remains outstanding as of March 31, 2014. The project finance facilities were provided by local commercial banks.

Operations and Maintenance

Operations and maintenance services for the CEDC plant were initially provided by FHIC under an Operation and Maintenance Agreement with CEDC dated January 26, 2011 (the "CEDC Contract of Services"), for a two-year term. Since December 27, 2013, operations and maintenance services for the CEDC plant are done in-house by CEDC staff. When maintenance requires specific expertise, CEDC hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

Under the EPIRA, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a Certificate of Compliance ("COC") from the ERC to operate facilities used in the generation of electricity. CEDC was issued its COC on February 22, 2010.

Panay Energy Development Corporation

Overview

PEDC owns and operates a 164 MW clean coal-fired power plant located in Iloilo City, Panay. GBP believes that the PEDC facility is the largest power plant investment on Panay Island. PEDC was incorporated on February 27, 2009. PEDC utilizes the latest in CFB boiler technology, and has a design identical to the CEDC plant. PEDC is owned by a group of investors consisting of GBP and local investors.

PEDC, like CEDC, entered into contracts with FHIC, where FHIC designed the facility, provided the machinery, equipment and supplies for the facility, and served as project manager and technical supervisor for the implementation and installation of such equipment.

The PEDC facility is a two-unit facility with a gross capacity of 164 MW and net capacity of 144 MW. As of March 31, 2014, the contracted capacity of the facility was 117.5 MW spread among nine customers under terms of either 2, 15 or 25 years in duration. The PEDC facility covers 27.8 hectares of land. Coal is stored on a 1.8 hectare, covered yard and serviced by a 200 meter (from shoreline to pier) jetty. The facility utilizes two 82 MW Kawasaki turbines and is powered by two 300T/H boilers manufactured by FHIC. Power is transmitted to the Cebu Negros Panay Grid via a 17 km 138kV transmission line from the plant switchyard to the Sta. Barbara substation of NGCP located in Sta. Barbara, Iloilo.

PEDC broke ground on the facility in September 2008. The first unit of PEDC was synchronized with the Visayas grid in November 2010 and the second in March 2011. PEDC commenced commercial operations on March 26, 2011.

The construction and operations at the PEDC facility occurred at a faster rate than that of CEDC because of the lessons learned from construction of the CEDC facility which were applied to PEDC.

Recognizing the elevated economic activity in Panay and the anticipated power supply shortfall in the Visayas grid by 2015, GBP, through PEDC, signed a supply contract with FHIC for the design and supply of equipment of a 150MW Clean Coal Facility to serve as an expansion of its existing plants. On March 7, 2014, PEDC broke ground on its 150 MW expansion project. It is targeted to commercially operate by 2016.

The facility's key customers are PECO, AKELCO and ILECO 2, which off-take 39.6%, 7.3% and 6.1% of the PEDC plant's gross capacity, respectively. PEDC has entered into a 25-year EPPA with PECO, AKELCO and ILECO 2, which all expire in 2036. PECO is one of the largest power distribution utilities in the Philippines and is located in Iloilo City. AKELCO and ILECO 2 are electric cooperatives.

Shareholders
GBP indirectly owns PEDC through its 89.3% share of Panay Power Holdings Corporation ("PPHC"), which in turn is the 100% owner of PEDC. The other investors in PPHC are La Filipina Uygongco Corporation, a corporation with businesses in Iloilo City, with an 8.0% interest in PPHC, and Delta Pi, which has a 2.7% interest in PPHC.

Operations

PEDC's first and second units began producing power in November 2010 and March 2011, respectively.

For 2013, PEDC generated 1,037.3 GWh, equivalent to a net capacity factor of 64%. The plant's availability factor during 2013 was 82%, while the plant's reliability factor was 92%. The Net Heat Rate of 11,942 Btu/kWh, an improvement from the previous year's Net Heat Rate of 12,593 Btu/kWh.

Fuel Supply
PEDC receives imported coal from Samtan, Lucent Aminto and PT Sion supplying coal from Indonesia, and local coal from Semirara Mining Corporation. Under the agreement with Samtan, PEDC will receive coal from 2011 to 2020, with an option to renew for an additional three years. Samtan is required to supply approximately 150,000 metric tons of coal per year in accordance with specified quality standards. Under the agreement with PT Sion, PEDC will receive coal until 2015, with an option to renew for an additional five years. PT Sion is required to supply approximately 150,000 metric tons of coal per year in accordance with the specified quality standards. Under the supply agreement with Lucent Aminto, PEDC will receive coal until 2016 150,000 MT coal per year in accordance with specified quality, with an option to renew for an additional five years. Under the agreement with Semirara, PEDC will receive coal from 2010 to 2019. Semirara is required to supply approximately 300,000 metric tons of coal per year or 15,000 to 18,000 metric tons of coal per month in accordance with specified quality standards and assumes any additional costs, penalty and related charges due to the failure to meet these specifications. The price of the coal under these agreements is indexed to Newcastle Coal prices and is modified if it does not meet certain moisture, sulfur, ash and coal particulate standards. Coal procurement is handled through GBP's fuel management group.

Engineering, Procurement and Construction
The PEDC plant was constructed by True North Manufacturing Services Corporation under the supervision of FHIC pursuant to a Supervisory Agreement dated January 31, 2008 between GBP and FHIC, and amended on October 7, 2009, so that PEDC could assume GBP's obligations. Under the supervision agreement, FHIC agreed to provide advisory, project management, and supervisory services for the construction of the facility and installation and implementation of the power generation equipment.

FHI also supplied the needed machinery and equipment under a Supply Agreement dated January 31, 2008 between GBP and FHIC, which was amended on October 7, 2009 so that PEDC could assume GBP's obligations. Under the supply agreement, FHIC agreed to design and provide or procure the material and equipment necessary for the construction of the facility.

Financing and Capital Expenditures

PEDC obtained funding for the construction of the PEDC plant using a mix of project finance debt and equity at a 70:30 ratio. Total long-term debt incurred was Php14.0 billion with a final maturity in 2021, of which Php11.2 billion remains outstanding as of March 31, 2014. The project finance facilities were provided by local commercial banks

Operations and Maintenance

Operations and maintenance services for the PEDC plant were initially provided by FHIC under an Operation and Maintenance Agreement with PEDC dated January 26, 2011 (the "PEDC Contract of Services"), for a two-year term. The last engagement was May 5, 2012. Since then, operations and maintenance services for the PEDC plant have been done in-house by PEDC staff. When maintenance requires specific expertise, PEDC hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

All material permits required for PEDC have been obtained. PEDC received the COC from the ERC to operate facilities used in the generation of electricity on January 24, 2011.

Toledo Power Co.

Background

GBP, through its wholly- owned subsidiaries ARB Power Ventures, Inc. ("APVI") and GCLDC, own 100% of TPC through a partnership. TPC owns and operates a 60 MW coal fuel power station, the Sangi plant, and a 40 MW fuel oil power station, the Carmen plant. Both facilities are in Toledo City, Cebu. GBP, formerly Mirant Toledo Holdings Corporation, acquired TPC in 2002 before it became a joint venture between Mirant (Philippines), GBH and FMIC.

The Sangi plant has a rated capacity of 60 MW and net capacity of 50 MW. As of March 31, 2014, the contracted capacity of the facility was 50 MW across two customers organized for terms between 3 and 12 years in duration. The Sangi plant covers 6.2 hectares of land. Coal is stored on a 0.6 hectare yard and serviced by a 200 (shoreline to pier) meter jetty. The facility utilizes one Hitachi and one Mitsubishi turbine and is powered by Vereinigte Kesselwerke AG boilers.

The Carmen plant is primarily used for back-up power only. It is a 4x10 MW-unit facility with a rated capacity of 40 MW and net capacity of 36 MW. As of March 31, 2014, it has no contracted capacity. The Carmen plant is primarily run for sales to the WESM and for back-up capacity. The Carmen plant covers 4.9 hectares of land. Fuel is stored in tanks.

On March 8, 2012, GBP through TPC, signed a contract with FHIC to develop an 82 MW unit in Toledo City, Cebu to support the mining expansion undertakings of Carmen Copper Corporation ("CCC"), a subsidiary of Atlas Consolidated Mining and Development Corporation. Eight months after the contract signing, TPC broke ground on November 11, 2012 on its facility. The 82 MW expansion project is targeted to supply the electric power requirements of Carmen Copper beginning December 26, 2014.

TPC's key customers are CEBECO 3 and its main industrial customer, Carmen Copper, which, combined, off-take all of TPC's total capacity. TPC and CEBECO 3 have entered into a 12-year EPPA expiring in 2015. CEBECO 3 is an electric cooperative based in Toledo City. TPC and Carmen Copper have also entered into an Energy Conversion Agreement where CCC supplies the coal and TPC converts the same to energy. This agreement expires in 2014. Carmen Copper is a subsidiary of Atlas Consolidated Mining & Development Corporation.

Shareholders

TPC is a general partnership between APVI and GCLDC. APVI has an assigned capital of 52.5% and a 95.0% share in the profits of TPC. GCLDC has an assigned capital of 47.5% and a 5% share in the profits of TPC and a 40% equity interest in the shares of stock of Toledo Holdings Corp. ("THC"), the landholding company of GBP that leases land to TPC. See "– Properties". APVI and GCLDC are both wholly-owned subsidiaries of GBP.

Sangi Plant Operations

The Sangi plant was built in 1964 to serve the electric power requirements of the mine owned and operated by Atlas Consolidated Mining and Development Corporation.

In 2013, the Sangi plant generated 405.7 GWh, equivalent to a net capacity factor of 69.5%. The Sangi plant generated 420.4 GWh and 420.6 GWh of power in each of 2012 and 2011, respectively. The plant's availability factor in 2013 was 87.7%; while the plant's reliability factor and net heat rate were 96.6% and 16,389.1 Btu/kWh, respectively.

Carmen Plant Operations

The Carmen plant was built in 1979. The Carmen plant has been used chiefly as a back-up plant since 2006. It generated 30.9 GWh in 2013.

Fuel Supply

The Sangi plant receives local coal from Semirara, as well as from certain Indonesian suppliers on a spot basis. Under the renewed agreement with Semirara, the plant will receive coal through until December 31, 2014, with one-year renewal. Semirara is required to supply approximately 15,000 to 18,000 metric tons of coal per month in accordance with specified quality standards and assumes any additional costs and related penalty charges due to the failure to meet these specifications. The price of the coal under the agreement is indexed to Newcastle Coal prices and is modified if it does not meet certain moisture, sulfur, ash and coal particulate standards.

The fuel oil supplied to the Carmen plant is provided by the Pilipinas Shell Petroleum Corporation ("Shell Oil"), under which Pilipinas Shell Oil agreed to provide fuel oil to TPC for a period of one year. Fuel acquisition for the Carmen plant is bidded annually and awarded to the lowest complying bidder. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Diesel and other oils are also provided under this agreement

Operations and Maintenance

Operations and maintenance services for the TPC plants are done in-house by TPC staff. When maintenance requires specific expertise, TPC hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

All material permits required for the TPC plants have been obtained. The Sangi plant renewed its COC in 2009 with a validity period of five years. The Carmen plant also renewed its COC in 2009 with a validity period of five years. The TPC plants gained ISO 14001 certification in 2009, with a validity period of three years. As part of maintaining this certification, the TPC plant undergoes surveillance by a third-party certification body twice every year. The last audit was conducted in November 2013. The TPC plant's next inspection is scheduled on 27 and 28 May 2014.

Panay Power Corporation

Background

PPC owns and operates four fuel oil power plants. In Iloilo City, it has a 72 MW plant, Iloilo 1, and a 20 MW plant, Iloilo 2. In Aklan, it has a 7.5 MW plant, PPC Nabas, and a 5 MW plant, PPC New Washington. GBP, formerly Mirant Global Corporation, acquired PPC and the Iloilo 1 plant in 2003 when it was formed as a joint venture between Mirant (Philippines) and GBH. Under Mirant Global Corporation, the Iloilo Plant 2, Nabas and New Washington Plants were built in 2004.

The Iloilo 1 plant is a six-unit facility with a rated capacity of 72 MW and net capacity of 69 MW. As of March 31, 2014, the contracted capacity of the facility was 15 MW with one customer, PECO, for a term of 15 years expiring on 2026. The Iloilo 1 plant covers 9.4 hectares of land. Bunker fuel is stored in fuel tanks. The facility utilizes Wartsila-Sultzer engines.

The Iloilo 2 plant is a four-unit facility with a rated capacity of 20 MW and net capacity of 18 MW. As of March 31, 2014, the contracted capacity of the facility was 8 MW which has been contracted to one customer, ILECO 1, for a term of 20 years expiring in 2025. The Iloilo 2 plant covers 2.1 hectares of land. The facility utilizes four 5 MW generators.

The Nabas plant is a two-unit facility with a rated capacity of 7.5 MW and net capacity of 6.2 MW. As of March 31, 2014, the facility sold to the WESM and was designated as Must- Run Unit to regulate power quality in the area. The Nabas plant covers 3.4 hectares of land. Fuel is stored in two vertical and two horizontal tanks and delivered by lorry. The facility utilizes Mitsubishi generators. Power is transmitted to the Cebu- Negros- Panay grid via a 69kV transmission line from the plant switchyard to the Caticlan substation.

The New Washington plant is a single-unit facility with a rated capacity of 5 MW and net capacity of 4.5 MW. As of January 1, 2012, the contracted capacity of the facility was 5 MW and dedicated fully to AKELCO for a term of twenty years expiring on 2025. The New Washington plant covers 2.6 hectares of land. Fuel is stored in two 500 kiloliter tanks. The facility utilizes a Mitsubishi generator. The New Washington plant is an embedded generator of AKELCO and therefore does not pass through the transmission grid.

The PPC's key customers are PECO, AKELCO and ILECO 1. PPC primarily generates peaking power to supply these customers with additional energy during maximum usage periods. PECO, AKELCO and ILECO 1 off-take a total of 28 MW per year, or 27.45% of PPC's net capacity.

Shareholders

GBP indirectly owns PPC through its 89.3% equity stake in PPHC, which owns 100% of PPC.

Iloilo 1 Plant Operations

The Iloilo 1 plant completed its 15th year of operations in 2013. Originally used to provide baseload, intermediate and peak power requirements of PECO, currently it is primarily used to provide peak power and has reduced its power generation accordingly.

In 2013, the Iloilo 1(PPC 1) generated 100.8 GWh of power and is equivalent to a net capacity factor of 16.5% as compared to a 14.5% net capacity factor for all of 2012. This decrease in dispatch is primarily due to the plant shifting from a load-following plant to a peaking plant. The Iloilo 1 plant generated 89.8 GWh and 100.6 GWh of power in each of 2012 and 2011, respectively.

The plant's availability factor of 98.2% during 2013 was below PPC's internal target, same with the plant's reliability factor of 98.2% which was also less than PPC's internal target. The Net Heat Rate of 8,140 Btu/kWh was 5.45% better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 99.9% during 2012 was below PPC's internal target of 100%. The plant's reliability factor of 99.9% during 2012 was less than PPC's internal target of 100%.

Iloilo 2 Plant Operations

The Iloilo 2 plant completed its tenth year of operations in 2013.

In 2013, the Iloilo 2 plant generated 0.69 GWh and is equivalent to a net capacity factor of 0.41% as compared to a 0.85% net capacity factor for all of 2012. This decrease in dispatch was primarily due to the plant shifting from a base load plant to a peaking plant. The Iloilo 2 plant generated 1.4 GWh and 2.0 GWh of power in each of 2012 and 2011, respectively.

The plant's availability factor of 36% during 2013 was below PPC's internal target, same with the plant's reliability factor of 36% which was also below PPC's internal target. The Net Heat Rate of 10,604 Btu/kWh was better than the expected heat rate considering degradation for the same accumulated operating hours. The plant's availability factor of 83.4% during 2012 was lower than PPC's internal target of 100%. The plant's reliability factor of 83.4% during 2011 was below PPC's internal target.

Nabas Plant Operations

The Nabas plant completed its seventh year of commercial operations in 2013.

In 2013, the Nabas plant generated 6.2 GWh and is equivalent to a net capacity factor of 10.47% which is lower than the 14% net capacity factor for all of 2012. This decrease in dispatch was primarily due to a more stabilized grid thus resulting in lower demand from NGCP. The Nabas plant generated 14.8 GWh and 15.2 GWh of power in each of 2012 and 2011, respectively.

The plant's availability factor of 98.5% during 2013 met PPC's internal target, while the plant's reliability factor of 99.9% which is lower than PPC's internal target of 100%. The Net Heat Rate of 9,031 Btu/kWh was 1.8% higher than the set PPC's internal target which is due to the intermittent (on and off operation in a day) dispatch. The plant's availability factor of 95% during 2012 was below PPC's internal target of 99.0%. The plant's reliability factor of 95% during 2012 matched PPC's internal target.

New Washington Plant Operations

The New Washington plant completed its seventh year of commercial operations in 2013.
In 2013, the New Washington plant generated 5.2 GWh of power, equivalent to a net capacity factor of 12.1% as compared to a 10.7% net capacity factor for all of 2012. This increase in dispatch was primarily due to the damaged of Typhoon Yolanda (force majeure) to the NGCP transmission lines. The New Washington plant generated 4.6 GWh and 4.0 GWh of power in each of 2012 and 2011, respectively.

The plant's availability factor of 96% during 2013 which is lower than PPC's internal target, while the plant's reliability factor of 100.0% is matched PPC's internal target. The Net Heat Rate of 9,414 Btu/kWh was 2.0% higher than the set PPC's internal target. The plant's availability factor of 100.0% during 2012 met PPC's internal target of 100.0%. The plant's reliability factor of 100.0% during 2012 matched PPC's internal target.

Fuel Supply

The fuel oil supplied for the Iloilo 1 plant is provided by Pilipinas Shell Oil, under which Pilipinas Shell Oil agreed to provide fuel oil for a period of 15 years beginning in 1998 and shall continue indefinitely subject to 60 days prior written notice of termination by either party. Additionally, Pilipinas Shell Oil also provided certain fuel-handling equipment for use at the Iloilo 1 plant. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Diesel and other oils are also provided under this agreement.

The fuel oil supplied to Iloilo 2, Nabas and New Washington plants are bid out on an annual basis. Currently, Pilipinas Shell supplies the bunker fuel of Iloilo 2 while bunker fuel of Nabas and New Washington is supplied by the bunker fuel requirements of these plants are provided by Petron. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Start-up diesel and other oils are also bid out on an annual basis

Operations and Maintenance

Operations and maintenance services for the PPC plants are done in house by PPC staff. When maintenance requires specific expertise, PPC hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

PPC Iloilo 1 and Iloilo 2 issued its COC on September 2, 2013 with a validity period of five years.

PPC Nabas was issued a COC with a validity period of five years. While PPC New Washington received its COC on September 27, 2010, with a validity period of five years.

GBH Power Resources, Inc.

Background

GPRI owns and operates the 7.5 MW power generation facility in Pinalamayan, Oriental Mindoro which is not presently connected to either the Luzon Grid, Mindanao Grid or the Visayas Grid operated by NPC. GBP, formerly Mirant Global Corporation, acquired GPRI in 2003 when it was formed as a joint venture between Mirant (Philippines) and GBH.

The GPRI plant is a two-unit facility with a rated capacity of 7.5 MW and net capacity of 6.8 MW. As of March 31, 2014, the contracted capacity of the facility was 6 MW and dedicated fully to ORMECO for a term of 20 years expiring in 2020. The GPRI plant covers 2 hectares of land. Fuel is stored in tanks and delivered by lorry. The facility utilizes Mitsubishi generators. The GPRI plant is an embedded generator of ORMECO and is connected directly to ORMECO.

Operations

The GPRI plant completed its 12th year of commercial operations in 2013.
In 2013, GPRI generated 34.78 GWh of power, equivalent to a net capacity factor of 63.18% as compared to a 67.64% net capacity factor for all of 2012. This decrease in dispatch was primarily due to slightly lower kWh sales caused by plant outages. GPRI generated 40.64 GWh and 46.2 GWh of power in each of 2012 and 2011, respectively.

The plant's availability factor of 70.02% during 2013 was lower than GPRI's internal target of 90.0%, while the plant's reliability factor of 75.66% was lower than GPRI's internal target of 90%. The Net Heat Rate of 8,832 Btu/kWh was 1.5% higher than the set GPRI's internal target. The plant's availability factor of 79.90% during 2012 is lower than GPRI's internal target of 90.0%. The plant's reliability factor of 85.09% during 2012 was also higher than GPRI's internal target of 97%.

Shareholders

GPRI is a wholly-owned subsidiary of GBP.

Fuel Supply

The fuel oil supplied to the GPRI plant is bid out on an annual basis and is currently being provided by Petron pursuant to a fuel oil supply agreement. However, fuel oil supply to the said plant will be supplied by Pilipinas Shell from September 2014 up to April 2015 since Petron can no longer meet the 12% Conradson Carbon Residue (CCR) content of the fuel. The price of the fuel oil is indexed to the Mean of Platt's Singapore with additional charges for premium, duties, taxes and delivery. Start-up diesel and other oils are also bid out annually.

Operations and Maintenance

Operations and maintenance services for the GPRI plant are done in-house by GPRI staff. When maintenance requires specific expertise, GPRI hires independent consultants to conduct the maintenance activities.

Certificate of Compliance

GPRI was issued a COC on March 4, 2014, with a validity period of 5 years.

FUTURE POWER GENERATION PROJECTS

GBP is actively considering and reviewing options for further growth, including greenfield power plants, expansion of existing power plants and inorganic growth through acquisitions.

Project identification and approval

GBP identifies potential investments, both in relation to greenfield projects and existing power generation facilities by analyzing the demand for electricity. Factors such as GDP and population growth, customer mix, profiles of the major users, and industrial expansion are considered. GBP also looks at commercial viability, potential costs (whether for development or acquisition) and competitive costs, as well as land acquisition and environmental protection issues and the impact of environmental protection requirements on overall profitability of the project, and the availability of government incentives for a particular project. GBP is reviewing opportunities for projects that include renewable energy facilities, such as hydroelectric and geothermal facilities, as well as coal plants that may be modeled after the CEDC and PEDC facilities.

GBP evaluates and assesses each potential project based on, among other things, the following criteria:

- GBP's equity internal rate of return standards;
- the ability to obtain majority ownership and management control over the project;
- the participation of world-class partners and suppliers; and
- the project's potential for future expansion.

For power generation projects, an initial assessment of a proposed facility is formalized in a preliminary feasibility study. In evaluating potential sites, GBP focuses on areas with significant demand growth; on advantageous locations, such as those in proximity to water transportation facilities for fuel shipments or favorable river conditions for hydroelectric facilities; and those in proximity to a particular market, as long transmission distances deteriorate the quality of service GBP can provide and increase transmission costs. GBP also considers fuel supply arrangements, local requirements for permits and licenses, the ability of the plant to generate electricity at a competitive cost and the ability of potential off-takers to purchase the electricity generated, among other issues.

After preliminary evaluations are conducted, selected projects, acquisitions and business opportunities are submitted for preliminary internal approval. Once such approval has been obtained, GBP conducts additional due diligence and performs financial and budgetary analysis, including the necessity for procuring joint venture partners for the project. Based on such analysis, the project, acquisition or business is submitted to GBP's senior management and board for review and approval.

For the development of a new power plant, GBP, its partners and suppliers are required to obtain the necessary permits required before commencement of commercial operations, including permits related to siting, construction, environmental planning, operating licenses and similar approvals. It is also GBP's policy to have off-take and fuel supply arrangements in place early in the development of a power plant project.

Although GBP continues to focus on enhancing its position as a leading power provider in the Visayas region, from time to time it evaluates business opportunities in the Luzon and Mindanao grids, with a view to acquiring or developing competitive or complementary power generation facilities on commercially reasonable terms.

Notwithstanding the review and evaluation process that GBP's management conducts in relation to any proposed project, acquisition or business, there can be no assurance that GBP will eventually develop a particular project, acquire a particular generating facility or undertake a new line of business or that projects will be implemented or acquisitions made or businesses conducted in the manner planned or at or below the cost estimated by GBP.

Future power opportunities of GBP may include renewable energy projects. GBP is assessing opportunities for the acquisition of geothermal power projects as well as the development of greenfield renewable energy projects, including hydroelectric power projects. GBP believes that by adding renewable energy projects to its power generation portfolio, it may be able to lower its total energy production costs while strengthening its commitment to the environment.

Acquisition of generation assets
As part of its growth strategy, GBP evaluates the feasibility of acquiring existing generation facilities. In particular, GBP intends to participate in the bidding for selected NPC-owned power generation plants that are scheduled for privatization. To the extent that GBP chooses to bid for such assets and is successful, it expects that these acquisitions may be partly funded using a portion of the proceeds of the Offer. However, the disposition by PSALM of NPC's power generation assets as mandated under the EPIRA has been delayed several times and there is no assurance the privatization program will proceed in accordance with PSALM's timetable.

COMPETITION

GBP's power generation facilities face competition from existing and future power generation plants that supply electricity to the Visayas grid. Several of these competitors may have greater financial resources than GBP, giving them the ability to respond to operational, financial and other challenges more quickly than GBP. GBP believes that its experience in designing, building and operating power plant projects in Visayas and Mindoro is stronger than any of its competitors in the region.

A key competitor in the region is the Leyte Geothermal Power Plant, which is operated by the Government through NAPOCOR. The Leyte plant services both the Luzon and Visayas grids. Geothermal power plants are significant competitors because they can produce power at a relatively lower cost than fossil fuel and coal-based producers.

GBP will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. Factors such as the performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects in the Philippines. Accordingly, competition for and from new power projects may increase in line with the expected long-term economic growth of the Philippines.

As new and bigger Power Plant capacities are introduced to the grid, the average price of WESM may go down which may become more advantageous in the rainy season as competitive source of energy vs. GBP plants. WESM becomes a competitor for those Contestable Customers (CC) that have maximum energy requirements in the rainy season. This may have a larger impact when the DOE moves the minimum threshold from 1 MW to

INSURANCE

It is GBP's policy to obtain insurance coverage for its operating assets and employees that is in line with industry standards and good business practices. As of March 31, 2014, GBP maintains all-risks insurance coverage, including property damage, machinery breakdown, business interruption, sabotage and terrorism, and directors and officers liability, among others. GBP does not anticipate having any difficulties in renewing any of its insurance policies and believes that its insurance coverage is consistent with industry standards in the Philippines.

PROPERTIES

As of March 31, 2014, GBP Generation Subsidiaries owned power generation facilities, buildings, other land improvements and property and equipment for the operation of its power generation business. The power plant complexes of CEDC, PEDC, TPC and PPC have been mortgaged and/or pledged as security for their long-term debt in the amount of Php25.3 billion as of March 31, 2013. As of March 31, 2014, these long-term debt amounted to Php28.7 billion.

The Generation Subsidiaries either own or lease from THC the parcels of land where their power generation facilities are located.

Each of PEDC and GPRI own the land where their power plants operate.

Each of TPC and PPC leases land from THC for a period of one to three years, renewable every end of the lease term under such terms and conditions as may be agreed upon by the respective parties.

In June 2009, CEDC also signed a lease agreement with THC for a period of five years, subject to automatic renewal at the end of the lease term.

INTELLECTUAL PROPERTY

Although GBP and its subsidiaries own exclusive rights to their respective corporate logos, none of them own any trademarks and service marks. GBP does not have any other intellectual property rights or registered trademarks or applications for its name or project names.

EMPLOYEES

As of March 31, 2014, GBP and its consolidated subsidiaries had 790 employees. The following table provides a breakdown of GBP's employees by subsidiary and function as of March 2014.

	Executive Officers	Operations	Administrative	Total
GBP Headquarters.......	12	–	92	104
CEDC	1	108	48	157
PEDC..	1	94	43	138
TPC	2	202	36	240
PPC...	–	86	44	130
GPRI...	–	18	3	21

LEGAL PROCEEDINGS

GBP is involved in various legal actions arising in the ordinary course of business. GBP believes that these legal actions or any losses from these matters, if any, would not have a material adverse effect on GBP's financial position, operating results and cash flows.

PPC is a party to a proceeding before the ERC. On October 2, 2002, consumer protection groups from Iloilo City filed a petition against PPC, NPC and PECO for the refund of Php12.1 million representing a Php0.30/kWh discount due to PECO customers. The petitioners alleged that the power purchased by PPC from NPC, which it sold to PECO (and eventually charged to Iloilo consumers) from June 2001 to July 2002 was subject to the discount. GBP acquired PPC as part of its acquisition of Mirant's holdings in 2003. The management team at PPC during the period subject of the petition no longer works for GBP. GBP maintains policies which ensure that it consistently and accurately bills its customers and supplies power at the agreed-upon price.

RECENT FINANCIAL PERFORMANCE

In the first three months of 2014 and for the years ended December 31, 2013 and 2012, GBP registered a net income attributable to equity holders of the parent company of Php225 million, Php1,937 million and Php2,593 million, respectively; accounting for 5.9%, 14.1% and 15.5% of GT Capital's net income for the said periods. For the financial highlights of GBP, please refer to the section on Financial Information found elsewhere in the Prospectus.

BUSINESS – TMP

OVERVIEW

GT Capital has interests in the automotive industry primarily through its 51% direct ownership in TMP as of March 31, 2014. 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, Inc. (55%) and Lexus Manila, Inc. (75%). GT Capital also has an interest in a Toyota-related business through its 25.1% share ownership in MBT. MBT owns 34% effective interest in TFSPH.

TMP is a joint venture company among GT Capital, TMC, Mitsui and Maximus Management Holdings wherein each owns 51%, 34%, 6% and 9% 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, 2012. 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 160 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 2003, 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.

According to combined industry statistics from CAMPI and the Association of Vehicle Importers and Distributors ("AVID"), 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 twelve consecutive Triple Crowns and since 1989, TMP has been number one in total sales in 23 out of 25 years. In 2013, TMP's annual sales were 75,587 units, and TMP's market share in the Philippines was 36.3%, according to data from CAMPI and AVID. TMP's year-to-date sales as of March 31, 2014 reached 22,828 units equivalent to a 38.3% 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. 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 February 2005, TMP began domestic production of the Innova commercial vehicle model, while production of the Vios passenger car commenced in August 2007. 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.

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 May 2011 by Millward Brown (WPP), a marketing agency, Toyota is the No.1-ranked automotive brand globally. It is also within the Top 30 most valuable global brands across all industries and is the fourth most valuable brand based in Asia according to the same study. In the Philippines, Toyota has been the top-selling brand for both passenger and commercial vehicles in every year since 2002 according to CAMPI and AVID. In 2013, TMP had a market share of 36.3% 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 March 31, 2014, TMP's market share reached 38.3%.

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 in the secondary market, which enhances their appeal as new car purchases. 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 March 31, 2014, the Toyota and Lexus dealer network in the Philippines consisted of 42 dealership facilities, of which 17 are in Metro Manila, thirteen are in Luzon, seven are in the Visayas and five are in Mindanao. Out of the 42 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. MBT has a 34% effective interest in TFSPH, which is a business venture between MBT 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.

STRATEGIES

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

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. TMP believes that "Toyota" is one of the most widely recognized brands in the world and also enjoys strong brand recognition in the Philippines. In addition, TMP believes the Toyota brand enjoys significant loyalty among many customers who have purchased TMP's products in the past. TMP intends to leverage this customer loyalty both in sales and after sales by expanding the business through various customer retention programs.

Respond to higher market demand

TMP intends to capitalize on the growth of the Philippine automotive sector by expanding its manufacturing capacity. In 2013, TMP expanded its annual production capacity from approximately 30,000 cars to approximately 34,000 cars 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 42 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 also plans 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.

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 CKD components 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 by vehicle sales, local sales of service parts and export sales for each of the last three years.

	Year ended December 31,						Period ended March 31,	
	(Php billions, except percentages)							
Category	**2011**		**2012**		**2013**		**2014**	
Vehicle sales								
Locally manufactured vehicles	17	31%	20	29%	24	30%	7	29%
Imported CBU vehicles	26	47%	37	52%	41	52%	12	55%
Local sales of service parts	2	4%	3	4%	3	4%	1	3%
Export sales of OEM parts and service parts	10	18%	11	15%	11	14%	3	13%
Total[(1)]	55	100%	**71**	**100%**	**79**	**100%**	**23**	**100%**

Note:

(1) Sales attributable only to TMP parent company activities.

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 Viosand 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 last three years.

	Year ended December 31,						Period ended March 31,	
	(Php billions, except percentages)							
	2011		2012		2013		2014	
Category								
Passenger	11	27%	15	25%	17	27%	6	30
Commercial	32	73%	42	75%	48	73%	13	70
Total	43	100%	57	100%	65	100%	19	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, the mid-sized Camry and the sport/specialty 86. The Lexus passenger car line-up includes the IS 350, IS 300-C, ES 350, GS 350, GS 450H, CT 200H, LS 460 and the LS 600H. 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)
Camry	5-Passenger	3.5L V6, 24-valve,DOHC, Dual VVT-i 2.5L 4-Cylinder In-Line, 16 Valve, DOHC, Dual VVT-i	6-Speed Automatic with Super ECT
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 1.6L 4-Cylinder In-Line DOHC, 16-valve, Dual VVT-i	CVT/ 6-Speed Manual
Prius	5-Passenger	1.8L 4-CylinderIn-Linr DOHC, 16-valve, Dual VVT-i/Electric Motor	CVT
Vios	5-Passenger	1.5L 4-Cylinder In-Line DOHC, 16-valve, VVT-i 1.3L 4-Cylinder In-Line DOHC, 16-valve, VVT-i	4-Speed Automatic with Super ECT / 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 1.3L 4-Cylinder In-Line DOHC, 16-valve, VVT-i	4-Speed Automatic with Super ECT / 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/ 4-Passenger	5.0L V8, 32-Valve DOHC Dual VVT-iE/Electric Motor 4.6L V8, 32-Valve DOHC, Dual VVT-iE	8-Speed Hybrid Automatic ; 8-Speed Automatic with ECT
Lexus GS	5-Passenger	3.5L V6, 24-Valve DOHC, Dual VVT-i/Electric Motor 3.5L V6, 24-Valve DOHC, Dual VVT-i	CVT/ 8-Speed Automatic
Lexus ES	5-Passenger	3.5L V6. 24-Valve DOHC, Dual VVT-i	6-Speed Automatic with ECT
Lexus IS-C	5-Passenger	3.0L V6, 24-Valve DOHC, Dual VVT-i	6-Speed Automatic with ECT
Lexus IS	5-Passenger	3.5L V6, 24-Valve DOHC, Dual VVT-i	8-Speed Automatic

Lexus CT200h	5-Passenger	1.8L 4-Cylinder In-Line 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.

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)**
Avanza	7-Passenger	1.5L 4-Cylinder In-Line DOHC, 16-Valve VVT-i, EFI 1.3L 4-Cylinder In-Line DOHC, 16-Valve VVT-i, EFI	4-Speed Automatic / 5-Speed Manual
Fortuner	7-Passenger	3.0L 4-Cylinder In-Line, DOHC, 16-Valve D-4D, VNT 2.5L 4-Cylinder In-Line, DOHC 16-Valve D-4D, VNT 2.7L 4-Cylinder In-Line, DOHC, 16-Valve, VVT-i	4-Speed Automatic with ECT / 5-Speed Manual
Hiace	11-Passenger 15-Passenger	2.5L 4-Cylinder In-Line, DOHC 16-Valve D-4D	4-Speed Automatic / 5-Speed Manual
Hilux D-Cab	5-Passenger	3.0L 4-Cylinder In-Line, DOHC, 16-Valve D-4D, VNT 2.5L 4-Cylinder In-Line, DOHC 16-Valve D-4D, VNT 2.5L 4-Cylinder In-Line, DOHC 16-Valve D-4D	4-Speed Automatic with ECT / 5-Speed Manual
Hilux B-Cab	3-Passenger 15-Passenger	2.5L 4-Cylinder In-Line DOHC 16-Valve, D-4D	5-Speed Manual
Innova	7-Passenger 8-Passenger	2.5L 4-Cylinder In-Line, DOHC 16-Valve D-4D 2.0L 4-Cylinder In-Line, DOHC 16-Valve VVT-i, EFI	4-Speed Automatic with ECT / 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 8-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
LC Prado	7-Passenger	3.0L 4-Cylinder In-Line DOHC, 16-Valve D-4D, VNT 4.0L V6, 24-Valve, Dual VVT-i	5-Speed Automatic / 6-Speed Manual
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-Speen Manual
Lexus LX	8-Passenger	5.7L V8 32-Valve DOHC, Dual VVT-iE	6-Speed Automatic with ECT
Lexus GX	7-Passenger	4.6L V8 32-Valve DOHC, Dual VVT-iE	6-Speed Automatic with ECT

Lexus RX	5-Passenger	3.5L V6 24-Valve DOHC, Dual VVT-i 3.5L V6 24-Valve DOHC, Dual VVT-i/Electric Motor	6-Speed Automatic with ECT / 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

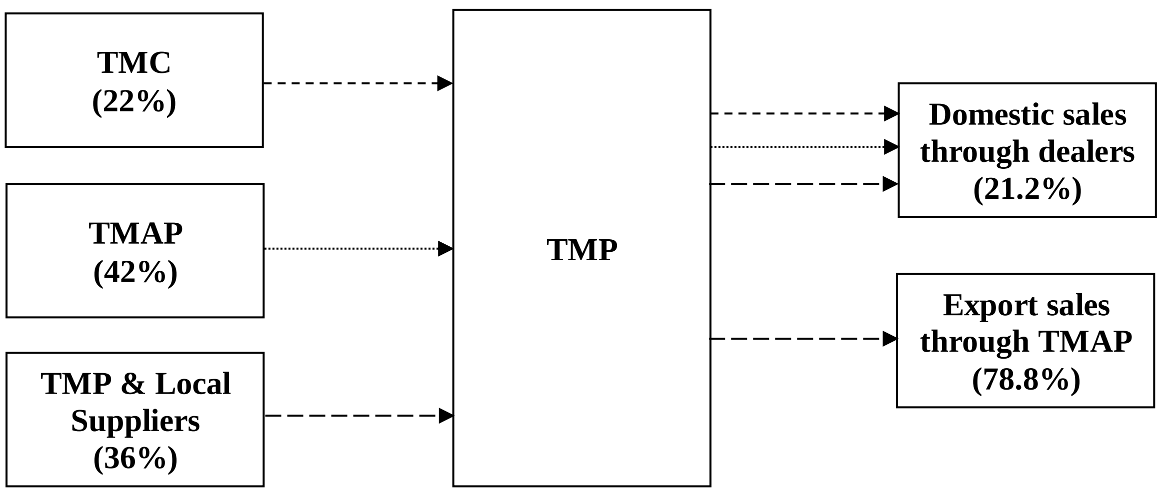
The table below sets out the geographic breakdown of TMP's sales for the periods indicated.

	As of December 31,						As of March 31,	
	2011		**2012**		**2013**		**2014**	
	units	%	units	%	units	%	Units	%
Metro Manila	36,812	67%	44,019	67%	48,301	64%	14,276	63%
Outside Metro Manila	17,781	33%	21,377	33%	27,286	36%	8,552	37%
Total	54,593	100%	65,396	100%	75,587	100%	22,828	100%

As of March 31, 2014, the Toyota and Lexus dealer network in the Philippines consisted of 42 dealers, of which 17 dealers were 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 64% of TMP's sales in 2013 were in Metro Manila while 36% of total sales in 2013 were made outside of Metro Manila. GT Capital has an 89.3% and 60.0% interest in the Toyota Cubao, Inc. and Toyota Manila Bay Corporation dealerships, respectively, 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, 2013:



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.

AUTO FINANCING

TFSPH, an associate of MBT, 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.

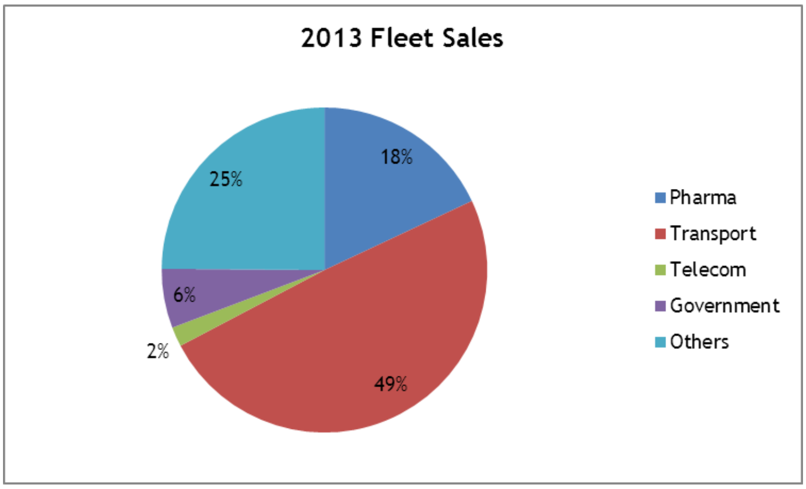
TFSPH offers auto loans to individuals and corporations, primarily for the acquisition of new Toyota vehicles. Interest rates are generally fixed with monthly repayment schedules amortized over the term of the loan. The vehicle is mortgaged to TFSPH while its corresponding loan is outstanding. TFSPH 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 2013, 20.08% 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, 2013:



PRODUCTION AND PRODUCTION PROCESSES

In April 1997, TMP began operations at its current automotive manufacturing plant located at the 82-hectare TSEZ in Santa Rosa City, Laguna. The plant building comprises 55,000 sq. m. for operations and manufacturing and 1,200 sq. m. for the storage of OEM parts. TMP also owns and operates an 11,200 sq. m. central parts depot to store and process after-sales parts.

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, 2013, determined on the basis of two eight-hour production shifts per day, is 34,036 units annually without overtime. This is a 12% increase from 2012's capacity of 30,480 vehicles. The increase was the result of operational improvements made in 2012. For the full years 2012 and 2013, TMP produced 30,791 units and 35,481 units, respectively.

The chart below shows TMP's key production data for 2011, 2012 and 2013:

	Year ended December 31,		
	2011	2012	2013
	Number of units, except percentages		
Production Capacity…………………………………………………..	30,480	30,480	34,036
Vehicles Produced			
Vios……………………………………..	14,580	17,016	20,880
Innova…………………………………………………………………..	11,552	13,775	14,601
Capacity Utilization……………………...	86%	101%	104%

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 top five suppliers accounted for 75%, 78% and 75%, of total material purchases in 2011, 2012 and 2013 respectively. The table below shows the sources of parts for each of the last three years:

Source	**2011**	**2012**	**2013**
TMC/TMAP			
Japan-sourced	17%	19%	17%
Multi-sourced	53%	52%	54%
Local Suppliers	30%	30%	29%
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.

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, Land Cruiser 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 20% tariffs depending on the vehicle's engine size.

COMPETITION

TMP's major competitors in the Philippines are Mitsubishi, Hyundai, Honda, Isuzu, and Ford. According to CAMPI and AVID, Toyota has been the top selling brand measured by units sold in the Philippines for passenger and commercial vehicles since 2002 and its market share is 36.3% of all new vehicle sales in 2013. Mitsubishi is the second leading brand by units sold and has grown its market share from 17.6% in 2009 to 20.7% in 2013. Due to aggressive expansion by Hyundai, it exceeded Honda as the third largest brand by units sold in 2010, and has increased its market share from 8.4% of new car sales in 2009 to 10.6% in 2013. Honda's market share fell from 13.0% in 2009 to 6.4% 2013, after it peaked in 2007 at 14.7%. TMP expects competition from Korean car companies, such as Hyundai and Kia, to increase due to the gradual reduction of trade tariffs between Korea and the Philippines.

The following table sets out TMP's vehicle unit sales and market share in the Philippines for the periods indicated.

	Year ended December 31,						Period ended March 31,	
	2011		2012		2013		2014	
Category	Units	%	Units	%	Units	%	Units	%
Passenger cars	19,043	33%	21,291	33%	25,847	34%	8,408	38%
Commercial vehicles	35,550	33%	44,105	37%	49,740	38%	14,420	39%
Total vehicles	54,593	33%	65,396	36%	75,587	36%	22,828	38%

Source: CAMPI and AVID.

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 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 Php8.0 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, 2013, TMP had comprehensive general liability insurance to cover potential liability arising from product liability and premises operation claims to the extent not exceeding Php112 million and Php48 million, respectively.

PROPERTIES

TMP owns the land and buildings occupied by its manufacturing facility located in the TSEZ at Santa Rosa-Tagaytay Highway, Santa Rosa City, Laguna 4026, Philippines. TMP leases its marketing office at 31/F GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City, Manila 1226, Philippines. TMP also owns the former manufacturing facility along the South Luzon Expressway in Bicutan, Parañaque City, Philippines. The Parañaque City property is currently used by the Toyota Bicutan and Toyota Makati dealerships as stockyard for inventory of new vehicles. TMP has received approval to sell a portion of this property on November 27, 2012. For 2014, TMP has no plans for expansion except in the ordinary course of business.

INTELLECTUAL PROPERTY

On December 1, 2012, 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, 2015, 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 March 31, 2014
	2011	2012	2013	
Regular				
President's Office	1	1	1	1
Affiliate Operations Support & Audit Group		2	4	4
Corporate Affairs Group /Info Systems Department	26	30	33	33
General Administration	71	76	77	80
Treasury	7	7	8	9
Manufacturing	953	944	1,030	1,027
Comptrollership	63	59	39	41
Purchasing[1/]	-	-	28	29
Marketing	178	205	218	223
Production Control & Logistics	69	68	69	73
Outside Contractors				
Production (on-the job trainees)[2/]	282	251	343	343
Production Contractual[3/]	138	174	128	124
Office Contractual[4/]	-	54	39	33
TOTAL	**1,788**	**1,871**	**2,017**	**2,020**

Notes:
[1/] *Newly created division, previously a department under Comptrollership*
[2/] *Students, typically on a 5-10 month on the job training agreement*
[3/] *Contracted from a workers' cooperative and hired on a temporary basis*
[4/] *Contracted from service contractors on a temporary basis*

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. TMPCSU was established in 2001 and has a five-year collective bargaining agreement with TMP effective from July 1, 2011 to June 30, 2016. Since the local practice is for economic provisions to have initial 3-year validity with renewal for last 2 years, there will be negotiations with both unions only for economic provisions to commence in July 2014 with effect from July 1, 2014 to June 30, 2016.

In addition, there is 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 have been 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 package of benefits that are appropriate to their individual circumstances, subject to their entitlement.

TMP has funded a non-contributory defined benefit retirement plan covering all of its regular and permanent 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.

In September 2012, TMP was conferred a Special Commendation by the Asian Human Capital Awards for its Team Relations Program. Through this award, TMP was recognized as one of the top companies across Asia which create innovative and impactful people practices to address human resource and business challenges unique to Asia.

In November 2012, 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. This award affirms TMP's commitment to promote a strong safety and health culture in TMP.

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.

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.

CORPORATE AND SOCIAL RESPONSIBILITY

TMP engages in corporate social responsibility activities to uplift Philippine society through effective coordination with stakeholders and institutional partners.

In celebration of its Silver Jubilee in 2013, TMP formally opened the Toyota Motor Philippines School of Technology (TMP Tech), its world-class technical school inside the Toyota Special Economic Zone (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, through its social and humanitarian arm, Toyota Motor Philippines Foundation (TMPF), in partnership with the City Government of Santa Rosa and Gawad Kalinga (GK) Community Development Foundation, officially completed the construction of 160 housing units in 2013 under the "Toyota-City of Santa Rosa-GK Village" project in Santa Rosa City. TMP donated a total of PhP 22 Million for the construction of the socialized housing units and a multi-purpose hall inside the village.

Strengthening its environmental advocacy in the country, TMP, started the Adopt-a-Forest Project last 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 Palmetum 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 Php1.3 million.

TMP donated Php100 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. 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's social humanitarian arm, Toyota Motor Philippines Foundation (TMPF) 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's efforts in supporting PSCES have helped the school top the National Achievement Test rankings in 2010, among all public schools in Santa Rosa, Laguna.

Toyota also provides quality healthcare services to constituents of its host community in Santa Rosa, Laguna through the annual Medical and Dental Outreach Program. TMP, the Makati Medical Center, Makati Dental Society, Manila Doctor's College and Drugmakers Laboratories provide free consultations, laboratory services, and medicines to thousands of local constituents. 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 (1st) in the JD Power Asia Pacific's 2013 Customer Satisfaction Index (CSI) Study which measures overall satisfaction among vehicle owners with dealer service based on five factors: service quality, service advisor, vehicle pick-up, service initiation, and service facility. In terms of Quality and Productivity, Toyota bested other companies and brought home the Gold Award for both the 2013 Quality Circle Regional Convention (QCRC) and the 2013 Productivity Improvement Circles National Convention (PICNC).

For the second time in a row, the Toyota Vios was hailed as the "Automobile of the Year" in the Auto Focus People's Choice Awards in November. Based on 60% sales volume and 40% online voting, the Vios bagged the top plum being a best-seller in the market. The Vios was also awarded as the Best Subcompact Car in the said event. Aside from the Vios, Toyota and Lexus models were recognized as the best in their respective segments, as follows:

- Altis – Best Compact Car
- Camry – Best Medium Car
- 86 – Best Sports Car
- IS 350 – Best Luxury Medium Car
- RX 350 – Best Luxury Compact SUV
- Innova – Best MPV
- Land Cruiser 200 – Best Large SUV
- Hilux – Best Pick-up
- Hi-ace Best Utility Van; and
- Alphard – Best Luxury Van

For the Auto Focus Media Choice Awards, also in November, the Vios secured 2 awards, namely, the Best Design and Best Value for Money, in the Sub-compact category. Toyota also received five (5) Best Value for Money awards for the 86, Hi-ace, IS 350, RX 350 and Land Cruiser 200.

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 three months of 2014 and for the years ended December 31, 2013 and 2012, TMP registered a net income attributable to equity holders of the parent company of Php1,388 million, Php4,230 million and Php2,994 million, respectively; accounting for 35.0%, 28.3% and 9.2% of GT Capital's net income for the said periods. For the financial highlights of TMP, please refer to the section on Financial Information found elsewhere in the Prospectus.

BUSINESS–AXA PHILIPPINES

OVERVIEW

GT Capital has interests in the life insurance business through its 25% ownership of shares in AXA Philippines, one of the Philippines' largest insurance company in terms of total net premium income with Php18.3 billion reported in 2013. AXA Philippines is a joint venture between the AXA Group, global leader in insurance, and the GT Capital Group, one of the Philippines' most diversified conglomerates. AXA Philippines is a provider of personal and group insurance in the Philippines, including life insurance and investment-linked insurance products. AXA Philippines distributes its products through a multi-channel distribution network comprised of agents, bancassurance, and corporate solutions.

In 2013, AXA Philippines' gross premiums were Php18.32 billion and net insurance premiums were Php18.26 billion compared to gross premiums of Php12.31 billion and net insurance premiums of Php12.28 billion in 2012, respectively. AXA Philippines recorded a net income of Php1.2 billion in 2013 compared to Php0.9 billion in 2012. As of March 31, 2014, gross premiums amounted to Php3.5 billion. Net income for the period reached Php241 million.

AXA Philippines is part of the AXA Group, one of the world's largest insurance groups and asset managers. With 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. AXA Philippines' remaining joint venture partners are GT Capital, with a 25% shareholding and FMIC, which owns 28%, with 2% 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 through 460 salaried financial executives assigned to 640 MBT branches nationwide, 1,850 exclusive financial advisors and a small direct sales team (15 employees) for group insurance, and worksite marketing.

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 ("AXAAPH") (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 ("AXA Philippines") 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 country through its relationship with MBT.

In 2009, Ausan's shareholdings in AXA Philippines were transferred to GT Capital. In 2011, AXASA acceded to AXAAPH and assumed all rights and obligations of AXAAPH under the AXA Shareholders Agreement.

COMPETITIVE STRENGTHS

AXA Philippines believes that its principal strengths are the following:

A leading insurance provider in the Philippines

According to the annual statements furnished by Philippine insurance providers to the Philippine Insurance Commission for 2012, AXA Philippines was the fourth largest insurance company in terms of insurance premiums in the Philippines with a market share of 10%. In terms of first-year premiums and single premiums, AXA Philippines ranked third in the Philippines, with a 14% market share in 2012. AXA Philippines believes its distribution channels, strategic relationships, introduction of investment-linked insurance products and leading bancassurance model are contributing factors to its strong market position. Given its strong market position, AXA Philippines is uniquely placed to capitalize on growth in the Philippine insurance market. The industry has experienced high historical life insurance premium growth rates. According to the Philippine Insurance Commission, life insurance premiums grew from Php47.0 billion in 2005 to Php120.28 billion in 2012, representing 12.43% CAGR. Yet, the Philippine life insurance market is still characterized by a relatively low penetration rate. According to the Swiss Reinsurance Company Sigma Report, the Philippine life insurance penetration rate as a percentage of GDP in 2012 is 0.9% and life insurance premium per capita is USD23.3 –among the lowest levels in Asia.

Pioneer and market leader for bancassurance in the Philippines

AXA Philippines pioneered the bancassurance concept in the Philippines in 2004 through its tie up with the MBT Group. As of March 31, 2014, AXA Philippines distributes 68% of its insurance products through its bancassurance relationship with MBT. The MBT Group, which is the second largest Philippine bank in terms of asset size, net loans and receivables and total capital accounts as of December 31, 2013, 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 and HSBC

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 for the fifth consecutive year ranking as the 59th best brand across all categories according to Interbrand in 2013. 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.

STRATEGIES

AXA Philippines intends to leverage its strengths to build up on the following strategies:

Continue to leverage off AXA Philippines' existing relationship with MBT to maximize bancassurance distribution
AXA Philippines plans to continue to leverage its reputation as an affiliate of the MBT Group to enable it to cross-sell its products and expand its market reach. In addition, AXA Philippines plans to continue to train and streamline customer outreach at bancassurance based workstations. As a result, AXA Philippines expects to achieve 50% of its new business income from bancassurance distribution by 2015. AXA Philippines believes that it will be able to enhance its competitive strengths by continuing to leverage off of its synergies with MBT, in particular though proactive customer marketing opportunities, and by capitalizing on the quality and quantity of MBT's existing customer base, including overseas Filipinos who return to the Philippines.

Leverage AXA Philippines' agency force as an effective and productive distribution channel
AXA Philippines believes that its agency is one of the most effective and productive distribution channels for insurance. AXA Philippines plans to double the size of its agency force by 2015 to increase its total new business margin. AXA Philippines will focus on the recruitment and development of new agents and branch expansion projects to achieve its size targets in 2015. AXA Philippines expects to achieve significant agency contribution to its new business as a result.

Expand into the young mass affluent and high net worth segments
AXA Philippines' products have traditionally focused on personalized solutions for the mature mass affluent population. Going forward, AXA Philippines intends to expand its product offerings by reaching out to new segments which it believes present significant room for growth, including the young mass affluent and high net worth segments. These segments of the population have both experienced significant growth as the Philippine economy continues to perform well. AXA Philippines plans to increase its product offerings for the young mass affluent segment by offering "easy and affordable" products. AXA Philippines' new product offerings for high net worth individuals will be focused on providing wealth management and solutions for the increasing population of high net worth Filipinos. AXA Philippines has devised a "second generation of investment-linked products" for high net worth individuals that AXA Philippines believes will provide higher investment potential for the medium and long term.

Increased focus on family breadwinners
AXA Philippines believes that family bread winners have the highest need for insurance and will continue to be a key market for AXA Philippines' life insurance products. In order to meet the changing needs of this growing market, AXA Philippines has continued to develop life insurance products that offer financial protection, education, health and retirement. For example, AXA Philippines recently launched a health plan that offers maximum coverage up to age 100, and provides critical illness coverage of up to Php10 million, higher than other regular health plans. In launching its health solutions, AXA Philippines aims to establish itself as a leading provider of health and protection products in the market. AXA Philippines intends to increase its marketing efforts for this and other wealth protection products in order to serve this important customer segment.

PRODUCTS

Overview

AXA Philippines offers a range of life insurance and investment-linked insurance products in the Philippines. The following table sets for the AXA Philippines' net premium income by product type for the periods indicated:

	As of December 31,						As of March 31,	
	2011		2012		2013		2014	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)							
Participating	1,142	11%	1,156	9%	1,093	6%	264	8%
Non-participating	296	3%	341	3%	366	2%	112	3%
Investment-Linked Policies ..	8,099	81%	10,290	84%	16,229	89%	2,932	85%
Group	469	5%	526	4%	632	3%	154	4%
Total	**10,007**	**100%**	**12,312**	**100%**	**18,320**	**100%**	**3,462**	**100%**

The following table sets forth AXA Philippines' annual new premiums, value of new business and new business margin by product type for the periods indicated:

	As of December 31,									As of March 31,		
	2011(1)			2012			2013			2014		
	Annual New Premiums (2)	Value of New Business (3)	New Business Margin(4)	Annual New Premiums (2)	Value of New Business(3)	New Business Margin(4)	Annual New Premiums (2)	Value of New Business(3)	New Business Margin(4)	Annual New Premiums (2)	Value of New Business(3)	New Business Margin(4)
	(Php in millions, except for %)											
Participating	433	234	54%	214	99	46%	92	60	66%	19	9	46%
Non-participating	305	219	72%	344	235	69%	241	250	104%	99	112	114%
Investment-Linked Policies – RP......	495	400	81%	1,110	739	67%	1,663	1,169	70%	494	356	72%
Investment-Linked Policies – SP	754	507	67%	845	382	45%	1,340	621	46%	202	98	48%
Group	47	57	121%	53	56	106%	63	68	107%	15	38	247%
Total	**2,034**	**1,417**	**70%**	**2,565**	**1,512**	**59%**	**3,399**	**2,169**	**64%**	**829**	**613**	**74%**

Notes:

(1) The value of new business is net of acquisition expense over run. Expense over run is the amount of expense which exceeds what is in the pricing loadings.

(2) Annual new premiums is calculated as 100% of annualized regular premium plus 10% of single premium.

(3) Value of new business is calculated as the present value of future profits.

(4) New business margin is calculated as the value of new business divided by annual new premium.

(5) Historical group APE is restated for comparability to reflect the shift in computation from high watermark approach to single premium approach beginning 2014.

The following table sets forth AXA Philippines' regular premium/single premium breakdown of its total premium income for the periods indicated:

	As of December 31,						As of March 31,	
	2011		2012		2013		2014	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)							
Regular Premium	2,470	25%	3,862	31%	4,920	27%	1,433	41%
Single Premium	7,537	75%	8,450	69%	13,400	73%	2,030	59%

Total	**10,007**	**100%**	**12,312**	**100%**	**18,320**	**100%**	**3,462**	**100%**

The following table sets forth AXA Philippines' regular premium/single premium breakdown of its Annual Premium Equivalent for the periods indicated:

	As of December 31,						As of March 31,	
	2011		2012		2013		2014	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)							
Regular Premium	1,233	61%	1,667	65%	1,996	59%	611	74%
Single Premium	754	37%	845	33%	1,340	39%	203	24%
Group Premium...........	47	2%	53	2%	63	2%	15	2%
Total	**2,034**	**100%**	**2,565**	**100%**	**3,399**	**100%**	**829**	**100%**

Products

Life insurance contracts offered by AXA Philippines primarily include: (i) traditional whole life participating policies (with and without anticipated endowments) and a wide range of non-participating riders (i.e. accidental death and dismemberment, critical illness, hospital income and term life); (ii) investment-linked products, both regular premium and single premium with non-participating riders, including the only regularly offered principal guaranteed product in the Philippines; (iii) various non-participating products mostly catering to start-up life protection and savings needs; and (iv) U.S. dollar denominated single-premium products. In addition, AXA Philippines offers group yearly renewable term, credit life and personal accident insurance.

DISTRIBUTION CHANNELS

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. Staff hiring, retention, market conduct, streamlined sales techniques and presentations, and sales performance metrics 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, value of new business and new business margin by distribution channel for the periods indicated:

	As of December 31,									As of March 31,		
	2011(1)			2012			2013			2014		
	Annual New Premiums (2)	Value of New Business (3)	New Business Margin (4)	Annual New Premiums (2)	Value of New Business (3)	New Business Margin (4)	Annual New Premiums (2)	Value of New Business (3)	New Business Margin (4)	Annual New Premiums (2)	Value of New Business (3)	New Business Margin (4)
	(Php in millions, except for %)											
Agents............	498	340	68%	670	394	59%	987	675	68%	262	211	80%
Bancassurance	1,489	1,020	69%	1,842	1,062	58%	2,348	1,425	61%	551	364	66%
Others….........	47	57	121%	53	56	106%	63	68	107%	15	38	347%
Total	**2,034**	**1,417**	**70%**	**2,565**	**1,512**	**59%**	**3,399**	**2,169**	**64%**	**829**	**613**	**74%**

Notes:

(1) The value of new business is net of acquisition expense over run.
(2) Annual new premiums is calculated as 100% of annualized regular premium plus 10% of single premium.
(3) Value of new business is calculated as the present value of future profits.
(4) New business margin is calculated as the value of new business divided by annual new 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 24% and 27% of AXA Philippines' total new business in 2012 and 2013, respectively. AXA Philippines uses agents throughout its 30 branches located in strategic locations in Metro Manila, Cebu and Davao, as well as elsewhere throughout the Philippines. In addition to the 30 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 1,850 agents (as of March 31, 2014) by 2015.

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 59% and 64% of AXA Philippines' total new business premiums in 2012 and 2013, respectively. The cross-marketing of AXA Philippines product sat MBT branches is the main component of AXA Philippines' marketing efforts.

Corporate Solutions

Corporate solutions refer to employee benefits and corporate investment opportunities sold through group policies for corporate clients. New business leads are primarily solicited from accredited brokers, AXA Philippines' agency force and MBT's corporate client base. The main driver of selling activities is AXA Philippines' sales team, which is composed of three units: Traditional, Bankassure and Worksite. Traditional focuses on obtaining leads from brokers and agents, and through self-generated efforts. Bankassure sources prospects through bank-referred leads from MBT branches and the MBT's Corporate Banking Group. Worksite offers individual products to employees of closed corporate accounts as a supplement to their employee insurance benefits and these can be purchased on a voluntary basis. Corporate solutions accounted for 4% and 3% of AXA Philippines' total new business premiums in 2012 and 2013, respectively.

MARKETING

AXA Philippines aims to be the preferred life insurance company in the Philippines by 2015. To achieve this goal, AXA Philippines believes significant efforts and investments are necessary for increasing AXA Philippines' brand awareness. AXA Philippines' in-house marketing team utilizes both AXA Philippines and AXASA marketing campaigns to increase its brand awareness and to promote product launches. AXA Philippines pays AXASA a service fee for access to AXASA's global brand campaigns as well as assistance in formulating and executing its marketing and branding strategy within the global AXA Group guidelines. AXA Philippines utilizes several forms of advertising, including television, newspapers, magazines and billboard advertisements. In 2013, AXA Philippines spent Php37.5 million, on advertising and promotional activities; while Php34.4million was spent as of March 31, 2014 for the health campaign.

In an effort to become the preferred life insurance company in the Philippines by 2015, AXA Philippines began a company-wide movement in 2010. This call to action, dubbed "Cross the Line" by AXA Philippines' management, called for distribution channels to forego product-pushing and focus on needs-based selling; as well as for AXA Philippines to engage customers and encourage them to plan for the future. AXA Philippines has spent much of the past 4 years (2010-2013) improving its structure, enhancing its selling tools, developing expertise and launching products that are based on each customer's needs.

UNDERWRITING

AXA Philippines' underwriting process for both individual and group businesses is handled by the Underwriting Department under the umbrella of the Customer Experience Division. The processes through which AXA Philippines underwrites insurance policies are documented and standardized.

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 evaluation and adjudication of all claims (namely death, disability, medical and personal accident claims) is handled by the Medical and Claims Unit of the Customer Experience Division.

Upon receipt of the complete claim requirements, a claim will be processed by the Medical and Claims Unit which later issues a recommendation and/or routes the file to the rest of the 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 and effect a recommendation in the system and a wait pay advice.

Denied claims are routed to the head of the Customer Experience Division regardless of the amount for final disposition. Claims denied beyond the Customer Experience Division head's authority are further referred to a higher office which 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 Medical and 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. No derivative instruments, including those used in hedging transactions, are allowed under Philippine insurance regulations.

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 an arm's-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.

	As of December 31,					
	2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)					
Equity Securities						
Listed	685.6	6%	669.8	6.7%	683.3	6.6%
Unlisted	9.4	–	12.6	0.1%	12.2	0.1%
Debt Securities						
Government	8,194.4	70%	7,213.0	72.3%	6,357.2	61.5%
Private	231.1	2%	–		245.8	2.4%
Bank deposits......................	2,602.5	22%	2,065.5	20.7%	3,021.1	29.2%
Other	15.6	–	14.8	0.2%	14.0	0.1%
Total	**11,738.6**	**100%**	**9,975.8**	**100%**	**10,333.5**	**100%**

The following table sets out AXA Philippines' investment return and average annual yields for the periods indicated:

	As of December 31,					
	2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Php in millions, except for %)					
Dividend income from trading and non-trading securities	26.4	3%	20.2	3.1%	17.6	3.4%
Interest income from trading and non-trading securities	745.3	97%	623.9	96.7%	499.0	96.4%
Other	1.0	–	0.9	0.1%	1.0	0.2%
Total	**772.7**	**100%**	**645.0**	**100%**	**517.6**	**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 (e.g. AXA Wealth Equity Fund and Unit Trust Fund). 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 December 31, 2013, AXA Philippines' investments in equity securities consist of 99% listed and 1% non-listed equity securities which pertain mostly to clubshares. A significant portion of AXA Philippines' equity investments consist mainly of shares in MBT which make up 4% of AXA Philippines' 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:

- The Government's Peso bonds;
- Quasi-sovereign ("ROP") bonds; and
- Supra-national bonds. USD denominated bonds:
- The Government's US dollar denominated bonds; and
- 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 (LMIC/RIALC/BIC) and the local regulator will be sought prior to investment.

As of December 31, 2013, AXA Philippines' debt securities that consisted of investments in Government or Government guaranteed bonds amounted to Php8.2billion, or 98% 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, 2012 and 2013, AXA Philippines had bank deposits valued at Php1.7 billion and Php2.6 billion, respectively, representing 5% and 7%, respectively, of its investment assets and having an investment return of 1.6% and 2.1%, respectively. AXA Philippines' bank deposits are placed with MBT, PSBank, Citibank, LandBank, HSBC, BancodeOro, ChinaBank, UnionBank and Philippine National Bank.

COMPETITION

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 new business premium income plus single premium income and percentage of total market share for AXA Philippines and its principal competitors for 2011 to 2012.

	As of December 31,					
	2011			2012		
	Amount	% of total	Ranking	Amount	% of total	Ranking
	(Php in billions, except for %)					
1. AXA Philippines [(1)]....	7.97	17%	1	9.87	13%	4
2. GeneraliPilipinas	0.77	2%	12	2.89	4%	9
3. BPI Philam Life	5.23	11%	3	10.29	13%	3
4. Insular Life...	3.62	8%	6	5.24	7%	6
5. Sunlife.........	5.22	11%	5	10.53	14%	2
6. Philam Life & Gen.	5.22	11%	4	7.25	9%	5
7. Pru Life................	7.62	16%	2	12.91	17%	1
8.Grepalife Financial...........	1.79	4%	8	4.14	5%	7
9. Manulife (Phils)..	1.96	4%	7	3.68	5%	8
10. Philam Equitable..	0.12	0%	22	0.06	0.1%	

Source: Philippine Insurance Commission

(1) Data obtained from information contained in and derived from the Philippine Insurance Commission under its own calculation methodology, which may not reconcile with the information in AXA Philippines' audited financial statements contained herein.

The table below shows the net premium income and percentage of total market share for AXA Philippines and its principal competitors for 2011 to 2012.

	As of December 31,			
	2011		2012	
	Amount	% of total	Amount	% of total
	(Php in billions, except for %)			
1. Philam Life & Gen......................	13.5	16%	15.3	13%
2. Sunlife..	13.9	16%	20.1	17%
3. AXA Philippines (1).........................	10	12%	12.3	10%
4. Pru Life.......................................	9.9	11%	15.6	13%
5. Insular Life	7.5	9%	9.2	8%
6. BPI Philam Life..........................	6.4	7%	11.5	10%
7. Manulife (Phils)..........................	5	6%	7.5	6%
8. GrepalifeFinancial ……………...	3	4%	5.8	5%
9. United Cocolife.........................	2.9	3%	2.9	2%
10. GeneraliPilipinas………………	2.1	2%	2.9	2%

Source:PhilippineInsuranceCommission

(1) Data obtained from information contained in and derived from the Philippine Insurance Commission under its own calculation methodology, which may not reconcile with the information in AXA Philippines' audited financial statements contained herein.

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 in to 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.

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 Philippines also uses reinsurance to leverage its underwriting capacity. The total gross premium covered by third party reinsurers in 2013 was Php56 million.

ASSET AND LIABILITY MANAGEMENT AND RISK 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.

AXA Philippines has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall company and individual business unit levels. These policies define AXA Philippines' identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

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 additional space in the Philippine AXA Life Centre from PSBank and Union seal Plastic, Inc.

In early 2013, AXA Philippines transferred its head office to the 33rd-35th floors of GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati.

AXA Philippines owns certain investment properties including office space, seven condominium units and 16 parking slots at the Skyland Plaza in Makati. AXA Philippines also owns 24 adjacent lots in Don Enrique Heights Subdivision, Antipolo Rizal and a house and lot at RoyaleTagaytay Estates, Buck Estate, Alfonso, Cavite.

AXA Philippines' total investment properties accounted for 0.1% of its total assets (net of assets held to cover investment- linked liabilities) as of December 31, 2013, and 0.5% as of March 31, 2014. Currently, AXA Philippines has no plans for expansion except in the ordinary course of business.

INTELLECTUAL PROPERTY

Under the terms of the joint venture agreement between AXASA 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.

EMPLOYEES

As of March 31, 2014, AXA Philippines had 390 full-time employees, 460 bancassurance employees and 15 corporate solution employees. 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.

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 of deaths occurring within the five-year historical period of 2003-2007. IBNR for individual business is based on the product of the actual death claims paid for the year and five-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.

LEGAL PROCEEDINGS

AXA Philippines is involved in various legal proceedings. AXA Philippines believes that these proceedings will not have a material adverse effect on AXA Philippines' financial position, operating results or cashflows.

RECENT FINANCIAL PERFORMANCE

In the first three months of 2014 and for the years ended December 31, 2013 and 2012, AXA Philippines registered a net income of Php231 million, Php1,184 million and Php915 million, respectively; accounting for 2.9%, 4.0% and 3.4% of GT Capital's net income for the said periods. For the financial highlights of AXA Philippines, please refer to the section on Financial Information found elsewhere in the Prospectus.

BUSINESS – CPAIC

OVERVIEW

CPAIC, formerly known as Philippine Charter Insurance Corporation, was established in 1960 to offer non-life insurance policies to corporate and individual clients in the local market. From the merger of Charter Insurance Company and Pan Philippine General Insurance Corporation in 1988, acquisition by MBT Group in 2008 to change of corporate name in 2012; CPAIC has proven to be a market leader as it continued to rise in the yearly industry rankings. Through its network of 19 branches and 846 agents and brokers, CPAIC offers to its individual and corporate clients various insurance products that fall under fire or property, motor car, bonds, personal accident, marine cargo and hull, casualty and engineering insurance. As of March 31, 2014, fire/property and motor car insurance products accounted for 62% of CPAIC's gross premiums written (GPW).

CPAIC is one of the leading players in the local non-life insurance industry in terms of performance and size. In 2012, CPAIC ranked 6th and 4th in terms of GPW and NPW, respectively.

PRODUCTS & SERVICES

CPAIC 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:

Motor Car Insurance

CPAIC's motor car insurance provides comprehensive coverage for vehicles. Coverage for Own Damage (OD)/Theft, Excess Bodily Injury (EBI) and Third Party Property Damage (TPPD) is a standard feature of this product. On the other hand, coverage for Acts of Nature (AON) and Unnamed Passenger Personal Accident (UPPD) is a feature that can be added to make the product more comprehensive.

Fire Insurance

CPAIC provides coverage for property/ies (i.e., building, contents, improvements, etc.) against unforeseen losses due to perils. A product that is designed to protect hard-earned investments in the midst of the vulnerability of modern society to natural catastrophes, Fire Insurance provides protection against damage to property, its contents including works of art (optional) brought about by such perils as fire and lightning, weather damage and other insured perils.

Bonds

Bond is a three-party agreement where CPAIC (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.

CPAIC offers bonds for construction projects, service agreements, judicial or quasi-judicial proceedings, bank requirements and licensing requirements of different government agencies.

Marine Insurance

Raw materials and goods need to be transported to reach their users. The means with which they are transported needs to be efficient and secure. CPAIC offers Marine Cargo Insurance which 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

CPAIC's Personal Accident 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

This type of 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

This type of 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.

Special Products

My Security

My Security provides Personal Accident Insurance for a person and his family depending on the coverage chosen. Coverage includes Murder & Assault, Medical Reimbursement and Accident Burial Expense.

Home Security

Home Security is a comprehensive property insurance for homeowners and renters whose properties' external walls are constructed with concrete or concrete with wood and are exclusively used for residential purposes only. It provides one with property cover against fire and lightning, AON (earthquake [EQ], typhoon [TY], and flood [FLD]) with riot/strike, malicious damage, extended coverage, with added benefits such as rental and relocation expense (for the owner of the building or its tenant), personal accident, and personal liability.

Auto Security

Auto Security is a comprehensive motor car insurance package which covers privately-used vehicles such as sedans, AUVs, SUVs and pick-ups, no more than six (6) years old, with a minimum fair market value (FMV) of Php300,000.00. Car insurance package may include:

- Third Party Liability Cover
- Loss or Damage Cover
- Alternative Transportation Allowance
- Unnamed Passenger Personal Accident (UPPA)
- 24/7 Charter Ping An Roadside Assistance
- Optional Covers

Condo Security

Condo Security is a comprehensive property insurance package which covers contents and improvements of a condominium unit. It provides one with property cover against fire and lightning, AON (EQ, TY,FLD) with riot/strike, malicious damage, extended coverage, with added benefits such as personal accident, third party liability, burglary/robbery, fire-fighting expense, debris removal, rental income, deterioration of stocks, parking slot, accidental breakage of mirrors, household helpers (personal accident and property damage – due to insured perils).

Business Security

It is a comprehensive insurance package that meets the insurance needs of an entity's or a person's growing business. There is no need to get separate insurances for each risk. Business Security provides coverage from the minimum required Comprehensive General Liability (CGL) of the local government to wrong doing of the employees.

Business Security provides property insurance (fire-fighting expense, debris removal compensation, professional fees, robbery & burglary), Comprehensive General Liability (fire legal liability, tenant's liability, premises medical payment), Personal Accident Insurance, Money, Securities & Payroll, Fidelity Guarantee, Deleterious Matter in Food and Drinks and an optional coverage of Business Interruption. This is applicable to stores, shops, offices, restaurants, clinics, kiosks, beauty salon, water refilling stations and other businesses subject to underwriting approval.

Other Products

Bayaning Pinoy

Insurance coverage for the modern-day hero, the Overseas Filipino Worker (OFW), Bayaning Pinoy provides a personal accident insurance to assist the OFW to be able to recover from an accident. It comes with services that can be availed of (emergency medical evacuation, emergency medical repatriation, repatriation of mortal remains and compassionate visit) while deployed in the country of assignment.

Compulsory insurance Coverage for Agency-Hired Migrant Workers

Republic Act of 10022 "aims to provide insurance support to Filipino migrant workers as part of the State Responsibility to afford and ensure the protection and promotion of their fundamental rights and welfare". In response to the requirements of the law, Compulsory Insurance for Agency-Hired Migrant Workers provides all the insurance coverage as mandated by law. The OFW is protected with personal accident insurance and services are available should they need it while deployed abroad.

Value-Added Services

Roadside Assistance

In the event that the insured vehicle is immobilized due to accident or mechanical breakdown, CPAIC will provide roadside assistance through its approved service provider. The following are the available services:

- Emergency towing of up to the specified limit
- Removal of Vehicle / Crane Services up to the specified limit
- Emergency Minor Roadside Repairs up to the specified limit
- Travelling Expenses
- Referral to Accredited Repair Shop
- Hospital Admission
- Ambulance Assistance
- Legal Assistance
- Emergency Message Relay
- Program Benefits Inquiry
- Directory Assistance
- General Claims Assistance
- LTO Registration Assistance

Travel Assistance

When the insured is more than 150 kilometers away from his usual place of residence or in another country which is not the country of residence, the Travel Assistance is activated. Coverage is in effect during all personal, vacation and business travel.

- Medical Consultation, Evaluation and Referral
- Medical Monitoring and Case Management
- Prescription Assistance
- Hospital Admission Assistance
- Emergency Medical Evacuation
- Compassionate Visit
- Care of Minor Children
- Medical Repatriation
- Emergency Message Transmission
- Return of Mortal Remains
- Lost Luggage or Document Assistance
- Pre-Trip Information
- Legal and Interpreter Referrals
- Emergency Cash Coordination

Life Insurance

Initially offered to comprehensive Motor Car policies, CPAIC provides free life insurance cover for the policyholders with the following features:

- Life insurance cover worth Php50,000
- 24/7 insurance coverage
- Policyholder may be covered based on the number of insured units, maximum of ten or Php500,000
- Waiver of medical evaluation
- Waiver of contestability period

Contribution to Revenues

CPAIC's GPW, NPW and net premiums earned (NPE) for the years ended 2011, 2012 and 2013 and for the period ended March 31, 2014 are as follows:

In Php Million	2011	2012	2013	For the period ended March 31, 2014
GPW	2,257.4	2,893.7	3,513.9	840.9
NPW	1,267.1	1,613.2	1,823.6	496.4
NPE	1,176.8	1,447.3	1,653.8	441.3

The breakdown of CPAIC's GPW as to product line for the years ended 2011, 2012 and 2013 and for the period ended March 31, 2014 is as follows:

	2011		2012		2013		For the period ended March 31, 2014	
	Php million	% of Total	Php million	% of Total	Php million	% of Total	Php million	% of Total
Fire or Property	898.7	40%	1,063.1	37%	1,311.2	37%	255.6	30%
Motor Car	686.0	30%	832.8	29%	1,049.6	30%	269.5	32%
Other lines	672.8	30%	997.9	34%	1,153.1	33%	315.9	38%
Total	2,257.4	100%	2,893.7	100%	3,513.9	100%	840.9	100%

DISTRIBUTION METHODS OF PRODUCTS AND SERVICES

CPAIC's interactions with its clients or policyholders are through its distribution networks, sales channels, partners and those with mutual business interests:

Branches

CPAIC has 19 branches nationwide, located in Manila, Quezon City, Muntinlupa, Caloocan, Calamba Laguna, Batangas, Naga, Tarlac, Dasmarinas Cavite, San Fernando Pampanga, Baguio City, Urdaneta Pangasinan, Isabela, Iloilo, Bacolod, Cebu, Cagayan de Oro, Davao and General Santos.

Sales Channels

The CPAIC'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.

Innovation and Promotion

In 2013, the CPAIC initiated several drives to elevate awareness and branding:

- Payment of insurance premiums may be made through credit card payment facility. This service is available in the Main Office, Manila, Quezon City, Cebu and Davao branches.
- Clients can now easily access CPAIC's products and services through its newly-renovated interactive website.
- The MBT Referral Program's Account Specialist Plus was implemented in Dumaguete, Palawan and Tuguegarao aimed to exploit untapped productive market.
- Creating Regional Managers for Luzon, Visayas, Mindanao and Metro Manila branches is one major infrastructure in the Sales Division aimed to serve agents' clamor for immediate risk acceptances and claims settlement processes.
- The Human Resource and Information System (HRIS) enabling employees to systematically file and track work activities.
- The Pipeline System provides Sales Units to monitor business accounts.
- Short Message System (SMS) was positioned to keep agents updated of the Company policies and activities.
- Launching of Sales rallies effective the whole year of 2013.
- Events to promote the Company such as Binibining Pilipinas sponsorship, Million Producers Nights for top producers, sports fests for Intermediaries and Corporate Social Responsibility (CSR) projects.
- Competition

Based on the Insurance Commission's Industry Ranking for the last five years, the average industry growth in terms of GPW is at 10% while CPAIC's average growth is at 20%. In terms of GPW, it is noteworthy that CPAIC rose a notch higher from 7th to 6th place, and equally so with the NPW from 5th to 4th place as of December 31, 2012.

The top ten non-life insurance companies control 67% share in the insurance industry in terms of GPW. CPAIC's 2012 market share was 5%.

The Philippine insurance industry is thriving, growing and competitive as it anticipates the ASEAN Free Trade Agreement which is expected to commence in 2015. The challenge of capital requirements, new regulations including enhancements of several sections in the Insurance Code led to a number of consolidation of insurance companies and foreign interests. The industry is keen on generating sound catastrophic cover as the country has been faced and shall continuously deal with natural disasters brought about by worldwide climate change.

Tax is an issue as the non-life insurance industry is heavily burdened with several taxes which vary on a per product basis. A number of arguments have been raised on tax issues as majority of neighboring Asian countries charge minimal tax dues which are within regional norms.

Several organizations within the banking sector maximize the insurance business opportunity by cross selling through the bancassurance platform, governed and regulated by BSP. This has become a new channel to raise insurance awareness touching base directly with customers. The Philippine government through the Insurance Commission, in addition, has been promoting micro-insurance all over the country.

Primary products sold in the country are the traditional lines. Motor Car insurance, is becoming a new driver in terms of premium volume.

As of December 31, 2013, the Philippine insurance industry is composed of a total 69 non-life insurance companies and 4 composite life and non-life.

EFFECT OF EXISTING OR PROBABLE GOVERNMENT REGULATIONS

In February 4, 2013, the Senate passed on third and final reading Senate Bill 3280, which seeks to amend the 38 year-old Insurance Code by formulating a legal framework to allow the insurance industry to pave the way for a stronger insurance sector in preparation for the integration of member economies of the ASEAN by 2015.

The Amendments as embodied in the New Insurance Code (R.A 10607) are as follows:

1. Section 77: No credit extension to a duly licensed intermediary should exceed 90 days from date of issuance of the policy.

2. Section 193: The Certificate of Authority issued by the Commissioner to the Insurance Company shall expire on the last day of December, three (3) years following its date of issuance, and shall be renewable every three (3) years thereafter.

3. Section 194: The capital requirement will increase every three years until 2022. Instead of the Minimum Paid Up Capital, the new basis will be Net Worth defined as paid up capital plus retained earnings plus unimpaired surplus plus revaluation of assets.

The new code gradually increases the capitalization requirements of insurance companies which would encourage mergers and acquisitions among industry players.

Net Worth Level	Effective Dates
Php250 million	As of June 30, 2013
Additional Php300 million or Php550 million	As of December 31, 2016
Additional Php350 million or Php900 million	As of December 31, 2019
Additional Php400 million or Php1.3 billion	As of December 31, 2022

As of August 31, 2013, CPAIC was already in compliance with the capitalization requirement as it had a net worth or stockholders' equity of Php1.3 billion.

4. Section 307: It is stated that the License of Insurance Agents and Insurance Brokers shall expire after the thirty – first (31st) day of December of the third year following the date of issuance unless it is renewed.

PATENTS, TRADEMARKS, COPYRIGHTS, LICENSES, FRANCHISES, CONCESSIONS, AND ROYALTY AGREEMENTS HELD

CPAIC has registered with the Intellectual Property Office its trade name and logo on February 12, 2012. On November 8, 2012, a Certificate of Registration was issued. Subsequently, the 3rd year Declaration of Actual Use was accepted in a Notice of Acceptance of Declaration of Actual Use dated May 9, 2013.

GOVERNMENT APPROVAL OF PRINCIPAL PRODUCTS OR SERVICES

All products are developed and duly submitted and approved by the Insurance Commission.

RESEARCH AND DEVELOPMENT COSTS

Product development and creation of value-added services is organized and managed by CPAIC in compliance and approval of any authority based on the nature or requirements of the services.

EMPLOYEES

As of March 31, 2014, CPAIC has a total of 371 employees with 17 senior officers, 42 junior officers, 51 supervisors, 255 rank and file, and 6 consultants. There is no labor union and hence, there is no collective bargaining agreement. Currently, CPAIC has no plans of additional hiring except in the ordinary course of business operation and only to fill-up positions vacated due to separation of employees.

PROPERTIES

CPAIC'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.

CPAIC has 19 branches nationwide: 4 in Metro Manila; 9 in 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.

LEGAL PROCEEDINGS

CPAIC is involved in various legal actions arising in its ordinary course of business. From among these legal actions are four major cases in which CPAIC has strong legal positions; hence, these would not have any material adverse effect on its financial position, operating results and cash flows.

RECENT FINANCIAL PERFORMANCE

In the first three months of 2014 and for the year ended December 31, 2013, CPAIC registered a net income of Php55 million and Php190 million, respectively; accounting for 2.4% and 0.3% of GT Capital's net income for the said periods. For the financial highlights of CPAIC, please refer to the section on Financial Information found elsewhere in the Prospectus.

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 TCI; and Mitsui & Co., Ltd., one of Japan's largest general trading companies with the latter acquiring 40% share of the company. 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 March 31, 2014, TMBC sells a full lineup of Toyota brands. Passenger Cars (PC) consist of sub-compact-sized Vios, Yaris, Wigo and Prius; compact-sized Prius and Corolla Altis; mid-sized Camry and sports car 86. Commercial Vehicles (CV) include pick-ups, SUVs, multi-purpose vehicles, vans and mini-buses such as Hiace, Previa, Alphard, Coaster, Hilux, Land Cruiser, FJ Cruiser, Fortuner and RAV4.

Parts sales

TMBC offers a wide range of Toyota genuine parts, accessories, oils and chemicals.

After-sale services

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

The table below shows the sales 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 three-month period ended March 31, 2014:

Category	2011		2012		2013		Three-month period ended March 31, 2014	
	Sales (Php Mil)	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*
Vehicle sales	5,221	91.5%	7,380	92.9%	8,775	93.0%	2,471	92.9%
Parts sales	288	5.0%	347	4.4%	410	4.3%	116	4.3%
Aftersales Services	194	3.5%	218	2.7%	255	2.7%	72	2.8%
TOTAL	**5,703**	**100%**	**7,945**	**100%**	**9,440**	**100%**	**2,659**	**100%**

DISTRIBUTION METHODS OF PRODUCTS AND SERVICES

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

- Toyota Manila Bay (TMB) – located in Pasay City, Metro Manila
- TDM – located in Dasmarinas, Cavite
- TAS – located in Manila City

The table below sets out the geographic breakdown of the number of vehicle sales units for the periods indicated.

Outlet	2011		2012		2013		As of March 31, 2014	
	Sales	*% to Total*	*Sales*	*% to Total*	*Sales*	*% to Total*	*Sales*	*% to*

	(Php Mil)	*Revenues*	*(Php Mil)*	*Revenues*	*(Php Mil)*	*Revenues*	*(Php Mil)*	*Total Revenues*
TMB	3,304	57.9%	3,872	48.7%	4,502	47.6%	1,250	47.0%
TDM	1,469	25.8%	1,959	24.7%	2,480	26.2%	690	25.9%
TAS	930	16.3%	2,114	26.6%	2,459	26.2%	719	27.1%
TOTAL	**5,703**	**100%**	**7,945**	**100%**	**9,441**	**100%**	**2,659**	**100%**

COMPETITION

Market Trends

For the main discussions on market trends, see "– Business – TMP – Competition".

In aftersales services, main competitors of TMBC are other Toyota dealers and three-star workshops and to some extent, gasoline stations offering after sales service.

Advantage over competitors

Given the tight competition in the Philippine automotive market, TMBC sold new vehicles the most among Toyota dealers in 2013. TMBC boasts of its financial strength and wide marketing network within the GT Capital group.
Customers

CUSTOMERS

In addition to general consumer sales, TMBC also sold to fleet accounts such as taxi companies. The chart below shows TMBC outlet's customer statistics respectively.

Outlet	**As of March 31, 2014**			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TMB	138	11.9%	1,017	88.1%
TDM	44	6.6%	614	93.4%
TAS	121	18.3%	537	81.7%
TOTAL	**303**	**12.3%**	**2,168**	**87.7%**

Outlet	**As of December 31, 2013**			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TMB	548	12.9%	3,687	87.1%
TDM	248	10.8%	2,053	89.2%
TAS	246	10.2%	2,167	89.8%
TOTAL	**1,042**	**11.6%**	**7,907**	**88.4%**

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 every year.

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.

EMPLOYEES

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

	2012	2013	As of March 31, 2014
Regular employees	308	363	371
Officers	18	19	19
Team members	290	344	352
Probationary	3	7	12
Outside contractors	254	255	259
Agency-contracted	165	135	121
Fixed term employee	89	120	138
TOTAL	**565**	**625**	**642**

PROPERTIES

The following table provides a breakdown of TMBC outlet's properties respectively as of March 31, 2014.

Outlet	Under Lease or Owned	Lot Area	Remarks
TMB	Lease	5,205sqm	Parking
		5,264sqm	Stockyard
	Owned	5,000sqm	
TDM	Owned	8,891.11sqm	
TAS	Lease	4,631.28sqm	Showroom and Service
		1,802.20sqm	Stockyard
	Sublease (MBT)	178sqm	Right beside showroom area

LEGAL PROCEEDINGS

TMBC is not involved in any significant pending legal proceedings.

RECENT FINANCIAL PERFORMANCE

In the first three months of 2014 and for the year ended December 31, 2013, TMBC registered a net income of Php32 million and Php111 million, respectively; accounting for 0.8% and 0.0% of GT Capital's net income for the said periods. For the financial highlights of TMBC, please refer to the section on Financial Information found elsewhere in the Prospectus.

BUSINESS – TCI

OVERVIEW

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). As of March 31, 2014, TCI is 89.05%-owned by GT Capital Holdings, Inc. The balance of the TCI shares is held by individual stockholders. TCI is authorized by TMP to distribute and retail Toyota products in the Philippines. TCI'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 March 31, 2014, TCI sells a full line-up of Toyota vehicles. Passenger Cars (PC) consist of sub-compact-sized Vios, Yaris and Wigo; compact-sized Prius and Corolla Altis; mid-sized Camry and sports car 86. Commercial Vehicles (CV) include pick-ups, SUVs, multi-purpose vehicles, vans and minibuses such as Hiace, Previa, Alphard, Coaster, Hilux, Land Cruiser, FJ Cruiser, Fortuner and RAV4.

Parts Sales

TCI offers a wide range of Toyota genuine parts, accessories, oils and chemicals.

After-sale Services

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

The table below shows the sales 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 three-month period ending March 31, 2014:

Category	**2011**		**2012**		**2013**		**Three-month period ending March 31, 2014**	
	Sales (Php Mil)	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*
Vehicle sales	3,497	92.0	3,994	92.5	3,915	92.0	987	91.5%
Parts sales	227	6.0	242	5.6	252	5.9	67	6.2%
Aftersales Services	77	2.0	81	1.9	87	2.1	25	2.3%
TOTAL	**3,801**	**100%**	**4,317**	**100%**	**4,254**	**100%**	**1,079**	**100%**

DISTRIBUTION METHODS OF PRODUCTS AND SERVICES

TCI provides its products and services to customers through the following dealer outlets:

- TCI – located in Quezon City
- TMSS – located in Marikina City

The table below sets out the geographic breakdown of vehicle sales revenues for the periods indicated.

Outlet	**2011**		**2012**		**2013**		**Three-month period ending March 31, 2014**	
	Sales (Php Mil)	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*	*Sales (Php Mil)*	*% to Total Revenues*
TCI	2,416	69.1%	2,893	72.4	2,788	71.2	720	72.9
TMSS	1,081	30.9%	1,101	27.6	1,127	28.8	267	27.1
TOTAL	**3,497**	**100%**	**3,994**	**100%**	**3,915**	**100%**	**987**	**100%**

COMPETITION

Market Trends

For the main discussions on market trends, see "– Business – TMP – Competition".

In after-sale services, main competitors of TCI are other Toyota dealers and three-star workshops and to some extent, gasoline stations offering after-sale services.

Advantage over competitors

Given the tight competition in the Philippine automotive market, TCI maintains its position as one of the top dealers among Toyota network in 2014. TCI boasts of its financial strength and wide marketing network within the GT Capital group.

CUSTOMERS

In addition to general consumer sales, TCI also sells to fleet accounts such as taxi companies. The chart below shows TCI outlet's customer statistics respectively.

Outlet	**Three-month period ending March 31, 2014**			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TCI	274	31.5%	597	68.5%
TMSS	104	31.4%	227	68.6%
TOTAL	**378**	**31.4%**	**824**	**68.6%**

Outlet	**2013**			
	Sales Volume to Fleet	*% to Total Sales Volume*	*Sales Volume to Retail*	*% to Total Sales Volume*
TCI	1,162	36.0%	2,067	64.0%
TMSS	442	36.0%	787	64.0%
TOTAL	**1,604**	**36.0%**	**2,854**	**64.0%**

INNOVATION AND PROMOTION

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

INTELLECTUAL PROPERTY

TCI acquired the rights to use the “Toyota” brand names through the Toyota Dealership Agreement with TMP. If TCI’s annual performance can meet TMP’s requirements, the dealership agreement is renewed every February of every year.

REGULATORY AND ENVIRONMENTAL MATTERS

The Philippines 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 which may result in more spending, TCI may be affected indirectly.

EMPLOYEES

The following table provides a breakdown of TCI’s employees for the periods indicated.

	2012	**2013**	**As of March 31, 2014**
Regular employees	231	233	236
Officers	23	23	23
Team members	208	210	213
Probationary	12	6	4
Outside contractors	182	192	187
Agency-contracted	83	81	82
Fixed term employee	99	111	105
TOTAL	**425**	**431**	**427**

PROPERTIES

The following table provides the breakdown of TCI outlets’ properties as of March 31, 2014.

Outlet	Under Lease or Owned	Lot Area	Remarks
TCI	Owned Lease	3,542 sqm 9,320 sqm	Showroom and Service Service Extension and Stockyard
TMSS	Lease Lease	2,062 sqm 408 sqm	Showroom and Service Stockyard

LEGAL PROCEEDINGS

TCI is not involved in any significant pending legal proceedings.

RECENT FINANCIAL PERFORMANCE

In the first three months of 2014, TCI registered a net income of Php6 million. TCI was consolidated to GT Capital effective March 31, 2014. As a result, TCI had no contribution yet to GT Capital's net income as of March 31, 2014. For the financial highlights of TCI, please refer to the section on Financial Information found elsewhere in the Prospectus.

MARKET PRICE OF AND DIVIDENDS ON GT CAPITAL'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 sales prices for each period since the listing of the common shares are as follows:

	2012	
(In Php)	High	Low
2nd Quarter (April 20 to June 30)	520.00	455.40
3rd Quarter (July 1 to Sept 30)	565.00	499.00
4TH Quarter (Oct 1 to Dec 31)	677.50	522.00
	2013	
1st Quarter (Jan 1 to March 31)	805.00	631.00
2nd Quarter (April 1 to June 30)	883.50	690.00
3rd Quarter (July 1 to Sept 30)	873.00	685.00
4th Quarter (Oct1 to Dec 31)	899.00	706.00
	2014	
1st Quarter (Jan 1 to Mar 31)	850.00	718.00

**Source: Bloomberg*

As of March 31, 2014, the closing price of the Company's shares of stock is Php785.50/share.

The top 20 Stockholders (common shares) as of March 31, 2014:

NAME OF STOCKHOLDER	NO. OF SHARES *	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1. GRAND TITAN CAPITAL HOLDINGS, INC.	103,371,110	59.306
2. PCD NOMINEE (NON-FILIPINO)	58,406,484	33.509
3. PCD NOMINEE (FILIPINO)	11,886,055	06.819
4. TY, GEORGE SIAO KIAN	200,000	00.115
5. TY, ARTHUR VY	100,000	00.057
TY, ALFRED VY	100,000	00.057
6. TY, MARY VY	99,000	00.057
7. DE CASTRO, SALUD D.	30,000	00.017
8. ASIAN HOLDINGS CORPORATION	10,000	00.006
CENTURY SAVINGS BANK, CORP.	10,000	00.006

GOTIANSE, VINCENT C. LEE	10,000	00.006
9.LIM, DOMINGO U.	7,000	00.004
10. CHUA CO KIONG, WILLIAM N.	6,500	00.004
11. CHAN, ASUNCION C.	6,000	00.003
12. GOTIANSE, PAUL LEE	5,000	00.003
TING, ELIZABETH H.	5,000	00.003
13. CHOI, ANITA C.	4,000	00.002
14. MAR, PETER OR ANNABELLE MAR	3,000	00.002
15. BAGUYO, DENNIS G.	2,250	00.001
16. CHOI, DAVIS C.	2,000	00.001
CHOI, DENNIS C.	2,000	00.001
CHOI, DIANA C.	2,000	00.001
CROSLO HOLDINGS, CORP.	2,000	00.001
17. SYCIP, WASHINGTON Z.	1,800	00.001
18. TY, MICHAEL D. OR LILY Y. TY	1,750	00.001
19. PATERNO, ROBERTO L.	1,100	00.001
20. ANG, GERRY	1,000	00.001
BAUTISTA, MARIA CARMELO LUZA	1,000	00.001
BELMONTE, MIGUEL	1,000	00.001
BENGSON, MANUEL QUINTOS	1,000	00.001
BESHOURI, CHRISTOPHER P.	1,000	00.001
CHUA CO KIONG, CELY Y.	1,000	00.001
CHUA CO KIONG, WILLIAM N. &/OR	1,000	00.001
CUA, SOLOMON	1,000	00.001
PARAS, WILFREDO A.	1,000	00.001
PUNO, RODERICO	1,000	00.001
VALENCIA, RENATO C.	1,000	00.001

Dividends

GT Capital

The Company declares dividends whenever there are unrestricted retained earnings available. Such declaration will take 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.

The Company paid cash dividends to its shareholders in 2011, 2012 and 2013 in the amounts of Php500.0 million, Php500.9 million, and Php522.9 million, respectively. On March 11, 2014, the Company declared cash dividends amounting to Php522.9 million (equivalent to Php3.00 per share), with record date set on April 8, 2014, and payment date on May 2, 2014.

Component Companies

MBT, GBP and TCI declare and pay dividends out of their unrestricted retained earnings and in accordance with the approval of their respective boards of directors, company policies and operational requirements. However, in the case of MBT, such declaration is subject to prior approval of the BSP.

TMP, on the other hand, maintains an annual cash dividend payment ratio equivalent to 100% of its prior-year net income, subject to the availability of retained earnings and operational requirements. Its board of directors may, at any time, modify such dividend ratio.

Fed Land, AXA Philippines, CPAIC and TMBC have no specific dividend policies. However, in the case of AXA Philippines and CPAIC, any dividend declaration is governed by the provisions of the New Insurance Code.

The cash dividends received by the GT Capital over the past 3 years and as of March 31, 2014 are as follows:

Payee / Received From (Php Millions)	**2011**	**2012**	**2013**	**As of March 31, 2014**
Federal Land	80.0	0.0	100.0	0.0
Global Business Power	0.0	1870.0	1,017.8	0.0
Toyota Motor Phils	681.7	457.4	1,527.0	0.0
Metrobank	530.2	530.2	530.2	689.3
Philippine AXA Life	283.9	201.4	225.7	0.0
Total	1,575.8	3,059.0	3,400.7	689.3

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 investors priced at Php620.00 per share. Grand Titan Holdings, Inc., GT Capital's controlling shareholder, sold existing shares and concurrently subscribed to 16,300,000 new common shares issued by GT Capital, at the same price as the Placement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION 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, 2013, 2012 and 2011 and the notes thereto, and (iii) the unaudited interim condensed consolidated financial statements as at and for the period ended March 31, 2014.

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, CPAIC and TCI, and as equity in net earnings of its associates and joint ventures, namely MBT, AXA Philippines and TMBC. 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

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 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 Joint Ventures
Equity in net income of associates represents GT Capital's share in the results of operations of its associates and joint ventures based on its effective ownership in those associates and joint ventures. Only companies in which GT Capital Group's ownership exceeds 20% are equitized. Equity-accounted associates and joint venture consist of MBT, TMBC and AXA Philippines at GT Capital level and Federal Land Orix Corporation ("FLOC") and Bonifacio Landmark Realty and Development Corporation ("BLRDC") 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.

Net premium earned
Gross premiums written is the sum of both direct premiums written and assumed premiums written during the year before the effect of ceded reinsurance. Net premiums written is the sum of all types of insurance premiums collectible throughout the whole duration of existing insurance policies less payments made for reinsurance. Only premiums pertaining to the relevant accounting period are recognized as revenues. These premiums are called net premiums earned.

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.

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. Interest rates on these customer loans currently range from 8.0% to 12.0% 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.

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.

Interest income
Interest income earned from banks represents interest earned from short-term placements, deposits and savings accounts maintained with banks.

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 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
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.

Power plant operations and maintenance costs
Power plant operations and maintenance costs 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.

Net insurance benefits and claims
Gross insurance contract 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.

THREE MONTHS ENDED MARCH 31, 2014 COMPARED TO THREE MONTHS ENDED MARCH 31, 2013

GT CAPITAL CONSOLIDATED STATEMENTS OF INCOME	UNAUDITED			
	Quarter Ended March		Increase (Decrease)	
(In millions, except for Percentage)	2014	2013	Amount	Percentage
REVENUE				
Automotive operations	**23,626**	13,169	10,457	79%
Net fees	**4,004**	3,861	143	4%
Real estate sales and interest income on real estate sales	**1,691**	1,086	605	56%
Equity in net income of associates and joint ventures	**723**	2,218	(1,495)	(67%)
Net premium earned	**441**	-	441	100%
Rent income	**175**	154	21	14%
Sale of goods and services	**163**	170	(7)	(4%)
Interest income from deposits and investment securities	**86**	117	(31)	(26%)
Commission income	**47**	61	(14)	(23%)
Gain on previously held interest	**-**	1,260	(1,260)	(100%)
Other income	**167**	145	22	15%
	31,123	22,241	8,882	40%
COST AND EXPENSES				
Cost of real estate sales	**998**	743	255	34%
Cost of goods and services sold	**14,827**	8,256	6,571	80%
Cost of goods manufactured	**5,983**	3,331	2,652	80%
Power plant operation and maintenance expenses	**2,331**	1,980	351	18%
General and administrative expenses	**2,587**	1,884	703	37%
Interest expense	**823**	851	(28)	(3%)
Net insurance benefits and claims	**180**	-	180	100%
COSTS AND EXPENSE	**27,729**	17,045	10,684	63%
INCOME BEFORE INCOME TAX	**3,394**	5,196	(1,802)	(35%)
PROVISION FOR INCOME TAX	**605**	404	201	50%
NET INCOME	**2,789**	4,792	(2,003)	(42%)
ATTRIBUTABLE TO:				
EQUITY HOLDERS OF THE PARENT COMPANY	**1,737**	3,969	(2,232)	(56%)
NON-CONTROLLING INTEREST	**1,052**	823	229	28%
	2,789	4,792	(2,003)	(42%)

GT Capital Holdings, Inc. ("GT Capital" or the "Parent Company" or the "Company") reported a consolidated net income attributable to equity holders of the Parent Company of Php1.7 billion for the three months ended March 31, 2014, representing a 56% decline over the Php4.0 billion recorded in the same period last year. Consolidated revenue, however, increased by 40% from Php22.2 billion in the first quarter of 2013 to Php31.1 billion in the first quarter of 2014.

The revenue growth came from the following sources: (1) consolidation of Toyota Motor Philippines Corporation ("TMP") as auto sales increased fromPhp13.2 billion to Php23.6 billion accounting for 76% of total revenue; (2) Net fees increased from Php3.9 billion to Php4 billion; (3) higher real estate sales and interest income on real estate sales from Php1.1 billion to Php1.7 billion; and (4) consolidation of Charter Ping An Insurance Corporation (CPAIC).

Core net income attributable to equity holders of the Parent Company reached Php1.7 billion, a decline of 36% from the same period of the previous year, after excluding the Php1.3 billion non-recurring income from the remeasurement of GT Capital's 36% previously held interest in TMP following GT Capital's acquiring of effective control in TMP.

Federal Land, Inc. ("Fed Land"), Global Business Power Corporation (GBPC), TMP, CPAIC and TCI are consolidated in the financial statements of the Company. The other component companies Metropolitan Bank and Trust Company ("Metrobank"), Philippine AXA Life Insurance Corporation ("AXA Philippines") and Toyota Manila Bay Corporation (TMBC) are presented through equity accounting.

Of the eight (8) component companies, GBPC, Metrobank, AXA Philippines and CPAIC registered decreases in net income for the period in review. TMP, Fed Land, TCI and TMBC posted double digit increases in their respective net income.

Automotive operations comprising the sale of assembled and imported auto vehicles and parts increased by 79.4% from Php13.2 billion in the first quarter of 2013 to Php23.6 billion in the first quarter of 2014.

Net fees from GBPC contributed Php4.0 billion in the first quarter of 2014 from Php3.9 billion in the first quarter of 2013.

Real estate sales and interest income on real estate sales rose by 56% year-on-year from Php1.1 billion to Php1.7 billion driven by sales contributions from ongoing high-end and middle market development projects situated in Pasay City, Quezon City, Escolta, Manila, Cebu, Bonifacio Global City, and Marikina City.

Equity in net income of associates and joint ventures was 67% lower from Php2.2 billion to Php0.7 billion as net income from Metrobank and AXA Philippines declined for the period. The decrease in Metrobank's net income was chiefly due to a decline in trading, security and foreign exchange gains. Metrobank's net income contribution also excluded the one-time gain on the sale of First Metro Investment Corporation's direct equity stakes in CPAIC, TMBC and TCI as the sale constitute intercompany sale within the GT Capital Group which is eliminated in the consolidation. AXA Philippines net income also declined from Php324 million in the first quarter of 2013 to Php241 million in the first quarter of 2014 primarily due to a decline in premium revenue, reduction in investment income from non-linked investments, and higher corporate support expenses and higher business and income taxes.

Net premium earned from CPAIC comprising gross earned premiums on non-life insurance contracts, net of reinsurer's share, contributed Php0.4 billion in revenues.

Rent income mainly from the GT Tower International office building, the Blue Wave malls, the Blue Bay Walk and Florida Sun Estates increased by 14% from Php154 million to Php175 million.

Interest income from deposits and investment securities (excluding interest income on real estate sales) declined by 26% year-on-year from Php117 million to Php86 million due to a decrease in interest rates on short-term investments.

Commission income dropped by 23% year-on-year from Php61 million to Php47 million as sales from Bonifacio Landmark Realty Development Corporation and Federal Land Orix Development Corporation declined for the period.

Other income grew by 15% from Php145 million to Php167 million with Fed Land contributing Php108.4 million comprising forfeitures, management fees, dividend income and other income; TMP accounting for Php38.7 million comprising gain on sale of fixed assets and other income, GBPC contributing Php11.7 million while the remaining Php8 million came from CPAIC.

Consolidated costs and expenses grew by 63% from Php17.0 billion in the first quarter of 2013 to Php27.7 billion in the first quarter of 2014. TMP contributed Php21.8 billion comprising cost of goods and services sold for manufacturing and trading activities, selling, general and administrative expenses and interest expenses. GBPC contributed Php3.6 billion comprising power plant operations and maintenance, general and administrative expenses and interest expenses. Fed Land contributed Php1.8 billion consisting of cost of real estate sales, cost of goods and services, general and administrative expenses and interest expenses. CPAIC contributed Php0.4 billion comprising general and administrative expenses and net insurance benefits and claims. GT Capital Parent Company accounted for the balance of Php0.1 billion consisting of general and administrative and interest expenses.

Cost of real estate sales increased by 34% from Php743 million to Php998 million due to an increase in booked real estate sales.

Cost of goods and services rose by 80% from Php8.3 billion to Php14.8 billion with TMP's completely built-up units and spare parts accounting for Php14.7 billion and the balance from Fed Land's petroleum service station business.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP rose by 80% year-on-year from Php3.3 billion to Php6.0 billion.

Power plant operations and maintenance expenses from the power generation companies of GBPC increased by 18% from Php2.0 billion to Php2.3 billion.

General and administrative expenses grew by 37% from Php1.9 billion to Php2.6 billion with TMP accounting for Php1.1 billion consisting of advertisements and promotional expenses, salaries and wages, taxes and licenses, delivery and handling expenses and warranty; GBPC contributing Php0.8 billion representing salaries and wages, amortization of intangible asset, taxes and licenses, outside services, administrative and management fees, repairs and maintenance and insurance expenses; Fed Land accounting for Php0.4 billion composed of salaries and wages, commission expenses, depreciation expense, taxes and licenses and advertising and promotions, CPAIC contributing Php0.2 billion consisting of commission expenses, salaries and wages and depreciation; and GT Capital contributing Php27.8 million representing salaries and wages and taxes and licenses.

Net insurance benefits and claims reached Php180 million representing benefits and claims paid to policyholders, including changes in the valuation of insurance contract liabilities and internal and external claims handling costs directly related to the processing and settlement of claims.

Provision for income tax increased by 50% from Php404 million to Php605 million with TMP, Fed Land, and CPAIC contributing Php522.7 million, Php105.1 million, Php21.2 million, respectively. For the period, GBPC recognized a deferred tax asset on Net Operating Loss Carry Over resulting in a benefit from deferred income tax amounting to Php44.1 million.

Consolidated net income attributable to shareholders dropped by 56% from Php4 billion in the first quarter of 2013 to Php1.7 billion in the first quarter of 2014.

Consolidated Statements of Financial Position (March 31, 2014 versus December 31, 2013)

In Millions except for Percentage	Unaudited	Audited	Increase (Decrease)	
	March 2014	December 2013	Amount	Percentage
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**27,734**	27,167	567	2%
Short-term investments	**1,255**	1,467	(212)	(14%)
Receivables	**13,671**	12,451	1,220	10%
Reinsurance assets	**5,116**	4,966	150	3%
Inventories	**26,536**	20,813	5,723	27%
Due from related parties	**656**	849	(193)	(23%)
Prepayments and other current assets	**4,943**	5,969	(1,026)	(17%)
Total Current Assets	**79,911**	73,682	6,229	8%
NON CURRENT ASSETS				
Receivables	**4,919**	4,929	(10)	(0%)
Long-term cash investment	**2**	-	2	100%
Available-for-sale investments	**3,373**	3,111	262	8%
Investment in associates and joint ventures	**39,635**	40,559	(924)	(2%)
Investment properties	**8,502**	8,329	173	2%
Property and equipment	**41,953**	41,163	790	2%
Goodwill and intangible assets	**18,309**	18,275	34	0%
Deferred tax assets	**1,249**	1,109	140	13%
Other noncurrent assets	**2,295**	1,203	1,092	91%
Total Noncurrent Assets	**120,237**	118,678	1,559	1%
	200,148	192,360	7,788	4%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**21,391**	20,837	554	3%
Insurance contract liabilities	**6,878**	6,684	194	3%
Short-term debt	**5,026**	1,744	3,282	188%
Current portion of long-term debt	**3,307**	3,364	(57)	(2%)
Current portion of liabilities on purchased properties	**949**	783	166	21%
Customers' deposit	**1,918**	1,844	74	4%
Due to related parties	**183**	188	(5)	(3%)
Dividends payable	**2,489**	1,966	523	27%
Income tax payable	**696**	876	(180)	(21%)
Other current liabilities	**761**	907	(146)	(16%)
Total Current Liabilities	**43,598**	39,193	4,405	11%
Noncurrent Liabilities				
Pension liability	**1,821**	1,704	117	7%
Long-term debt – net of current portion	**41,886**	40,584	1,302	3%
Bonds payable	**9,886**	9,883	3	0%
Liabilities on purchased properties - net of current portion	**3,371**	3,537	(166)	(5%)
Deferred tax liabilities	**3,228**	3,252	(24)	(1%)
Other noncurrent liabilities	**1,726**	1,643	83	5%
Total Noncurrent Liabilities	**61,918**	60,603	1,315	2%
	105,516	99,796	5,720	6%
EQUITY				
Equity attributable to equity holders of the Parent Company				
Capital stock	**1,743**	1,743	0	0%
Additional paid-in capital	**46,695**	46,695	0	0%
Treasury shares	**(2)**	(6)	4	67%
Retained earnings				
Unappropriated	**20,016**	21,802	(1,786)	(8%)
Appropriated	**3,000**	-	3,000	100%
Other equity adjustments	**353**	729	(376)	(52%)
Other comprehensive income	**(1,598)**	(437)	(1,161)	(266%)
	70,207	70,526	(319)	(0%)
Non-controlling interest	**24,425**	22,038	2,387	11%
Total Equity	**94,632**	92,564	2,068	2%
	200,148	192,360	7,788	4%

The major changes in GT Capital's consolidated balance sheet from December 31, 2013 to March 31, 2014 are as follows:

Total assets of the Group slightly increased by 4% or Php7.8 billion from Php192.4 billion as of December 31, 2013 to Php200.1 billion as of March 31, 2014. Total liabilities increased by 6% or Php5.7 billion from Php99.8 billion to Php105.5 billion while total equity increased by 2% from Php92.6 billion to Php94.6 billion.

Short-term investments decreased by 14% or Php212 million to Php1.3 billion due to maturity of short-term investments.

Receivables-current portion increased by 10% or Php1.2 billion to Php13.7 billion with TMP accounting for Php3.3 billion composed of trade receivables with credit terms ranging from one (1) to thirty (30) days; GBPC accounting for Php3.5 billion representing outstanding billings for energy fees and passed-through fuel costs arising from the delivery of power; Fed Land contributing Php3.5 billion, majority of which were installment contract receivables and trade receivables; and CPAIC contributing Php2.2 billion representing insurance receivables. The remaining Php1.2 billion came from GT Capital representing dividends receivable from Metrobank and TCI representing trade and non-trade receivables amounting to Php0.7 billion and Php0.5 billion, respectively.

Inventories increased by 27% or Php5.7 billion to Php26.5 billion. Fed Land comprising condominium units for sale and land for development and TMP mostly finished goods accounted for Php20.4 billion and Php4.9 billion, respectively. GBPC consisting mostly of coal and spare parts and supplies and TCI mostly vehicles and spare parts also contributed Php1.1 billion and Php0.1 billion, respectively.

Due from related parties decreased by 23% or Php193 million to Php656 million due to collections received from the various subsidiaries of Fed Land.

Prepayments and other current assets comprising input VAT, advances to contractors and suppliers and prepaid expenses decreased by 17% or Php1.0 billion to Php4.9 billion, mainly from Fed Land, (Php2.1 billion); GBPC, (Php2.0 billion); TMP, (Php0.4 billion); CPAIC, (Php0.3 billion); and TCI, (Php0.1 billion).

Long-term cash investment from CPAIC increased to Php2 million.

Available-for-sale investments increased by 8% to Php3.4 billion, with CPAIC, GBPC, and TMP accounting for Php1.5 billion, Php1.3 billion and Php0.6 billion, respectively.

Deferred tax assets mostly from GBPC and TMP comprising accrued retirement benefits, provision for claims and assessments and warranty payable (Php0.8 billion) and provision for retirement benefits and unrealized foreign exchange losses (Php0.4 million) reached Php1.2 billion.

Other noncurrent assets rose by 91% or Php 1.1 billion to Php2.3 billion mainly due to the increase in noncurrent advances to contractors and suppliers relating to the engineering, procurement and construction contract for Panay Energy Development Corporation Unit 3 plant expansion.

Short-term debt increased by Php3.3 billion to Php5 billion due to loan availments made by GT Capital and Fed Land and consolidation of TCI's loans payable as a result of the business combination effective March 31, 2014.

Current portion of liabilities on purchased properties increased by 21% or Php166 million to Php949 million due to a reclassification from noncurrent portion.

Dividends payable increased by Php523 million to Php2.5 billion due to cash dividends declared by GT Capital payable in May 2014.

Income tax payable reached Php696 million of which Php630.6 million came from TMP, Php59.0 million from CPAIC and the remaining Php6.2 million from GBPC.

Other current liabilities amounted to Php761 million, majority of which consist of uncollected output VAT from energy sales generated from the bilateral customers of GBPC, withholding taxes payable from TMP, GBPC and Fed Land and due to holders of noncontrolling interest of GBPC amounting to Php240 million, Php216 million and Php194 million, respectively.

Pension liability increased by 7% or Php117 million to Php1.8 billion, principally due to consolidation of TCI, with Php95 million pension liability and accrual of pension expense as of end of the quarter.

Noncurrent portion of liabilities on purchased properties decreased by 5% or Php166 million to Php3.4 billion due to a reclassification from noncurrent portion to current portion.

Other noncurrent liabilities reached Php1.7 billion, composed of long-term accrued expenses of TMP, refundable and other deposits of Fed Land and decommissioning liability of GBPC amounting to Php1.0 billion, Php0.2 billion and Php0.2 billion, respectively.

Treasury shares amounting to Php2 million and Php6 million as at March 31, 2014 and December 31, 2013, respectively, represent investment in shares of stock in GT Capital by CPAIC as of the respective balance sheet dates.

Unappropriated retained earnings decreased by 8% or Php1.8 billion to Php20.0 billion mainly due to the Php1.7 billion consolidated net income realized by the Company in the first three (3) months of 2014, reduced by Php0.5 billion cash dividends declared by GT Capital in March 2014 and appropriation of retained earnings amounting to Php3.00 billion.

Other equity adjustment decreased by 52% or Php376 million to Php353 million due to the acquisition of a 33.33% direct equity stake of CPAIC from First Metro Investment Corporation.

Other comprehensive income declined by 3.7 times or Php1.2 billion to (Php1.6 billion) due to mark-to-market losses incurred on available-for-sale investments of subsidiaries and associates.

Equity before non-controlling interests decreased by Php0.3 billion to Php70.2 billion from Php70.5 billion after accounting for the Php1.7 billion net income realized for the period, Php523 million cash dividends declared, Php376 million decrease in other equity adjustments and Php1.2 billion decrease in other comprehensive income.

Non-controlling interests increased by Php2.4 billion to Php24.4 billion representing the net effect of (1) Php1.1 billion net income attributable to non-controlling interest for the period, (2) Php1.3 billion increase in non-controlling interest in GBPC arising from the equity call contribution to the Panay Energy Development Corporation Unit 3 Expansion Project; (3) Php321 million increase in non-controlling interest in Panay Power Holdings Corporation arising from the equity call contribution to the Panay Energy Development Corporation Unit 3 Expansion Project and (4) the reversal of non-controlling interest of Php336 million arising from GT Capital's acquisition of the remaining 33.33% of Charter Ping An.

Key Performance Indicators (In Million Pesos, except %)

Consolidated Statements of Income	**March 31, 2013**	**March 31, 2014**
Total Revenues	22,241	31,123
Net Income attributable to Equity holders of the Parent Company	3,969	1,737
Consolidated Statements of Financial Position	**December 31, 2013**	**March 31, 2014**
Total Assets	192,360	200,148
Total Liabilities	99,796	105,516
Equity attributable to Equity holders of the Parent Company	70,526	70,207
Return on Equity*	13.9%	9.9%

* Annualized net income attributable to equity holders of the Parent Company divided by the average equity; where average equity is the sum of equity attributable to equity holders of the Parent Company at the beginning and end of the period/year divided by 2.

Component Companies Financial Performance

Metrobank

Metrobank recorded a consolidated net income attributable to equity holders of the Parent Company of Php5.7 billion in the first quarter of 2014 from Php11.4 billion realized in the same period of the previous year wherein the Bank registered non-recurring trading, security, and foreign exchange gains.

Net interest income grew by 35% to Php11.1 billion due to the 19% growth in loans and receivables. Non-interest income, on the other hand, amounted to Php9 billion broken down into miscellaneous income (Php5.7 billion); service charges, fees and commissions (Php2.1 billion); trading and securities and foreign exchange gains (Php0.9 billion); and income from trust operations (Php0.3 billion).

Notably, Metrobank miscellaneous income aggregated to Php5.7 billion largely from gains from a property sale and continued disposal of non-core assets.

Total resources reached Php1.4 trillion representing a 35% increase from Php1.0 trillion in the same period of the previous year. The improvement in resources came from the 50% expansion in total deposits from Php690.4 million to Php1 trillion.

Federal Land

Fed Land registered total revenue of Php2.3 billion in the first quarter of 2014, 38% higher from Php1.7 billion in 2013. The revenue improvement came from: (1) Real estate sales and interest income on real estate sales which grew by 56% from Ph1.1 billion to Php1.7 billion driven by continued increased sales from ongoing high-end and middle market development projects situated in Pasay City, Quezon City, Escolta, Manila, Cebu, Bonifacio Global City and Marikina City; (2) Rental income which rose by 15% from Php153.8 million to Php176.8 million with the GT Tower International office building contributing Php86 million; and (3) Equity in net earnings of an associate and a joint venture growing by 51% from Php88 million to Php133.2 million representing equity in net earnings from the Grand Hyatt project situated in Bonifacio Global City and the Grand Midori project located in Legaspi Village, Makati City. As a result of the strong revenue growth, net income attributable to shareholders of the Parent Company increased by 83% from Php231.6 million to Php423.7 million.

Global Business Power

GBPC's net fees, comprising energy fees realized by the operating companies as stipulated in their respective Power Purchase Agreements with their respective customers, net of adjustments, increased slightly by 4% from Php3.9 billion in first quarter of 2013 to Php4 billion in the first quarter of 2014. Net income attributable to shareholders of the Parent Company, however, dropped by 42.4% from Php390.7 million in 2013 to Php224.9 million in 2014. The reduction in net income were chiefly due to the following factors: (1) A prolonged cap in the Wholesale Electricity Spot Market (WESM) prices was implemented through an Administered Price in the Visayas Grid thereby resulting in a 56% drop in WESM margins as the administrative price was not sufficient to defray costs and expenses. To mitigate this, GBPC applied for additional compensation to recover its costs and expenses. Subsequently, this cap has been lifted effective March 26, 2014; and (2) Technical issues affecting the operation of the Toledo Power plant as one of its turbines is being repaired. Meanwhile, Toledo Power's 82 megawatt plant expansion is expected to be completed and become operational within the fourth quarter of 2014 or one quarter ahead of schedule.

Toledo Power and Panay Power entered into interim power agreements with the Manila Electric Company to supply an aggregate 55 megawatts of its diesel reserves from April 1, 2014 to June 30, 2014.

Toyota Motor Philippines

TMP which also owns three (3) dealer outlets and two (2) branches namely: Lexus Manila in Bonifacio Global City, Toyota Makati with one branch, Toyota Bicutan, Toyota San Fernando, Pampanga with one branch, Toyota Plaridel, Bulacan, registered a 28% growth in consolidated sales from Php18.5 billion in the first quarter of 2013 to Php23.6 billion in the first quarter of 2014 as sales from completely-knocked down parts and completely built-up units rose by 33% and 35%, respectively driven by the continued strong demand for the all new Vios, new models mix – Corolla Altis (January 16) and Wigo (February 15), sales volume increments across all other models, and aggressive sales and promotions. As a result, TMP's sales volume growth of 34% outpaced the industry's 21% thereby resulting in a continued upsurge in overall market share to 38.3% as of March 31. The favorable sales performance resulted in gross and operating profit margins of 13% and 8%, respectively. Consolidated net income attributable to equity holders of the Parent Company grew by 25% from Php1.1 billion in the first quarter of 2013 to Php1.4 billion in the first quarter of 2014.

AXA Philippines

As of March 31, 2014, capital markets volatility arising from external factors induced investors to remain liquid resulting in a 5% decrease in AXA Philippines new business expressed in Annualized Premium Equivalent from Php871 million in the first quarter of 2013 to Php829 million in the first quarter of 2014 translating in a 26% decline in premium income from Php4.7 billion in the first quarter of 2013 to Php3.5 billion in the first quarter of 2014. By product, single premium accounted for 59% or Php2 billion of premium income while traditional insurance products comprised the balance. By distribution channel, bancassurance contributed over 70% of premium income. Although premium margins improved by 28% from Php554 million to Php710 million, a 41% reduction in investment income from non-linked investments and higher corporate support expenses and business and income taxes resulted in 26% decrease in net income from Php324 million in the first quarter of 2013 to Php241 million in the first quarter of 2014.

Charter Ping An

CPAIC registered an 11% growth in gross premium written from Php754.3 million in the first quarter of 2013 to Php840.9 million in the first quarter of 2014. Motor car, property and compulsory OFW were the major revenue contributors comprising 79% of gross premium written. However, CPAIC incurred higher than normal claims and losses arising from a major typhoon that affected the Mindanao region in the first quarter thereby resulting in declines in gross underwriting contribution from Php167.3 million to Php152.9 million and operating income from Php97.7 million to Php71.9 million, respectively. Net income dropped by 22% from Php70.1 million in 2013 to Php55 million in 2014.

Toyota Manila Bay

TMBC consolidated sales composed of vehicle sales, parts and services grew by 18.9% from Php2.2 billion in the first quarter of 2013 to Php2.7 billion in the first quarter of 2014 as vehicle sales grew by 18.7% from Php2.1 billion to Php2.5 billion largely from the 26% increase in retail sales volume from 2,078 units to 2,613 units . Sales of parts and maintenance services, likewise, increased by 22% and 20%, respectively. Gross profit margins for vehicle sales decreased to 4.9% from 5.2% due to intensified competition. As a result, overall gross profit margins reached 6.9%. Net income for the first quarter rose by 18.9% from Php26.8 million to Php31.8 million.

Toyota Cubao, Inc.

TCI consolidated sales composed of vehicle sales, parts and services reached Php1.1 billion as of the first quarter of 2014 which was the same amount as in the previous year. Although retail sales volume grew by 6%, more passenger cars were sold as compared to commercial vehicles. Passenger cars have a lower average price as compared to commercial vehicles Gross profit margins for vehicle sales and maintenance services were maintained at 4.6% and 59%, respectively as compared to the same period of the previous year while spare parts improved to 23%. Net income grew from Php0.4 million in the first quarter of 2013 to Php5.6 million in the first quarter of 2014 as interest expenses dropped from Php10 million to Php3.8 million due to partial loan payments and lower borrowing costs.

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

Results of Operations

Consolidated Statements of Income	Audited Year-End December 31		Increase (Decrease)	
(In Million Php, except for percentages)	2013	As Restated-2012	Amount	Percentage
REVENUE				
Automotive operations	74,359	-	74,359	100%
Net fees	16,944	12,845	4,099	32%
Real estate sales and interest income on real estate sales	5,451	2,414	3,037	126%
Equity in net income of associates and joint ventures	3,588	3,902	(314)	(8%)
Net premiums earned	505	-	505	100%
Gain (loss) on revaluation of previously held interest	2,046	(54)	2,100	3,889%
Gain from loss of control of subsidiary	-	1,448	(1,448)	(100%)
Gain on bargain purchase	-	428	(428)	(100%)
Interest income from deposits and investment securities	680	583	97	17%
Sale of goods and services	657	731	(74)	(10%)
Rent income	592	233	359	154%
Commission income	188	185	3	2%
Other income	537	263	274	104%
	105,547	22,978	82,569	359%
COSTS AND EXPENSES				
Cost of goods and services sold	45,469	681	44,788	6,577%
Cost of goods manufactured	19,986	-	19,986	100%
Cost of real estate sales	3,667	1,342	2,325	173%
Power plant operation and maintenance expenses	8,945	6,711	2,234	33%
General and administrative expenses	9,394	3,559	5,835	164%
Interest expense	3,462	1,750	1,712	98%
Net insurance benefits and claims	290	-	290	100%
	91,213	14,043	77,170	550%
INCOME BEFORE INCOME TAX	**14,334**	8,935	5,399	60%
PROVISION FOR INCOME TAX	**1,803**	288	1,515	526%
NET INCOME	**12,531**	8,647	3,884	45%
Attributable to:				
Equity holders of the Parent Company	8,640	6,590	2,051	31%
Non-controlling interest	3,891	2,057	1,833	89%
	12,531	**8,647**	3,884	45%

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

The major contributors to revenue growth were: (1) TMP effective February 1, 2013 as revenue from automotive operations amounted to Php74.4 billion accounting for 70% of total revenue; (2) consolidation of GBP effective May 1, 2012 as net fees amounted to Php16.9 billion accounting for 16% of total revenue; (3) higher real estate sales and interest income on real estate sales from Federal Land, Inc. Fed Land amounting to Php5.5 billion; (4) equity in net income from associates MBT, AXA Philippines and the jointly controlled entities of Fed Land amounting to Php3.6 billion; (5) non-recurring income of Php2.0 billion realized from the consolidation of TMP; and (6) consolidation of CPAIC as net premiums earned amounted to Php0.5 billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Statements of Financial Position	**Audited December 31,**		**Increase (Decrease)**	
(In Million Php, except for percentages)	**2013**	2012	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	27,167	11,553	15,614	135%
Short-term investments	1,467	-	1,467	100%
Receivables	12,451	6,505	5,946	91%
Reinsurance assets	4,966	-	4,966	100%
Inventories	20,813	12,275	8,538	70%
Due from related parties	849	489	360	74%
Prepayments and other current assets	5,969	6,000	(31)	(1%)
Total Current Assets	**73,682**	**36,822**	**36,860**	**100%**
Noncurrent Assets				
Receivables	4,929	3,159	1,770	56%
Available-for-sale investments	3,111	1,060	2,051	193%
Investment in associates and joint ventures	40,559	42,789	(2,230)	(5%)
Investment properties	8,329	7,816	513	7%
Property and equipment	41,163	33,661	7,502	22%
Deposits	-	2,085	(2,085)	(100%)
Goodwill and intangible assets	18,275	8,715	9,560	110%
Deferred tax asset	1,109	331	778	235%
Other noncurrent assets	1,203	547	656	120%
Total Noncurrent Assets	**118,678**	**100,163**	**18,515**	**18%**
	192,360	**136,985**	**55,375**	**40%**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	20,837	7,377	13,460	182%
Insurance contract liabilities	6,684	-	6,684	100%
Current portion of liabilities on purchased properties	783	-	783	100%
Short term debt	1,744	9,138	(7,394)	(81%)
Current portion of long-term debt	3,364	7,427	(4,063)	(55%)
Customers' deposits	1,844	974	870	89%
Dividends payable	1,966	1,949	17	1%
Due to related parties	188	191	(3)	(2%)
Income tax payable	876	26	850	3,269%
Other current liabilities	907	1,370	(463)	(34%)
Total Current Liabilities	**39,193**	**28,452**	**10,741**	**38%**
Noncurrent Liabilities				

Long-term debt – net of current portion	40,584	39,188	1,396	4%
Bonds payable	9,883	-	9,883	100%
Liabilities on purchased properties – net of current portion	3,537	2,581	956	37%
Pension liability	1,704	532	1,172	220%
Deferred tax liabilities	3,252	935	2,317	248%
Other noncurrent liabilities	1,643	243	1,400	576%
Total Noncurrent Liabilities	**60,603**	**43,479**	**17,124**	**39%**
	99,796	**71,931**	**27,865**	**39%**

	Audited December 31		Increase (Decrease)	
	2013	**2012**	**Amount**	**Percentage**
Equity				
Equity attributable to equity holders of Parent Company				
Capital stock	1,743	1,580	163	10%
Additional paid-in capital	46,695	36,753	9,942	27%
Treasury shares	(6)	-	(6)	(100%)
Retained earnings	21,802	13,685	8,117	59%
Other comprehensive income	(437)	2,423	(2,860)	(118%)
Other equity adjustment	729	(681)	1,410	207%
	70,526	**53,760**	**16,766**	**31%**
Non-controlling interests	22,038	11,294	10,744	95%
Total Equity	**92,564**	**65,054**	**27,510**	**42%**
	192,360	**136,985**	**55,375**	**40%**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Component Companies' Financial Performance

MBT

MBT registered a consolidated net income attributable to equity holders of Php22.5 billion in 2013, or 46% higher than the Php15.4 billion realized in the same period of the previous year. This resulted in an improvement in the MBT's Return on Average Equity to 17.8% in 2013 from 13.6% in 2012.

Net interest income grew by 24% to Php38.3 billion due to the growth in consumer and corporate loans. Likewise, non-interest income grew by 55% to Php40.6 billion arising from healthy trading gains, sale of non-core assets, and steady increases in service charges, fees and commissions, leasing and trust operations.

Notably, MBT posted one-time gains of Php10.8 billion realized from the sale of its non-core assets in preparation for Basel III implementation. The asset sales involved the sale of MBT's remaining 15% direct equity stake in TMP and a 40% direct equity stake in GBP, through its subsidiary, FMIC.

Total resources reached a record high of Php1.4 trillion representing a 32% increase from Php1.0 trillion in the previous year. The improvement in resources came from the 38% expansion in total deposits to Php1 trillion thereby resulting in a 16% growth in net loans and receivables.

Fed Land

Fed Land recorded total revenue of Php7.9 billion in 2013, 38% higher from Php5.7 billion in 2012. The revenue improvement came from: (1) Real estate sales and interest income on real estate sales which more than doubled from Php2.4 billion to Php5.5 billion driven by increased sales from ongoing high-end and middle market development projects situated in Pasay City, Quezon City, Escolta, Manila, Cebu, Bonifacio Global City and Marikina City; (2) Rental income which more than doubled from Php233 million to Php632 million with the GT Tower International office building contributing Php360 million; and (3) Equity in net earnings of an associate and a joint venture growing by 82% from Php226 million to Php410 million representing equity in net earnings from the Metrobank Center / Grand Hyatt project situated in Bonifacio Global City and the Grand Midori project located in Legaspi Village, Makati City. As a result of the strong revenue growth, core net income attributable to shareholders almost doubled from Php631 million to Php1.0 billion. Consolidated net income, however, dropped by 50% from Php2 billion, as 2012 included a Php1.4 billion one-time revaluation gain, to Php1.0 billion.

GBP

GBP's net fees, comprising energy fees realized by the operating companies as provided for in their respective Power Purchase Agreements with their respective customers, net of adjustments, declined by 12% from Php19.2 billion in 2012 to Php16.9 billion in 2013 owing to the following factors: (1) lower coal and diesel prices which dropped by 15% from Php3,570 per metric ton to Php3,030 per metric ton and by 8% from Php57 per liter to Php52 per liter, respectively; (2) lower WESM prices resulting in a 36% decline in WESM margins from Php6.46 per kilowatt hour to Php4.15 per kilowatt hour; (3) Impact of Typhoon Yolanda which affected GBP's bilateral customers thereby resulting in a temporary reduction in power demand; and (4) revision in the contract of Carmen Copper from electric power purchase agreement to electric conversion agreement thereby reducing the billing for passed-on fuel. Net income attributable to shareholders dropped by 13% from Php2.2 billion in 2012 to Php1.9 billion in 2013.

TMP

TMP which also owns four (4) dealer outlets namely: Lexus Manila in Bonifacio Global City, Toyota Makati, Toyota San Fernando, Pampanga and Toyota Plaridel, Bulacan, registered a 10% growth in consolidated sales from Php73.0 billion in 2012 to Php80.2 billion in 2013 as sales from completely-knocked down parts and completely built-up units grew by 18% and 11%, respectively. The double digit sales growth was attributed to the launching of the all new Vios in July, sales volume increments across all models, aggressive sales and promotions and the addition of ten (10) new dealer outlets thereby increasing TMP's total dealer network to 41 outlets. The sales growth and the favorable foreign exchange rates resulted in marked improvements in gross profit and operating profit margins from 12% to 13% and from 6% to 7%, respectively. Consolidated net income grew by 50% from Php2.8 billion in 2012 to Php4.2 billion in 2013.

AXA Philippines

In 2013, AXA Philippines generated a 31% increase in new business in terms of Annualized Premium Equivalent of Php3.6 billion. This translated into a 49% increase in premium revenues to Php18.3 billion from Php12.3 billion in the previous year. Single premium products accounted for 73% or Php13.4 billion of total premium income. The balance of premium income came from traditional insurance products. By distribution channel, bancassurance accounted for a 73% share of premium income. In addition, asset management fees and non-recurring investment earnings resulted in an increase in other income. As a result, net income grew by 30% to Php1.2 billion in 2013 from Php908 million in 2012.

CPAIC

CPAIC registered a 39% growth in gross premium written from Php2.3 billion in 2012 to Php3.2 billion in 2013 arising from strong synergies within the MBT and GT Capital groups including the over 700 sales agency force and the nineteen (19) branches. Revenue growth was driven by property and motor car insurance, which accounted for a combined 67% of gross premium written. However, CPAIC incurred higher than normal claims and losses following a series of natural calamities that occurred in the second half of 2013 thereby resulting in declines in gross underwriting contribution and operating income, respectively. Net income dropped from Php215.1 million in 2012 to Php190 million in 2013.

TMBC

TMBC's consolidated sales, which also includes Toyota Jose Abad Santos, Manila and Toyota Dasmarinas, Cavite dealer outlets, grew by 19% from Php7.9 billion in 2012 to Php9.4 billion in 2013. TMBC's 2013 consolidated vehicle sales is the largest among Toyota auto dealers accounting for a 12% market share of total TMP wholesales for the year. Vehicle sales accounted for 93% of total sales while parts and services contributed 4% and 3%, respectively. Net income grew by 9% from Php101.7 million in 2012 to Php110.3 million in 2013.

CALENDAR YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

Results of Operation

Consolidated Statements of Income	Audited Year-End December 31		Increase (Decrease)	
(In Million Php, except for percentages)	**As Restated-2012**	**2011**	**Amount**	**Percentage**
REVENUE				
Net fees	12,845	-	12,845	100%
Equity in net income of associates and joint ventures	3,902	3,568	334	9%
Real estate sales and interest income on real estate sales	2,414	2,708	(294)	(11%)
Gain from loss of control of subsidiary	1,448	-	1,448	100%
Gain on revaluation of previously-held interest	(54)	-	(54)	(100%)
Interest income from deposits and investment securities	583	402	181	45%
Sale of goods and services	731	764	(33)	(4%)
Gain on bargain purchase	428	-	428	100%
Rent income	233	238	(5)	(2%)
Commission income	185	96	89	92%
Other income	263	189	74	39%
	22,978	7,965	15,013	188%
COSTS AND EXPENSES				
Power plant operation and maintenance expenses	6,711	-	6,711	100%
General and administrative expenses	3,559	1,110	2,449	221%
Interest expense	1,750	990	760	77%
Cost of real estate sales	1,342	1,554	(212)	(14%)
Cost of goods and services sold	681	709	(28)	(4%)
	14,043	4,363	9,680	222%
INCOME BEFORE INCOME TAX	**8,935**	**3,602**	**5,333**	**148%**
PROVISION FOR INCOME TAX	288	149	140	95%
NET INCOME	**8,647**	**3,453**	**5,193**	**150%**
Attributable to:				
Equity holders of Parent Company	6,590	3,324	3,264	98%
Non-controlling interest	2,057	129	1,929	1,495%
	8,647	**3,453**	**5,193**	**150%**

As an investment holding company, GT Capital generates its revenues from equity in net income from the following component companies namely: MBT, TMP and AXA Philippines. Net fees are generated from GBP. Real estate sales, interest income on real estate sales, sales of goods and services, commission income, rent income and finance and other income are generated from Fed Land. As of December 31, 2012, Fed Land and GBP are consolidated in the financial statements of the Company. MBT, TMP and AXA Philippines are reflected in the financial statements through equity accounting.

GT Capital reported a net income attributable to shareholders of Php6.6 billion in 2012 representing a 98.2% growth over the Php3.3 billion registered in the same period last year. The increase in net income was principally due to the improvement in consolidated revenues by 188.5% to Php23 billion from Php8 billion.

The revenue growth came from the following sources: (1) consolidation of GBP as of May 1; (2) higher equity in net income of associates; and (3) non-recurring income(s) realized from Fed Land and GBP.

The non-recurring income(s) came from the following: (1) Php1.4 billion from Fed Land due to revaluation gain from the conversion of a wholly-owned subsidiary into a jointly-controlled entity; and (2) Php427.5 million gain from GBP arising from acquiring effective control of the company as of May 1, 2012 as the fair value of the net assets acquired was greater than total consideration or purchase price.

The Company also incurred extraordinary expenses aggregating to Php695 million broken down as follows: (1) pro-rata share of one-time expenses incurred by MBT related to the TMP share sale to GT Capital and other manpower expenses, (Php452 million); (2) GT Capital IPO-related expenses, (Php165 million); and (3) pro-rata share of TMP seed money for the TMP Technical School, (Php78 million).

Excluding the non-recurring income and extraordinary expenses, core net income amounted to Php5.4 billion, representing a 63% increase from Php3.3 billion in 2011.

Of the five (5) component companies, only AXA Philippines exhibited a 5.4% decrease (Php52.1 million reduction) in its net income in 2012 chiefly due to the 26% surge in new business in Annualized Premium Equivalent to Php2.8 billion which resulted in the corresponding front loading of legal policy reserves, commissions and bonuses. The other component companies registered double digit growth in net income.

Net fees from GBP comprising energy fees from the energy supplied by the power plants contributed Php12.8 billion equivalent to 55.9% of total revenues.

Equity in net income of associates and joint ventures rose by 9% to Php3.9 billion from Php3.6 billion. The increase was primarily attributable to the growth in equity in net earnings of TMP to Php3 billion from Php2.2 billion in 2011 and MBT amounting to Php15.4 billion from Php11 billion in 2011.

Real estate sales and interest income on real estate sales declined by 11% to Php2.4 billion from Php2.7 billion in 2011 as Fed Land launched thirteen (13) new projects in 2012 thereby increasing its ongoing vertical residential projects to 32 as of year-end. Reservation sales grew by 90.4% to Php14.9 billion from Php7.8 billion. Fed Land also completed three (3) projects in 2012 as compared to five (5) projects completed in 2011. As a result, the average percentage-of-completion of ongoing projects dropped to 38% from 58% in 2011.

Gain from loss of control of subsidiary amounted to Php1.4 billion arising from the conversion of a wholly-owned subsidiary of Fed Land into a jointly-controlled entity.

Interest income from deposits and investment securities grew by 45% to Php583.3 million from Php402.3 million in 2011 largely due to interest income earned from money market placements.

Sales of goods and services, consisting of the sale of petroleum products, on a wholesale and retail basis, at the Blue Wave malls situated in Macapagal Avenue, Pasay City and Marikina City, dropped by 4% to Php730.7 million from Php764.7 million primarily due to lower fuel sales arising from successive price increases and rollbacks implemented throughout the year.

Gain on bargain purchase of GBP amounted to Php427.5 million as GT Capital acquired effective control of GBP as of May 1, 2012 as the fair value of the net assets acquired was greater than the total consideration or purchase price.

Rent income declined by 2% to Php233.4 million from Php238 million as the increase in occupancy levels and the rental rates at the Blue Wave malls was offset by the conversion of rent-generating properties into property development projects.

Commission income almost doubled to Php184.5 million from Php96 million in 2011. The increase was due to sales commissions earned from units owned by Federal Land Orix Corporation in the Grand Midori project.

Other income grew by 39.2% to Php262.5 million from Php188.5 million consisting of real estate forfeitures, (Php88.1 million); management fees, (Php41.1 million); and dividend income, (Php23 million); among others.

Consolidated costs and expenses grew by 3.2 times to Php14.0 billion from Php4.4 billion in 2011. GBP contributed Php9.6 billion of costs and expenses comprising power plant operations and maintenance, general and administrative expenses and interest expenses. Fed Land contributed Php3.6 billion consisting of cost of real estate sales, cost of goods and services sold, general administrative expenses and interest expenses. GT Capital Parent Company accounted for the balance of Php873.8 million, a major portion of which were interest expenses.

Power plant operation and maintenance expenses from GBP amounted to Php6.7 billion for the period in review.

General and administrative expenses rose by 3.3 times to Php3.6 billion from Php1.1 billion largely from GBP and Fed Land amounting to Php2 billion and Php1.2 billion, respectively. The balance of Php276.4 million came from GT Capital Parent Company of which Php165 million were IPO-related expenses.

Interest expenses grew by 76.8% to Php1.7 billion from Php989.7 million with GBP and GT Capital accounting for Php825.5 million and Php597.4 million. The balance of Php326.9 million originated from Fed Land.

Cost of real estate sales declined by 13.6% to Php1.3 billion from Php1.6 billion principally due to the decrease in booked real estate sales.

Provision for income tax rose by 95% to Php287.7 million from Php148.8 million in 2011 with GBP, Fed Land and GT Capital contributing Php211.3 million, Php60.9 million and Php15.4 million, respectively.

Consolidated net income attributable to shareholders rose by 98% to Php6.6 billion from Php3.3 billion in 2011.

Equity in net unrealized losses on available-for-sale financial assets of associates amounted to Php478 million. This gain arose from marked-to market gains realized from available-for-sale financial assets. Equity in translation adjustments of associates, on the other hand, recorded a loss of Php224.7 million. In spite of the loss, other comprehensive income from associates registered an aggregate gain of Php243.2 million.

Financial Position

Consolidated Statements of Financial Position	Restated		Increase (Decrease)	
(In Million Php, except for percentages)	December 31, 2012	January 1, 2012	Amount	Percentage
ASSETS				
Current Assets				
Cash and cash equivalents	11,553	454	11,099	2,445%
Receivables	6,505	3,934	2,571	65%
Inventories	12,275	11,338	937	8%
Due from related parties	489	939	(450)	(48%)
Prepayments and other current assets	6,000	1,906	4,094	215%
Total Current Assets	**36,822**	**18,571**	**18,251**	**98%**
Noncurrent Assets				
Receivables	3,159	1,115	2,044	183%
Investment in associates and joint ventures	42,789	37,680	5,109	14%
Investment properties	7,816	5,227	2,589	50%
Available-for-sale investments	1,060	10	1,050	10,500%
Property and equipment	33,661	396	33,265	8,400%
Deposits	2,085	4,085	(2,000)	(49%)
Goodwill and intangible assets	8,715	8	8,707	108,838%
Long-term cash investments	-	2,440	(2,440)	(100%)
Deferred tax asset	331	103	228	221%
Other noncurrent assets	547	94	453	482%
Total Noncurrent Assets	**100,163**	**51,158**	**49,005**	**96%**
	136,985	**69,729**	**67,256**	**96%**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	7,377	4,573	2,804	61%
Short-term debt	9,138	7,649	1,489	19%
Current portion of long-term debt	7,427	-	7,427	100%
Customers' deposits	974	458	516	113%
Dividends payable	1,949	-	1,949	100%
Due to related parties	191	403	(212)	(53%)
Income tax payable	26	-	26	100%
Other current liabilities	1,370	58	1,312	2,262%
Total Current Liabilities	**28,452**	**13,141**	**15,311**	**117%**
Noncurrent Liabilities				
Long-term debt - net of current portion	39,188	19,600	19,588	100%
Liabilities on purchased properties	2,581	-	2,581	100%
Pension liability	532	358	174	49%
Deferred tax liabilities	935	81	854	1,054%
Other noncurrent liabilities	243	63	180	286%
Total Noncurrent Liabilities	**43,479**	**20,102**	**23,377**	**116%**
	71,931	**33,243**	**38,688**	**116%**

Equity				
Equity attributable to equity holders of the Parent Company				
Capital stock	1,580	1,250	330	26%
Additional paid-in capital	36,753	23,072	13,681	59%
Retained earnings	13,685	7,596	6,089	80%
Other comprehensive income	2,423	2,363	60	3%
Other equity adjustment	(681)	-	(681)	(100.0%)
	53,760	**34,281**	**19,479**	**57%**
Non-controlling interests	11,294	2,205	9,089	412%
Total Equity	**65,054**	**36,486**	**28,568**	**78%**
	136,985	**69,729**	**67,256**	**96%**

The major changes in the balance sheet items of the Company from January 1, 2012 to December 31, 2012 are as follows:

Total assets of the GT Capital Group almost doubled from Php69.7 billion as at January 1, 2012 to Php137.0 billion as at December 31, 2012 as GBP was consolidated as at May 1, 2012. Total liabilities increased by 116% or Php38.7 billion from Php33.2 billion to Php71.9 billion while total equity almost doubled from Php36.5 billion to Php65.1 billion.

Cash and cash equivalents increased by Php11.1 billion reaching Php11.6 billion with GBP, Fed Land and GT Capital Parent accounting for Php10.6 billion, Php854.6 million and Php58.1 million, respectively. The reduction in GT Capital's cash level was chiefly due to the full utilization of the IPO proceeds for its intended application.

Receivables - current increased by 65% to Php6.5 billion from Php3.9 billion with GBP accounting for Php3.9 billion representing outstanding billings for energy fees and passed through fuel costs arising from the delivery of electricity while Fed Land accounted for the balance of Php2.6 billion, a majority of which were installment contract receivables and trade receivables.

Inventories increased by 8.3% or Php936.7 million to Php12.3 billion with Php11.2 billion coming Fed Land comprising real estate inventory and the balance from GBP consisting of spare parts and supplies, coal, fuel and lubricants.

Due from related parties decreased by 47.9% or Php449.8 million to Php489.0 million due to collections received from various Fed Land and GBP subsidiaries.

Prepayments and other current assets increased by 3.2x to Php6.0 billion mainly from GBP with Php3.5 billion and Fed Land with Php2.5 billion. This represented input VAT which can be applied against output VAT in the succeeding periods. Fed Land's share included Php894.6 million in advances from contractors/suppliers pertaining to the purchase of construction materials and contractor services.

Noncurrent receivables reached Php3.2 billion with Php1.7 billion originating from the unit buyers of Fed Land who opted for long-term payment packages for equity build up and Php738.5 million from various electric cooperatives of GBP.

Investment in associates and joint ventures increased by 14% or Php5.1 billion to Php42.8 billion. About Php4.5 billion was used to purchase 15% of MBT's direct equity stake in TMP and Php3.3 billion went to the joint venture investment by Fed Land in Bonifacio Landmark Realty Development Corporation, developer of the The Grand Hyatt-Metrobank Financial Center, situated in Veritown, Bonifacio Global City. These investments partially offset the full settlement of the Php3.4 billion advances of GT Capital to GBP.

Investment properties grew by 50% or Php2.6 billion to Php7.8 billion. Fed Land accounted for the increase as it acquired the GT Tower office building from Philippine Securities Corporation effectively increasing its investment properties to Php7.8 billion.

Available-for-sale investments amounted to Php1.1 billion mainly from available-for-sale investments of GBP.

Property and equipment rose 84 times to Php33.7 billion from Php396.4 million with the inclusion of the power generation assets of GBP.

Deposits for the purchase of land representing option money declined by 49% or Php2 billion as Fed Land opted to purchase land earmarked for its land bank.

Goodwill and intangible assets from GT Capital amounted to Php8.7 billion representing the fair value at acquisition date of existing power purchase agreements from GBP's operating subsidiaries acquired under business combination, net of amortization for the year.

The Php2.4 billion long-term cash investment of Fed Land was terminated and the funds were used to partially settle a portion of Fed Land's outstanding short term loans.

Deferred tax assets mostly from GBP reached Php330.7 million representing deferred tax impact of provision for retirement benefits and unrealized foreign exchange losses.

Other noncurrent assets increased by 5.8 times to Php547 million from Php94 million. This represented rental and other deposits.

Accounts and other payables increased by 61.3% or Php2.8 billion to Php7.4 billion with GBP and Fed Land each accounting for Php3.5 billion and Php3.7 billion, respectively, and GT Capital accounting for the balance of Php59.7 million.

Short-term debt reached Php9.1 billion with GT Capital accounting for Php4.7 billion, a majority of which was used to bridge finance the purchase of 15% direct equity stake in TMP.

Current portion of long-term debt reached Php7.4 billion with GT Capital and GBP accounting for Php4.2 billion and Php3.2 billion, respectively.

Customer deposits, representing reservation payments from Fed Land's unit buyers, increased by 113% to Php974.3 million from Php457.6 million in 2011.

Dividends payable to holders of non-controlling interests of GBP reached Php1.9 billion in 2012.

Due to related parties declined by 52.6% to Php191.3 million from Php403.6 million in 2011 due to payments made by various Fed Land subsidiaries.

Income tax payable reached Php25.8 million of which Php22.2 million came from GBP and Php3.6 million came from Fed Land.

Other current liabilities increased 23.6 times to Php1.4 billion representing uncollected output VAT, (Php635.6 million); due to holders of non-controlling interest, (Php378.5 million); and withholding tax payable, (Php326.9 million).

Long-term debt – net of current portion increased by 99.9% to Php39.2 billion as the Php28 billion project loans of GBP were included which offset the Php4 billion loan prepayment of GT Capital.

Liabilities on purchased properties reached Php2.6 billion arising from Fed Land's purchase of the GT Tower International building from a Ty family related corporation.

Pension liability grew by 49% to Php532 million from Php358 million in 2011 chiefly due to the consolidation of GBP.

Deferred tax liability grew by 11.5 times to Php935 million from Php81 million in 2011 with GBP accounting for Php854 million representing deferred tax liability on fair value adjustments of long-term borrowings, property plant and equipment, intangible asset contracts and non-current receivables.

Other noncurrent liabilities grew by 3.9 times to Php242.6 million from Php62.9 million with Php183.5 million accounted for by GBP representing decommissioning liability accounts.

Capital stock increased by 26% or Php330 million to Php1.6 billion representing the new primary shares issued from the IPO of the Company.

Additional paid-in-capital increased by 59% or Php13.7 billion representing the IPO proceeds received by the Company, net of direct offer expenses.

Retained earnings increased by 80% or Php6.1 billion to Php13.7 billion, principally due to the consolidated net income realized by the Company for the year, net of Php501 million cash dividends declared by the Parent Company.

Other comprehensive income increased by 3% or Php60 million to Php2.4 billion due to marked-to-market gains realized on available-for-sale financial assets and equity in translation adjustments.

Other equity adjustments reached Php681.1 million representing the difference between the acquisition cost and carrying value of the non-controlling interest to: (1) acquire the 20% non-controlling interest of Fed Land, (Php513.4 million); (2) acquire the 4.59% of GBP, (Php54.8 million); and (3) acquire the 11.89% of GBP, (Php112.9 million).

Equity before non-controlling interests grew by 57% or Php19.5 billion to Php53.8 billion with GT Capital accounting for the increase arising from the primary shares issued during the IPO, the IPO proceeds received, net of direct offer expenses and the net income realized for the year.

Non-controlling interests reached Php11.3 billion representing the setup of the non-controlling interest of GBP offset by the reversal of the non-controlling interest in Fed Land.

Key Performance Indicators

The following are the key performance indicators of the Company for the years ended December 31, 2011, 2012 and 2013.

	In Million Pesos, except for percentages		
Income Statement	**December 31, 2011 (As Restated)**	**December 31, 2012 (As Restated)**	**December 31, 2013**
Total Revenues	7,965	22,977	105,547
Net Income attributable to equity holders of the Parent Company	3,324	6,590	8,640
Balance Sheet			
Total Assets	69,729	136,985	192,360
Total Liabilities	33,243	71,931	99,796
Equity attributable to equity holders of the Parent Company	34,281	53,760	70,526
Return on Equity *	10.4%	15.0%	13.9%

** Net income attributable to equity holders of the Parent Company divided by the average equity where average equity is the sum of equity attributable to equity holders of the Parent Company at the beginning and end of the period/ year divided by 2.*

Financial Soundness Indicators

The following are the financial soundness indicators of the Company as of and for the years ended January 1, 2012, December 31, 2012 and 2013.

	As of January 1, 2012	As of December 31, 2012	As of December 31, 2013
Liquidity Ratio Current Ratio	1.4x	1.3x	1.9x
Solvency Ratio Total Liabilities to Equity	0.9x	1.1x	1.1x
Asset-to-Equity Ratio Asset to Equity Ratio*	2.0x	2.5x	2.7x
Interest Rate Coverage Ratio** Interest Rate Coverage Ratio	4.6x	6.1x	5.1x
Profitability Ratio Return on Average Assets Return on Average Equity	5.5% 10.4%	6.4% 15.0%	5.3% 13.9%

* *Computed as Total Assets / Equity Attributable to Equity Holders of the Parent Company*

** *Computed as EBIT / Interest Expenses*

Liquidity and Capital Resources

In 2011, 2012 and 2013, GT Capital's principal source of liquidity was cash dividends received from the investee companies and loans. As of December 31, 2013, GT Capital's cash and cash equivalents reached Php27.2 billion.

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

	In Million Pesos		
	2011	**2012**	**2013**
Net cash provided by (used in) operating activities	(4,186.3)	895.4	6,014.6
Net cash provided by (used in) investing activities	(9,067.0)	(625.1)	(2,204.4)
Net cash provided by (used in) financing activities	10,643.0	10,835.7	11,845.7
Effects of exchange rate changes on cash and cash equivalents	(0.2)	(7.1)	(42.3)
Net increase (decrease) in cash and cash equivalents	(2,610.5)	11,098.9	15,613.6
Cash and cash equivalents at the beginning of the period	3,064.9	454.4	11,553.3
Cash and cash equivalents at end of the period	454.4	11,553.3	27,166.9

Cash flows from operating activities

Cash flow from (used in) operating activities amounted to (Php4.2 billion) in 2011, Php895.4 million in 2012 and Php6.0 billion in 2013. In 2011, operating cash amounted to Php514 million which was used to increase receivables by Php4.2 billion and real estate inventory by Php3.2 billion. In 2012, operating cash amounted to Php5.9 billion which was used to increase prepayments and other current assets by Php4.1 billion, partially settle accounts and other payables by Php581 million and partially pay due to related parties by Php212.3 million. In 2013, operating cash amounted to Php13.9 billion which was used to increase receivables by Php3.6 billion, inventories by Php1.2 billion, short-term investments by Php1.5 billion and reinsurance assets by Php1.3 billion and partially settle other current liabilities by Php558.3 million.

Cash flows used in investing activities

Cash flows from (used in) investing activities amounted to (Php9.1 billion) in 2011, (Php625.1 million) in 2012, and (Php2.2 billion) in 2013. In 2011, cash flows used in investing activities went to increase deposits by Php4.1 billion and long-term cash investments by Php2.4 billion and investment in associates and joint ventures by Php2.6 billion. In 2012, cash flows used in investing activities went to increase investment in associates and joint ventures by Php4.5 billion, investment properties by Php3 billion, and property and equipment by Php1.2 billion. In 2013, cash flows used in investing activities went to increase property and equipment by Php7.0 billion, available-for-sale investments by Php690 million and investment in associates and joint ventures by Php502.2 million.

Cash flows from financing activities

Cash flows from financing activities amounted to Php10.6 billion in 2011, Php10.8 billion in 2012 and Php11.8 billion in 2013. In 2011, cash flows from financing activities came from loans of Php11.1 billion, net of loan payments of Php8.2 billion, and decrease in liabilities on purchased properties of Php516.8 million. In 2012, cash flows from financing activities came from the initial public offering proceeds of Php14 billion which was used to partially settle Php5.8 billion in outstanding loans. In 2013, cash flows from financing activities came from a top up equity private placement of Php10.1 billion, Php9.9 billion in retail bonds and Php7.3 billion in new loans which was used to partially settle Php18.0 billion in outstanding loans.

KEY PERFORMANCE INDICATORS OF SIGNIFICANT SUBSIDIARIES

MBT

	2011	2012	2013
Dividend Payout Ratio[1]	19.1%	13.7%	9.4%
Cost to average assets[2]	5.2%	5.0%	4.8%
Tier 1 Capital Adequacy ratio	13.7%	13.7%	15.0%
Total Capital Adequacy ratio	17.4%	16.3%	16.7%
Net non-performing assets ratio[3]	2.2%	1.8%	1.3%
NPL coverage ratio[4]	99.5%	116.8%	164.1%

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) *Net non-performing assets ratio is the ratio of net non-performing assets divided by total assets.*

(4) *Allowance as a percentage of gross non-performing assets is the ratio of non-performing asset provisions made to the gross non-performing assets.*

The following table presents selected financial ratios for the periods indicated:

	In Million Pesos, except for percentages		
	2011	2012	2013
Net income attributable to equity holders	11,031	15,399	22,488
Average total assets	924,700	1,004,360	1,212,606
Average shareholders' equity (attributable to equity holders)	97,849	112,899	126,310
Return on Average Assets	1.2%	1.5%	1.8%
Return on Average Equity	11.3%	13.6%	17.8%
Average shareholders' equity as a percentage of average total assets	10.6%	11.2%	10.4%

Fed Land

The following are the major performance measures used by Fed Land for 2011, 2012 and 2013.

	In Million Pesos, except for ratios		
	2011	**2012**	**2013**
Revenues	4,478.6	5,723.0	7,895.7
Net income after tax	601.1	1,988.3	1,017.3
Net income attributable to equity holders	589.7	1,976.1	1,004.3
Total assets	29,543.5	34,633.0	43,231.1
Total liabilities	18,746.6	18,053.2	24,664.3
Total equity	10,796.9	16,579.8	18,566.8
Current ratio	1.6x	2.6x	3.9x
Total Liabilities to equity ratio	1.7x	1.1x	1.3x

GBP

The following are the major performance measures used by GBP for 2011, 2012 and 2013.

	In Million Pesos, except for ratios		
	2011	**2012**	**2013**
Net income	2,229.5	3,370.8	2,961.8
Net income attributable to equity holders	1,580.0	2,213.8	1,937.2
Total assets	56,930.6	58,303.4	59,874.5
Total liabilities	35,282.6	36,803.4	36,140.0
Total equity	21,648.1	21,500.0	23,734.5
Current ratio	2.5x	1.7x	1.6x
Total Liabilities to equity ratio	1.6x	1.7x	1.5x

TMP

The following are the major performance measures used by TMP for 2011, 2012 and 2013.

	In Million Pesos, except for ratios		
	2011*	**2012**	**2013**
Net income	2,178.2	2,819.3	4,230.0
Total assets	16,072.6	20,982.9	25,041.2
Total liabilities	9,294.7	12,937.4	15,574.1
Total equity	6,777.9	8,045.6	9,287.1
Total Liabilities to Equity ratio	1.4x	1.6x	1.7x

**Parent Company Financials*

AXA Philippines

The following are the major performance measures used by AXA Philippines for 2011, 2012 and 2013.

	In Million Pesos		
	2011	**2012**	**2013**
Gross Premiums	10,006.6	12,312.0	18,320.0
Net insurance benefits and claims	1,337.8	1,316.5	1,413.5
Total expenses	3,198.2	3,537.4	4,196.4
Net income after tax	967.5	908.5	1,184.0
Total assets	38,942.9	44,852.5	38,953.5

CPAIC

The following are the major performance measures used by Charter Ping An for 2011, 2012 and 2013.

	In Million Pesos		
	2011	**2012**	**2013**
Gross Earned Premiums	2,096.7	2,339.4	3,249.3
Net Earned Premiums	1,176.8	1,447.3	1,653.8
Net Income	150.3	215.1	190.0
Total Assets	4,967.7	6,355.6	9,211.3

TMBC

The following are the major performance measures used by Toyota Manila Bay for 2011, 2012 and 2013.

	In Million Pesos		
	2011	**2012**	**2013**
Net Sales	5,703.2	7,945.0	9,440.7
Gross Profit	365.6	587.7	653.1
Net Income	35.9	101.7	110.3
Total Assets	1,428.5	1,708.1	1,908.4
Total Liabilities	1,274.0	1,290.5	1,377.1
Total Equity	429.1	417.6	531.3

FINANCIAL RATIOS

The Company and its subsidiaries are in compliance with all financial ratios required by its creditors for the period ended March 31, 2014 and for the years ended December 31, 2013 and 2012. The companies with financial ratio requirements are as follows:

Entity	Financial Ratio	Required Ratio
GT Capital	Debt-to-Equity	2.3:1
TPC	Debt-to-Equity Debt-to-Equity	2.3:1 70:30
PEDC	Debt-to-Equity Debt Service Coverage Ratio	70:30 1.0x
CEDC	Debt-to-Equity Debt Service Coverage Ratio	70:30 1.0x
PPC	Debt-to-Equity Current Ratio	2.3 to 3:1 1.1x
Fed Land	Debt-to-Equity	2:1

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the directors and officers of the Company and their business experience for the past five (5) years as of March 31, 2014.

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 nine 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 casting 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 directors of GT Capital are as follows:

Name	Age	Citizenship	Position	Date Elected
Dr. George S.K. Ty	81	Filipino	Chairman Emeritus	July 11, 2012
Francisco Sebastian*	60	Filipino	Chairman	June 30, 2014
Arthur V. Ty……………………………..	47	Filipino	Co-Vice Chairman	June 30, 2014
Alfred V. Ty.......................................	46	Filipino	Co- Vice Chairman	July 11, 2012
Carmelo Maria Luza Bautista............	56	Filipino	President/Director	July 11, 2012
Roderico V. Puno	50	Filipino	Director	July 11, 2012
Solomon S. Cua	58	Filipino	Director	July 11, 2012
David T. Go* ……………………	60	Filipino	Director	May 12, 2014
Jaime Miguel G. Belmonte.................	49	Filipino	Independent Director	July 11, 2012
Christopher P. Beshouri.......................	51	American	Independent Director	May 14, 2013
Wilfredo A. Paras	67	Filipino	Independent Director	May 14, 2013

** During the May 12, 2014 Annual Stockholders' Meeting of GT Capital, Dr. David T. Go and Mr. Francisco C. Sebastian were elected as directors of GT Capital subject to the approval of the Securities and Exchange Commission of the Amendment of the Articles of Incorporation of GT Capital increasing the number of directors from nine to eleven.*

The following is a brief description of the business experience of each of the Directors:

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

Francisco C. Sebastian became Chairman of the Company in June 30, 2014. He has also been Chairman of Global Business Power Corporation since 2007. He became Vice Chairman of Metrobank in 2006. He joined the Metrobank Group in 1997, as President of First Metro Investment Corporation until he was appointed Chairman in 2011. He earned his AB degree in Economics Honors, Magna Cum Laude, from the Ateneo de Manila University in 1975. He worked in Hong Kong as an investment banker from 1977 to 1984 with Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984 until he joined Metrobank in 1997, he owned and managed his own business and financial advisory firm in Hong Kong, Integrated Financial Services Ltd. He is now the Chairman of First Metro Investment Corporation, after having served as its President for 13 years.

Arthur Vy Ty served as the Company's Chairman since 2012 before assuming his current position as Co-Vice Chairman in June 30, 2014. He was the President of Metrobank from 2006 to 2012 and was appointed as its Chairman in April 2012. He headed Metrobank's Consumer Lending Group from 2000 to 2004 and served as Vice Chairman of the Bank from 2004 to 2006. He also serves as the Chairman of Metropolitan Bank (China) Ltd., Inc., Vice Chairman of PSBank and First Metro Investment Corporation. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York in 1991.

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

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

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

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

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

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

Christopher P. Beshouri is the Group President and COO of Vicsal Development (Gaisano), which has holdings in Property, Retail, and Financial Services. Prior to joining the Gaisanos, Mr. Beshouri was with McKinsey and Company for more than 15 years, where he held 3 distinct roles: Managing Partner of Philippines (2005-2013), Chief of Staff of Asia (2004-2005); and Senior Consultant (1997-2004). He 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 of Master of Public Affairs from Princeton University.

Wilfredo A. Paras currently holds various positions in Philippine Corporations, such as: Independent Director of Philex Mining Corporation (2011-present); Director of Oil Mills Goup of CIIF- Granexport Manufacturing Corporation, Cagayan de Oro Oil Mills Corporation, Iligan Coconut Industries, Inc. (2011-present); Member of the Board of Trustees of Dualtech Training Center (2012-present); Senior Adviser of Association of Petrochemical Manufacturers of the Philippines (2007-present); and President of WAP Holdings Inc (2007-present). He also served as the Executive Vice President/Chief Operating Officer and Director of JG Summit Petrochemical Corporation; and was also the President of Union Carbide Philippines, the President/Director of Union Carbide-Indonesia, Managing Director of Union Carbide Singapore and Business Director for Union Carbide Asia-Pacific. Mr. Paras holds a 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.

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 2013, the Board has had seven board meetings, inclusive of one organizational, three regular and three special meetings. As of March 31, 2014, the Board had one regular meeting on March 11, 2014.

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. Philippine SEC Memorandum Circular No. 9 Series of 2011 which provides Term Limits for Independent Directors sets the term of an independent director for listed, public and mutual fund companies at five consecutive years. After this period, an independent director shall be eligible for re-election as such in the same company after a two-year period. In case of re-election, such person may serve as an independent director for another consecutive five years, after which he is perpetually barred from serving as an independent director for such company. The Company’s regular meetings of stockholders are held on the second Monday of May of each year, or on the day following, if the second Monday 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 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 March 21, 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.

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; and (vi) the Risk Oversight Committee.

Executive Committee

The Executive Committee exercises the Board's powers in the interim periods between Board meetings. The Committee, however, cannot approve resolutions or take action with regard to the following: 1) matters requiring shareholders' approval; 2) filling of vacancies in the Board; 3) amendment or repeal of GT Capital's Articles of Incorporation and By-Laws or the adoption of new By-Laws; 4) amendment or repeal of any resolution of the Board; and 5) declaration of cash dividends.

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

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 three directors, all of whom are non-executive directors. At least one member has accounting and finance background, as well as audit experience, and the Chairman is an independent director. The Audit Committee has as its members Wilfredo A. Paras (Chairman – Independent Director), Christopher P. Beshouri (Member – Independent Director), and Solomon S. Cua (Member).

Nominations Committee

The Nominations Committee is composed of three voting directors. Its key function is the evaluation of candidates for director and the shortlisting of nominees for election to the Board, as well as those nominated in other positions requiring appointment by the Board in accordance with specified qualifications and disqualifications. The members of the Committee are Roderico V. Puno (Chairman), Carmelo Maria Luza Bautista (Member), and Wilfredo A. Paras (Member-Independent Director).

Compensation Committee

The Compensation Committee is composed of three members of the Board, one of whom is an independent director. It is responsible for establishing a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with GT Capital's culture, strategy and the business environment in which it operates. The members of the Compensation Committee are Alfred Vy Ty (Chairman), Solomon S. Cua (Member) and Jaime Miguel G. Belmonte (Member-Independent Director).

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 members of the Corporate Governance Committee are Christopher P. Beshouri (Chairman), Wilfredo A. Paras (Member) and Jaime Miguel G. Belmonte (Member).

Risk Oversight Committee

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

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	56	Filipino	President	President
Francisco H. Suarez, Jr.	54	Filipino	Chief Financial Officer	Senior Vice President
Mary Vy Ty	73	Filipino	Treasurer	
Anjanette T. Dy Buncio	45	Filipino	Assistant Treasurer	
Alesandra T. Ty	34	Filipino	Assistant Treasurer	
Antonio V. Viray	74	Filipino	Corporate Secretary	
Margaret T. Cham	46	Filipino	Assistant Corporate Secretary	
Jocelyn Y. Kho	59	Filipino	Assistant Corporate Secretary	
Joselito V. Banaag	43	Filipino	Head, Legal and Compliance Division	Vice President
Jose B. Crisol, Jr.	47	Filipino	Head, Investor Relations Division	Vice President
Susan E. Cornelio	41	Filipino	Head, Human Resources Division	Vice President

Richel D. Mendoza	42	Filipino	Chief Audit Executive	Vice President
Reyna Rose P. Manon-og	32	Filipino	Head, Accounting and Financial Control	Assistant Vice President

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

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

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

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

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

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

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 Grand Titan Capital Holdings, Inc. and Global Treasure Holdings, Inc ; Director and Treasurer of Global Business Holdings, Inc.; Senior Vice President/ Corporate Secretary of Federal Homes, Inc.; Director/ Corporate Secretary of Crown Central Realty Corporation; Director/Member of the Board and Formerly Corporate Secretary of Cathay International Resources, Inc. ; Excom Member, Formerly Senior Vice President/Comptroller/ Assistant

Corporate Secretary of Federal Land, Inc.; Chairman and President of MBT-Management Consultancy, Inc.;. She served as Vice President under the Office of the Assistant to the Group Chairman of MBT from 1978 to 2009. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975. Master of Science in Taxation (lack Thesis) from MLQ University.

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

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

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

Richel D. Mendoza 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. She is a seasoned internal audit practitioner with 17 years of experience from listed company Roxas Holdings, Inc. serving as Senior Auditor in one of its subsidiaries until she became the Group Internal Audit Head. She gained her audit background from SGV and Co. She 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. Ms. Mendoza is a Certified Public Accountant, a Certified Internal Auditor (CIA), and an IIA accredited Quality Assurance Validator, Trainer and CIA Reviewer.

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

Aside from Mary Vy Ty, Anjanette Ty Dy Buncio, Alesandra T. Ty and Margaret Ty Cham, none of GT Capital's executive officers are related to each other or to its Directors and substantial shareholders. Eight of its executive officers owns shares of stock of the Company

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: 43rd Floor GT Tower International, 6813 Ayala Avenue corner 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: 43rd Floor GT Tower International, 6813 Ayala Avenue corner 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 2012, 2013 and 2014 estimate. The amounts (in Php 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	Other Annual Compensation
Named Executive Officers*	2012	15.85	5.7	-
	2013	18.65	4.66	-
	2014E	22.59	5.65	-
All other Officers as a Group	2012	1.02	0.26	-
	2013	7.16	1.791	-
	2014E	8.62	2.24	-

** Named executive officers include: Carmelo Maria Luza Bautista (President), Francisco H. Suarez, Jr. (Chief Financial Officer), Joselito V. Banaag (Head, Legal and Compliance), Jose B. Crisol, Jr. (Head, Investor Relations and Corporate Communications), and Susan E. Cornelio (Head, Human Resources).*

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 S.K. Ty. Arthur Vy Ty, Alfred Vy Ty, Anjanette T. Dy Buncio and Alesandra T. Ty are the children of Dr. George S.K. Ty and Mary Vy Ty. Margaret T. Cham is the daughter of Dr. George S.K. Ty.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS

Security Ownership of Certain Record and Beneficial Owners as of March 31, 2014:

As of March 31, 2014, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Grand Titan Capital Holdings, Inc. 4th Floor Metrobank Plaza, Sen. Gil Puyat Ave., Makati City	Same as the Record Owner Arthur Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	103,371,110	59.306%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients[1]	Foreign	58,406,484	33.509%
Common	PCD Nominee Corp. (Filipino)	Various Clients[1]	Filipino	11,886,055	6.819%

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

Security Ownership of Management as of March 31, 2014

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/(I) indirect	Citizenship	Percent of Class
Common	Dr. George S. K. Ty	200,000 (D)	Filipino	0.115%
Common	Arthur Vy Ty	100,000 (D) 1,500 (I)	Filipino	0.057% 0.001%
Common	Alfred Vy Ty	100,000 (D) 1,500 (I)	Filipino	0.057% 0.001%
Common	Mary Vy Ty	99,000 (D)	Filipino	0.057%
Common	Anjanette T. Dy Buncio	40,000 (D) 1,500 (I)	Filipino	0.023% 0.001%
Common	Solomon S. Cua	1,000 (D) 20,000 (I)	Filipino	0.001% 0.011%
Common	Carmelo Maria Luza Bautista	1,000 (D) 10,000 (I)	Filipino	0.001% 0.006%
Common	Francisco H. Suarez, Jr.	5,000 (I)	Filipino	0.003%
Common	Jocelyn Y. Kho	2,200 (I)	Filipino	0.001%
Common	Margaret T. Cham	1,500 (I)	Filipino	0.001%
Common	Roderico V. Puno	1,000 (D)	Filipino	0.001%

Common	Jaime Miguel G. Belmonte	1,000 (D)	Filipino	0.001%
Common	Christopher P. Beshouri	1,000 (D) 3,000 (I)	American	0.001% 0.002%
Common	Wilfredo A. Paras	1,000 (D)	Filipino	0.001%
Common	Joselito V. Banaag	900 (I)	Filipino	0.001%
Common	Alesandra T. Ty	500 (I)	Filipino	0.000%
Common	Antonio V. Viray	0	Filipino	0.000%
Common	Jose B. Crisol, Jr.	0	Filipino	0.000%
Common	Susan E. Cornelio	0	Filipino	0.000%
Common	Richel D. Mendoza	0	Filipino	0.000%
Common	Reyna Rose P. Manon-Og	0	Filipino	0.000%
Total		545,000 (D) 47,600 (I) 592,600 (D) and (I)		0.3400%

Voting Trust Holders of 5% or More

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

Change in Control

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY 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 made on 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.

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, leasing agreements and management 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 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:

	2011	2012	2013	As of March 31, 2014
Total outstanding DOSRI accounts	**₱17,211**	**₱12,721**	**₱6,438**	**₱5,877**
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	3.79%	2.42%	1.05%	0.94%
Percent of DOSRI accounts to total loans	3.79%	2.42%	1.05%	0.94%
Percent of unsecured DOSRI accounts to total DOSRI accounts	15.85%	20.34%	12.55%	14.96%
Percent of past due DOSRI accounts to total DOSRI accounts	3.18%	3.92%	1.31%	1.44%
Percent of nonaccruing DOSRI accounts to total DOSRI accounts	3.18%	3.92%	1.31%	1.44%

(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 March 31, 2014 and December 31, 2013, 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 2.1% and 2.9%, respectively, 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 March 31, 2014 and December 31, 2013, 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 2013, 2012 and 2011amounted to Php275.5 million, Php629.0 million, and Php593.5 million, respectively, and Php94.8 million and Php21.3 million in the quarters ended March 31, 2013 and March 31, 2014, 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, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011. Transactions with subsidiaries have been eliminated in the consolidated financial statements.

Bancassurance

MBT and AXA Philippines engage in bancassurance activities whereby AXA Philippines personnel market life insurance products to MBT's clients. This bancassurance relationship was memorialized in a Service Level Agreement dated January 25, 2012. This agreement sets out the scope of the relationship between the parties as well as the various responsibilities of both MBT and AXA Philippines. The agreement terminates on the date when MBT ceases to be a shareholder of AXA Philippines, unless otherwise rendered illegal, pre-terminated or extended by the parties in writing. AXA Philippines pays referral fees for bank and bank staff referrals determined at various rates based on the collected premiums. Referral fees recognized as commission expense amounted to Php159.4 million and Php291.0 million in 2012 and 2013, respectively. The outstanding balance included in commissions payable amounted to Php21.1 million and Php20.6 million in 2012 and 2013, respectively.

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.

Land for development

In 2012, Fed Land purchased (a) parcel of land located at the Reclamation Area, Central Business Park 1-A, Pasay City for a total consideration of Php234.7 million from World Trade Center Corporation, (b) parcel of land located in Taguig City for a total consideration of Php785.5 million from MBT, (c) parcel of land located in Pasay City for a total consideration of Php541.4 million from Titan Resource Corporation. These parcels of land were acquired at their fair market value at the time of the acquisition. During the first quarter of 2014, Fed Land acquired parcels of land for development located in

Taguig City from MBT for a total consideration of Php3.5 billion and at Macapagal from Titan Resources Corporation for a total consideration of Php1.0 billion.

Long-term loans receivable
In 2012, Fed Land entered into a loan agreement with CIRC. Fed Land agrees to lend to CIRC a total amount of Php705.0 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, 2013 and 2012 amounted to Php618.1 million and Php610.8 million, respectively.

Option agreement
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. Fed Land Group has outstanding deposits amounting to nil and Php2.09 billion with 7.34% interest in 2013 and 2012, respectively. In addition, the Grantor will reimburse Fed Land for its interest expense, borrowing cost and related expenses incurred in obtaining the option money. The Fed Land Group recognized interest income amounting to Php263.9 million and Php257.7 million in 2013 and 2012, respectively.

Management Fees
Management fee amounting to Php70.2 million, Php41.1 million and Php36.8 million in 2013, 2012 and 2011, respectively, pertains to the income received from a joint venture of Fed Land with FLOC and MBT.

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 Php10.0 million and Php8.6 million for 2011 and 2010, respectively.

GBP'S RELATED PARTY TRANSACTIONS

The following are significant transactions entered by GBP and its subsidiaries with related parties:

MBT Loans

On June 18, 2009, CEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to Php16.0 billion to partially finance the construction of its power plant. Php6.0 billion was financed by MBT and payable in 12 years.

On February 26, 2010, PEDC entered into an Omnibus Agreement with various lenders in the aggregate principal amount of up to Php14.0 billion to partially finance the on-going construction of the Panay Expansion Project. Php3.2 billion was financed by MBT while Php1.0 billion was financed by FMIC. Both loans are payable in 12 years.

On November 6, 2009, PPC entered into a Php300.0 million, 7-Year Term Loan Agreement with MBT. Proceeds from the loan were used to settle the BDO loan in 2009. This loan bears interest at the 3-month T-bill rate published in PDST-F plus 2.0% spread and is covered by a Mortgage Trust Indenture Agreement. PPC's power plant, PPC 1, is mortgaged for the aforementioned obligations.

On August 24, 2006, PPC entered into a Php1.2 billion, 10-Year Term Loan Agreement with MBT, for its general corporate requirements. This loan is covered by a Mortgage Trust Indenture Agreement. In March 2007, Section 1.01 of the Php1.2 billion, 10-Year Term Loan Agreement was amended increasing loan facility from Php1.2 billion to Php1.4 billion and changing the reference rate from MART1 rate to PDST-F rate.

As of March 31, 2014, the balances of GBP subsidiaries' loans from MBT were as follows: CEDC, Php4.8 billion; PEDC, Php2.6 billion; and PPC, Php 502.5 million

FMIC Loans

In June 2006, TPC obtained a Php110.0 million, 7-year loan from FMIC. The loan bears an interest based on a three-month MART1 rate plus 4.5% spread. In October 2007 the spread was reduced to 4.00%. The loan was fully paid last August 2012.

In February 2007, TPC obtained a Php129.0 million, 7-year loan from FMIC. The loan bears interest based on a three-month MART1 rate plus 4.0% spread. In 2011, the interest rate was fixed at 6.375%. The principal is payable in 20 equal quarterly installments, commencing on May 13, 2009. Total interest charged to operations amounted to Php1.9 million and Php4.9 million in 2012 and 2011, respectively. TPC's power plant is mortgaged as collateral to at least 200.0% of the fair market value of the loan. The loan was fully paid last August 2012.

In October 2003 and August 2004 Panay Power Corporation obtained loans amounting to Php350.0 million and Php515.0 million. The loans bear interest based on a three-month MART1 rate plus 3.0% spread. The spreads were increased to 3.25% in September 2006 and then to 4.0% in September 2009. In 2011, the interest rate was fixed at 6.375%. PPC loans are covered by a Chattel Mortgage Agreement. The Php350.0 million loan was paid in full in September 2013.

Lease Agreements

TPC leases various parcels of land from THC for a period of one year, renewable every year and under such terms and conditions as may be agreed upon by both parties. Rent charged to operations amounted to Php6.6 million, Php5.6million and Php1.4 million in 2012, 2013 and in the first quarter of 2014, respectively. In addition, TPC extended noninterest-bearing advances payable in lump sum at a certain period of time to a third party. In 2002, the third party assigned its rights over certain foreshore leases and sold several parcels of land to THC in settlement of its long-term advances from TPC. Accordingly, THC became indebted to TPC for the value of these foreshore leases and parcels of land determined using the NRV of the third party's advances from TPC.

Interest earned from the sale of land to THC amounted to Php8.8 million in 2012. In addition, PPC leases back parcels of land from THC for a period of one year commencing on January 1, 2004, renewable every year and under such terms and conditions as may be agreed upon by both parties. Related rent expense charged to operations amounted to Php8.6 million, Php8.6 million and Php2.1 million in 2012, 2013 and in the first quarter of 2014, respectively.

CEDC has a lease agreement with THC for the latter's parcels of land where CEDC's power plant is situated. Rental in 2012 and 2013 amounted to Php3.9 million and in the first quarter of 2014, Php 1.0 million.

Other Transactions

The GBP Group has cash and cash equivalents with MBT, FMIC and ORIX. Interests earned from these deposits are based on the respective bank deposit rates. MBT is the parent company of FMIC. FMIC owns 9.1% of GBP. ORIX is a joint venture between MBT and ORIX Corporation of Japan.

The amount of Php378.5 million due to related parties as of December 31, 2013 represents advances from Abovant, a stockholder of CEDC.

TMP'S RELATED PARTY TRANSACTIONS

As a component company of GT Capital, TMP continues to benefit from this affiliation in several ways. MBT has a 34% effective interest in TFSPH, which is a joint venture between MBT Group 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. While TMP does not have any ownership interest in TFSPH, its financing promotions for retail and wholesale customers help 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, which 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 to purchase Toyota vehicles for their business operations. In terms of management, TMP is also able to draw upon the significant managerial experience of the GT Capital component companies to complement its own managerial resources.

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:

	Terms	Conditions
Entities with joint control over the Company		
MBT		
Savings, current and time deposits accounts	90 days, 0.10 % to 2.75%	Unsecured, no impairment
Interest income	90 days, 0.10 % to 2.75%	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
Sale of debt securities	Interest-free, settlement in cash	Unsecured, no impairment
Purchase of debt securities	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
Derivative asset	Php51.62 pre-agreed forward rate	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, 0.50 % to 4.00%	Unsecured, no impairment
Interest income	90 days, 0.50 % to 4.00%	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
AXAAPHL		
Various expenses	Interest-free, settlement in cash	Unsecured, no impairment
AXA Malaysia		
Various expenses	Interest-free, settlement in cash	Unsecured, no impairment
AXA HK		
Various expenses	Interest-free, settlement in cash	Unsecured, no impairment
Key management personnel		
Compensation and benefits	–	–
Directors' fees	–	–
Due from officers and employees	6% to 12% interest bearing, settlement in cash or salary deduction	Secured, with impairment

CPAIC'S RELATED PARTY TRANSACTIONS

CPAIC, in its usual conduct and course of business, has entered into transactions with its associate and other related parties principally consisting of cross selling activities, service requirements and leasing agreements.

TMBC'S RELATED PARTY TRANSACTIONS

TMBC enters into transactions with related parties on a regular basis. These transactions and related parties are as follows:

- TMBC purchases vehicles, parts and accessories from TMP.
- TFSPH is one of the financial institutions accredited by TMBC to provide vehicle financing to TMBC clients.
- TMBC taps MBT's cash management services and trust fund management for its corporate needs. MBT is also one of the financial institutions accredited by TMBC to provide vehicle financing to TMBC clients.
- PSBank is one of the financial institutions accredited by TMBC to provide vehicle financing to TMBC clients.
- ORIX Metro Leasing, Orix Rental Corporation and Orix Auto Leasing Philippines Corporation provide auto financing to TMBC clients and purchase parts from TMBC.
- CPAIC is one of the non-life insurance companies accredited by TMBC to provide vehicle insurance to TMBC clients. It is also the insurance provider for all TMBC assets.
- TMBC has existing lease agreements on land usage and maintenance with Pasay Hong Kong Realty and Development Corporation.
- TMBC has a tie-up with MCC through the Toyota Mastercard program.

TCI'S RELATED PARTY TRANSACTIONS

TCI enters into transactions with related parties on a regular basis. These transactions and related parties are as follows:

- TCI purchases vehicles, parts and accessories from TMP.
- TFSPH is one of the financial institutions accredited by TCI to provide vehicle financing to TCI clients.
- TCI taps MBT's cash management services and trust fund management for its corporate needs. MBT is also one of the financial institutions accredited by TCI to provide vehicle financing to TCI clients .
- PSBank is one of the financial institutions accredited by TCI to provide vehicle financing to TCI clients .
- CPAIC is one of the non-life insurance companies accredited by TCI to provide vehicle insurance to TCI clients.
- Orix Rental Corporation and Orix Auto Leasing Philippines Corporation are two of the top fleet clients of TCI.
- TCI has existing lease agreements on land usage and maintenance with Horizon Land Property and Development Corporation.
- TCI has a tie-up with MCC through the Toyota Mastercard program.

DESCRIPTION OF DEBT

Short-Term Debt

GT Capital and its subsidiaries' outstanding short-term loans payable aggregated to Php5.0 billion as of March 31, 2014.

Bonds Payable

On February 13, 2013, GT Capital issued a Php10.0 billion worth of 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 proceeds amounted to Php10.0 billion and net proceeds amounted to Php9.9 billion, net of deferred financing cost incurred amounting to Php0.1 billion. Said bonds were listed on February 27, 2013. As of March 31, 2014, the carrying value of the bonds payable amounted to Php9.9 billion, net of deferred financing cost.

Long-Term Debt

As of March 31, 2014, GT Capital and its subsidiaries have a total of Php45.2 billion in outstanding long-term debt, the current portion of which amounted to Php3.3 billion as at March 31, 2014.

Liabilities on Purchased Properties

In 2012 and 2013, Fed Land acquired parcels of land from various real estate property sellers on an installment basis. As of March 31, 2014, total liabilities on purchased properties amounted to Php4.3 billion, the current portion of which amounted to Php0.9 billion.

The Company and its subsidiaries are subject to covenants under agreements evidencing or governing its outstanding indebtedness, including but not limited to those set forth in loan agreements with local banks and financial institutions. Under these loans, the Company shall not permit its Debt-to-Equity ratio to exceed 2.3:1at all times. As of March 31, 2014, taking into account the foregoing debt, Debt-to-Equity ratio is 0.68x.

The Company does not believe that these covenants will impose constraints on its ability to finance capital expenditure program or, more generally, to develop its business and enhance its financial performance. The Company is in full compliance with the covenants required by its creditors.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds 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 Bonds 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 of a holder of Bonds 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 Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, 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 thereof; 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 "non-resident alien doing business in the Philippines," otherwise, such 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.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20%. Generally, interest on the Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% withholding tax while that received by non-resident foreign individuals not engaged in trade or business is taxed at the rate of 25%. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 30% final withholding tax. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest arises in the Philippines and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

TAX-EXEMPT STATUS

Bondholders who are exempt from or are not subject to final withholding tax on interest income may claim such exemption by submitting the necessary documents. Said Bondholder shall submit the following requirements to the Registrar, or to the Issue Manager and Underwriter (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (i) certified true copy of the tax exemption certificate issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in prescribed form, declaring and warranting its tax-exempt status, undertaking to immediately notify GT Capital of any suspension or revocation of the tax exemption certificate and agreeing to indemnify and hold GT Capital free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by GT Capital to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption or reasonable evidence of such exemption to the Registrar.

Bondholders may transfer their Bonds at anytime, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax exempt entities trading with non-tax exempt entities shall be treated as non-tax exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEx shall be allowed between non tax exempt and tax-exempt entities without restriction and observing the tax exemption of tax exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Section entitled *"Payment of Additional Amounts; Taxation,"* within three days of such transfer.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Bonds in the Philippines by Philippine-registered dealers in securities and lending investors shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less cost of the securities sold.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:
On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period referred above is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of Php1.00 for each Php200, or fractional part thereof, of the offer price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the

Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by GT Capital for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

The holder of the Bonds will recognize gain or loss upon the sale or other disposition (including a redemption at maturity) of the Bonds in an amount equal to the difference between the amount realized from such disposition and such holder's basis in the Bonds. Such gain or loss is likely to be deemed a capital gain or loss assuming that the holder has held Bonds as capital assets.

Under the Tax Code, any gain realized from the sale, exchange or retirement of securities, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such securities, debentures or other certificates of indebtedness) shall not be subject to income tax. Therefore, any gains realized by a holder on the trading of Bonds shall be exempt from income tax.
In case of an individual taxpayer, only 50% of the capital gain or loss is recognized upon the sale or exchange of a capital asset if it has been held for more than 12 months.

Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty or if they are sold outside the Philippines.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over Php200,000. A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed Php100,000 and where the donee or beneficiary is other than a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor and lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the 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 (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows 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 the foreign country.

FINANCIAL INFORMATION

The subsequent pages set forth the following financial information:

1. Financial Highlights of MBT, Fed Land, GBP, TMP, AXA Philippines, CPAIC, TMBC and TCI.
2. GT Capital's audited consolidated financial statements as at 31 December 2013 and 2012 and for the years ended 31 December 2013, 2012 & 2011; and
3. GT Capital's unaudited interim condensed consolidated financial statements as at March 31, 2014 and the audited consolidated financial statements as at December 31, 2013 and for the quarters ended March 31, 2014 and 2013 submitted to the Securities and Exchange Commission.

METROPOLITAN BANK & TRUST COMPANY
UNAUDITED INTERIM FINANCIAL HIGHLIGHTS
(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Statement of Income (in million PHP)	**March 31, 2014 (Unaudited)**
Net interest income	₱11,156
Other Income	8,978
Operating Income	20,134
Costs and Expenses	11,416
Income Before Income Tax	8,718
Provision for Income Tax	2,173
Net Income	₱6,545
Net Income Attributable to Parent Company	₱5,686
Net Income Attributable to Parent Company, net of intercompany gain*	₱2,589

*Intercompany gain amounting to Php3.1 billion eliminated in the consolidation pertains to gain on sale of assets to Fed Land.

Statement of Financial Position (in million PHP)	**March 31, 2014 (Unaudited)**
Total Assets	₱1,400,319
Deposit Liabilities	1,038,488
Other Liabilities	217,120
Total Liabilities	1,255,608
Total Equity	144,711
Total equity attributable to Parent	136,538

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(Amounts in million pesos)

	December 31	
	2013	2012 (As restated)
ASSETS		
Cash and Other Cash Items	**₱29,742**	₱24,382
Due from Bangko Sentral ng Pilipinas	**166,774**	131,278
Due from Other Banks	**26,275**	22,996
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	**122,011**	23,392
Financial Assets at Fair Value Through Profit or Loss	**55,441**	72,920
Available-for-Sale Investments	**273,429**	123,041
Held-to-Maturity Investments	**38,425**	51,451
Loans and Receivables	**611,064**	525,895
Investments in Associates and a Joint Venture	**6,274**	14,868
Property and Equipment - net	**15,756**	15,345
Investment Properties	**13,125**	15,422
Non-Current Assets Held for Sale	–	1,102
Deferred Tax Asset	**7,190**	8,871
Goodwill	**5,206**	6,409
Other Assets	**7,857**	9,271
	₱1,378,569	₱1,046,643

LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱150,694**	₱106,229
Savings	**362,915**	305,034
Time	**502,659**	327,431
	1,016,268	738,694
Bills Payable and Securities Sold Under Repurchased Agreements	**127,204**	97,108
Derivative Liabilities	**4,452**	6,692
Manager's Checks and Demand Drafts Outstanding	**3,927**	3,489
Income Taxes Payable	**676**	1,326
Accrued Interest and Other Expenses	**8,507**	8,341
Bonds Payable	**11,643**	11,556
Subordinated Debt	**8,628**	14,243
Deferred Tax Liabilities	**479**	244
Other Liabilities	**54,080**	40,241
	1,235,864	921,934

(Forward)

	December 31	
	2013	2012 (As restated)
EQUITY		
Equity Attributable to Equity Holders of the Parent Company		
Common stock	**₱54,896**	₱42,228
Hybrid capital securities	**6,351**	6,351
Capital paid in excess of par value	**19,312**	19,312
Surplus reserves	**1,235**	1,108
Surplus	**55,525**	48,418
Remeasurement losses on retirement plan	**(2,870)**	(2,011)
Net unrealized gain (loss) on available-for-sale investments	**(481)**	2,439
Equity in net unrealized gain (loss) on available-for-sale investments of associates	**272**	757
Translation adjustment and others	**647**	(869)
	134,887	117,733
Non-controlling interest	**7,818**	6,976
	142,705	124,709
	₱1,378,569	₱1,046,643

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF INCOME

(Amounts in million pesos)

	Years Ended December 31	
	2013	2012 (As restated)
INTEREST INCOME ON		
Loans and receivables	**₱35,537**	₱32,728
Trading and investment securities	**11,415**	10,463
Interbank loans receivable and securities purchased under resale agreements	**2,417**	551
Deposit with banks and others	**523**	1,274
	49,892	45,016
INTEREST AND FINANCE CHARGES		
Deposit liabilities	**7,556**	8,756
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debt and others	**4,067**	5,406
	11,623	14,162
NET INTEREST INCOME	**38,269**	30,854
Trading and securities gain-net	**17,182**	6,680
Service charges, fees and commission	**8,640**	8,123
Gain on sale of investment in an associate	**7,388**	–
Gain on sale of non-current assets held for sale	**3,440**	3,403
Leasing	**1,638**	1,380
Income from trust operations	**1,071**	853
Profit from assets sold	**894**	1,119
Dividends	**435**	156
Foreign exchange gain (loss) – net	**(2,266)**	3,636
Miscellaneous	**2,233**	874
TOTAL OPERATING INCOME	**78,924**	57,078
Compensation and fringe benefits	**15,634**	14,406
Provision for credit and impairment losses	**10,722**	4,478
Taxes and licenses	**8,131**	5,268
Depreciation and amortization	**2.400**	2,188
Occupancy and equipment-related cost	**2,225**	2,107
Amortization of software costs	**284**	236
Miscellaneous	**10,101**	9,170
TOTAL OPERATING EXPENSES	**49,497**	37,853
INCOME BEFORE SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	**29,427**	19,225
SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	**1,477**	2,548
INCOME BEFORE INCOME TAX	**30,904**	21,773
PROVISION FOR INCOME TAX	**6,748**	3,856
NET INCOME	**₱24,156**	₱17,917
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱22,488**	₱15,399
Non-controlling interests	**1,668**	2,518
	₱24,156	₱17,917

FEDERAL LAND, INC.

UNAUDITED INTERIM FINANCIAL HIGHLIGHTS
(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Income Statement (in Millions PHP)	**March 31, 2014 (Unaudited)**
Real Estate Sales and Interest Income on Real Estate Sales	1,691
Other Revenues	606
Total Revenue	**2,297**
Cost of real estate sales	997
Other Expenses	766
Total Expenses	**1,763**
Net Income Before Tax	534
Provision for Income Tax	105
NET INCOME	**429**
Net Income Attributable to Parent Company	**424**

Balance Sheet (in Millions PHP)	**March 31, 2014 (Unaudited)**
Total assets	43,345
Total loans payable and liabilities on purchased properties	18,200
Total liabilities	24,347
Total equity	18,998
Equity Attributable to Parent Company	18,894

FEDERAL LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in million pesos)

	December 31(Audited)	
	2013	2012 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱5,747**	₱855
Receivables	**3,516**	2,923
Due from related parties	**441**	153
Inventories	**16,135**	11,161
Prepayments and other current assets	**2,030**	2,463
Total Current Assets	**27,869**	17,555
Noncurrent Assets		
Noncurrent installment contracts receivables	**3,534**	1,678
Long-term loans receivable	**618**	611
Investments in associate and jointly controlled entities	**4,212**	4,041
Investment properties-net	**6,086**	7,816
Property and equipment -net	**431**	373
Deferred tax assets –net	**16**	21
Deposits	–	2,085
Long-term cash investments	–	–
Other noncurrent assets	**460**	458
Total Noncurrent Assets	**15,357**	17,083
	₱43,226	₱34,638

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	**₱3,759**	₱3,650
Loans payable	**130**	1,587
Long-term payable	**783**	–
Customers' deposits	**1,795**	976
Due to related parties	**188**	190
Income tax payable	**5**	4
Other current liabilities	**93**	131
Total Current Liabilities	**6,753**	6,538

(Forward)

	December 31	
	2013	**2012 (As restated)**
Noncurrent Liabilities		
Loans payable	**₱13,600**	₱8,600
Long-term payable	**3,537**	2,581
Pension liabilities	**89**	82
Deferred tax liabilities	**167**	101
Other noncurrent liabilities	**511**	179
Total Noncurrent Liabilities	**17,904**	11,543
	24,657	18,081
Equity		
Capital stock	**14,941**	13,795
Treasury shares	**(46)**	–
Remeasurement gains (losses) on retirement plan	**(3)**	4
Reserves	**34**	–
Retained earnings	**3,544**	2,670
	18,470	16,469
Non-controlling interests	**99**	88
Total Equity	**18,569**	16,557
	₱43,226	₱34,638

FEDERAL LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in million pesos)

	Years Ended December 31	
	2013	**2012 (As restated)**
REVENUE		
Real estate sales	**₱4,702**	₱2,131
Sale of goods and services	**660**	728
Interest income from installment contracts receivables	**749**	279
Rent income	**632**	233
Commissions	**163**	185
Interest income from banks	**31**	36
Equity in net earnings of an associate and jointly controlled entities	**410**	227
Other income	**549**	457
	7,896	4,275
COSTS AND EXPENSES		
Cost of real estate sales	**3,667**	1,342
Cost of goods and services	**620**	681
Cost of rental services	**137**	6
General and administrative expenses	**1,630**	1,219
Interest expense	**621**	327
	6,675	3,575
OTHER INCOME - net	**–**	1,354
INCOME BEFORE INCOME TAX	**1,221**	2,054
PROVISION FOR INCOME TAX	**202**	61
NET INCOME	**1,019**	1,993
Attributable to:		
Equity holders of the Parent Company	**1,006**	₱1,981
Non-controlling interests	**13**	12
	₱1,019	₱1,993

GLOBAL BUSINESS POWER CORPORATION

UNAUDITED INTERIM FINANCIAL HIGHLIGHTS
(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Income Statement (in Millions PHP)	**March 31, 2014 (Unaudited)**
Net fees	**4,004**
Interest income from banks	24
Other income (including net forex gain)	9
Total Revenues	**4,037**
Power plant operation and maintenance	2,595
General and Administrative Expenses	335
Interest Expenses	618
Other Expenses	94
Income Before Tax	**395**
Income Tax Benefit	55
Net Income	**450**
Net income attributable to Parent Company	**225**

Balance Sheet (in Millions PHP)	**March 31, 2014 (Unaudited)**
Total Assets	**64,785**
Total Loans Payable	28,433
Total Liabilities	**37,615**
Total Equity	27,170
Equity Attributable to Parent Company	**22,648**

GLOBAL BUSINESS POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in million pesos)

	December 31	
	2013	2012 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱9,979**	₱10,638
Short-term investments	**200**	–
Receivables	**3,686**	3,958
Inventories	**1,159**	1,095
Advances to suppliers and contractors	**57**	93
Prepayments and other current assets - net	**1,939**	2,537
Total Current Assets	**₱17,020**	18,321
Noncurrent Assets		
Long-term receivables - net of current portion	**778**	873
Available-for-sale (AFS) and bond investments	**1,287**	1,050
Property, plant and equipment	**39,147**	35,930
Deferred tax assets - net	**311**	321
Goodwill and other noncurrent assets - net	**1,227**	1,808
Total Noncurrent Assets	**42,750**	39,982
TOTAL ASSETS	**₱59,770**	₱58,303
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**₱4,543**	₱4,423
Short-term debt	**68**	–
Current portion of long-term debt	**2,746**	2,720
Income tax payable	**6**	22
Dividends payable	**2,984**	3,409
Due to a stockholder	**394**	378
Total Current Liabilities	**10,741**	10,952
Noncurrent Liabilities		
Long-term debt - net of current portion	**24,462**	24,976
Deferred tax liabilities - net	**226**	246
Retirement benefit obligation	**429**	445
Decommissioning liability	**193**	184
Total Noncurrent Liabilities	**25,310**	25,851
Total Liabilities	**36,051**	36,803

(Forward)

	December 31	
	2013	2012 (As restated)
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value in 2013 and 2012		
Authorized - 1,000,000,000 shares in 2013 and 2012		
Issued – 1,000,000,000 shares in 2013 and 593,384,096 shares in 2012	**₱1,000**	₱593
Additional paid-in capital	**16,035**	14,488
Deposits for future stock subscription	**–**	–
Other comprehensive income (loss)		
Unrealized valuation gains on AFS investments	**1,137**	900
Actuarial losses on retirement benefit obligation	**(22)**	(90)
Retained earnings	**1,594**	1,657
	19,744	17,548
Non-controlling Interests	**3,975**	3,952
Total Equity	**23,719**	21,500
TOTAL LIABILITIES AND EQUITY	**₱59,770**	₱58,303

GLOBAL BUSINESS POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in million pesos)

	Years Ended December 31	
	2013	2012 (As restated)
NET FEES	**₱16,860**	₱19,180
COSTS AND EXPENSES		
Power plant operations and maintenance costs	**7,299**	8,905
Depreciation	**1,989**	1,907
Personnel	**699**	652
Outside services	**487**	427
Regulatory, taxes and licenses	**441**	438
Insurance	**171**	159
Travel and representation	**56**	76
Professional fees	**34**	22
Rent and utilities	**33**	33
Telephone and postage	**13**	12
Supplies	**13**	15
Impairment loss	**–**	393
Others	**230**	216
	11,465	13,255
FINANCE COSTS – net	**(2,559)**	(2,606)
OTHER INCOME - net	**134**	83
INCOME BEFORE INCOME TAX	**2,970**	3,402
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**50**	145
Deferred	**(42)**	(114)
	8	31
NET INCOME	**₱2,962**	₱3,371
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**₱1,937**	₱2,215
Non-controlling interests	**1,025**	1,156
	₱2,962	₱3,371

TOYOTA MOTOR PHILIPPINES CORPORATION
UNAUDITED INTERIM FINANCIAL HIGHLIGHTS
(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Statement of Income (in million PHP)	**March 31, 2014 (Unaudited)**
Sales	23,626
Cost of Sales	20,656
Gross Profit	2,970
Operating Expense	1,066
Income from Operations	1,904
Other Income	24
Income Before Tax	1,928
Provision for Income Tax	523
NET INCOME	**1,405**
Net Income Attributable to Parent Company	1,388

Statement of Financial Position (in million PHP)	**March 31, 2014 (Unaudited)**
Total Assets	27,117
Total Liabilities	16,455
Total Debt	1,165
Total Equity	10,662
Equity attributable to Parent Company	10,416

TOYOTA MOTOR PHILIPPINES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in million pesos)

	December 31	
	2013	2012 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱10,344**	₱8,021
Short-term cash investments	**1,244**	86
Receivables	**4,059**	4,104
Inventories	**3,556**	5,000
Other current assets	**290**	672
Total Current Assets	**19,493**	17,883
Noncurrent Assets		
Available-for-sale investments	**128**	144
Property and equipment	**2,635**	1,619
Investment properties	**313**	315
Intangible assets	**-**	-
Deferred tax assets	**843**	749
Other noncurrent assets	**338**	326
Total Noncurrent Assets	**4,257**	3,153
	₱23,750	₱21,036
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	**₱8,639**	₱8,300
Accrued expenses	**2,041**	1,618
Income tax payable	**265**	233
Loans payable	**875**	295
Total Current Liabilities	**11,820**	10,446
Noncurrent Liabilities		
Long-term debt	**246**	246
Provisions	**1,325**	1,309
Retirement liability	**1,073**	982
Total Noncurrent Liabilities	**2,644**	2,537
Total Liabilities	**14,464**	12,983

(Forward)

	December 31	
	2013	2012 (As restated)
Equity		
Equity Attributable to equity holders of the Parent Company		
Capital stock	**1,549**	1,549
Additional paid-in capital	**874**	874
Retained earnings	**6,870**	5,645
Other comprehensive income		
Revaluation reserve on available-for-sale financial assets	**50**	65
Net actuarial loss on retirement liability	**(287)**	(271)
	9,056	7,862
Non-controlling interests	**230**	191
Total Equity	**9,286**	8,053
	23,750	21,036

TOYOTA MOTOR PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in million pesos)

	December 31	
	2013	**2012 (As Restated)**
REVENUE		
Manufacturing activities	**₱20,331**	₱17,395
Trading and services	**60,346**	55,165
	80,677	72,560
COSTS AND EXPENSES		
Manufacturing activities	**17,636**	13,379
Trading services	**52,784**	51,188
	70,420	64,567
GROSS PROFIT		
Manufacturing activities	**2,695**	4,016
Trading services	**7,562**	3,977
	10,257	7,993
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Selling	**(2,397)**	(1,779)
General and administrative	**(2,141)**	(2,496)
	(4,538)	(4,275)
INTEREST AND OTHER INCOME (EXPENSE)		
Interest Income	**197**	329
Interest expense	**(85)**	(61)
Foreign exchange gain (loss) - net	**(34)**	60
Other income	**115**	64
	193	392
INCOME BEFORE INCOME TAX	**5,912**	4,110
PROVISION FOR INCOME TAX	**1,653**	1,270
NET INCOME	**₱4,259**	₱2,840
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**₱4,219**	₱2,809
Non-controlling interests	**40**	31
	₱4,259	₱2,840

PHILIPPINE AXA LIFE INSURANCE CORPORATION
UNAUDITED INTERIM FINANCIAL HIGHLIGHTS
(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Statement of Income (in million PHP)	**March 31, 2014 (Unaudited)**
Net Insurance Premium	3,462
Subscriptions allocated to unit linked funds	(2,822)
Premium Revenues	**640**
Investment Income	1,525
Asset Management and Other Income	194
Total Revenues	**2,359**
Net insurance benefits and claims	1,339
Operating and administrative expenses	484
Commissions and other expenses	227
Total Cost and Expenses	**2,050**
Income before tax	**309**
Income tax	78
Net Income	**231**

Statement of Financial Position (in million PHP)	**March 31, 2014 (Unaudited)**
Total Assets	**58,018**
Total Liabilities	**53,854**
Total Equity	**4,164**

PHILIPPINE AXA LIFE INSURANCE CORPORATION

STATEMENTS OF FINANCIAL POSITION

(Amounts in million pesos)

	December 31	
	2013	**2012 (As restated)**
ASSETS		
Cash and Cash Equivalents	**₱3,021**	₱2,066
Short-term Investments	**154**	-
Insurance Receivables	**158**	132
Financial Assets		
Financial Assets at Fair Value through Profit or loss	**1,038**	1,286
Available-for-sale financial Assets	**6,305**	6,652
Loans and Receivables - net	**560**	536
Accrued Income	**91**	111
Investment Properties	**14**	15
Property and Equipment	**221**	203
Intangible Assets	**3**	3
Deferred Tax Asset	**41**	36
Pension Asset	**-**	-
Other Assets	**65**	54
	11,671	11,094
Assets Held to Cover Unit-Link Liabilities	**43,279**	33,758
	₱54,950	₱44,852
LIABILITIES AND EQUITY		
Liabilities		
Insurance Contract Liabilities	**₱6,264**	₱6,159
Premium Deposit Fund	**129**	141
Life Insurance Deposits	**118**	112
Pension Liability	**9**	9
Income Tax Payable	**78**	-
Insurance Payables	**87**	57
Trade and Other Liabilities	**929**	660
Dividends Payable	**-**	-
	7,614	7,138
Unit-Linked Liabilities	**43,279**	33,758
	50,893	40,896
Equity		
Capital Stock	**1,000**	659
Contributed Surplus	**50**	50
Contingency Surplus	**10**	9
Revaluation reserves on Available-for-sale financial assets	**1,069**	1,262
Reserves on actuarial gains on defined benefit plan	**8**	8
Retained Earnings	**1,920**	1,968
Treasury stock	**-**	-
Total Equity	**4,057**	3,956
	₱54,950	₱44,852

PHILIPPINE AXA LIFE INSURANCE CORPORATION

STATEMENTS OF INCOME

(Amounts in million pesos)

	Years Ended December 31	
	2013	2012 (As restated)
REVENUE		
Gross premiums on insurance contracts issued	**₱18,320**	₱12,312
Premiums ceded to reinsurers	**(56)**	(32)
Net insurance premiums	**18,264**	12,280
Subscriptions allocated to investment in unit-linked funds	**(14,280)**	(9,169)
	3,984	3,111
Asset management fees	**615**	464
Investment income	**518**	645
Gain on sale of available-for-sale financial assets	**459**	158
Fair value gains from assets at fair value through profit or loss	**18**	110
Foreign exchange gains-net	**3**	-
Gain on sale of property and equipment	**-**	4
Income on assets held to cover unit-linked liabilities	**-**	3,396
Increase in unit-linked liabilities due to income on assets held to cover unit-linked liabilities	**-**	(3,396)
Other income	**-**	89
	5,597	4,581
BENEFITS, CLAIMS AND OPERATING EXPENSES		
Gross benefits and claims	**6,424**	6,881
Reinsurers' share of gross benefits and claims	**(17)**	(15)
Policyholders' dividends and interest	**42**	40
Decrease in unit-linked liabilities due to surrenders	**(5,123)**	(4,127)
Net benefits and claims incurred	**1,326**	2,779
Increase (decrease) in legal policy reserves	**97**	(1,467)
Increase in reserves for policyholders' dividends	**3**	5
Net insurance benefits and claims	**1,426**	1,317
Operating and administrative expenses	**1,876**	1,589
Commission expense	**808**	533
Loss on assets held to cover unit-linked liabilities	**645**	-
Decrease in unit-linked liabilities due to loss on assets held to cover unit linked liabilities	**(645)**	-
Premium and documentary stamp taxes	**60**	49
Agency development expenses	**33**	28
Interest on premium deposit fund	**3**	5
Medical and inspection fees	**3**	4
Foreign exchange losses – net	**-**	13
	4,209	3,538
INCOME BEFORE INCOME TAX	**1,388**	1,043
PROVISION FOR INCOME TAX	**204**	134
NET INCOME	**₱1,184**	₱909

CHARTER PING AN INSURANCE CORPORATION

UNAUDITED INTERIM FINANCIAL HIGHLIGHTS

(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Statement of Income (in million PHP)	**March 31, 2014 (Unaudited)**
Net Premiums Earned	**441**
Underwriting Deductions:	
Net Commission Expenses	*105*
Losses Incurred	*188*
Other Undewriting Expense (Income)	*2*
Underwriting Deductions	**288**
Gross Underwriting Contribution	**153**
Total Operating Expenses	103
Net Underwriting Income (Loss)	**50**
Net Investment Income	22
Income (Loss) from Operations	**72**
One-time Gains	**4**
Provision for Income Tax	21
Net Income	**55**

Statement of Financial Position (in million PHP)	**March 31, 2014 (Unaudited)**
Reinsurance Assets	5,116
Total Assets	**9,497**
Insurance contract liabilities	6,878
Total Liabilities	**8,126**
Total Equity	**1,371**

CHARTER PING AN INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Amounts in million pesos)

	December 31	
	2013	2012 (As restated)
ASSETS		
Cash and Cash Equivalents	**₱865**	₱720
Short-term Investments	**1**	1
Insurance Receivables - net	**1,609**	1,247
Financial Assets		
Available-for-sale	**1,298**	1,125
Loans and receivables	**39**	40
Reinsurance Assets	**4,966**	2,842
Deferred Acquisition Costs	**216**	194
Property and Equipment - net	**187**	154
Assets Held for Sale	**15**	10
Other Assets	**10**	10
Deferred tax asset	**5**	13
	₱9,211	₱6,356

LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities	**₱6,684**	₱4,252
Insurance payables	**296**	271
Accounts payable and accrued expenses	**737**	483
Income tax payable	**41**	52
Retirement benefit obligation	**102**	80
Deferred reinsurance commissions	**36**	32
	7,896	5,170
Equity		
Capital stock	**512**	350
Additional paid-in capital	**7**	7
Revaluation reserve on:		
Available-for-sale financial assets	**76**	123
Property and equipment	**79**	86
Remeasurement loss on retirement plan	**(53)**	(37)
Retained earnings	**694**	657
	1,315	1,186
	₱9,211	₱6,356

CHARTER PING AN INSURANCE CORPORATION

STATEMENTS OF INCOME

(Amounts in million pesos)

	Years Ended December 31	
	2013	2012 (As restated)
Gross earned premiums on insurance contracts	**₱3,249**	₱2,339
Reinsurers' share of gross earned premiums on insurance contracts	**1,595**	892
Net insurance earned premiums	**1,654**	1,447
Commission income	**96**	67
Interest income	**77**	81
Gain on sale of available-for-sale financial assets	**29**	5
Dividend income	**1**	3
Others	**43**	29
Other income	**246**	185
Total Income	**1,900**	1,632
Gross insurance contract benefits and claims paid	**1,268**	755
Reinsurers' share of gross insurance contract benefits and claims paid	**(660)**	(263)
Gross change in insurance contract liabilities	**2,167**	494
Reinsurers' share of gross change in insurance contract liabilities	**(2,029)**	(417)
Net insurance benefits and claims	**746**	569
Commission expense	**475**	403
Operating expenses	**428**	368
Interest expense	**1**	1
Other expenses	**904**	772
Total Benefits, Claims and Other Expenses	**1,650**	1,341
Income before income tax	**250**	291
Current	**76**	80
Deferred	**(16)**	(4)
Income tax expense	**60**	76
NET INCOME	**₱190**	₱215

TOYOTA MANILA BAY CORPORATION

UNAUDITED INTERIM FINANCIAL HIGHLIGHTS

(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Statement of Income (in million PHP)	**March 31, 2014 (Unaudited)**
Net Sales	**2,659**
Cost of Sales	**2,476**
Gross Profit	**183**
Operating Expenses	137
Other Income (Charges)	(1)
Income before Income Tax	**45**
Provision for Income Tax	13
Net Income	**32**

Statement of Financial Position (in million PHP)	**March 31, 2014 (Unaudited)**
Total Assets	1,953
Total Liabilities	1,390
Total Equity	563

TOYOTA MANILA BAY CORPORATION

STATEMENTS OF FINANCIAL POSITION
(Amounts in million pesos)

	December 31	
	2013	2012 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱228**	₱214
Receivables - net	**908**	692
Inventories - net	**239**	314
Current portion of lease rights	**-**	1
Other current assets	**31**	18
Total Current Assets	**1,406**	1,239
Noncurrent Assets		
Noncurrent portion of lease rights	**-**	-
Property and equipment - net	**497**	463
Deferred tax assets	**26**	20
Refundable deposits	**5**	4
Total Noncurrent Assets	**528**	487
	₱1,934	₱1,726
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**₱644**	₱680
Notes payable	**695**	545
Income tax payable	**20**	31
Total Current Liabilities	**1,359**	1,256
Noncurrent Liabilities		
Net pension liability	**44**	52
Total Liabilities	**1,403**	1,308
Equity		
Capital stock	**250**	250
Retained earnings		
Appropriated	**70**	-
Unappropriated	**222**	181
Other comprehensive income		
Net remeasurement loss on retirement benefit obligation	**(11)**	(13)
Total Equity	**531**	418
	₱1,934	₱1,726

TOYOTA MANILA BAY CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in million pesos)

	Years Ended December 31	
	2013	2012 (As restated)
NET SALES		
Vehicles	**₱8,775**	₱7,380
Parts and accessories	**410**	347
Services	**256**	218
	9,441	7,945
COST OF SALES		
Vehicles	**8,365**	6,980
Parts and accessories	**302**	256
Services	**121**	121
	8,788	7,357
GROSS PROFIT		
Vehicles	**410**	400
Parts and accessories	**108**	91
Services	**135**	97
	653	588
OPERATING EXPENSES		
Selling	**166**	130
General administrative	**322**	285
	488	415
OTHER INCOME (CHARGES) - net		
Interest income	**1**	1
Rent income	**2**	2
Interest expense	**(27)**	(37)
Miscellaneous - net	**17**	6
	(7)	(28)
INCOME BEFORE INCOME TAX	**158**	145
PROVISION FOR INCOME TAX	**48**	43
NET INCOME	**₱110**	₱102

TOYOTA CUBAO, INC.

UNAUDITED INTERIM FINANCIAL HIGHLIGHTS
(AS OF AND FOR THE PERIOD ENDED MARCH 31, 2014)

Statement of Income (in million PHP)	**March 31, 2014 (Unaudited)**
Net Sales	**1,079**
Cost of Sales	**997**
Gross Profit	**82**
Operating Expenses	69
Other Income (Charges)	(4)
Income before Income Tax	**9**
Provision for Income Tax	3
Net Income	**6**

Statement of Financial Position (in million PHP)	**March 31, 2014 (Unaudited)**
Total Assets	1,063
Total Liabilities	846
Total Equity	217

TOYOTA CUBAO INCORPORATED

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in million pesos)

	December 31	
	2013	2012 (As restated)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱103**	₱56
Receivables - net	**585**	538
Due from related parties	**5**	3
Inventories - net	**62**	116
Other current assets	**45**	39
Total Current Assets	**800**	752
Noncurrent Assets		
Available-for-sale financial assets	**1**	1
Investment in as subsidiary and an associate	**206**	246
Property and equipment - net	**58**	62
Deferred tax assets	**24**	15
Refundable deposits	**1**	1
Total Noncurrent Assets	**290**	325
	₱1,090	₱1,077

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**₱472**	₱585
Accounts payable and accrued expenses	**311**	330
Total Current Liabilities	**783**	915
Noncurrent Liabilities		
Due to related parties	**8**	23
Net pension liability	**92**	94
Total Noncurrent Liabilities	**100**	117
	883	1,032
Equity		
Capital stock	**80**	80
Retained earnings (deficit)	**132**	(34)
Other comprehensive income		
Unrealized loss on available-for-sale financial assets	**(1)**	(1)
Net remeasurement gain (loss) on retirement benefit obligation	**(2)**	1
	209	46
Treasury shares	**(2)**	(1)
Total Equity	**207**	45
	₱1,090	₱1,077

TOYOTA CUBAO INCORPORATED

PARENT COMPANY STATEMENTS OF INCOME
(Amounts in million pesos)

	Years Ended December 31	
	2013	2012 (As restated)
NET SALES		
Vehicles	**₱3,915**	₱3,994
Parts and accessories	**252**	242
Services	**87**	81
	4,254	4,317
COST OF SALES		
Vehicles	**3,752**	3,831
Parts and accessories	**181**	174
Services	**32**	29
	3,965	4,034
GROSS PROFIT		
Vehicles	**163**	163
Parts and accessories	**71**	68
Services	**55**	52
	289	283
OPERATING EXPENSES		
Selling	**73**	71
General administrative	**150**	174
	223	245
OTHER INCOME (CHARGES) - net		
Gain on sale of investment in an associate	**156**	236
Interest income	**-**	1
Interest expense	**(38)**	(56)
Miscellaneous - net	**1**	1
	119	182
INCOME (LOSS) BEFORE INCOME TAX	**185**	220
PROVISION FOR INCOME TAX	**14**	17
NET INCOME	**₱171**	₱203

COVER SHEET

CS200771179 2

SEC Registration Number

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

43rd Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa St., Makati City

(Business Address: No. Street City/Town/Province)

Francisco H. Suarez Jr.	836-4500
(Contact Person)	(Company Telephone Number)

12	31	AACFS		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

74		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

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Building a better working world

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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.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. de la Costa Street
Makati City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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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, 2013 and 2012, and their financial performance and cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

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. 4225181, January 2, 2014, Makati City

March 11, 2014

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

	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱27,166,888,452**	₱11,553,288,498	₱454,421,565
Short-term investments (Note 4)	**1,466,463,867**	–	–
Receivables (Note 5)	**12,450,904,615**	6,504,694,886	3,933,792,763
Reinsurance assets (Note 16)	**4,965,577,810**	–	–
Inventories (Note 6)	**20,813,304,994**	12,275,078,957	11,338,367,323
Due from related parties (Note 27)	**849,398,310**	489,042,589	938,859,224
Prepayments and other current assets (Note 7)	**5,969,225,750**	5,999,839,002	1,905,301,342
Total Current Assets	**73,681,763,798**	36,821,943,932	18,570,742,217
Noncurrent Assets			
Receivables (Note 5)	**4,928,548,716**	3,159,140,836	1,114,943,862
Investments in associates and joint ventures (Note 8)	**40,559,463,758**	42,788,987,730	37,680,110,739
Investment properties (Note 9)	**8,328,668,533**	7,815,576,971	5,227,423,530
Available-for-sale investments (Note 10)	**3,110,796,243**	1,060,087,293	9,921,760
Property and equipment (Note 11)	**41,163,427,981**	33,661,228,629	396,367,203
Deposits (Note 12)	**–**	2,085,000,000	4,085,000,000
Goodwill and intangible assets (Note 13)	**18,275,016,054**	8,715,210,721	8,498,083
Long-term cash investments (Note 27)	**–**	–	2,440,084,378
Deferred tax assets (Note 29)	**1,109,171,386**	330,684,499	102,917,367
Other noncurrent assets (Note 14)	**1,202,989,799**	547,194,483	93,473,604
Total Noncurrent Assets	**118,678,082,470**	100,163,111,162	51,158,740,526
	₱192,359,846,268	₱136,985,055,094	₱69,729,482,743
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Note 15)	**₱20,836,977,405**	₱7,376,718,844	₱4,573,419,840
Insurance contract liabilities (Note 16)	**6,683,585,120**	–	–
Short-term debt (Note 17)	**1,744,000,000**	9,138,300,000	7,648,700,000
Current portion of long-term debt (Note 17)	**3,364,221,245**	7,426,958,699	–
Current portion of liabilities on purchased properties (Notes 20 and 27)	**783,028,773**	–	–
Customers' deposits (Note 18)	**1,844,221,010**	974,327,489	457,625,624
Dividends payable (Note 27)	**1,966,038,000**	1,948,727,265	244,000
Due to related parties (Note 27)	**188,385,414**	191,264,721	403,598,150
Income tax payable	**876,006,220**	25,793,451	–
Other current liabilities (Note 19)	**906,669,981**	1,370,244,207	57,884,393
Total Current Liabilities	**39,193,133,168**	28,452,334,676	13,141,472,007

(Forward)

	December 31, 2013	December 31, 2012 (As restated - Note 2)	January 1, 2012 (As restated - Note 2)
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 17)	**₱40,584,387,751**	₱39,187,769,092	₱19,600,000,000
Bonds payable (Note 17)	**9,883,088,308**	–	–
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**3,537,347,350**	2,580,574,771	–
Pension liability (Note 28)	**1,703,632,361**	532,611,273	358,610,428
Deferred tax liabilities (Note 29)	**3,251,740,846**	935,506,710	80,613,144
Other noncurrent liabilities (Note 21)	**1,642,761,605**	242,566,372	62,932,335
Total Noncurrent Liabilities	**60,602,958,221**	43,479,028,218	20,102,155,907
	99,796,091,389	71,931,362,894	33,243,627,914
Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock (Note 22)	**1,743,000,000**	1,580,000,000	1,250,000,000
Additional paid-in capital (Note 22)	**46,694,658,660**	36,752,473,660	23,071,664,419
Treasury shares (Note 22)	**(6,125,000)**	–	–
Retained earnings (Note 22)	**21,801,822,521**	13,684,536,407	7,595,668,454
Net unrealized gain (loss) on available-for-sale investments (Note 10)	**80,294,836**	(6,606,601)	–
Net unrealized loss on remeasurements of defined benefit plans	**(216,180,970)**	(57,332,052)	(79,839,700)
Equity in net unrealized gain on available-for-sale investments of associates	**4,687,958**	2,954,074,141	2,544,293,006
Equity in translation adjustments of associates	**417,142,069**	36,424,322	261,158,822
Equity in net unrealized loss on remeasurements of defined benefit plans of associates	**(722,918,846)**	(502,969,032)	(362,408,777)
Other equity adjustments (Note 22)	**729,053,992**	(681,066,182)	–
	70,525,435,220	53,759,534,663	34,280,536,224
Non-controlling interests (Note 22)	**22,038,319,659**	11,294,157,537	2,205,318,605
Total Equity	**92,563,754,879**	65,053,692,200	36,485,854,829
	₱192,359,846,268	₱136,985,055,094	₱69,729,482,743

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱14,333,920,597**	₱8,934,961,314	₱3,602,489,020
Adjustments for:			
Equity in net income of associates and joint ventures (Note 8)	**(3,587,810,207)**	(3,902,096,175)	(3,567,873,099)
Interest expense (Note 17)	**3,462,323,309**	1,749,782,179	989,749,556
Depreciation and amortization (Note 11)	**2,857,274,685**	1,629,115,327	71,352,576
Gain from loss of control in a subsidiary (Note 8)	**–**	(1,448,398,924)	–
Interest income (Note 23)	**(1,429,029,216)**	(866,431,011)	(598,227,699)
Gain on bargain purchase (Note 31)	**–**	(427,530,654)	–
Pension expense (Note 28)	**329,461,750**	105,727,646	16,621,998
Loss from initial recognition of financial asset (Note 27)	**275,000**	94,224,170	–
Loss (gain) on revaluation of previously held interest (Note 31)	**(2,046,209,717)**	53,949,714	–
Dividend income (Note 23)	**(77,277,481)**	–	–
Gain on disposal of property and equipment (Note 11)	**(15,998,480)**	(8,316,148)	(302,584)
Gain on sale of available-for-sale investments (Note 10)	**(8,522,850)**	–	–
Provision for impairment losses (Note 26)	**44,467,476**	–	–
Unrealized foreign exchange losses (Note 26)	**42,309,137**	7,113,039	193,784
Operating income before changes in working capital	**13,905,184,003**	5,922,100,477	514,003,552
Decrease (increase) in:			
Short-term investments	**(1,466,463,867)**	–	–
Receivables	**(3,567,427,696)**	1,230,216,844	(4,203,893,169)
Reinsurance assets	**(1,264,065,439)**	–	–
Inventories	**(1,241,257,020)**	3,002,358	(3,228,592,505)
Due from related parties	**(360,355,721)**	877,422,046	(380,714,964)
Prepayments and other current assets	**912,622,867**	(4,058,602,627)	(282,455,718)
Increase (decrease) in:			
Accounts and other payables	**3,247,434,285**	(581,033,757)	2,632,476,447
Insurance contract liabilities	**1,356,875,814**	–	–
Customers' deposits	**868,420,502**	516,701,865	40,164,351
Due to related parties	**(2,879,307)**	(212,333,429)	–
Other current liabilities	**(558,335,421)**	693,497,586	34,076,298
Cash provided by (used in) operations	**11,829,753,000**	4,390,971,363	(4,874,935,708)
Dividends paid (Note 22)	**(2,972,214,411)**	(2,550,817,000)	(600,000,000)
Interest paid	**(4,035,343,587)**	(1,468,593,272)	(1,087,246,900)
Income tax paid	**(1,031,375,223)**	(383,256,129)	(14,553,856)
Interest received	**1,498,796,846**	749,895,600	907,573,247
Dividends received	**833,163,900**	157,156,316	1,495,803,180
Contributions to pension plan assets (Note 28)	**(108,214,980)**	–	(12,959,089)
Net cash provided by (used in) operating activities	**6,014,565,545**	895,356,878	(4,186,319,126)

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Settlement of deposits (Note 12)	**₱2,085,000,000**	₱2,000,000,000	₱–
Disposal of property and equipment	**160,733,099**	50,915,037	475,003
Sale of available-for-sale investments	**62,977,803**	–	–
Settlement of long-term cash investments (Note 27)	**–**	2,440,084,378	–
Additions to:			
Investments in associates and joint ventures (Note 8)	**(502,243,750)**	(4,500,000,965)	(2,624,660,409)
Investment properties (Note 9)	**(143,738,791)**	(2,968,258,325)	(57,705,511)
Property and equipment (Note 11)	**(7,025,386,058)**	(1,152,938,297)	(18,540,327)
Available-for-sale investments	**690,297,705**	–	–
Intangible assets (Note 13)	**(9,201,020)**	(10,727,484)	–
Deposits (Note 12)	**–**	–	(4,085,000,000)
Long-term cash investments (Note 27)	**–**	–	(2,440,084,378)
Acquisition of subsidiary, net of cash acquired (Note 31)	**2,677,274,289**	7,903,548,151	(420,000,000)
Redemption of non-controlling interests in consolidated subsidiaries (Notes 22 and 31)	–	(5,916,922,941)	–
Decrease (increase) in other noncurrent assets	**(200,078,395)**	1,529,235,323	(24,329,670)
Refund of advances	–	–	602,879,241
Net cash used in investing activities	**(2,204,365,118)**	(625,065,123)	(9,066,966,051)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of capital stock (Note 22)	**10,105,185,000**	–	–
Issuance of bonds payable	**9,894,756,979**	–	–
Loan availments	**7,340,500,000**	–	19,305,000,000
Proceeds from initial public offering (Note 22)	**–**	14,010,809,241	–
Payment of loans payable	**(18,047,447,689)**	(5,755,695,795)	(8,238,491,076)
Increase (decrease) in:			
Liabilities on purchased properties	**1,739,801,352**	2,580,574,771	(516,846,000)
Due to related parties	–	–	83,026,536
Other noncurrent liabilities	**858,005,716**	–	10,269,220
Non-controlling interests	**(45,092,694)**	–	–
Net cash provided by financing activities	**11,845,708,664**	10,835,688,217	10,642,958,680
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(42,309,137)**	(7,113,039)	(193,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,613,599,954**	11,098,866,933	(2,610,520,281)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**11,553,288,498**	454,421,565	3,064,941,846
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱27,166,888,452**	₱11,553,288,498	₱454,421,565

See accompanying Notes to Consolidated Financial Statements.

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.

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

Group Activities

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

Fed Land's Subsidiaries

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

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

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

GBPC's Subsidiaries

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

Toyota's Subsidiaries

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

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

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

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as 'Effect of uniting of interest' in the consolidated statement of changes in equity. Cash considerations transferred on acquisition of a subsidiary under common control are deducted 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 NCIor other third parties; and
- whether or not the transaction is conducted at fair value.

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

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

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

PFRS 7, *Financial Instruments: Disclosures − Offsetting Financial Assets and Financial Liabilities*

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

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

PFRS 10, *Consolidated Financial Statements*

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

PFRS 11, *Joint Arrangements*

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

PFRS 12, *Disclosure of Interests with Other Entities*

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

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

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

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

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

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

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

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

	December 31, 2012		
	As previously reported	Effect of retrospective application of PAS 19R	As restated
Statement of Financial Position			
Assets			
Investments in associates and joint ventures	₱43,363,689,238	(₱574,701,508)	₱42,788,987,730
Deferred tax assets	238,369,925	92,314,574	330,684,499
Liabilities and Equity			
Pension liability	204,502,610	328,108,663	532,611,273
Retained earnings	13,855,815,763	(171,279,356)	13,684,536,407

(Forward)

	December 31, 2012		
	As previously reported	Effect of retrospective application of PAS 19R	As restated
Net unrealized loss on remeasurement of defined benefit plan	₱–	(₱57,332,052)	(₱57,332,052)
Equity in net unrealized loss on remeasurement of defined benefit plans of associates	–	(502,969,032)	(502,969,032)
Non-controlling interests	11,373,072,694	(78,915,157)	11,294,157,537
Statement of Income			
Equity in net income of associates and joint ventures	3,903,830,555	(1,734,380)	3,902,096,175
General and administrative expenses	3,583,829,706	(24,808,779)	3,559,020,927
Provision for income tax	298,282,930	(10,632,334)	287,650,596
Net income attributable to NCI	2,058,683,630	(1,100,865)	2,057,582,765
Other Comprehensive Income			
Net unrealized loss on remeasurement of defined benefit plan	–	(39,862,076)	(39,862,076)
Equity in net unrealized gain on remeasurement of defined benefit plan of associates	–	140,560,255	140,560,255
Equity in net unrealized loss on remeasurement of defined benefit plan attributable to NCI	–	(62,369,724)	(62,369,724)

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

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

PAS 1, *Presentation of Financial Statements − Clarification of the requirements for comparative information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a

retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. However, management assessed that presentation of supporting notes for the third balance sheet is relevant for the users of the financial statements. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

Improvements to PFRSs (2009-2011 cycle)

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

Significant Accounting Policies

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

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

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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, 2013 and 2012, the Group has no financial assets and financial liabilities at FVPL and HTM investments. The Group's financial instruments include loans and receivables, AFS investments and other financial liabilities.

Determination of fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

Financial liability

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

Offsetting Financial Instruments

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

Inventories

Real estate inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Software Costs
Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

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

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

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

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

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

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

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

rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent to initial recognition, these costs are amortized on a straight line basis using twenty-fourth (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 24th method except for the marine cargo where premiums for the last two months are considerd earned in the following year. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reinsurance commissions
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 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).

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

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

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

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

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

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

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

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

Expense Recognition

Cost of real estate sales

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

Cost of goods and services sold

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

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

Cost of goods manufactured

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

Commissions

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

Power plant operation and maintenance expenses

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

General and administrative expenses

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

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
c. remeasurements of net defined benefit liability or asset

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

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

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

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

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

<u>Income Tax</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used

to compute the amount are those that are enacted or substantively enacted at the financial reporting dates.

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

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

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

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

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.

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

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.

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

Effective 2014
- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the

remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Management's Judgments and Use of Estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Determining whether an arrangement contains a lease
The PPAs and EPPAs qualify as a lease on the basis that the Group sells all its output to the specified counterparties as per their respective agreements. The agreements calls for a take or pay arrangement where payment is made on the basis of the availability of the power plant complex and not on actual deliveries. The lease arrangement is determined to be an operating lease where a significant portion of the risks and rewards of ownership are retained by the Group. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to the specified counterparties are recorded as revenue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimating impairment of AFS investments
The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual

volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee company to provide dividends.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

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

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

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

5. Receivables

This account consists of:

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

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

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

Noncurrent receivables consist of:

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

Trade Receivables
The details of trade receivables follow:

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

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

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

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

The details of installment contracts receivables follow:

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

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

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

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

Insurance Receivables
The details of insurance receivable follow:

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

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

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

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

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

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

Accrued Rent and Commission Income

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

Dividends Receivable

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

Nontrade Receivables

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

Others

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

Allowance for Credit Losses

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

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

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

6. **Inventories**

This account consists of:

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

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

	2013			
	Condominium 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**

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

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

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

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

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

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

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

7. **Prepayments and Other Current Assets**

This account consists of:

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

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

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

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

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

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

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

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

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

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

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

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

8. Investments in Associates and Joint Ventures

This account consists of:

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

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

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

(Forward)

	2013	2012 (As restated - Note 2)
Realized gain from sale of AFS investments of associates	**(₱2,026,061,414)**	**₱–**
Elimination of equity take up of indirect interest	**2,962,073**	**–**
Effect of business combination achieved in stages	**(13,888,335)**	**–**
Balance at end of year	**(296,833,943)**	2,487,529,431
	₱35,917,641,690	₱38,813,505,117

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

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

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

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

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

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

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

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

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

Investment in BLRDC

Fed Land and Morano Holdings Corporation Omnibus Agreement

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

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

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

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

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

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

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

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

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

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

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

Fair Value of Investment in Associates and Joint Ventures

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

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

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

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

Proportion of equity interests held by non-controlling interests

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

Carrying value of material non-controlling interests

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

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

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

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

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

Limitation on dividend declaration of subsidiaries and associates
Ping An, Phil AXA
Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

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

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

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

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

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2013		
	Land and Improvements	**Building and Improvements**	**Total**
Cost			
At January 1	**₱4,884,012,384**	**₱3,052,135,164**	**₱7,936,147,548**
Effect of business combination	**2,298,668,751**	**109,523,022**	**2,408,191,773**
Additions	–	**143,738,791**	**143,738,791**
Transfers (Note 6)	**(2,386,079,033)**	**620,732,926**	**(1,765,346,107)**
At December 31	**4,796,602,102**	**3,926,129,903**	**8,722,732,005**
Accumulated Depreciation			
At January 1	–	**120,570,577**	**120,570,577**
Effect of business combination	**61,713,968**	**101,732,698**	**163,446,666**
Depreciation (Note 11)	–	**110,046,229**	**110,046,229**
At December 31	**61,713,968**	**332,349,504**	**394,063,472**
Net Book Value at December 31	**₱4,734,888,134**	**₱3,593,780,399**	**₱8,328,668,533**

	December 31, 2012		
	Land and Improvements	Buildings and Improvements	Total
Cost			
At January 1	₱5,030,540,238	₱305,663,399	₱5,336,203,637
Additions	221,786,560	2,746,471,765	2,968,258,325
Transfers (Note 6)	(368,314,414)	–	(368,314,414)
At December 31	4,884,012,384	3,052,135,164	7,936,147,548
Accumulated Depreciation			
At January 1	–	108,780,107	108,780,107
Depreciation (Note 11)	–	11,790,470	11,790,470
At December 31	–	120,570,577	120,570,577
Net Book Value at December 31	₱4,884,012,384	₱2,931,564,587	₱7,815,576,971

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

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

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

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

10. **Available-for-sale Investments**

This account consists of:

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

Unquoted AFS investments are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value.

Unquoted AFS investments in Toyota Autoparts Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounted to ₱470.27 million as of December 31, 2013. Also included in the balance are AFS investments of Fed Land and Charter Ping An amounting to ₱9.94 million and ₱0.06 million, respectively.

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

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

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

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

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

11. **Property and Equipment**

The composition and rollforward analysis of this account follow:

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

	2012											
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
Cost												
At January 1	₱23,180,879	₱96,082,953	₱481,884,677	₱14,144,983	₱117,545,133	₱–	₱–	₱–	₱–	₱–	₱1,479,330	₱734,317,955
Effect of business combination	548,859	1,426,629	3,274,258	2,605,924,754	57,120,517	11,503,097,858	9,877,136,313	3,665,756,045	3,168,273,800	2,189,527,989	420,215,013	33,492,302,035
Additions	27,036,851	15,376,665	14,337,193	30,093,946	479,484	157,991,043	–	513,808,758	–	114,293,633	279,520,724	1,152,938,297
Disposals and reclassifications	(1,899,215)	(75,330)	(5,057,841)	(15,480,873)	–	–	–	–	–	(82,517,316)	(136,322,952)	(241,353,527)
At December 31	48,867,374	112,810,917	494,438,287	2,634,682,810	175,145,134	11,661,088,901	9,877,136,313	4,179,564,803	3,168,273,800	2,221,304,306	564,892,115	35,138,204,760
Accumulated Depreciation and Amortization												
At January 1	15,611,816	84,497,016	222,602,846	10,296,232	4,942,842	–	–		–	–	–	337,950,752
Depreciation and amortization (Note 26)	15,306,360	8,788,956	35,825,754	18,144,922	5,228,486	815,569,530	138,967,385	98,746,879	73,912,104	83,458,416	–	1,293,948,792
Disposals and reclassifications	(4,134,829)	(355,616)	(5,974,236)	(210,533)	–	(78,311,337)	(11,739,515)	(18,004,658)	–	(36,192,689)	–	(154,923,413)
At December 31	26,783,347	92,930,356	252,454,364	28,230,621	10,171,328	737,258,193	127,227,870	80,742,221	73,912,104	47,265,727	–	1,476,976,131
Net Book Value at December 31	₱22,084,027	₱19,880,561	₱241,983,923	₱2,606,452,189	₱164,973,806	₱10,923,830,708	₱9,749,908,443	₱4,098,822,582	₱3,094,361,696	₱2,174,038,579	₱564,892,115	₱33,661,228,629

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

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

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

Details of depreciation and amortization follow:

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

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

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

12. Deposits

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

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

13. **Goodwill and Intangible Assets**

Goodwill and intangible assets consist of:

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

Goodwill

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

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

	2013				2012	
	Toyota	**Ping An**	**THC**	**Total**	**THC**	**Total**
Cost						
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**	24,201,028	24,201,028
Balances at end of year	**₱5,596,956,193**	**₱554,153,981**	**₱24,201,028**	**₱6,175,311,202**	₱24,201,028	₱24,201,028

Toyota

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

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

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

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

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

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

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

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

Consideration:

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

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

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

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

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

The recoverable amount of the customer relationship of the Group was based on value in use calculations using earnings projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to earnings projections in 2013 is 17.39%.

Cash flows beyond the four-year period are extrapolated using a steady growth rate of 1.00%. The carrying value of the customer relationship amounted to 3.90 billion as of December 31, 2013. No impairment loss was recognized for the customer relationship arising from acquisition of Toyota.

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

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

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

Software Cost

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

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

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

Franchise

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

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

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

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

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

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

14. **Other Noncurrent Assets**

This account consists of:

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

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

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

15. **Accounts and Other Payables**

This account consists of:

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

The details of trade payables are as follows:

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

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

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

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

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

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

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

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

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

Accrued commissions are settled within one year.

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

16. Insurance Contract Liabilities

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

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

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

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

Provision for unearned premiums may be analyzed as follows:

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

In addition, reinsurance assets consist of the following:

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

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

This account consists of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Unsecured loan amounting to ₱150.00 million which bears interest of 6.75% per annum subject to quarterly re-pricing. The loan will mature on January 28, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PPC

MBTC Loans

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

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

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

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

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

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

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

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

TPC

FMIC Loans

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

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

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

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

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

Loans Payable- TMPC

As of December 31, 2013 and 2012, this account consists of unsecured long-term debt to the following:

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

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

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

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

18. Customers' Deposits

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

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

19. Other Current Liabilities

This account consists of:

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

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

20. Liabilities on Purchased Properties

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

In 2013, various parcels of land were acquired by Fed Land for a total consideration aggregating ₱2.57 billion. The outstanding obligation pertaining to these transactions amounted to ₱1.70 billion as of December 31, 2013.

In 2012, Fed Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in thirteen (13) years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2013 and 2012 amounted to ₱2.62 billion and ₱2.58 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱4.32 billion and ₱2.58 billion as of December 31, 2013 and 2012, respectively.

21. **Other Noncurrent Liabilities**

This account consists of:

	2013	2012
Provisions	**₱1,325,728,442**	₱–
Decommissioning liability	**192,660,472**	183,491,180
Refundable and other deposits	**114,017,770**	47,968,977
Finance lease obligation - net of discount amounting to ₱127.70 million in 2013 and 2012	**10,354,921**	11,106,215
	₱1,642,761,605	₱242,566,372

Provisions consist of:

	2013
Claims and assessments	₱666,701,662
Product warranties	288,752,780
Corporate social responsibility (CSR) activities	370,274,000
	₱1,325,728,442

PPC, PEDC, CEDC, TPC and GPRI have legal obligations to decommission or dismantle their power plant assets at the end of their useful lives. In this regard, PPC, PEDC, CEDC, TPC and GPRI established their respective provisions to recognize estimated decommissioning liability.

Changes in the decommissioning liability are as follows:

	2013	2012
Balances at beginning of year	**₱183,491,180**	₱–
Effect of business combination	–	61,656,006
Provisions during the year	**1,600,132**	113,753,507
Accretion expense for the year	**7,569,160**	8,081,667
Balances at end of year	**₱192,660,472**	₱183,491,180

In 2012, GBPC reassessed the amount of decommissioning liability using a risk adjusted rate. Accordingly, additional provision of ₱113.75 million was recognized as part of "Property and equipment".

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five (5) to ten (10) years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied for the unpaid rentals upon termination of the lease contract.

22. **Equity**

Capital stock and additional paid-in capital
As of December 31, 2013 and 2012, the paid-up capital consists of the following:

	2013	2012
Common stock - ₱10 par value		
Authorized - 500,000,000 shares		
Issued and outstanding	**₱1,743,000,000**	₱1,580,000,000
Additional paid-in capital	**46,694,658,660**	36,752,473,660
	₱48,437,658,660	₱38,332,473,660

The movements in the issued and outstanding common stock follow:

	2013		2012	
	Number of shares	**Amount**	Number of shares	Amount
Balance at beginning of year	**158,000,000**	**₱1,580,000,000**	125,000,000	₱1,250,000,000
Issuance of shares of stocks	**16,300,000**	**163,000,000**	33,000,000	330,000,000
Balance at end of year	**174,300,000**	**₱1,743,000,000**	158,000,000	₱1,580,000,000

On January 10, 2013, the Parent Company conducted an overnight equity placement wherein Grand Titan sold 23,027,000 shares of the Parent Company to institutional investors at a price of ₱620.00 per share. Subsequently, Grand Titan subscribed to 16,300,000 million new shares of the Parent Company at the same price.

The placement raised ₱10.11 billion of primary proceeds for the Parent Company and reduced Grand Titan's ownership interest in the Parent Company from 69.68% in 2012 to 59.30% in 2013.

Movements in additional paid-in capital in 2013 follows:

Balance at beginning of year		₱36,752,473,660
Amount in excess of par value of shares issued in the private placement		
Number of shares issued	16,300,000	
Offer Price	₱620	
Total proceeds from share issuance	₱10,106,000,000	
Less par value of shares issued	163,000,000	9,943,000,000
Amount of expenses charged to equity		(815,000)
Balance at end of year		₱46,694,658,660

On April 20, 2012, the Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange raising gross proceeds amounting to ₱15.02 billion based on the primary offering of 33,000,000 new common shares at an offer price of ₱455.00 per share. Total proceeds raised by the Parent Company amounted to ₱13.86 billion, net of direct transaction costs of ₱1.17 billion.

Movements in additional paid-in capital in 2012 follows:

Balances at beginning of year		₱23,071,664,419
Amount in excess of par value of shares issued in the Initial Public Offering (IPO)		
Number of shares issued	33,000,000	
Offer Price	₱455	
Total proceeds from share issuance	₱15,015,000,000	
Less par value of shares issued	330,000,000	14,685,000,000
Amount of IPO expenses allocated to equity		(1,004,190,759)
Balance at end of year		₱36,752,473,660

In 2012, IPO related expenses amounting to ₱165.18 million were charged directly to 'General and administrative expenses' account in the consolidated statement of income (Note 26).

As of December 31, 2013 and 2012, the total number of stockholders of the Parent Company is 74 and 37, respectively.

In a special stockholders' meeting held on October 26, 2012, the stockholders of the Parent Company approved the amendment to Article VII of the Articles of Incorporation whereby the stockholders of the Parent Company shall be denied pre-emptive right to the issue or disposition of any class of share of the Parent Company. The amendment was previously approved by the BOD of the Parent Company on September 7, 2012.

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

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
August 12, 2013	₱3.00	₱522.90	September 10, 2013	October 2, 2013
September 12, 2012	3.17	500.86	September 28, 2012	October 22, 2012
August 5, 2011	4.00	500.00	August 31, 2011	September 9, 2011
April 8, 2010	2.00	250.00	March 25, 2010	April 15, 2010
October 12, 2010	2.00	250.00	October 31, 2010	November 22, 2010

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2013 and 2012.

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

	Date of declaration	Total amount (in millions)	Record date	Payment date
Fed Land	February 18, 2013	₱100.00	December 31, 2012	March 20, 2013
	December 23, 2011	180.00	November 30, 2011	December 23, 2011
GBPC	December 2, 2013	2,000.00	October 31, 2013	June 30, 2014
	December 17, 2012	2,870.00	December 3, 2012	March 31, 2013
	August 11, 2012	1,050.00	July 31, 2012	August 31, 2012
Toyota	April 11, 2013	2,994.11	December 31, 2012	April 12, 2013

Treasury shares
Treasury shares of the Group pertain to 10,000 shares of the Parent Company held by Ping An with original acquisition cost of ₱6.13 million.

Other equity adjustments
GBPC
On June 27, 2013, First Metro Investment Corporation (FMIC), the investment banking arm of MBTC, concluded a Share Sale and Purchase Agreement with Orix Corporation (ORIX) covering the sale of 200.00 million shares of GBPC owned by FMIC to ORIX at a price of ₱7.15 billion. Subsequently on October 22, 2013, FMIC and Meralco PowerGen Corporation (MGen) signed a Shareholders' Agreement to complete the sale of an additional 200.00 million shares of GBPC from FMIC to MGen for a total consideration of ₱7.15 billion. The transactions reduced the Parent Company's indirect ownership over GBPC from 12.23% to 2.27%.

The disposals were accounted as equity transactions in the consolidated financial statements since the Parent Company did not lose control over GBPC even after the sale of the indirect interests. The Group recognized other equity adjustments totaling ₱1.41 billion, presented under equity attributable to equity holders of the Parent Company in the consolidated statement of financial position, representing the excess of the considerations received over the carrying amount of the indirect interests sold.

On May 2, 2012, the Parent Company exercised its option to acquire 25,520,700 common shares of GBPC representing 4.59% of GBPC's outstanding capital stock, at a fixed price of ₱35.00 per share for a total cost of ₱893.20 million. This increased the Parent Company's direct ownership over GBPC from 34.41% to 39.00% (Note 31). This also resulted in the recognition of negative equity adjustment amounting to ₱54.78 million representing the excess of cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC from 39.00% to 50.89%. This acquisition resulted to a negative equity adjustment amounting to ₱112.93 million representing the excess of the cost consideration over the carrying amount of non-controlling interest acquired (Note 31).

Fed Land
On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80.00% to 100.00%. As of May 3, 2012, the carrying amount of the 20.00% non-controlling interest in Fed Land amounted to ₱2.20 billion. The acquisition of 20.00% of Fed Land also resulted in the recognition of a negative equity adjustment amounting to ₱513.36 million representing the excess of cost consideration over the carrying amount of non-controlling interest (Notes 2 and 31).

Effect of uniting of interest on HLRC and CRDC
The net effect of uniting of interest on the acquisition of HLRC and CRDC amounted to ₱104.26 million as of December 31, 2011. This represents the difference between the Fed Land's aggregate consideration transferred on the acquisition and the respective HLRC and CRDC's equity as of December 31, 2010 attributable to parent and to non-controlling interest as of the time of the combination (Note 31).

The aggregate cost of investment of ₱420.00 million is presented as a reduction to the net assets pooled to the Group's financial statements at the time of combination for the year ended December 31, 2011.

Non-controlling interests
The following table presents the rollforward of non-controlling interests:

	2013	2012
Beginning balance	**₱11,294,157,537**	₱2,205,318,605
Total comprehensive income:		
Net income	**3,890,464,362**	2,057,582,765
Other comprehensive income	**(28,984,106)**	(66,253,122)
Issuance of capital stock	**959,350,239**	639,809,982
Cash dividends paid to non-controlling interests	**(3,456,348,554)**	(3,545,093,065)
Effect of business combination (Note 31)	**7,222,853,016**	15,238,649,131
Acquisition of non-controlling interests in consolidated subsidiaries	–	(5,235,856,759)
Sale of indirect interest in a subsidiary	**2,156,827,165**	–
	₱22,038,319,659	₱11,294,157,537

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2013 and 2012.

The Parent Company considers total equity as its capital amounting to ₱52.83 billion and ₱40.71 billion as of December 31, 2013 and 2012, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

23. Interest and Other Income

Interest Income
This account consists of:

	2013	2012	2011
Interest income on:			
Installment contract receivable (Note 5)	**₱749,146,595**	₱279,445,937	₱195,924,132
Short-term investments (Note 4)	**310,626,708**	–	–
Deposit (Note 12)	**263,850,062**	257,736,632	337,707,830
Cash and cash equivalents (Note 4)	**92,743,951**	325,248,088	64,595,737
AFS debt instruments	**12,613,367**	–	–
Others	**48,533**	4,000,354	–
	₱1,429,029,216	₱866,431,011	₱598,227,699

Interest on deposit represents reimbursement of interest expense incurred by Fed Land from option money granted to affiliates (Notes 12 and 27).

Other Income
This account consists of:

	2013	2012	2011
Real estate forfeitures, charges and penalties	**₱123,201,267**	₱88,118,947	₱92,926,119
Management fee (Note 27)	**85,211,246**	41,142,177	36,834,278
Dividend income	**77,277,481**	23,304,907	25,200
Recovery from insurance	**38,008,663**	–	–
Refund of rental payments	**21,228,274**	–	–
Gain on sale of fixed asset	**15,998,480**	8,316,148	–
Gain on sale of shares	**8,522,850**	–	2,304,422
Other underwriting income	**7,658,264**	–	–
Disposal of defective units	**7,074,435**	–	–
Membership fees	**2,172,316**	–	–
Reimbursement from a contractor	–	16,903,454	–
Processing fee	–	10,052,364	–
Others	**151,288,740**	74,612,801	56,455,173
	₱537,642,016	₱262,450,798	₱188,545,192

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee pertains to services rendered by Fed Land in the administration of different projects related to the joint venture (Note 27).

Other underwriting income pertains to the fronting fees earned by the Charter Ping An for fronting arrangements made during the year with several agencies and intermediaries.

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

24. Power Plant Operation and Maintenance Expenses

This account consists of:

	2013	2012
Power plant operations expenses	**₱7,836,783,183**	₱4,855,731,852
Repairs and maintenance	**540,907,411**	1,304,733,409
Purchased power	**567,745,347**	550,584,212
	₱8,945,435,941	₱6,711,049,473

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

Cost of goods manufactured consists of:

	2013
Raw materials, beginning	₱567,478,665
Purchases	17,531,617,445
Total materials available for production	18,099,096,110
Less: Raw materials, end	528,430,068
Raw materials placed in process	17,570,666,042
Direct labor	229,166,773
Manufacturing overhead	1,980,663,593
Total cost of goods placed in process	19,780,496,408
Work-in-process, beginning	79,583,854
Total Cost of goods in process	19,860,080,262
Less: Work-in-process, ending	53,027,159
Total cost of goods manufactured	19,807,053,103
Finished goods, beginning	252,177,779
Total goods available for sale/transfer	20,059,230,882
Less: Finished goods, ending	42,685,755
Other transfers	30,444,994
	₱19,986,100,133

Cost of goods and services sold consists of:

	2013	2012	2011
Beginning inventory			
Automotive	**₱4,340,087,864**	₱–	₱–
Gasoline, retail and petroleum products	**9,786,694**	8,367,927	10,014,263
Food	**2,351,541**	2,160,335	1,990,935
	4,352,226,099	10,528,262	12,005,198
Add: Net purchases	**43,419,704,745**	642,162,033	665,201,705
Total inventories available for sale	**47,771,930,844**	652,690,295	677,206,903
Less: ending inventory (Note 6)			
Automotive	**2,899,063,311**	–	–
Gasoline, retail and petroleum products	**7,940,644**	9,786,694	8,367,927
Food	**1,310,005**	2,351,541	2,160,335
	44,863,616,884	640,552,060	666,678,641
Cost adjustments	**(20,203,084)**	–	–
Internal and other transfers	**(142,500,998)**	–	–
Direct labor	**18,856,187**	16,173,326	15,196,150
Overhead (Note 30)	**749,690,677**	24,185,460	27,851,792
	₱45,469,459,666	₱680,910,846	₱709,726,583

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

26. **General and Administrative Expenses**

This account consists of:

	2013	2012 (As restated - Note 2)	2011
Advertising and promotions	**₱2,167,375,730**	₱165,656,540	₱102,547,029
Salaries, wages and employee benefits (Notes 27 and 28)	**1,838,461,064**	956,203,320	231,469,966
Taxes and licenses	**1,086,336,724**	502,873,719	137,666,355
Depreciation and amortization (Note 11)	**944,239,902**	373,981,589	71,352,576
Commissions	**480,685,180**	189,703,924	168,976,570
Outside services	**344,401,523**	91,369,952	54,291,761
Administrative and management fees	**336,429,533**	248,497,988	54,236,786
Light, water and other utilities	**256,713,734**	101,664,069	77,958,384
Delivery and Handling	**212,067,754**	–	–
Repairs and maintenance	**198,128,553**	69,575,384	13,080,654
Professional fees	**194,519,779**	173,760,643	102,053,104
Insurance	**182,788,839**	111,422,840	1,827,228
Provisions for claims and assessments	**168,366,015**	–	–
Transportation and travel	**121,320,096**	45,834,907	7,678,012
Office supplies	**69,824,602**	26,589,448	12,197,808
Entertainment, amusement and recreation	**66,470,881**	51,924,135	18,014,503
Participation fee	**59,659,478**	–	–
Rent	**52,084,746**	52,366,000	18,338,131
Unrealized foreign exchange loss	**42,309,137**	7,113,039	193,784
Communications	**41,284,806**	10,850,899	232,332
Provisions for inventory obsolescence (Note 7)	**26,912,531**	–	–
Provision for credit losses (Note 5)	**22,557,768**	849,036	879,708
Dealer's incentive, support and promotions	**17,396,388**	–	–
Royalty and service fees	**13,582,752**	5,865,917	5,600,385
IPO - related expenses (Note 22)	**–**	165,183,396	–
Loss from initial recognition of financial asset	**275,000**	94,224,170	–
Others	**449,518,579**	113,510,012	31,151,972
	₱9,393,711,094	₱3,559,020,927	₱1,109,747,048

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, jointly controlled entities, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

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

As of December 31, 2013 and 2012, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The following table shows the related party transactions included in the consolidated financial statements.

	December 31, 2013		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Subsidiaries			
Due from related parties	**₱300,000,000**		Non-interest bearing; due and demandable
Other current assets	**861,123**	**₱861,123**	Receivable from subsidy of expenses; non-interest bearing; due and demandable
Associates			
Cash and cash equivalents	**8,545,042,319**	**15,952,344,446**	Savings, current and time deposit account with annual interest ranging 0.5% to 5%; Unsecured; no impairment
Interest income	**124,126,178**		Interest income from cash and cash equivalents
Rental deposits	**12,226,933**		Guarantee Deposit on Properties
Due from related parties	**4,523,347**		Receivable on sale of property; unremitted collections
Investments in associates and joint ventures	**502,243,750**	**23,578,612,738**	Purchase of additional investment in associate
AFS equity securities		**29,843,988**	Unsecured; no impairment
Accrued expense	**51,866**	**51,866**	Retainer's fee of an associate as stock and transfer agent and group life insurance premium of an associate
Accrued interest payable	**1,776,667**	**1,776,667**	Accrued interest on loans with an annual interest ranging from 2.60% to 10.35% per annum
Loans payable	**8,293,073,727**	**300,000,000**	Short term loans from an associate at 2.6-3.5% per annum; secured
Interest income	**287,445,669**		Interest bearing at prevailing market rate; due and demandable; unsecured, no impairment

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2013		
Dividend income	**₱263,107**		Dividend income from investments in Metrobank
Management fee income	**58,807,050**		Management fee earned from MBTC and FMIC
Interest expense	**83,058,611**		Interest bearing at prevailing market rate; due and demandable
Miscellaneous expense	**1,344,866**		Retaineers fees and trust fees incurred
Jointly controlled entities			
Dividend receivable	**240,000,000**	**₱240,000,000**	Dividend receivable from FLOC
Accounts payable	**6,961,000**	**6,961,000**	Payable to TMBC 30 to 60 days, non-interest-bearing
Other related parties			
Cash and cash equivalents	**326,595,093**		Interest bearing at prevailing market rate; due and demandable; Unsecured with no impairment.
Interest income	**5,066,377**		Interest income from cash and cash equivalents
Due from related parties	**24,661,448**	**845,695,500**	Non-interest bearing; due and demandable
Deposits	**805,354**	**–**	With interest of 7.34%; option agreement will expire on December 31, 2013; Unsecured with no impairment.
AFS debt securities		**29,704,509**	7 years, 5.68% to 5.75%; 10 years, 7.1875%; Unsecured; no impairment
Interest income	**1,729,316**		Interest income from AFS securities
Accrued expense	**17,790,333**	**45,000**	Telemarketing Charges with Metrobank Card Corporation
Loans payable	**1,037,320,579**	**2,000,000,000**	With interest ranging from 3.75% to 4%; Payable in 2015
Interest expense	**76,799,829**		Interest expense from loans payable
Due to related parties		**188,385,414**	Non-interest bearing; due and demandable
Liabilities on purchased properties	**2,570,937,500**	**4,320,376,123**	Unsecured with interest rate of 3.15% payable on 2022; no impairment.
Interest expense	**117,206,668**		Interest expense on purchased properties
Dividend income	**982,200,000**		Dividend income earned from FMIC and ORIX
Miscellaneous expense	**59,693,036**		Participation fee paid to the ultimate parent company in the private placement exercise
Key management personnel			
Rent income	**310,982**		Income from employees for car plans
Salaries and employee benefits	**68,948,180**		Salaries and benefits to employees
Director's fee	**11,795,000**		Per diems and bonuses to directors

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2012		
Subsidiaries			
Prepaid expenses	₱44,196	₱44,196	Prepaid portion of the leased parking space from FedLand for January to March
Accounts payable	24,984	24,984	Reimbursement to FedLand
Associates			
Cash and cash equivalents	7,857,677,097	7,929,533,745	Savings, current and time deposit account with annual interest ranging 1.75% to 4.13%
Receivables	700,498	700,498	Interest bearing – MBTC
Deposits	20,000,000	20,000,000	Option price for the acquisition of additional investment in associates
Investments	4,500,000,965	29,048,058,992	Purchase of additional investment in associate
Land for development	785,520,000	785,520,000	Land acquired from MBTC
Accrued interest payable	79,058,738	79,058,738	Accrued interest on loans with an annual interest ranging from 3.80% to 10.35% per annum

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2012		
Loans payable	(₱5,014,270,680)	₱14,897,848,551	Unsecured - ₱0.85 billion, Secured - ₱1.99 billion; short term loans with prevailing interest rate ranging from 3.80% to 4.53% per annum. Secured - ₱12.06 billion, interest-bearing Payment of ₱4.76 billion was made for secured loans and ₱0.25 billion for unsecured loans.
Due to related parties	50,000	50,000	Non-interest bearing; due and demandable; Unsecured and with no impairment.
Dividend income	1,188,983,183		See discussion in Note 8
Interest income from banks	264,753,826		Income on savings and time deposit
Interest expense	1,359,177,608		Interest expense incurred on loans payable with MBTC and TCITRC
Jointly controlled entities			
Cash and cash equivalents	78,680,699	78,680,699	Interest bearing cash equivalents
Interest income	2,644,434		Income from loans from short-term investments
Interest expense	3,352,247		Interest on loans from SBC Properties and PBC Capital
Other related parties			
Cash and cash equivalents	820,656,572	820,656,572	Interest bearing at prevailing market rate; due and demandable; Unsecured with no impairment.
Long term loans receivable	610,775,830	610,775,830	Unsecured loans receivable with interest rate of 3.15% payable on 2022; no impairment.
Advances to officers and employees	32,218,151	32,218,151	Unsecured, non-interest bearing advances to officers and employees
Due from related parties	489,042,589	489,042,589	Non-interest bearing; due and demandable
Deposits	(2,000,000,000)	2,085,000,000	With interest of 7.34%; option agreement will expire on December 31, 2013; Unsecured with no impairment.
Land for development	776,006,920	776,006,920	Land acquired from World Trade Center and Titan Resources Corporation (see additional information below).
Other current assets	9,089,308	9,089,308	Interest bearing at prevailing market rate and will mature on 2013; Unsecured with no impairment.
Accrued interest payable	30,880,013	30,880,013	Interest accrued on loans
Loans payable	(141,289,916)	1,691,072,542	Secured, interest bearing loans, which bears annual interest ranging 10.27% to 10.35%, based on a three month MART1 rate plus 4.00% spread
Due to related parties	191,264,721	191,264,721	Non interest bearing; due and demandable
Liabilities on purchased properties	2,580,574,771	2,580,574,771	Unsecured with interest rate of 3.15% payable on 2022; no impairmet.
Management fee income	15,982,007		Non-interest bearing; due and demandable
Interest income from banks	41,272,862		Interest income from savings deposit and cash equivalents
Interest on deposits	257,736,632		Income from option deposit (Note 12)
Interest expense	136,037,184		Interest expense incurred on loans from FMIC and receivable from CFI.
Due to holders of non-controlling interest	378,463,322	378,463,322	Non-interest bearing operational advances; due and demandable
Key management personnel			
Accounts payable	174,250	174,250	Payable to director representing per diem and bonus
Rent income	183,750		Income from employees for car plans
Salaries and employee benefits	202,679,471		Salaries and benefits to employees
Director's fee	4,450,000		Per diems and bonuses to directors

Details of the transactions with affiliates are as follows:

Land for development
In 2012, Fed Land purchased (a) parcel of land located at Reclamation Area, Central Business Park 1-A, Pasay City at a total consideration of ₱234.66 million from WTCC, (b) parcel of land located at Taguig City for a total consideration of ₱785.52 million from MBTC (c) parcel of land located at Pasay City for a total consideration of ₱541.35 million from TRC. These parcels of land were acquired at their fair market value at the time of acquisition.

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

Long-term cash investment
On April 13, 2011, Fed Land invested long-term cash investments with a local bank to secure a loan obtained by an affiliate amounting to ₱2.44 billion. Fed Land recognized interest income from the assigned long-term cash investment amounting to ₱40.08 million in 2011.

In 2012, the said long-term cash investment was terminated and used to fully settle Fed Land's short-term loans.

Long-term loans receivable
In 2012, Fed Land entered into a loan agreement with Cathay International Resources Corp. (Borrower). Fed Land agrees to lend to the Borrower a total amount of ₱705.00 million with nominal interest rate of 3.15% annually. This loan will mature on the tenth year anniversary from the date of the execution of the agreement. The outstanding balance of long-term loans receivable as of December 31, 2012 amounted to ₱610.78 million.

The interest expense from day 1 difference recorded under "General and administrative expenses" in the consolidated statement of income amounted to ₱94.22 million.

Deposits
Parent Company
In October 22, 2012, the Parent Company and MBTC entered into MOU related to the acquisition of MBTC's 30.00% ownership interest in TMPC. Pursuant to the MOU, an option payment amounting to ₱20.00 million was given by the Parent Company to MBTC for the exclusive option to acquire the shares under the second tranche.

Fed Land
In 2011, Fed Land entered into an option agreement with its various affiliates (Grantor), whereby the Grantor grants and gives Fed Land the exclusive rights, for a period of three years to either (a) purchase the Property, (b) purchase the shares of stock of the Grantor which owns the Property, (c) to develop the property as Developer in joint venture with the Grantor's affiliates or (d) to undertake combination of any of the foregoing, as may be agreed upon the parties. The Group has outstanding deposits amounting to nil and ₱2.09 billion with 7.34% interest in 2013 and 2012, respectively.

In addition, the Grantor will reimburse Fed Land for its interest expense, borrowing cost and related expenses incurred in obtaining the option money. The Group recognized interest income amounting to ₱263.85 million and ₱257.74 million in 2013 and 2012, respectively.

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 3.75% to 4.50% per annum in 2011 and 6.52% to 6.78% per annum in 2010 and 2009, respectively.

Management fee
Management fee amounting to ₱70.18 million, ₱41.14 million and ₱36.83 million in 2013, 2012 and 2011, respectively, pertains to the income received from a joint venture of Fed Land with Fed Land Orix Corporation (FLOC) and MBTC (Note 23).

Lease agreements
In 2011, Fed Land also leased its mall to some of its associates and affiliates. The lease term ranged from 5 to 10 years. The rental income on these leases amounted to ₱10.03 million and ₱8.57 million for 2011 and 2010, respectively (Note 30).

Compensation of key management personnel for the years ended December 31, 2013, 2012 and 2011 follow:

	2013	2012	2011
Short-term employee benefits	**₱111,560,155**	₱195,072,227	₱58,406,499
Post employment benefits	**49,782,006**	7,607,244	3,469,682
	₱161,342,161	₱202,679,471	₱61,876,181

Transactions with the Group Retirement Funds
The retirement funds of the subsidiaries' employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2013 and 2012 amounted to ₱1.10 billion and ₱98.70 million, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2013 and 2012:

	December 31, 2013		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Associate			
Savings deposit		**₱276,533**	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		**14,100,000**	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		**7,101,096**	Unsecured with no impairment
Interest income	**₱219,568**		Income earned from savings deposit
Gain on sale of shares	**1,370,769**		Income from sale of shares
Mark-to-market gain	**287,396**		Gain from mark-to-market of shares
Parent			
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

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2012		
Associate			
Savings deposit		₱69,884	Savings account with annual interest of 1%, 1 - 3 months; Unsecured and no impairment;
Time deposit		6,030,000	With annual interest of 3.88%, 1 - 3 months maturity; Unsecured and no impairment
Investment in equity securities		734,400	Unsecured with no impairment
Interest income	₱112,032		Income earned from savings deposit
Gain on sale of shares	9,672		Income from sale of shares
Mark-to-market gain	67,396		Gain from mark-to-market of shares

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made at least every one to three years.

Principal actuarial assumptions used to determine pension obligations follow:

	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
		January 1, 2013 Actuarial Assumptions		
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%**

	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
		January 1, 2012 Actuarial Assumptions		
Real estate	December 31, 2012	6.00%	5.00%-8.00%	5.26%-6.24%
Power	-do-	6.00%	10.00%	5.35% - 6.12%
Financial	-do-	–	8%	5.89%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

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

	2013													
				Net benefit cost				**Remeasurements in other comprehensive income**						
	January 1, 2013	**Effect of business combination**	**Balance after business combination**	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2013**
Present value of defined benefit obligation	**₱631,313,168**	**₱2,157,293,976**	**₱2,788,607,144**	**₱227,983,529**	**₱146,203,647**	**₱374,187,176**	**(₱72,836,781)**	**₱–**	**₱4,751,767**	**(₱94,712,871)**	**(₱183,216,067)**	**(₱273,178,171)**	**₱–**	**₱2,816,779,368**
Fair value of plan assets	**(98,701,895)**	**(873,565,502)**	**(972,267,397)**	**–**	**(44,725,426)**	**(44,725,426)**	**20,163,736**	**(8,102,940)**	**–**	**–**	**–**	**(8,102,940)**	**(108,214,980)**	**(1,113,147,007)**
Net defined benefit liability	**₱532,611,273**	**₱1,283,728,474**	**₱1,816,339,747**	**₱227,983,529**	**₱101,478,221**	**₱329,461,750**	**(₱52,673,045)**	**(₱8,102,940)**	**₱4,751,767**	**(₱94,712,871)**	**(₱183,216,067)**	**(₱281,281,111)**	**(₱108,214,980)**	**₱1,703,632,361**

	2012										
		Net benefit cost				Remeasurements in other comprehensive income					
	January 1, 2012	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2012
Present value of defined benefit obligation	₱566,356,367	₱71,118,800	₱35,853,035	₱106,971,835	(₱16,489,496)	₱–	(₱8,827,101)	(₱13,415,900)	(₱3,282,537)	(₱25,525,538)	₱–	₱631,313,168
Fair value of plan assets	(90,728,412)	–	(1,244,189)	(1,244,189)	7,607,244	(14,336,538)	–	–	–	(14,336,538)	–	(98,701,895)
Net defined benefit liability	₱475,627,955	₱71,118,800	₱34,608,846	₱105,727,646	(₱8,882,252)	(₱14,336,538)	(₱8,827,101)	(₱13,415,900)	(₱3,282,537)	(₱39,862,076)	₱–	₱532,611,273

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	2013	2012
Cash and cash equivalents	**₱74,857,144**	₱4,749,087
Investment in government securities	**693,457,738**	75,060,979
Investment in equity securities	**162,728,547**	8,840,166
Investment in debt and other securities	**63,800,661**	3,878,895
Investment in mutual funds	**15,241,230**	–
Receivables	**7,851,213**	301,462
Others	**95,210,474**	5,871,306
	₱1,113,147,007	₱98,701,895

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	December 31, 2013	
	Possible Fluctuations	**Increase (Decrease)**
Discount rates	**+1%**	**(₱489,919,722)**
	-1%	**607,053,371**
Turnover rate	**+1%**	**(34,624,950)**
	-1%	**38,705,250**
Future salary increase rate	**+1%**	**599,310,655**
	-1%	**(490,661,296)**

The Group expects to contribute ₱105.85 million to its defined benefit pension plan in 2014.

The average duration of the defined benefit retirement liability at the end of the reporting period is 17.87 years for the Group.

29. **Income Taxes**

Provision for income tax account consists of:

	2013	2012 (As restated - Note 2)	2011
Current	**₱1,736,415,071**	₱120,152,710	₱59,934,300
Deferred	**17,579,768**	144,923,530	76,273,791
Final	**49,275,282**	22,574,356	12,571,044
	₱1,803,270,121	₱287,650,596	₱148,779,135

The components of the Group's deferred taxes as of December 31, 2013 and 2012 are as follow:

Net deferred tax asset:

	2013	2012 (As restated - Note 2)
Deferred tax asset on:		
Retirement benefit obligation	**₱485,285,082**	₱124,108,933
Warranties payable and other provisions	**269,892,617**	17,258,550
Allowance for probable losses	**229,086,607**	1,835,950
Capitalized commissioning income	**115,734,529**	91,880,136
NOLCO	**97,235,999**	112,574,052
Decommissioning liability	**57,798,142**	32,616,214
Unearned premiums	**42,523,751**	–
Accrued expenses	**40,316,088**	20,076,902
Allowance for impairment losses	**39,970,139**	674,073
Others	**40,527,930**	9,838,740
	1,418,370,884	410,863,550
Deferred tax liability on:		
Costs of generation capitalized during construction	**90,013,982**	–
Deferred financing cost	**69,834,890**	58,084,306
Deferred acquisition costs	**64,912,883**	–
Dismantling costs	**36,125,990**	22,094,745
Fair value adjustment on acquisition - by Parent	**33,707,943**	–
Others	**14,603,810**	–
	309,199,498	80,179,051
Net deferred tax asset	**₱1,109,171,386**	₱330,684,499

Net deferred liability:

	2013	2012 (As restated - Note 2)
Deferred tax asset on:		
Fair value adjustment on acquisition - by Parent	**₱34,087,631**	₱–
Retirement benefit obligation	**32,109,122**	31,368,525
Unamortized discount on receivables	**26,061,686**	34,541,983
Deferred gross profit	**10,974,011**	–
NOLCO	**102,179**	101,033,995
Others	**13,414,146**	67,565,437
	116,748,775	234,509,940
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent	**2,850,921,020**	560,826,095
Fair value adjustment on acquisition - by subsidiaries	**226,373,419**	246,058,064
Deferred financing cost	**154,611,358**	169,592,581
Earned interest income	**61,457,003**	23,198,482
Capitalized net income	**11,738,793**	66,335,015
Deferred gross profit	–	49,256,057
Others	**63,388,028**	54,750,356
	3,368,489,621	1,170,016,650
Net deferred tax liability	**₱3,251,740,846**	₱935,506,710

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

As of December 31, 2013, 2012 and 2011, the Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2013	₱1,052,769,050	₱–	₱1,052,769,050	2016
2012	968,338,310	–	968,338,310	2015
2011	632,568,376	–	632,568,376	2014
2010	331,942,224	331,942,224	–	2013
	₱2,985,617,960	₱331,942,224	₱2,653,675,736	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2013	₱217,786	₱–	₱217,786	2016
2012	446,800	–	446,800	2015
2011	17,559	–	17,559	2014
2010	1,587,387	1,587,387	–	2013
	₱2,269,532	₱1,587,387	₱682,145	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2013	2012 (As restated)	2011
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Interest income subjected to final tax	**(0.22)**	(0.18)	(0.57)
Nondeductible interest and other expenses	**(3.51)**	(0.03)	0.23
Change in unrecognized deferred tax asset	**2.50**	–	5.56
Nontaxable income	**(16.19)**	(26.57)	(31.09)
	12.58%	3.22%	4.13%

Board of Investments (BOI) Incentives of Fed Land
On various dates in 2009 and 2008, the BOI issued Certificates of Registration as a New Developer of Mass Housing Project for its two (2) real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three (3) to four (4) years. The projects namely: Marquinton-Cordova Tower and The Oriental Place are entitled to ITH in years 2008 to 2012. The projects namely: The Capital Towers-Beijing, Marquinton Gardens Terraces-Toledo, Oriental Gardens-Lilac and Peninsula Garden Midtown Homes-Tower A are entitled to ITH in years 2009 to 2013. Oriental Garden Heights - A, B and C in 2010 to 2014 and Marquinton Garden Terraces - Valderrama Tower in 2010 to 2013.

30. **Lease Commitment**

The Group as a lessee
The Group is a party under various lease agreements including the lease of premises occupied by the head office, land leased for the Group's mall and gasoline station as well as office space leased for the Group's branches. Lease terms under these agreements range from 1 to 10 years. These lease agreements also include rent of parking space for a lease term of three years. The Group's rentals incurred on the lease for its mall and gasoline stations are presented as 'Overhead' and included in the cost of goods and services sold account, amounting to ₱30.97 million, ₱24.19 million and ₱27.85 million in 2013, 2012 and 2011, respectively (Note 25).

As of December 31, 2013 and 2012, the future minimum rental payments are as follows:

	2013	2012
Within one year	**₱39,201,598**	₱42,170,417
After one year but not more than five years	**98,891,027**	92,897,086
	₱138,092,625	₱135,067,503

The Group as a lessor
Fed Land leases its mall to different parties as well as Toyota Motors which leases its land through non-cancellable leases to various counterparties. The lease term ranges from 5 to 10 years. The Group's rental income on these leases amounted to ₱592.04 million, ₱233.44 million, and ₱238.00 billion in 2013, 2012 and 2011, respectively (Note 9).

As of December 31, 2013 and 2012, the future minimum receipts from these lease commitments are as follows:

	2013	2012
Within one year	**₱527,362,863**	₱487,926,149
After one year but not more than five years	**1,202,054,987**	1,256,010,629
More than five years	**254,680,118**	75,908,411
	₱1,984,097,968	₱1,819,845,189

31. **Business Combinations**

2013
<u>Acquisition of Toyota</u>
On January 17, 2013, the Parent Company and MBTC executed a Deed of Absolute Sale for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC as provided in the MOU for a total consideration of ₱4.54 billion. This represented an additional 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%.

The acquisition of Toyota was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's 36.00% direct ownership interest over Toyota was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer, FTI Consulting, Inc., to conduct a purchase price allocation. The Group elected to measure the non-controlling interest in Toyota at the proportionate share of the non-controlling interest in the fair value of the identifiable net assets of Toyota, amounting to ₱6.88 billion.

As of January 31, 2013, the fair values of the identifiable assets and liabilities of Toyota were finalized as follows:

Assets	
Cash and cash equivalents	₱8,581,503,619
Receivables	2,384,910,913
Inventories	5,256,937,104
AFS investments	560,349,347
Prepayments and other current assets	657,124,867
Property, plant and equipment	3,168,629,863
Investment properties	2,251,349,832
Deferred tax assets	421,764,219
Other non-current assets	337,258,975
Intangible assets - customer relationship (Note 13)	3,883,238,361
	27,503,067,100
Liabilities	
Accounts payable and accrued expenses	10,873,614,987
Loans payable	290,000,000
Income tax payable	51,952,821
Long-term debt	229,481,790
Deferred tax liability	2,232,084,208
	13,677,133,806
Total identifiable net assets at fair value	₱13,825,933,294

The gross contractual amount of receivable acquired amounted to ₱2.44 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱6,879,802,794
Fair value of previously held interest	8,006,101,371
Cash consideration	4,536,985,322
	₱19,422,889,487

The fair value of the previously held interest of ₱1,435.33 per share was based on the valuation of a third party valuer. The Company recognized gain on the revaluation of the previously held interest amounting to ₱1.99 billion and is reported under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱5.60 billion computed as follows:

Total consideration transferred	₱19,422,889,487
Less: Fair value of identifiable net assets including intangible assets	13,825,933,294
Goodwill	₱5,596,956,193

Goodwill arising from the acquisition of Toyota Group is allocated entirely to the operations of Toyota. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Toyota Group has contributed gross revenues totaling ₱75.13 billion and net income amounting to ₱3.94 billion to the Group. If the business combination with Toyota has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱111.04 billion and ₱8.67 billion, respectively.

Acquisition of Charter Ping An

On October 10, 2013, GT Capital acquired 2,334,434 common shares of Ping An from Ty family investment holding companies at a fixed price of Php614.3 per share for a total of ₱1.4 billion. The acquisition represented 66.7% of the non-life insurance firm's outstanding capital stock. The Parent Company has effective ownership over Ping An of 74.97% (66.67% direct holdings and 8.30% indirect ownership). The Parent Company's 8.30% indirect ownership came from its 25.11% direct interest in MBTC which has 99.23% direct interest in FMIC. FMIC, in turn, has 33.33% direct interest in Ping An.

On June 19, 2012 and April 23, 2013, the BOD and the stockholders of Ping An approved the amendment of the Articles of Incorporation for the purpose of increasing the authorized capital stock and the declaration of 1.62 million stock dividends equivalent to ₱162.50 million. On October 18, 2013, the Securities and Exchange Commission approved the application for the increase in Ping An's authorized capital stock from ₱350.00 million to ₱1.00 billion consisting of 10.00 million common shares with par value of ₱100.00 per share. The ₱162.50 million stock dividend equivalent to 1.62 million common shares represented the minimum 25.00% subscribed and paid-up capital for the above-mentioned increase in authorized capital stock.

The acquisition of Ping An was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over Ping An through its associate MBTC which owns 99.23% of FMIC which in turn owns 33.33% of Ping An before the business combination date was regarded as the previously held interest and remeasured at fair value. The accounting for the business combination was determined provisionally as the Parent Company has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. The Group elected to measure the non-controlling interest in Ping An at the proportionate share of the non-controlling interest in the identifiable net assets of Ping An.

As of October 1, 2013, the provisional fair values of the identifiable assets and liabilities of Ping An is as follows:

Assets	
Cash and cash equivalents	₱52,376,512
Short-term investments	874,410,676
Receivables	1,615,879,399
Reinsurance assets	3,701,512,371
Deferred acquisition cost	221,204,997
Prepayments and other current assets	25,589,459
AFS investments	1,208,433,444

(Forward)

Property, plant and equipment	₱195,469,447
Other non-current assets	18,736,582
	7,913,612,887
Liabilities	
Accounts payable and accrued expenses	618,336,186
Insurance contract liabilities	5,326,709,306
Insurance payable	373,629,735
Deferred reinsurance commission	44,005,499
Income tax payable	43,944,818
Other current liabilities	68,066,431
Pension liability	29,707,977
Deferred tax liability	38,535,272
	6,542,935,224
Total identifiable net assets at fair value	₱1,370,677,663

Total contractual amount of receivables amounted to ₱1.64 billion.

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱343,050,222
Fair value of previously held interest	162,160,900
Cash consideration	1,419,620,522
	₱1,924,831,644

Based on preliminary valuation, the fair value of the previously held interest is ₱557.84 per share. The Company recognized a gain on the revaluation of the previously held interest amounting to ₱59.5 million reported under the 'Gain (loss) on revaluation of previously held interest' account in the consolidated statement of income.

The business combination resulted in a goodwill amounting to ₱554.15 million computed as follows:

Total consideration transferred	₱1,924,831,644
Less: Fair value of identifiable net assets	1,370,677,663
Goodwill	₱554,153,981

None of the goodwill is expected to be deductible for income tax purposes. Goodwill arising from the acquisition of Charter Ping An is allocated to the operations of Charter Ping An.

From the date of acquisition, Charter Ping An has contributed gross revenues totaling ₱547.84 million and net income amounting to ₱34.58 million to the Group. If the business combination with Charter Ping An has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company in 2013 would have been ₱106.70 billion and ₱8.76 billion, respectively.

<u>Common Control Business Combination</u>

On February 18, 2013, the BOD approved the merger of Federal Land with its two subsidiaries namely: Fedsales Marketing, Inc. and Omni-Orient Marketing Network, Inc. wherein Federal Land will be the surviving entity and the two (2) subsidiaries will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on November 29, 2013.

As a result of the merger, non-controlling interest amounting to ₱2.59 million arising from the previous consolidation of OOMNI in Fed Land was reversed and reflected as part of 'Other equity adjustment' account in the consolidated statement of financial position.

Also on May 8, 2013, the BOD of HLRDC, SHDC and HLPDC approved the merger of the three (3) entities where HLPDC will be the surviving entity and HLRDC and SHDC will be the absorbed entities. The application for merger was filed and approved by the Philippine SEC on October 21, 2013.

2012

Acquisition of GBPC

As of December 31, 2011, the Parent Company had an indirect interest of 7.61% over GBPC through its investment in MBTC-FMIC. The Parent Company also had deposits for future subscription (DFS) amounting to ₱3.40 billion while FMIC had DFS to GBPC amounting to ₱5.59 billion.

On December 9, 2011, as part of the Parent Company's plan to acquire control over GBPC, the Parent Company and GBPC entered into a Subscription Agreement which provided that of the planned increase of ₱760.00 million in GBPC's authorized capital stock, the Parent Company shall subscribe to and purchase, and GBPC agrees to issue and sell, 117,067,800 shares with par value of ₱100.00 per share, for a total consideration of ₱3.40 billion.

On January 16, 2012, the SEC approved the application for the increase in authorized capital stock and reduction in the par value of common shares of GBPC from ₱100.00 per share to ₱1.00 per share. Upon approval of the increase, the Parent Company's DFS in GBPC was converted into 117,067,800 common shares representing interest of 21.04% in GBPC while FMIC's DFS was converted to 195,058,600 common shares representing interest of 35.06% in GBPC and a corresponding increase of 4.48% in the Parent Company's indirect interest over GBPC.

On February 15 and 16, 2012, the Parent Company entered into a Deed of Absolute Sale with a third party to acquire and transfer 35,504,900 and 38,863,000 common shares of GBPC, respectively, with the third party as the seller and the Parent Company as the buyer for a consideration amounting to ₱1.24 billion and ₱1.36 billion, respectively. Such shares aggregating to 74,367,900 common shares represent 13.37% interest over GBPC.

The Parent Company acquired an additional 11.89% direct interest over GBPC for a total direct interest of 50.89%.

The acquisition of GBPC was accounted for as a business combination achieved in stages, wherein the cost of consideration included the cash consideration paid for acquiring direct interests, fair value of previously held interest and the cost of indirect interest. The Parent Company's indirect ownership interest over GBPC through its associate MBTC which owns 98.06% of FMIC which in turn owns 38.09% of GBPC before the business combination date was regarded as the previously held interest and remeasured at fair value.

The Group engaged a third party valuer, FTI Consulting, Inc., to conduct a purchase price allocation. The fair value of the identifiable assets and liabilities was finalized in April 2013. The Group elected to measure the non-controlling interest in GBPC at the proportionate share of the non-controlling interest in the identifiable net assets of GBPC.

As of April 30, 2013, the fair values of the identifiable assets and liabilities of GBPC were finalized as follows:

Assets	
Cash and cash equivalents	₱10,506,427,392
Receivables	3,935,964,042
Inventories	895,882,766
Prepayments and other current assets	1,212,354,008
Receivables from affiliates	427,605,411
Property, plant and equipment	33,492,302,035
Investments and other non-current assets	3,077,687,617
Intangible assets (Note 13)	8,995,160,191
	62,543,383,462
Liabilities	
Accounts payable and accrued expenses	3,103,143,856
Long-term debt	34,260,023,586
Other liabilities	854,225,652
Deferred tax liability	593,256,587
	38,810,649,681
Total identifiable net assets at fair value	₱23,732,733,781

The aggregate consideration transferred consists of:

Amount of non-controlling interest	₱15,238,649,131
Fair value of previously held interest	690,643,951
Cash consideration and cost of indirect interest	7,375,910,045
	₱23,305,203,127

The fair value of the previously held interest of ₱37.81 per share was based on the valuation of FTI Consulting, Inc. The Company recognized a loss on the revaluation of the previously held interest amounting to ₱53.95 million.

The business combination resulted in a gain on bargain purchase amounting to ₱427.53 million computed as follows:

Total consideration transferred	₱23,305,203,127
Less: Fair value of identifiable net assets including intangible assets	(23,732,733,781)
Gain on bargain purchase	(₱427,530,654)

Acquisition of Non-Controlling Interest

GBPC

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

On September 12, 2012, the Parent Company acquired from a third party an additional 66,145,700 GBPC common shares, representing 11.89% of GBPC's outstanding capital stock from the holders of the non-controlling interest, at a fixed price of ₱35.13 per share for a total cost of ₱2.32 billion. The acquisition increased the Parent Company's direct holdings in GBPC to 50.89%.

Fed Land
On May 3, 2012, the Parent Company acquired the remaining 20.00 million common shares of Fed Land representing 20.00% of Fed Land's outstanding capital stock from the holders of the non-controlling interest for a total cost of ₱2.70 billion, thereby increasing the direct holdings of the Parent Company in Fed Land from 80.00% to 100.00%.

These acquisitions were accounted for as change in ownership without loss of control and are accounted for as equity transactions. Total negative other equity adjustments recognized from these acquisitions amounted to ₱681.07 million (Note 22).

32. **Fair Value Measurement**

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and Other current assets (short-term cash investments)
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities these instruments.

Receivables
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 12.00% as of December 31, 2013 and 2012. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

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

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

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

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

Loans payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. The interest rates used ranged from 3.75% to 7.10% for the year ended December 31, 2013 and 2012.

Liabilities on purchased properties
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred on December 20, 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

		2013			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Loans and receivables					
Installment contracts receivable	**₱5,819,661,101**	**₱–**	**₱–**	**₱7,690,378,192**	**₱7,690,378,192**
AFS investments					
Government securities	**480,269,424**	**–**	**480,269,424**	**–**	**480,269,424**
Quoted debt securities	**1,153,068,021**	**1,153,068,021**	**–**	**–**	**1,153,068,021**
Quoted equity securities	**1,505,540,179**	**1,505,540,179**	**–**	**–**	**1,505,540,179**
Total Financial Assets	**₱8,958,538,725**	**₱2,658,608,200**	**₱480,269,424**	**₱–**	**₱10,829,255,816**
Non-Financial Assets					
Investment properties	**₱8,328,668,533**	**₱–**	**₱–**	**₱7,690,378,192**	**₱7,690,378,192**
Financial Liabilities					
Loans payable	**₱45,692,608,996**	**₱–**	**₱47,609,127,777**	**₱–**	**₱47,609,127,777**
Bonds payable	**9,903,088,308**	**–**	**9,994,354,200**	**–**	**9,994,354,200**
Total Financial Liabilities	**₱55,595,697,304**	**₱–**	**₱57,603,481,977**	**₱–**	**₱57,603,481,977**

		2012			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables					
Installment contracts receivable	₱3,925,822,347	₱–	₱–	₱3,925,822,347	₱3,925,822,347
AFS investments					
Government securities	9,921,760	–	9,921,760	–	9,921,760
Quoted equity securities	1,050,165,533	1,050,165,533	–	–	1,050,165,533
Total Financial Assets	₱4,985,909,640	₱1,050,165,533	₱9,921,760	₱3,925,822,347	₱4,985,909,640
Non-Financial Assets					
Investment properties	₱8,328,668,533	₱–	₱–	₱13,121,349,832	₱13,121,349,832
Financial Liabilities					
Loans payable	₱55,753,027,791	₱–	₱60,456,580,305	₱–	₱60,456,580,305

As of December 31, 2013 and 2012, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

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

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

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

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

<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.

<u>Significant Unobservable Inputs</u>

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

33. **Financial Risk Management and Objectives**

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

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

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

The use of financial derivative instruments (if any) is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

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

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

Financial assets comprised cash and cash equivalents, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of post dated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

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

   As of December 31, 2013 and 2012, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium units collateral is greater than the carrying value of the installment contracts receivable.

As of December 31, 2011, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable and loans receivable. The maximum exposure to credit risk of the installment contracts receivable is nil since the fair value of the condominium units collateral is greater than the carrying value of the installment contracts receivable. The maximum exposure to credit risk of the loans receivable amounted to ₱1.24 billion since ₱1.36 billion of the loans receivable was secured by the shares of GBPC with fair value amounting to ₱1.47 billion.

b. *Credit quality per class of financial assets*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment-based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

AFS investments - quoted AFS investments is based on the quoted market bid prices at the close of business on the reporting date while the unquoted financial assets are unrated.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2013						
	Neither Past Due Nor Individually Impaired				**Past Due but not Individually Impaired**	**Individually Impaired**	**Total**
	High Grade	**Medium Grade**	**Low Grade**	**Total**			
Cash and cash equivalents* (Note 4)	**₱27,161,145,896**	**₱–**	**₱–**	**₱27,161,145,896**	**₱–**	**₱–**	**₱27,161,145,896**
Short-term Investments	**1,466,463,867**	**–**	**–**	**1,466,463,867**	**–**	**–**	**1,466,463,867**
Receivables (Note 5)							
Trade receivables	**7,412,130,179**			**7,412,130,179**	**610,924,329**	**9,923,816**	**8,032,978,324**
Installment contracts receivable	**2,301,427,513**	**2,412,942,503**	**628,024,445**	**5,342,394,461**	**475,615,793**	**1,650,847**	**5,819,661,101**
Insurance receivables	**1,622,829,840**	**–**	**–**	**1,622,829,840**	**–**	**–**	**1,622,829,840**
Accrued rent and commission income	**335,682,637**	**–**	**–**	**335,682,637**	**–**	**–**	**335,682,637**
Loans receivable	**719,934,106**	**–**	**–**	**719,934,106**	**–**	**–**	**719,934,106**
Dividends receivable	**240,000,000**	**–**	**–**	**240,000,000**	**–**	**–**	**240,000,000**
Nontrade receivables	**198,940,565**			**198,940,565**			**198,940,565**
Others	**309,890,868**	**15,183,102**	**835,903**	**325,909,873**	**77,028,664**	**30,028,493**	**432,967,030**
Due from related parties (Note 27)	**849,398,310**	**–**	**–**	**849,398,310**	**–**	**–**	**849,398,310**
AFS investments (Note 10)							
Equity securities							
Quoted	**1,497,970,179**	**–**	**–**	**1,497,970,179**	**–**	**–**	**1,497,970,179**
Unquoted	**480,269,424**	**–**	**–**	**480,269,424**	**–**	**–**	**480,269,424**
Quoted debt securities	**1,132,556,640**	**–**	**–**	**1,132,556,640**	**–**	**–**	**1,132,556,640**
	₱45,728,640,024	**₱2,428,125,605**	**₱628,860,348**	**₱48,785,625,977**	**₱1,163,568,786**	**₱41,603,156**	**₱49,990,797,919**

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

	December 31, 2012						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents (Note 4)	₱11,546,836,848	₱–	₱–	₱11,546,836,848	₱–	₱–	₱11,546,836,848
Receivables (Note 5)							
Trade receivables	2,855,506,580	918,642,474	–	3,774,149,054	774,218,711	–	4,548,367,765
Installment contracts receivable	3,532,379,328	–	–	3,532,379,328	393,443,019	–	3,925,822,347
Loans receivable	742,819,163	–	–	742,819,163	–	–	742,819,163
Accrued rent and commission income	148,605,645			148,605,645			148,605,645
Others	298,220,802	–	–	298,220,802	–	4,617,424	302,838,226
Due from related parties (Note 27)	489,042,589	–	–	489,042,589	–	–	489,042,589
AFS investments (Note 10)							
Quoted	1,050,165,533	–	–	1,050,165,533	–	–	1,050,165,533
Unquoted	9,921,760	–	–	9,921,760	–	–	9,921,760
	₱20,673,498,248	₱918,642,474	₱–	₱21,592,140,722	₱1,167,661,730	₱4,617,424	₱22,764,419,876

**Excludes cash on hand amounting to ₱6,451,650*

As of December 31, 2013 and 2012, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2013								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						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**

	December 31, 2012								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents (Note 4)	₱11,553,288,498	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱11,553,288,498
Receivables (Note 5)									
Trade receivable	3,774,149,054	273,650,902	111,349,644	78,761,201	304,074,602	6,382,362	774,218,711	–	4,548,367,765
Installment contracts receivable	3,532,379,328	75,835,456	39,504,499	40,690,797	44,921,009	192,491,258	393,443,019	–	3,925,822,347
Loans receivable	742,819,163	–	–	–	–	–	–	–	742,819,163
Accrued rent and commission income	148,605,645	–	–	–	–	–	–	–	148,605,645
Others	298,220,802	–	–	–	–	–	–	4,617,424	302,838,226
Due from related parties (Note 27)	489,042,589	–	–	–	–	–	–	–	489,042,589
AFS investments (Note 10)									
Quoted	1,050,165,533	–	–	–	–	–	–	–	1,050,165,533
Unquoted	9,921,760	–	–	–	–	–	–	–	9,921,760
	₱21,598,592,372	₱349,486,358	₱150,854,143	₱119,451,998	₱348,995,611	₱198,873,620	₱1,167,661,730	₱4,617,424	₱22,770,871,526

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2013			
	< 1 year	**> 1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents (Note 4)	**₱28,416,018,465**	**₱–**	**₱–**	**₱28,416,018,465**
Short-term investments (Note 4)	**2,016,387,817**	–	–	**2,016,387,817**
Receivables (Note 5)				
Trade receivable	**8,032,978,324**	–	–	**8,032,978,324**
Installment contracts receivable	**2,771,155,157**	**3,859,481,354**	**52,862,327**	**6,683,498,838**
Insurance receivables	**1,622,829,840**	–	–	**1,622,829,840**
Loans receivable	**30,091,649**	**156,598,649**	**804,630,064**	**991,320,362**
Dividends receivable	**240,000,000**	–	–	**240,000,000**
Accrued commission income	**335,682,637**	–	–	**335,682,637**
Nontrade receivables	**198,940,565**	–	–	**198,940,565**
Others	**432,967,030**	–	–	**432,967,030**
Due from related parties (Note 27)	**849,398,310**	–	–	**849,398,310**
AFS investments (Note 10)				
Equity Securities				
Quoted	–	–	**1,497,970,179**	**1,497,970,179**
Unquoted	–	–	**480,269,424**	**480,269,424**
Debt	**31,074,450**	**285,979,794**	**836,013,777**	**1,153,068,021**
Total undiscounted financial assets	**₱44,977,524,244**	**₱4,302,059,797**	**₱3,671,745,771**	**₱52,951,329,812**
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	**₱7,590,142,735**	**₱–**	**₱–**	**₱7,590,142,735**
Telegraphic Transfers and drafts and acceptance payable	**5,819,661,101**	–	–	**5,819,661,101**
Accrued expenses	**3,698,807,355**	–	–	**3,698,807,355**
Deferred output tax	**2,454,049,984**	–	–	**2,454,049,984**
Retentions payable	**500,417,643**	–	–	**500,417,643**
Accrued interest	**389,752,174**	–	–	**389,752,174**
Accrued commission	**367,772,684**	–	–	**367,772,684**
Insurance payable	**296,242,243**	–	–	**296,242,243**
Others	**1,046,599,001**	–	–	**1,046,599,001**
Loans payable (Note 17)	**1,092,492,332**	**36,613,052,569**	**17,335,750,224**	**55,041,295,125**
Bonds payable (Note 17)	**489,175,200**	**1,956,700,800**	**11,268,212,840**	**13,714,088,840**
Due to related parties (Note 27)	**188,385,414**	–	–	**188,385,414**
Liabilities on purchased properties	–	**1,486,916,469**	**3,873,645,362**	**5,360,561,831**
Total undiscounted financial liabilities	**₱23,933,497,866**	**₱40,056,669,838**	**₱32,477,608,426**	**₱96,467,776,130**
Liquidity Gap	**₱21,044,026,378**	**(₱35,754,610,041)**	**(₱28,805,862,655)**	**(₱43,516,446,318)**

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

	December 31, 2012			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents (Note 4)	₱11,561,739,415	₱–	₱–	₱11,561,739,415
Receivables (Note 5)				
Trade receivable	3,957,368,507	673,056,989	5,745,676	4,636,171,172
Installment contracts receivable	2,247,979,452	2,129,597,469	40,338,458	4,417,915,379
Loans receivable	22,207,500	220,873,333	816,037,500	1,059,118,333
Accrued rent and commission income	148,605,645	–	–	148,605,645
Others	140,815,196	–	–	140,815,196
Due from related parties (Note 27)	489,042,589	–	–	489,042,589
AFS investments (Note 10)				
Quoted	–	–	1,050,165,533	1,050,165,533
Unquoted	–	–	9,921,760	9,921,760
Total undiscounted financial assets	₱18,567,758,304	₱3,023,527,791	₱1,922,208,927	₱23,513,495,022
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade	₱3,986,382,998	₱7,500,000	₱–	₱3,993,882,998
Deferred output tax	1,373,645,486	–	–	1,373,645,486
Accrued expenses	1,203,694,170	–	–	1,203,694,170
Accrued interest	346,055,359	–	–	346,055,359
Retentions payable	294,632,748	–	–	294,632,748
Accrued commission	42,917,890	–	–	42,917,890
Others	119,030,223	2,859,970	–	121,890,193
Dividends payable	1,948,727,265	–	–	1,948,727,265
Loans payable (Note 17)	18,668,326,386	32,742,778,554	19,349,562,698	70,760,667,638
Due to related parties (Note 27)	191,264,721	–	–	191,264,721
Liabilities on purchased properties	–	888,140,064	2,313,741,028	3,201,881,092
Total undiscounted financial liabilities	₱28,174,677,246	₱33,641,278,588	₱21,663,303,726	₱83,479,259,560
Liquidity Gap	(₱9,606,918,942)	(₱30,617,750,797)	(₱19,741,094,799)	(₱59,965,764,538)

**Excludes cash on hand amounting to ₱6,451,650*

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US$8.55 million and JP¥3.24 million as of December 31, 2013 and US$6.24 million and nil as of December 31, 2012. Short-term investments denominated in foreign currency amounted to US$27.31 million and JP¥76.00 million as of December 31, 2013 and nil as of December 31, 2012.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱44.40 to US$1.00 and ₱41.05 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.42 to JP¥1.00 and nil, the Philippine peso-Japan Yen exchange rates as at December 31, 2013 and 2012, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2013 and 2012. There is no other impact on the Group's equity other than those already affecting the statements of comprehensive income.

		Increase (Decrease) in Income Before Tax		
Reasonably Possible Change		**2013**	2012	2011
US$	**₱1.00**	**(₱2,510,102,063)**	₱6,236,619	₱7,207
	(1.00)	**2,510,102,063**	(6,236,619)	(7,207)
JP¥	**1.00**	**(1,853,268)**	–	–
	(1.00)	**1,853,268**	–	–

Interest rate risk
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

	Increase (decrease) in income before tax		
Reasonably Possible Changes in Interest Rates	**2013**	2012	2011
100 basis points (bps)	**(₱155,702,489)**	(₱174,197,246)	(₱817,461,000)
100 bps	**155,702,489**	174,197,246	817,461,000

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

Equity price risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2013	**Increase by 23.31%**	**₱79,769,658**
	Decrease by 23.31%	**79,769,658**
2012	Increase by 14.01%	97,559,778
	Decrease by 14.01%	(97,559,778)

34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the years ended December 31, 2013 and 2012 were computed as follows:

	2013	2012 (As restated - Note 2)	2011
Net income attributable to Parent Company	**₱8,640,186,114**	₱6,589,727,953	₱3,324,399,379
Weighted average number of shares	**173,853,425**	148,081,967	125,000,000
	₱49.70	₱44.50	₱26.60

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

35. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Power is engaged mainly in the generation and distribution of electricity; and
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;

Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Segment Assets
Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group (amounts in thousands) as of and for the years ended December 31, 2013, 2012 and 2011:

	December 31, 2013					
	Real Estate	Financial Institution	Automotive Operations	Power*	Others	Total
Revenue	**₱5,359,112**	**₱504,585**	**₱74,358,719**	**₱16,944,069**	**₱–**	**₱97,166,485**
Other income	**1,042,486**	**43,263**	**109,054**	**100,182**	**2,069,099**	**3,364,084**
Equity in net income of associates and joint ventures	**410,249**	**3,058,216**	**119,345**	–	–	**3,587,810**
	6,811,847	**3,606,064**	**74,587,118**	**17,044,251**	**2,069,099**	**104,118,379**
Cost of goods and services sold	**619,600**	–	**44,849,860**	–	–	**45,469,460**
Cost of goods manufactured	–	–	**19,986,100**	–	–	**19,986,100**
Cost of real estate sales	**3,666,932**	–	–	–	–	**3,666,932**
Power plant operation and maintenance	–	–	–	**8,945,436**	–	**8,945,436**
Net insurance benefits	–	**289,525**	–	–	–	**289,525**
General and administrative expenses	**1,732,919**	**235,939**	**4,282,206**	**2,842,079**	**300,568**	**9,393,711**
	6,019,451	**525,464**	**69,118,166**	**11,787,515**	**300,568**	**87,751,164**
Earnings before interest and taxes	**792,396**	**3,080,600**	**5,468,952**	**5,256,736**	**1,768,531**	**16,367,215**
Depreciation and amortization	**164,248**	**5,785**	**190,432**	**2,492,320**	**4,489**	**2,857,274**
EBITDA	**956,644**	**3,086,385**	**5,659,384**	**7,749,056**	**1,773,020**	**19,224,489**
Interest income	**1,043,592**	**16,252**	**177,061**	**133,561**	**58,563**	**1,429,029**
Interest expense	**(620,928)**	**(420)**	**(87,282)**	**(2,153,906)**	**(599,787)**	**(3,462,323)**
Depreciation and amortization	**(164,248)**	**(5,785)**	**(190,432)**	**(2,492,320)**	**(4,489)**	**(2,857,274)**
Pretax income	**1,215,060**	**3,096,432**	**5,558,731**	**3,236,391**	**1,227,307**	**14,333,921**
Provision for income tax	**203,969**	**3,640**	**1,506,595**	**77,353**	**11,713**	**1,803,270**
Net income	**₱1,011,091**	**₱3,092,792**	**₱4,052,136**	**₱3,159,038**	**₱1,215,594**	**₱12,530,651**
Segment assets	**₱27,310,535**	**₱8,239,989**	**₱29,179,086**	**₱50,586,094**	**₱77,044,142**	**₱192,359,846**
Segment liabilities	**₱24,655,375**	**₱7,897,017**	**₱17,957,456**	**₱38,519,309**	**₱10,766,934**	**₱99,796,091**

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱196.97 million*

	December 31, 2012 (As restated - Note 2)					
	Real Estate	Financial Institution	Automotive Operations	Power*	Others	Total
Revenue	₱2,861,738	₱–	₱–	₱12,845,110	₱–	₱15,706,848
Other income	2,058,724	–	–	69,879	373,765	2,502,368
Equity in net income of associates and joint ventures	225,651	3,045,293	631,152	–	–	3,902,096
	5,146,113	3,045,293	631,152	12,914,989	373,765	22,111,312
Cost of real estate sales	1,342,018	–	–	–	–	1,342,018
Cost of goods and services sold	680,911	–	–	–	–	680,911
Power plant operation and maintenance	–	–	–	6,711,049	–	6,711,049
General and administrative expense	1,323,984	–	–	1,958,632	276,406	3,559,022
	3,346,913	–	–	8,669,681	276,406	12,293,000
Earnings before interest and taxes	1,799,200	3,045,293	631,152	4,245,308	97,359	9,818,312
Depreciation and amortization	67,898	–	–	1,559,179	2,039	1,629,116
EBITDA	1,867,098	3,045,293	631,152	5,804,487	99,398	11,447,428
Interest income	576,922	–	–	212,631	76,878	866,431
Interest expense	(326,942)	–	–	(825,487)	(597,352)	(1,749,781)
Depreciation and amortization	(67,898)	–	–	(1,559,179)	(2,039)	(1,629,116)
Pretax income	2,049,180	3,045,293	631,152	3,632,452	(423,115)	8,934,962
Provision for income tax	60,939	–	–	211,337	15,375	287,651
Net income	₱1,988,241	₱3,045,293	₱631,152	₱3,421,115	(₱438,490)	₱8,647,311
Segment assets	₱19,817,046	₱33,420,735	₱5,901,464	₱53,513,011	₱24,332,799	₱136,985,055
Segment liabilities	₱11,805,462	₱–	₱–	₱34,982,606	₱25,143,295	₱71,931,363

** Energy fees are presented net of adjustments (e.g. discounts) amounting to ₱353.11 million*

	December 31, 2011 (As restated - Note 2)					
	Real Estate	Financial Institution	Automotive Operations	Power	Others	Total
Revenue	₱3,276,862	₱–	₱–	₱–	₱–	₱3,276,862
Other income	15,955	–	–	–	506,563	522,518
Equity in net income of associates and joint ventures	87,552	3,018,484	461,837	–	–	3,567,873
	3,380,369	3,018,484	461,837	–	506,563	7,367,253
Cost of real estate sales	1,553,768	–	–	–	–	1,553,768
Cost of goods and services sold	709,727	–	–	–	–	709,727
General and administrative expense	574,498	–	–	–	535,248	1,109,746
	2,837,993	–	–	–	535,248	3,373,241
Earnings before interest and taxes	542,376	3,018,484	461,837	–	(28,685)	3,994,012
Depreciation and amortization	29,346	–	–	–	42,006	71,352
EBITDA	571,722	3,018,484	461,837	–	13,321	4,065,364
Interest income	591,314	–	–	–	6,914	598,228
Interest expense	(432,809)				(556,941)	(989,750)
Depreciation and amortization	(29,346)	–	–	–	(42,006)	(71,352)
Pretax income	700,881	3,018,484	461,837	–	(578,712)	3,602,490
Provision for income tax	138,339	–	–	–	10,440	148,779
Net income	₱562,542	₱3,018,484	₱461,837	₱–	(₱589,512)	₱3,453,711
Segment assets	₱28,953,681	₱32,196,747	₱2,071,712	₱3,397,121	₱3,110,222	₱69,729,483
Segment liabilities	₱18,299,016	₱–	₱–	₱–	₱14,944,612	₱33,243,628

Geographical Information
The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2013
Domestic	₱95,441,206,420
Foreign	10,106,201,620
	₱105,547,408,040

In 2012 and 2011, all of the Group's consolidated revenues to external customers are derived from the domestic market.

36. **Contingencies**

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

In order to partially guarantee the completion of Fed Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱901.82 million and ₱868.17 million as of December 31, 2013 and 2012, respectively.

37. **Events after the Reporting Date**

Equity call from GBPC
On January 7, 2014 and February 26, 2014, the Parent Company disbursed funds totaling ₱681.67 million representing its pro rata share in response to capital calls from GBPC upon its stockholders to support the Project Panay Energy Development Corporation Unit 3 Expansion Project.

Acquisition of Charter Ping An shares from FMIC
On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An. The Parent Company purchased an additional 1.7 million common shares of Charter Ping An from FMIC for a total consideration of ₱712.00 million. The acquisition represents the remaining 33.33% of the non-life insurance firm's outstanding capital stock.

Acquisition of TMBC shares from FMIC
On March 4, 2014 the Parent Company acquired 48.12 million common shares of TMBC owned by FMIC for a total purchase price of ₱237.26 million. The acquisition represents 19.25% of the TMBC's outstanding capital stock and raised the Parent Company's ownership interest in TMBC to 60.00%.

Declaration of Cash Dividends of the Parent Company
On March 11, 2014, the BOD of the Parent Company approved the declaration of cash dividends of ₱3.00 per share to all stockholders of record as of April 8, 2014 which shall be payable on May 2, 2014.

Appropriation of Retained Earnings of the Parent Company
On March 11, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱3.00 billion. The appropriation is earmarked for the following:

Project Name	Timeline	Amount
Equity call from GBPC for plant expansions	2014	₱2.00 billion
Acquisition of investments	2014-2015	1.00 billion
		₱3.00 billion

38. Approval for the Release of the Financial Statements

The accompanying financial statements of the Company were approved and authorized for issue by the Company's BOD on March 11, 2014.

39. Notes to Cash Flows Statements

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

	2013	2012	2011
Transfers from investment property to inventories (Note 6)	**₱1,765,346,107**	₱368,314,414	₱117,980,714
Transfers from property and equipment to inventories (Note 6)	–	855,240	–
Borrowing cost capitalized to inventories (Note 6)	**299,265,598**	332,926,798	141,978,879
Conversion of deposit for future stock subscription (Note 8)	–	3,397,120,759	–
Indirect interest included in the consideration for the business combination:			
Fair value of previously held interest (Note 31)	**8,168,271,296**	690,643,951	–
Additional indirect interest (Note 8)	–	1,375,910,045	–
Fair value of net assets acquired from business combinations (Note 31):			
Assets			
Receivables	**4,000,790,312**	3,935,964,042	–
Inventories	**5,256,937,104**	895,882,766	–
Reinsurance assets	**3,701,512,371**	–	–
Prepayments and other current assets	**903,919,323**	1,212,354,008	–

(Forward)

	2013	2012	2011
Due from related parties	**₱–**	₱427,605,411	₱–
Available-for-sale investments	**2,643,193,467**	–	–
Investment properties	**2,251,349,832**	–	–
Property, plant and equipment	**3,364,099,310**	33,492,302,035	–
Investments in associates and joint ventures	–	3,077,687,617	–
Intangible assets	**10,034,348,535**	8,995,160,191	–
Deferred tax assets	**421,764,219**	–	–
Other non-current assets	**356,077,960**	–	–
Liabilities			
Accounts payable and accrued expenses	**11,865,580,908**	3,103,143,854	–
Other current liabilities	**207,969,569**	–	–
Long-term debt	**229,481,790**	34,260,023,586	–
Other noncurrent liabilities	**(29,707,977)**	854,225,652	–
Deferred tax liability - from fair value change	**2,270,619,482**	593,256,587	–

SGV
Building a better working world

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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
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, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this Form 17-A and have issued our report thereon dated March 11, 2014. 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 February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225181, January 2, 2014, Makati City

March 11, 2014

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2013

GT CAPITAL HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2013

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		₱2,378,031,267
Add: Net income actually earned during the period		
Net income during the period closed to Retained earnings	₱2,541,340,936	
Less: Non-actual/unrealized income net of tax	–	
Add: Non actual losses	–	2,541,340,936
Subtotal		4,919,372,203
Add (Less):		
Dividend declaration during the period	(522,900,000)	
Effect of retrospective application of PAS 19	(492,832)	(523,392,832)
Total Retained Earnings, end available for dividend declaration		₱4,395,979,371

Note: On March 11, 2014, the board of directors of the GT Capital Holdings, Inc. approved the appropriation of retained earnings amounting to ₱3.00 billion. The appropriation is earmarked for the following:

Project Name	Timeline	Amount
Equity call from Global Business Power Corporation for plant expansions	2014	₱2.00 billion
Acquisition of investments	2014-2015	1.00 billion
		₱3.00 billion

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS

FOR THE YEAR ENDED DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements 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			✓	
PFRS 2	Share-based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
PFRS 3 (Revised)	Business Combinations	✓			
PFRS 4	Insurance Contracts	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓			
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	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 PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓	
	Amendments to PFRS 7: Disclosures – Offsetting	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	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				✓
PFRS 8	Operating Segments	✓			
PFRS 9	Financial Instruments	✓			
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	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				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Investment Entities	✓			
PFRS 11	Joint Arrangements	✓			
PFRS 12	Disclosure of Interests in Other Entities	✓			
	Amendments to PFRS 12: Investment Entities	✓			
PFRS 13	Fair Value Measurement	✓			
Philippine Accounting Standards		✓			
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendment to PAS 1: Comparative Information	✓			
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	✓			
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 16	Property, Plant and Equipment	✓			
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Employee Benefits	✓			
PAS 19 (Amended)	Employee Benefits	✓			
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	✓			
PAS 28 (Amended)	Investments in Associates	✓			
	Investments in Associates and Joint Ventures	✓			
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			✓	
	Amendment 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	✓			
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	✓			
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	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	✓			
	Amendment to PAS 39: Eligible Hedged Items	✓			
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓			
PAS 40	Investment Property	✓			
PAS 41	Agriculture			✓	
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			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 17	Distributions of Non-cash Assets to Owners	✓			
IFRIC 18	Transfers of Assets from Customers	✓			
IFRIC 19	Extinguishing Financial Liabilities with Equity 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 DECEMBER 31, 2013

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	₱1,497,970,179	₱1,497,970,179	₱–
Unquoted	Various	480,269,424	480,269,424	–
Quoted debt securities	Various	1,132,556,640	1,132,556,640	–

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

Loan Type	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Employee loan	₱3,313,969	₱5,916,563	₱5,865,113	₱–	₱3,975,434	₱107,987	₱3,365,419
Car plan	11,906,915	2,444,619	1,918,151	–	2,114,457	3,561,193	12,433,383
Financial assistance	103,182	–	–	–	–	–	103,182
Housing loan	10,164,936	–	–	–	–	–	10,164,936
	₱25,489,002	₱8,361,182	₱7,783,264	₱–	₱6,089,891	₱3,669,180	₱ 26,066,920

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements:

Name and Designation of debtor	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period	Eliminations	GT Capital Balance
Federal Land, Inc.	₱–	₱103,400	₱103,400	₱–	₱103,400	(₱103,400)	₱–
GBPC	–	1,017,800,000	1,017,800,000	–	1,017,800,000	(1,017,800,000)	–
Baywatch Project Management Corp.	15,208,738	2,427,343	12,781,394	–	12,781,394	(12,781,394)	–
Harbour Land	1,933,173,142	–	1,933,173,142	–	1,933,173,142	(1,933,173,142)	–
Top Leader Mgt. Corp	2,000,000	–	2,000,000	–	2,000,000	(2,000,000)	–
Central Realty & Dev't Corp.	482,500,000	35,000,000	447,500,000	–	447,500,000	(447,500,000)	–
Fedsales Marketing, Inc.	19,116,139	(182,963)	19,299,101	–	19,299,101	(19,299,101)	–
OMNI Orient Marketing, Inc.	25,974,802	15,000	25,959,802	–	25,959,802	(25,959,802)	–
Horizon Land Property Development Corp.	–	(1,665,000,000)	1,665,000,000	–	1,665,000,000	(1,665,000,000)	–
FLI Management Consultancy Inc.	9,779,679	1,309,000	8,470,679	–	8,470,679	(8,470,679)	–
Toyota Makati	427,344,571	–	427,344,571	–	427,344,571	(427,344,571)	–
Toyota San Fernando	260,008,395	–	260,008,395	–	260,008,395	(260,008,395)	–
Lexus Manila, Inc.	21,339,857	–	21,339,857	–	21,339,857	(21,339,857)	–
Horizon Land Property Development Corp.	–	–	3,978	–	3,978	(3,978)	–

(Forward)

Name and Designation of debtor	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period	Eliminations	GT Capital Balance
THC	₱164,786,842	₱12,350,038	₱20,160,000	₱156,976,879	₱177,136,879	(₱177,136,879)	₱–
CEDC	485,837,631	1,035,465,237	1,521,691,377	–	1,521,691,377	(1,521,691,377)	–
GESC	-	118,599,889	118,599,889	–	118,599,889	(118,599,889)	–
PEDC	134,972,933	1,115,755,791	1,250,728,723	–	1,250,728,723	(1,250,728,723)	–
PPHC	–	1,026,950,000	1,026,950,000	–	1,026,950,000	(1,026,950,000)	–
GFPHI	–	939,456,000	939,456,000	–	939,456,000	(939,456,000)	–
TCITRC	32,500,000	42,467,720	74,967,720	–	74,967,720	(74,967,720)	–
PPC	18,791,357	57,947,129	76,738,485	–	76,738,485	(76,738,485)	–
GBH	–	917,868	917,868	–	917,868	(917,868)	–
	₱4,033,334,087	₱3,741,381,452	₱10,870,994,382	₱156,976,880	₱11,027,971,262	(₱11,027,971,262)	₱–

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	₱8,676,723,532	₱–	(₱477,654,989)	₱–	₱–	₱8,199,068,543
Goodwill	24,201,028	6,151,110,174	–	–	–	6,175,311,202
Customer Relationship	–	3,883,238,361	–	–	–	3,883,238,361
Software cost and license	14,286,161	7,643,629	(7,609,854)	–	1,494,679	15,814,615
	₱8,715,210,721	₱10,041,992,164	(₱485,264,843)	₱–	₱1,494,679	₱18,273,432,721
Franchise	₱–	₱1,700,000	(₱116,667)	₱–	₱–	₱1,583,333

Schdedule E. Long Term Debt

Title of issue and type of obligaiton	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	₱–	₱9,883,088,308
Note Facility Agreement	₱6,600,000,000	₱–	₱6,600,000,000
Note Facility Agreement	5,000,000,000	–	5,000,000,000
Loans payable	2,000,000,000	–	2,000,000,000
CEDC Omnibus Loan Agreement	16,000,000,000	1,296,045,835	11,277,313,214
PEDC Omnibus Loan Agreement	14,000,000,000	1,052,074,172	10,518,754,108
PPC Loan Agreement (for Panay)	1,269,271,600	153,851,103	269,239,430
PPC Loan Agreement (for Panay)	300,000,000	42,857,143	85,714,286
PPC Loan Agreement (for Avon)	515,000,000	200,849,980	–
TPC Loan Agreement	2,350,000,000	–	2,311,410,324
Toyota Autoparts Philippines, Inc	78,626,700	78,626,700	78,626,700
TRP, Inc.	91,000,000	91,000,000	91,000,000
Philippine HKR, Inc.	76,200,000	76,200,000	76,200,000
	₱58,280,098,300	₱2,991,504,933	₱38,308,258,062

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.	₱2,000,000,000	₱2,000,000,000
Metropolitan Bank & Trust Co.	10,056,548,551	7,993,073,727
First Metro Investment Corporation	1,691,072,542	1,037,320,579

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				

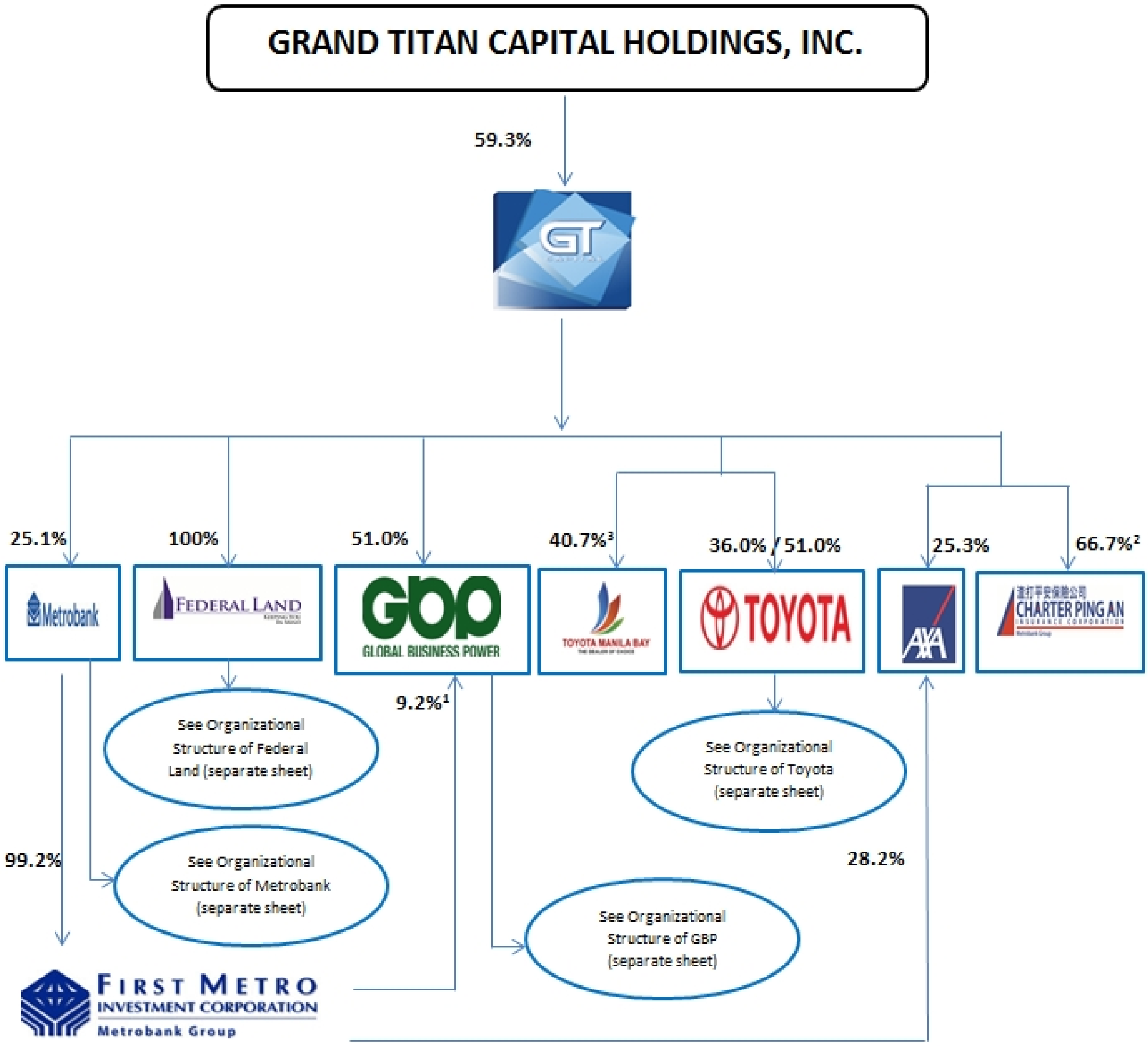
Schedule H. Capital Stock

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	500,000,000	174,300,000	−	10,000	590,400	−

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT COMPANY AND ITS ULTIMATE PARENT, SUBSIDIARIES AND ASSOCIATES

FOR THE YEAR ENDED DECEMBER 31, 2013

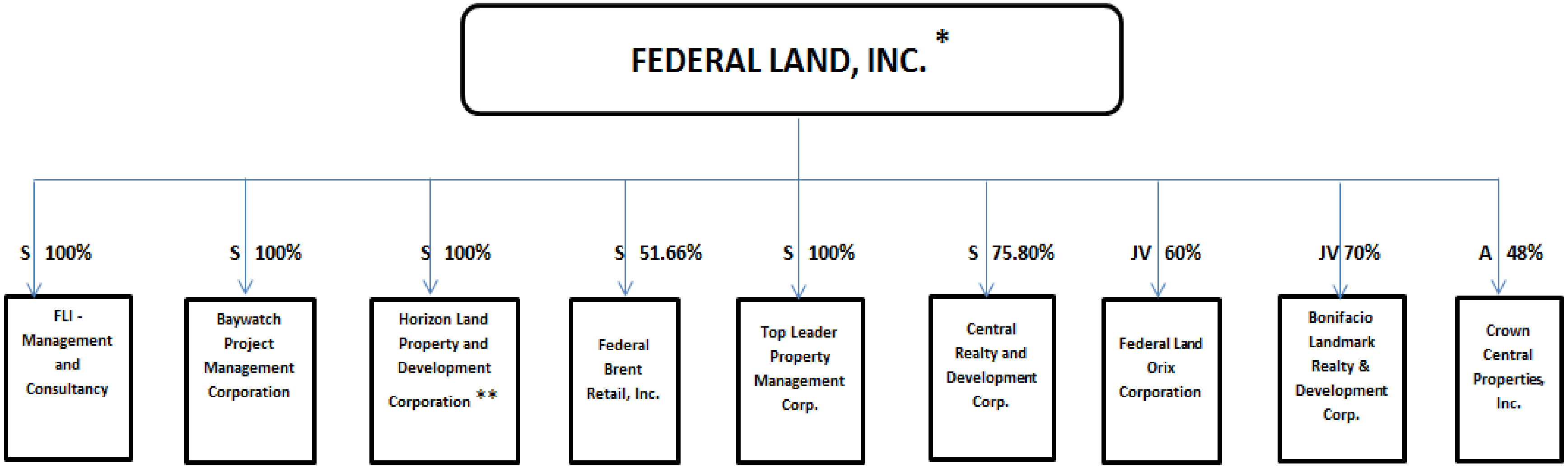


[1] Originally 49%, 20% sold to Orix in June 2013; 20% sold to Meralco PowerGen in October 2013

[2] Acquired 66.7% in October 2013

[3] Acquired 40.7% in December 2013

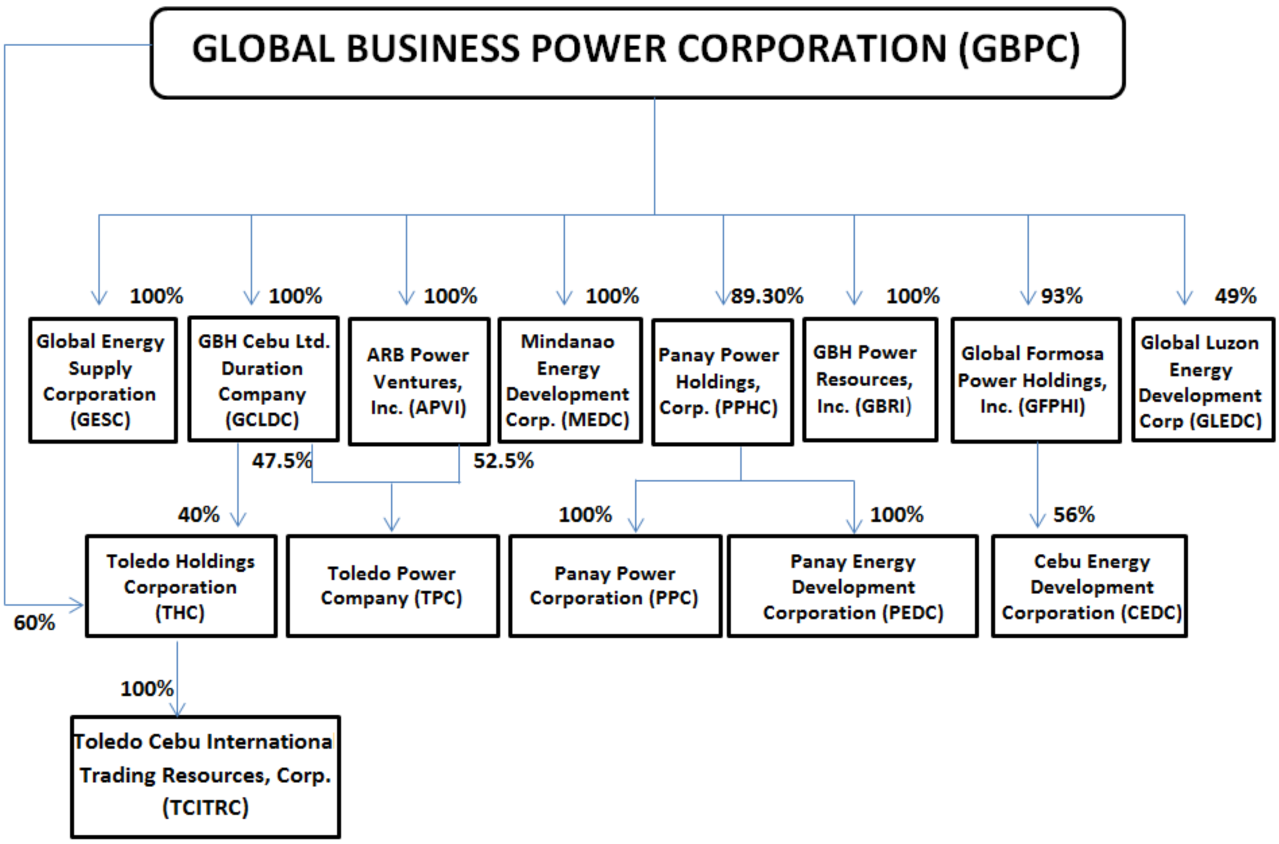
FEDERAL LAND, INC.
SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES
AS OF DECEMBER 31, 2013



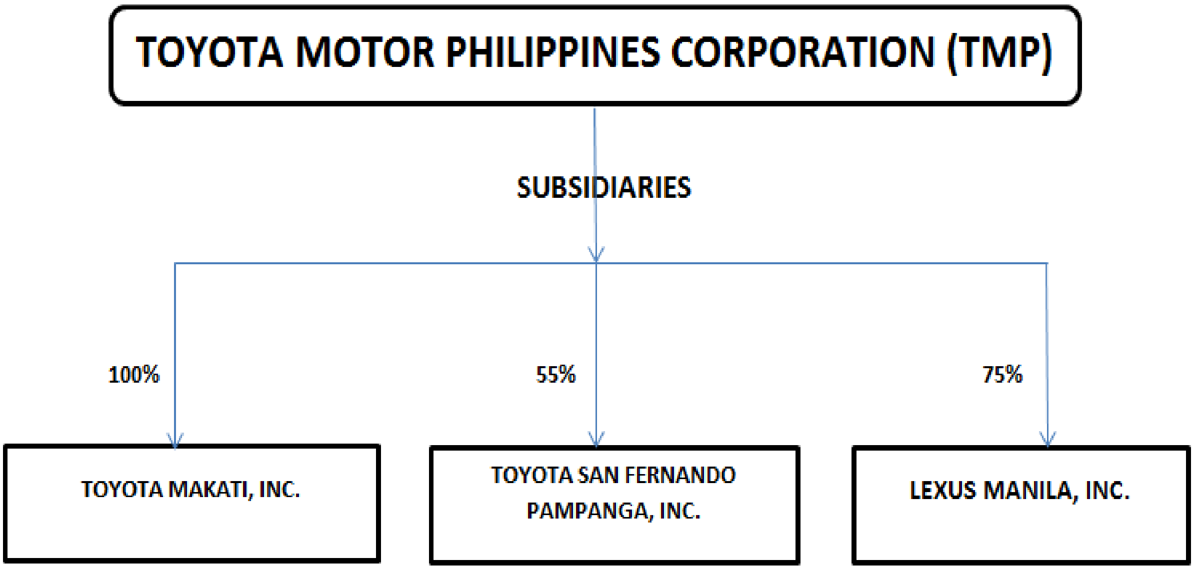
LEGEND:
Subsidiary (S)
Associate (A)
Joint Venture (JV)

NOTES:
**On February 18, 2013, the board of directors (BOD) of Fed land approved the merger of Fed Land and its two subsidiaries namely Fedsales Marketing, Inc.(FMI) and Omni-Orient Marketing Network, Inc. (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 Securities Exchange Commission (SEC) on November 29, 2013.*
*** On May 8, 2013, the BOD of Horizon Land Property and Development Corporation (HLPDC), Harbour Land Realty and Development Corporation (HLRDC) and Southern Horizon Development Corporation (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.*

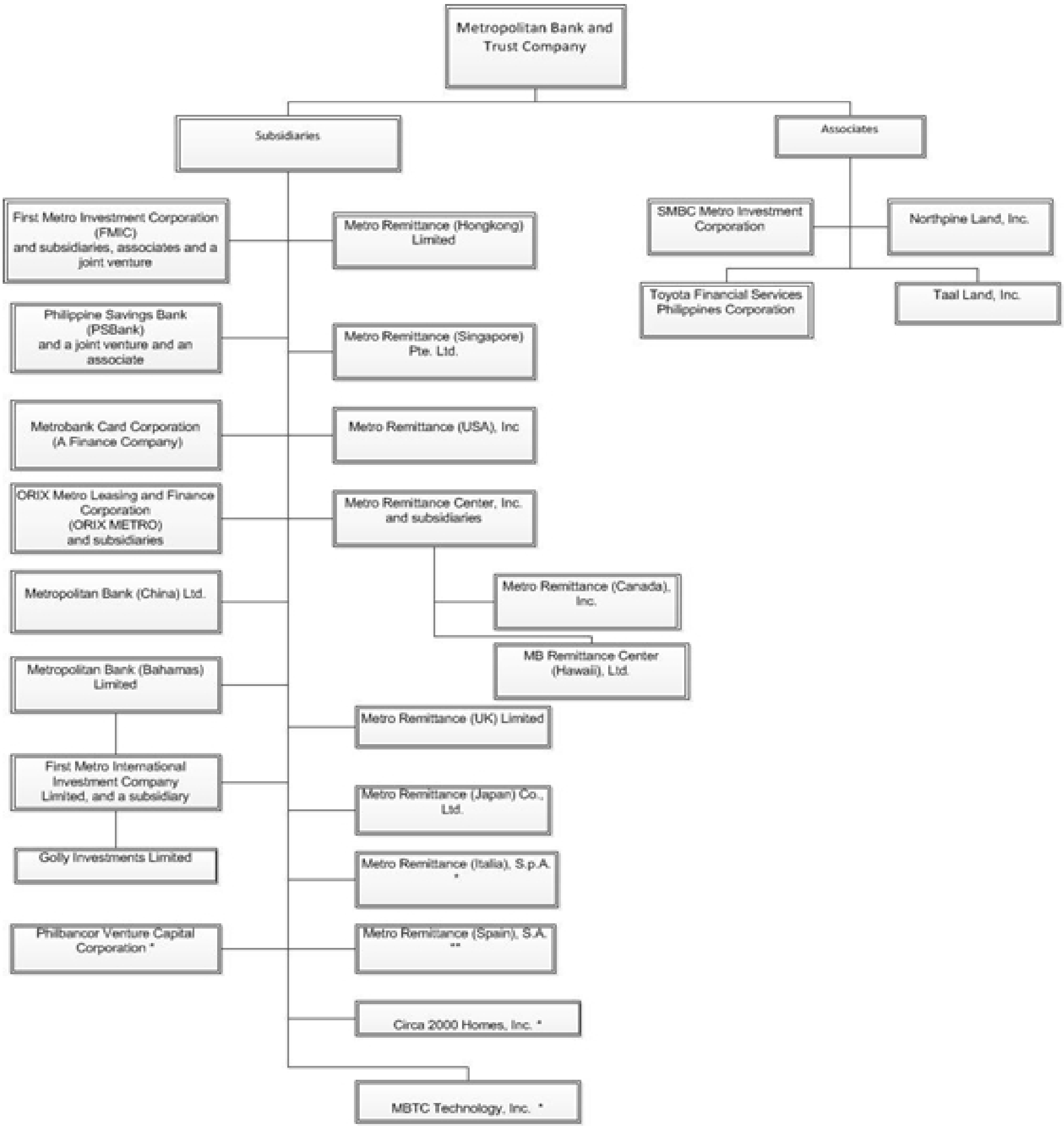
GLOBAL BUSINESS POWER CORPORATION
SUBSIDIARIES AND ASSOCIATE
AS OF DECEMBER 31, 2013



<u>TOYOTA MOTOR PHILIPPINES CORPORATION</u>
SUBSIDIARIES
AS OF DECEMBER 31, 2013



METROPOLITAN AND BANK TRUST COMPANY
SUBSIDIARIES
AS OF DECEMBER 31, 2013



** In the process of dissolution*

*** Liquidated in July 2013*

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in millions except %)	**2013**	2012 (As restated)
Liquidity Ratio		
Current ratio	**1.88**	1.29
Current assets	**₱73,671**	₱36,822
Current liabilities	**39,193**	28,452
Solvency Ratio		
Total liabilities to total equity ratio	**1.08**	1.11
Total liabilities	**99,796**	71,931
Total equity	**92,564**	65,054
Debit to equity ratio	**0.54**	0.90
Total debt	**50,013**	58,334
Total equity	**92,564**	65,054
Asset to Equity Ratio		
Asset equity ratio	**2.73**	2.55
Total assets	**192,360**	136,985
Equity attributable to Parent Company	**70,525**	53,760
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	**5.14**	6.11
Earnings before interest and taxes (EBIT)	**17,797**	10,685
Interest expense	**3,462**	1,750
Profitability Ratio		
Return on average assets	**5.25%**	6.38%
Net income attributable to Parent Company	**8,640**	6,590
Average assets	**164,672**	103,357
Return on Average Equity	**13.90%**	14.97%
Net income attributable to Parent Company	**8,640**	6,590
Average equity attributable to Parent Company	**62,142**	44,020
Income before income tax	**14,334**	8,935
Interest expense	**3,463**	1,750
EBIT	**17,796**	10,685

*computed as EBIT/Interest Expense

GT Capital Holdings, Inc. and Subsidiaries

Interim Condensed Consolidated Financial Statements

As of March 31, 2014 (Unaudited) and December 31, 2013 (Audited)
and for the quarters ended March 31, 2014 and 2013 (Unaudited)

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

	Unaudited March 31, 2014	Audited December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**27,734**	27,167
Short-term investments	**1,255**	1,467
Receivables	**13,671**	12,451
Reinsurance assets	**5,116**	4,966
Inventories	**26,536**	20,813
Due from related parties	**656**	849
Prepayments and other current assets	**4,943**	5,969
TOTAL CURRENT ASSETS	**79,911**	73,682
NONCURRENT ASSETS		
Noncurrent receivables	**4,919**	4,929
Long-term cash investment	**2**	-
Available-for-sale investments	**3,373**	3,111
Investments in associates and joint ventures	**39,635**	40,559
Investment properties	**8,502**	8,329
Property and equipment	**41,953**	41,163
Goodwill and intangible assets	**18,309**	18,275
Deferred tax assets	**1,249**	1,109
Other noncurrent assets	**2,295**	1,203
TOTAL NONCURRENT ASSETS	**120,237**	118,678
	200,148	192,360
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts and other payables	**21,391**	20,837
Insurance contract liabilities	**6,878**	6,684
Short-term debt	**5,026**	1,744
Current portion of long-term debt	**3,307**	3,364
Current portion of liabilities on purchased properties	**949**	783
Customers' deposit - current	**1,918**	1,844
Due to related parties – current	**183**	188
Dividends payable	**2,489**	1,966
Income tax payable	**696**	876
Other current liabilities	**761**	907
TOTAL CURRENT LIABILITIES	**43,598**	39,193
NONCURRENT LIABILITIES		
Pension liability	**1,821**	1,704
Long term debt-net of current portion	**41,886**	40,584
Bonds payable	**9,886**	9,883
Liabilities on purchased properties - net of current portion	**3,371**	3,537
Deferred tax liabilities	**3,228**	3,252
Other noncurrent liabilities	**1,726**	1,643
TOTAL NONCURRENT LIABILITIES	**61,918**	60,603
	105,516	99,796
EQUITY		
Equity attributable to equity holders of the Parent Company		
Capital stock	**1,743**	1,743
Additional paid-in capital	**46,695**	46,695
Treasury shares	**(2)**	(6)
Retained earnings		
Unappropriated	**20,016**	21,802
Appropriated	**3,000**	-
Other equity adjustments	**353**	729
Other comprehensive income	**(1,598)**	(437)
	70,207	70,526
Non-controlling interest	**24,425**	22,038
TOTAL EQUITY	**94,632**	92,564
	200,148	192,360

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

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

	UNAUDITED	
	Quarter Ended March	
	2014	2013
REVENUE		
Automotive operations	**23,626**	13,169
Net fees	**4,004**	3,861
Real estate sales	**1,438**	955
Equity in net income of associates and joint ventures	**723**	2,218
Net premium earned	**441**	-
Rent income	**175**	154
Sale of goods and services	**163**	170
Interest income	**339**	248
Commission income	**47**	61
Gain on previously held interest	**-**	1,260
Other income	**167**	145
	31,123	22,241
COST AND EXPENSES		
Cost of goods and services sold	**14,827**	8,256
Cost of goods manufactured	**5,983**	3,331
General and administrative expenses	**2,587**	1,884
Power plant operation and maintenance expenses	**2,331**	1,980
Cost of real estate sales	**998**	743
Interest expense	**823**	851
Net insurance benefits and claims	**180**	-
	27,729	17,045
INCOME BEFORE INCOME TAX	**3,394**	5,196
PROVISION FOR INCOME TAX	**605**	404
NET INCOME	**2,789**	4,792
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**1,737**	3,969
Non-controlling interest	**1,052**	823
	2,789	4,792
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**9.97**	23.01

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Unaudited	
	Quarter Ended March 31	
	2014	2013
NET INCOME	**₱2,789**	₱4,792
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**59**	-
Equity in other comprehensive income of associates:		
Changes in fair value of available-for-sale investments of associates	**(1,169)**	834
Translation adjustment of associates	**(26)**	(37)
	(1,136)	797
Items that may not be reclassified to profit or loss in subsequent periods:		
Remeasurement of defined benefit plans	**2**	-
Equity in remeasurement of defined benefit plans of associates	**(1)**	-
Income tax effect	**-**	-
	1	-
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**(1,135)**	797
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**1,654**	₱5,589
Attributable to:		
Equity holders of the GT Capital Holdings, Inc.	**576**	₱4,766
Non-controlling interest	**1,078**	823
	1,654	₱5,589

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
QUARTER ENDED MARCH 31, 2014 AND 2013 (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	Other Equity Adjustment	Non-controlling Interests	Total
At January 1, 2014	**₱1,743**	**₱46,695**	**(₱6)**	**₱21,802**	**₱–**	**₱80**	**(₱216)**	**₱5**	**₱417**	**(₱723)**	**₱729**	**₱22,038**	**₱92,564**
Total comprehensive income	–	–	–	1,737	–	33	2	(1,169)	(26)	(1)	–	1,078	1,654
Dividends declared	–	–	–	(523)	–	–	–	–	–	–	–	–	(523)
Appropriation of retained earnings	–	–	–	(3,000)	3,000	–	–	–	–	–	–	–	–
Effect of acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	24	24
Acquisition of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(376)	(336)	(712)
Movement in non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,621	1,621
Reissuance of treasury shares	–	–	4	–	–	–	–	–	–	–	–	–	4
At March 31, 2014	**₱1,743**	**₱46,695**	**(₱2)**	**₱20,016**	**₱3,000**	**₱113**	**(₱214)**	**(₱1,164)**	**₱391**	**(₱724)**	**₱353**	**₱24,425**	**₱94,632**

(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 Loss on Available-for-Sale Investments	Net Unrealized Gain on Remeasurement of Defined Benefit Plans	Equity in Net Unrealized Gain on Available-for-Sale Investments of Associates	Equity in Translation Adjustment of Associates	Equity in Net Unrealized Gain on Remeasurement of Defined Benefit Plans of Associates	Other Equity Adjustment	Non-controlling Interests	Total
At January 1, 2013	₱1,580	₱36,753	₱–	₱13,856	₱–	(₱7)	₱–	₱2,954	₱36	₱–	(₱681)	₱11,373	₱65,864
Issuance of capital stock	163	9,943	–	–	–	–	–	–	–	–	–	–	10,106
Total comprehensive income	–	–	–	3,969	–	–	–	834	(37)	–	–	823	5,589
Effect of acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	6,062	6,062
Movement in non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	959	959
At March 31, 2013	₱1,743	₱46,696	₱–	₱17,825	₱–	(₱7)	₱–	₱3,788	(₱1)	₱–	(₱681)	₱19,217	₱88,580

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

	Unaudited	
	Quarters Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,394**	₱5,196
Adjustments for:		
Interest expense	**823**	851
Depreciation and amortization	**681**	640
Equity in net income of associates and joint ventures	**(723)**	(2,218)
Gain on previously held interest	–	(1,260)
Interest income	**(339)**	(117)
Pension expense	**30**	26
Unrealized foreign exchange losses	–	1
Gain on disposal of property and equipment	**(18)**	–
Gain on sale of available-for-sale investments	**(2)**	–
Operating income before changes in working capital	**3,846**	3,119
Decrease (increase) in:		
Short-term investments	**212**	–
Receivables	**(711)**	(3,130)
Reinsurance assets	**15,698**	–
Due from related parties	**194**	339
Inventories	**(21,454)**	885
Prepayments and other current assets	**1,127**	(20)
Increase (decrease) in:		
Accounts and other payables	**241**	1,978
Insurance contract liabilities	**194**	–
Customers' deposits	**74**	(299)
Other current liabilities	**(146)**	76
Cash provided by operations	**(725)**	2,948
Interest received	**329**	108
Interest paid	**(892)**	(931)
Dividends received	**689**	–
Income taxes paid	**(868)**	(11)
Net cash provided by (used in) operating activities	**(1,467)**	2,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Property and equipment	**470**	66
Available-for-sale investments	**160**	–
Additions to:		
Property and equipment	**(1,814)**	(946)
Investments in associates and joint ventures	**(237)**	–
Available-for-sale investments	**(340)**	–
Long-term cash investments	**(2)**	–
Intangible assets	**(1)**	20
Investment properties	**–**	(284)
Acquisition of subsidiary, net of cash acquired	**(282)**	4,255
Acquisition of non-controlling interests in consolidated subsidiaries	**(712)**	–
Increase in other noncurrent asset	**(1,038)**	(36)
Net cash provided by (used in) investing activities	**(3,796)**	3,075

(Forward)

	Unaudited	
	Quarters Ended March 31	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availment	**₱5,165**	₱505
Proceeds from issuance of capital stock	**–**	10,106
Proceeds from bond issuance	**–**	9,897
Payment of loans payable	**(1,015)**	(10,273)
Increase (decrease) in:		
Due to related parties	**(5)**	(4)
Other noncurrent liabilities	**64**	35
Capital contribution from non-controlling interests	**1,621**	–
Net cash provided by financing activities	**5,830**	10,266
NET INCREASE IN CASH AND CASH EQUIVALENTS	**567**	15,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**27,167**	11,553
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱27,734**	₱27,008

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

Group Activities

The Parent Company, Federal Land, Inc. (Fed Land) and Subsidiaries (Fed Land Group), Charter Ping An Insurance Corporation (Charter Ping An or Ping An), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Global Business Power Corporation (GBPC) and Subsidiaries (GBPC Group) and Toyota Cubao, Inc. (TCI) and Subsidiary (TCI Group) are collectively referred herein as the “Group”. The Parent Company, the holding company of the Fed Land Group (real estate business), Charter Ping An (non-life insurance business), Toyota Group (automotive business), GBPC Group (power generation business) and 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) and Toyota Manila Bay Corporation (TMBC).

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

The accompanying interim condensed consolidated financial statements of the Company were approved for issue by the Company's Audit Committee on May 9, 2014.

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, 2013.

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 Group's functional currency. 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 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 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 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 Incorporation	**March 31, 2014**	December 31, 2013	**March 31, 2014**	December 31, 2013
Fed Land and Subsidiaries	Philippines	**100.00**	100.00	**100.00**	100.00
Charter Ping An	-do-	**100.00**	66.67	**100.00**	74.97
Toyota and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00
GBPC and Subsidiaries	-do-	**50.89**	50.89	**53.16**	53.16
TCI and Subsidiary	-do-	**89.05**	–	**89.05**	–

As of March 31, 2014 and December 31, 2013, the Parent Company has effective ownership over GBPC of 53.16% (50.89% direct interest and 2.27% indirect interest). The Parent Company's indirect interest comes from its 25.11% direct interest in MBTC, which has 99.23% direct interest in First Metro Investments Corporation (FMIC). FMIC, in turn, has 9.11% direct interest in GBPC as of March 31, 2014 and December 31, 2013. The Parent Company acquired effective control of GBPC on April 30, 2012. The acquisition of control over GBPC was accounted for as a business combination achieved in stages and the details of the said transaction are discussed extensively in 2013 Audited Financial Statements.

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 memorandum of understanding (MOU) entered into by the Parent Company and MBTC, 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 Parent Company assessed that it has control over Toyota because of its ability to direct the relevant activities of Toyota to generate returns for itself through its ability to appoint majority of the members of the Board of Directors (BOD) of Toyota and accounted for Toyota as a subsidiary (see Note 3).

As of March 31, 2014 and December 31, 2013, the Parent Company has effective ownership over Charter Ping An of 100.00% and 74.97% (66.67% direct interest and 8.30% indirect interest), respectively. The Parent Company's indirect interest comes from its direct investment in MBTC, which has direct interest in FMIC. FMIC, in turn, owns the remaining 33.33% ownership interest over Charter Ping An as of December 31, 2013. The Parent Company acquired the remaining 33.33% ownership interest of FMIC over Charter Ping An on January 27, 2014 (see Notes 3 and 8).

In March 2014, the Parent Company acquired a total of 69,620,000 common shares of TCI. This represents 89.05% of TCI. The Parent Company assessed that it has control over TCI through its 89.05% ownership and accounted for TCI as a subsidiary (see Note 3).

Fed Land's Subsidiaries

	Percentage of Ownership
FLI - Management and Consultancy, Inc. (FMCI)	100.00
Baywatch Project Management Corporation (BPMC)	100.00
Horizon Land Property and Development Corp. (HLPDC)	100.00
Top Leader Property Management Corp. (TLPMC)	100.00
Central Realty and Development Corp. (CRDC)	75.80
Federal Brent Retail, Inc. (FBRI)	51.66

GBPC's Subsidiaries

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

Toyota's Subsidiaries

	Percentage of Ownership
Toyota Makati Inc.	100.00
Toyota San Fernando Inc.	55.00
Lexus Manila Inc.	75.00

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. 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 interim condensed consolidated statement of financial position. The carrying values of the condominium units are adjusted to eliminate the effect of revaluation and to recognize the related accumulated depreciation based on the original acquisition cost to align the measurement with the Group’s accounting policy. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

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

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

If the Group loses control over a subsidiary, it:

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

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

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

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

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as "Effect of uniting of interest" in the consolidated statement of changes in equity. Cash consideration transferred on acquisition of a subsidiary under common control is 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 measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed and included in the interim condensed 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 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 interests 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 re-measured until it is finally settled within equity.

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

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 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 statement of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Change in Ownership without Loss of Control
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling 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 unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2013 except for the following new and amended Philippine Financial Reporting Standards (PFRS), PAS and Philippine Interpretations which were adopted as of January 1, 2014.

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

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

Except as otherwise indicated, the impact of the revised standards adopted effective January 1, 2014 has been reflected in the interim condensed consolidated financial statements, as applicable.

Significant Accounting Policies

<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 interim condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the interim condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the fair value 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 interim condensed 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 financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of March 31, 2014 and December 31, 2013, the Group's financial assets are of the nature of loans and receivables and AFS investments while financial liabilities are of the nature of other financial liabilities. The Group made no reclassifications in its financial assets in 2014 and 2013.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and 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, options 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.

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 interim condensed consolidated statement of financial position captions “Cash and cash equivalents”, “Short-term investment”, “Receivables”, “Due from related parties” and “Long term cash investments”.

Loans and receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest 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 interim condensed consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the interim condensed consolidated statement of income.

AFS investments
AFS investments are non-derivative financial assets 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.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of comprehensive income. Dividends on an AFS equity instrument are recognized in the interim condensed consolidated statement of comprehensive income when the Group’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 investments 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
Other financial liabilities are financial liabilities not designated at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group’s “Accounts and other payables”, “Loans payable”, “Bonds payable”, “Liabilities on purchased properties”, “Due to related parties” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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.

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as

reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Philippine Interpretation 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis

will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

3. Investment in subsidiaries, associates and joint ventures

Investment in Toyota

On January 17, 2013, the Parent Company and MBTC executed a Sale and Purchase Agreement for the acquisition of 2,324,117 common shares of stock of Toyota from MBTC for a total consideration of ₱4.54 billion. This represented 15.00% of Toyota's outstanding capital stock and increased the Parent Company's shareholdings in Toyota to 51.00%.

As of March 31, 2013, the purchase price allocation relating to the Parent Company's acquisition of control over Toyota has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of the date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company has limited information. The difference between the total consideration and the net assets amounting to ₱6.3 billion was initially allocated to goodwill as of March 31, 2013. In addition, based on the preliminary valuation of Toyota, the Parent Company recognized a gain on the revaluation of the previously held interest amounting to ₱1.26 billion.

As of December 31, 2013, the fair values of the identifiable assets and liabilities of Toyota were finalized. Details of the final purchase price allocation relating to the acquisition of control over Toyota are extensively discussed in the 2013 Audited Financial Statements.

Investment in 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 Php614.3 per share for a total of ₱1.4 billion. The acquisition represented 66.7% of the non-life insurance firm's outstanding capital stock. The Parent Company has effective ownership over Ping An of 74.97% (66.67% direct holdings and 8.30% indirect ownership). The Parent Company's 8.30% indirect ownership came from its 25.11% direct interest in MBTC which has 99.23% direct interest in FMIC. FMIC, in turn, has 33.33% direct interest in Ping An.

On June 19, 2012 and April 23, 2013, the BOD and the stockholders of Ping An approved the amendment of the Articles of Incorporation for the purpose of increasing the authorized capital stock and the declaration of 1.62 million stock dividends equivalent to ₱162.50 million. On October 18, 2013, the Securities and Exchange Commission approved the application for the increase in Ping An's authorized capital stock from ₱350.00 million to ₱1.00 billion consisting of 10.00 million common shares with par value of ₱100.00 per share. The ₱162.50 million stock dividend equivalent to 1.62 million common shares represented the minimum 25.00% subscribed and paid-up capital for the above-mentioned increase in authorized capital stock.

As of March 31, 2014, and December 31, 2013, the purchase price allocation relating to the Parent Company's acquisition of control over Charter Pin An was prepared on a preliminary basis. Details of the preliminary purchase price allocation relating to the acquisition of control over Charter Ping An are extensively discussed in the 2013 Audited Financial Statements.

On January 27, 2014, the Parent Company completed the acquisition of 100.00% ownership interest in Charter Ping An. The Parent Company purchased an additional 1.7 million common shares of Charter Ping An from FMIC for a total consideration of ₱712.00 million. The acquisition represents the remaining 33.33% of the non-life insurance firm's outstanding capital stock.

As a result of the acquisition of the non-controlling interest in Charter Ping An, the Group recognized other equity adjustment amounting to ₱375.67 million, representing the excess of the consideration paid over the carrying amount of the non-controlling interests acquired (see Note 8).

Investment in TMBC
On March 4, 2014 the Parent Company acquired 48.12 million common shares of TMBC owned by FMIC for a total purchase price of ₱237.26 million. The acquisition represents 19.25% of TMBC's outstanding capital stock and raised the Parent Company's ownership interest in TMBC to 60.00%. The Parent Company assessed that it has joint control over TMBC based on the existing contractual arrangement among TMBC's shareholders.

Investment in TCI
On March 24 and 31, 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 of TCI and accounted for TCI as a subsidiary.

As of March 31, 2014, the purchase price allocation relating to the Parent Company's acquisition of control over TCI has been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of the date of acquisition is based on net book values of identifiable assets and liabilities plus certain adjustments since the Parent Company currently has limited information. The difference between the total consideration and the net assets of TCI amounting to ₱154.06 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.

As of March 31, 2014, the provisional fair values of the identifiable assets and liabilities of TCI are as follows (amounts in million pesos):

Assets	
Cash and cash equivalents	₱66
Receivables	489
Inventories	117
Other current assets	101
Available-for-sale investments	1
Property and equipment	58
Investment properties	206
Deferred tax assets	24
Other noncurrent assets	1
	1,063
Liabilities	
Accounts and other payables	254
Loans payable	497
Pension liability	95
	846
Net assets	₱217

The aggregate consideration transferred consists of:

Cash consideration	₱347
Fair value of non-controlling interests	24
	₱371

The business combination resulted in provisional goodwill computed as follows:

Total consideration transferred	₱371
Less: Provisional fair value of identifiable net assets	217
Goodwill	₱154

If the business combination with TCI has taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company for the period ended March 31, 2014 would have been ₱32.2 billion and ₱1.7 billion, respectively.

Equity call from GBPC
On February 15, 2013 and March 15, 2013, the Parent Company disbursed ₱763.35 million and ₱230.77 million, respectively, as its pro rata share in response to equity calls from GBPC upon its stockholders to support the TPC 1A Expansion Project.

On January 7, 2014 and February 26, 2014, the Parent Company disbursed funds amounting to ₱681.67 million on each date, representing its pro rata share in response to capital calls from GBPC upon its stockholders to support the Panay Energy Development Corporation Unit 3 Expansion Project.

4. Cash and cash equivalents

This account consists of:

	March 31, 2014	March 31, 2013	December 31, 2013
Cash on hand	**₱8**	₱7	₱6
Cash in banks	**5,679**	10,850	4,651
Cash equivalents	**22,047**	16,151	22,510
	₱27,734	₱27,008	₱27,167

5. Inventories

Additional inventories in 2014 mainly pertain to acquisition of land for development amounting to ₱4.4 billion located in Macapagal, Pasay City and Bonifacio Global City, Taguig City.

6. Property and Equipment and Other Noncurrent Assets

Incremental other noncurrent assets in 2014 mainly represent the noncurrent portion of the advances to contractors and suppliers in relation to the Panay Energy Development Corporation Unit 3 Plant Expansion amounting to ₱1.3 billion.

The significant increase in the property and equipment account is primarily attributable to the ongoing construction of the TPC 1A Expansion Project of the GBPC Group amounting to ₱1.2 billion.

7. Loans Payable and Bonds Payable

The increase in the Group's loans payable in 2014 is primarily due to the following: (1) availment of short-term loans by the Parent Company and Fed Land totaling ₱2.96 billion, (2) consolidation of TCI's loans payable as a result of the business combination amounting to ₱0.50 billion, and (3) additional GBPC loan drawdowns in relation to the TPC1A Expansion Project amounting to ₱2.00 billion. During the period, GBPC Group repaid certain loans totaling ₱0.86 billion.

On February 13, 2013, the Parent Company issued a ₱10.00 billion worth of 7-year and 10-year worth of bonds due on February 27, 2020 and February 27, 2023, respectively with an interest rate of 4.84% and 5.09% respectively. Gross proceeds amounted to ₱10.00 billion and net proceeds amounted to ₱9.90 billion, net of deferred financing cost incurred amounting to ₱0.10 billion. Said bonds were listed on February 27, 2013.

8. **Equity**

Treasury shares
As of March 31, 2014 and December 31, 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.

Retained earnings
Declaration of cash dividends of the Parent Company
On March 11, 2014, the BOD of the Parent Company approved the declaration of cash dividends of ₱3.00 per share to all stockholders of record as of April 8, 2014 which was paid on May 2, 2014.

Appropriation of retained earnings of the Parent Company
On March 11, 2014, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱3.00 billion. The appropriation is earmarked for the following:

Project Name	Timeline	Amount
Equity call from GBPC for plant expansions	2014	₱2.00 billion
Acquisition of investments	2014-2015	1.00 billion
		₱3.00 billion

Other equity adjustments
Charter 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. 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 interim condensed consolidated financial statements and resulted in the recognition of other equity adjustments amounting to ₱375.67 million, presented under equity attributable to equity holders of the Parent Company in the interim condensed 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.

The acquisition of NCI of Charter Ping An by the Parent Company resulted in a decrease in other equity adjustments from ₱729.05 million as of December 31, 2013 to ₱353.39 million as of March 31, 2014. There were no other transactions affecting other equity adjustments for the period.

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.

Decrease in the due from related parties is due to collections received from the various subsidiaries of Fed Land.

As of March 31, 2014 and December 31, 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.

10. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share amounts for the periods indicated were computed as follows:

	March 31		December 31,
	2014	**2013**	2013
	Unaudited		Audited
Net income attributable to equity holders of the Parent Company	**₱1,737**	₱3,969	₱8,640
Weighted average number of shares outstanding	**174.3**	172.5	174
	₱9.97	₱23.01	₱49.70

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

11. Operating Segments

<u>Segment Information</u>
For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Power is engaged mainly in the generation and distribution of electricity;
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments; and
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

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

Segment Assets
Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

In 2014, the Group changed its presentation of operating segment assets, particularly for the Group's investments in subsidiaries, associates and joint ventures which are previously reported under others segment. Beginning January 1, 2014, the Group's investments in subsidiaries, associates and joint ventures are presented under the respective segment to which the investee entity belongs. The presentation of operating segment assets as of December 31, 2013 has been updated to reflect this change.

The following tables present the financial information of the operating segments of the Group as of and for the quarter ended March 31, 2014 and as of and for the year ended December 31, 2013:

	Period Ended March 31, 2014 (Unaudited)					
	Real Estate	**Financial Institution**	**Automotive**	**Power**	**Others**	**Total**
Revenue	**₱1,602**	**₱441**	**₱23,626**	**₱4,004**	**₱–**	**₱29,673**
Other income	**305**	**36**	**39**	**9**	**–**	**389**
Equity in net income of associates and joint ventures	**133**	**574**	**16**	**–**	**–**	**723**
	2,040	**1,051**	**23,681**	**4,013**	**0**	**30,785**
Cost of goods and services sold	**155**	**–**	**14,672**	**–**	**–**	**14,827**
Cost of goods manufactured	**–**	**–**	**5,983**	**–**	**–**	**5,983**
Cost of real estate sales	**998**	**–**	**–**	**–**	**–**	**998**
Power plant operation and maintenance	**–**	**–**	**–**	**2,331**	**–**	**2,331**
Net insurance benefits	**–**	**180**	**–**	**–**	**–**	**180**
General and administrative expense	**437**	**243**	**1,114**	**764**	**29**	**2,587**
	1,590	**423**	**21,769**	**3,095**	**29**	**26,906**
Earnings before interest and taxes	**450**	**628**	**1,912**	**918**	**(29)**	**3,879**
Depreciation and amortization	**44**	**7**	**53**	**576**	**1**	**681**
EBITDA	**494**	**635**	**1,965**	**1,494**	**(28)**	**4,560**
Interest income	**258**	**20**	**36**	**24**	**–**	**338**
Interest expense	**(173)**	**–**	**(18)**	**(492)**	**(140)**	**(823)**
Depreciation and amortization	**(44)**	**(7)**	**(53)**	**(576)**	**(1)**	**(681)**
Pretax income	**535**	**648**	**1,930**	**450**	**(169)**	**3,394**
Provision for income tax	**105**	**21**	**518**	**(39)**	**–**	**605**
Net Income (Loss)	**₱430**	**₱627**	**₱1,412**	**₱489**	**(₱169)**	**₱2,789**
Segment Assets	**₱43,345**	**₱44,851**	**₱41,336**	**₱69,667**	**₱949**	**₱200,148**
Segment Liabilities	**₱24,337**	**₱8,408**	**₱18,799**	**₱39,879**	**₱14,093**	**₱105,516**

	December 31, 2013					
Results of Operations	Real Estate	Financial Institution	Automotive	Power	Others	Total
Revenue	₱5,359	₱504	₱74,359	₱16,944	₱–	₱97,166
Other income	1,043	43	109	100	2,069	3,364
Equity in net income of associates and joint ventures	410	3,059	119	–	–	3,588
	6,812	3,606	74,587	17,044	2,069	104,118
Cost of goods and services sold	619	–	44,850	–	–	45,469
Cost of goods manufactured	–	–	19,986	–	–	19,986
Cost of real estate sales	3,667	–	–	–	–	3,667
Power plant operation and maintenance	–	–	–	8,945	–	8,945
Net insurance benefits	–	290	–	–	–	290
General and administrative expense	1,733	236	4,282	2,842	301	9,394
	6,019	526	69,118	11,787	301	87,751
Earnings before interest and taxes	793	3,080	5,469	5,257	1,768	16,367
Depreciation and amortization	164	6	190	2,492	5	2,857
EBITDA	957	3,086	5,659	7,749	1,773	19,224
Interest income	1,043	16	177	134	59	1,429
Interest expense	(621)	–	(87)	(2,154)	(600)	(3,462)
Depreciation and amortization	(164)	(6)	(190)	(2,492)	(5)	(2,857)
Pretax income	1,215	3,096	5,559	3,237	1,227	14,334
Provision for income tax	204	4	1,506	77	12	1,803
Net Income (Loss)	₱1,011	₱3,092	₱4,053	₱3,160	₱1,215	₱12,531
Segment Assets	₱43,227	₱46,304	₱38,478	₱63,763	₱588	₱192,360
Segment Liabilities	₱24,655	₱7,897	₱17,958	₱38,519	₱10,767	₱99,796

Geographical Information

The following table shows the distribution of the Group’s consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	March 31, 2014	March 31, 2013	December 31, 2013
Domestic	**₱28,100**	₱20,398	₱95,441
Foreign	**3,125**	1,843	10,106
	₱31,225	₱22,241	₱105,547

12. Financial Risk Management and Objectives

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

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

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

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

Credit risk

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

Financial assets comprise of cash and cash equivalents, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

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

As of March 31, 2014 and December 31, 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.

Liquidity risk

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

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

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

	March 31, 2014 (Unaudited)			
(Amounts in millions)	**< 1 year**	**> 1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents	**₱27,742**	**₱–**	**₱–**	**₱27,742**
Short-term investments	**1,259**	**–**	**–**	**1,259**
Receivables	**17,891**	**7,743**	**862**	**26,496**
Due from related parties	**656**	**–**	**–**	**656**
AFS investments				
Equity securities				
Quoted	**–**	**–**	**1,656**	**1,656**
Unquoted	**–**	**–**	**495**	**495**
Debt securities	**–**	**–**	**1,222**	**1,222**
Total undiscounted financial assets	**₱47,548**	**₱7,743**	**₱4,235**	**₱59,526**
Financial liabilities				
Accounts and other payables	**₱21,391**	**₱–**	**₱–**	**₱21,391**
Dividends payable	**2,489**	**–**	**–**	**2,489**
Loans payable	**10,931**	**33,862**	**17,856**	**62,649**
Bonds payable	**367**	**1,957**	**11,268**	**13,592**
Due to related parties	**183**	**–**	**–**	**183**
Liabilities on purchased properties	**1,037**	**1,810**	**1,905**	**4,752**
Total undiscounted financial liabilities	**₱36,398**	**₱37,629**	**₱31,029**	**₱105,056**
Liquidity Gap	**₱11,150**	**(₱29,886)**	**(₱26,794)**	**(₱45,530)**

	December 31, 2013			
(Amounts in millions)	**< 1 year**	**> 1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents	₱28,416	₱–	₱–	₱28,416
Short-term investments	2,016	–	–	2,016
Receivables	13,665	4,016	857	18,538
Due from related parties	849	–	–	849
AFS investments				
Equity securities				
Quoted	–	–	1,498	1,498
Unquoted	–	–	480	480
Debt securities	31	286	836	1,153
Total undiscounted financial assets	₱44,977	₱4,302	₱3,671	₱52,950
Other financial liabilities				
Accounts and other payables	₱20,837	₱–	₱–	₱20,837
Dividends payable	1,966	–	–	1,966
Loans payable	1,092	36,613	17,336	55,041
Bonds payable	489	1,957	11,268	13,714
Due to related parties	188	–	–	188
Liabilities on purchased properties	–	1,487	3,873	5,360
Total undiscounted financial liabilities	₱24,572	₱40,057	₱32,477	₱97,106
Liquidity Gap	₱20,405	(₱35,755)	(₱28,806)	(₱44,156)

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 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 March 31, 2014 and December 31, 2013. 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. The interest rates used ranged from 3.75% to 7.10% for the year ended March 31, 2014 and December 31, 2013.

Bonds payable
In 2014, the fair value of the bonds payable is based on its quoted market price in the Philippine Dealing and Exchange Corporation. In 2013, the fair value of the bonds payable has been determined based on the quoted market price of debt instruments with similar terms that are traded in an active market.

Liabilities on purchased properties
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred on December 20, 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

		March 31, 2014 (Unaudited)			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets					
Loans and receivables					
Installment contracts receivable	**₱6,437**	**₱–**	**₱–**	**₱6,614**	**₱6,614**
AFS investments					
Government securities	**740**	**–**	**740**	**–**	**740**
Quoted debt securities	**482**	**482**	**–**	**–**	**482**
Quoted equity securities	**1,656**	**1,656**	**–**	**–**	**1,656**
Total Financial Assets	**₱9,315**	**₱2,138**	**₱740**	**₱6,614**	**₱9,492**
Non-Financial Assets					
Investment properties	**₱8,502**	**₱–**	**₱–**	**₱11,259**	**₱11,259**
Financial Liabilities					
Loans payable	**₱41,886**	**₱–**	**₱46,648**	**₱–**	**₱46,648**
Bonds payable	**9,886**	**10,018**	**–**	**–**	**10,018**
Total Financial Liabilities	**₱51,772**	**₱10,018**	**₱46,648**	**₱–**	**₱56,666**

		December 31, 2013			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables					
Installment contracts receivable	₱5,820	₱–	₱–	₱7,690	₱7,690
AFS investments					
Government securities	480	–	480	–	480
Quoted debt securities	1,153	1,153	–	–	1,153
Quoted equity securities	1,506	1,506	–	–	1,506
Total Financial Assets	₱8,959	₱2,659	₱480	₱7,690	₱10,829
Non-Financial Assets					
Investment properties	₱8,329	₱–	₱–	₱10,840	₱10,840
Financial Liabilities					
Loans payable	₱45,693	₱–	₱47,609	₱–	₱47,609
Bonds payable	9,883	–	9,994	–	9,994
Total Financial Liabilities	₱55,576	₱0	₱57,603	₱–	₱57,603

As of March 31, 2014 and December 31, 2013, other than the 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.
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 ₱1.08 billion and ₱901.82 million as of March 31, 2014 and December 31, 2013, respectively.

15. **Events after Financial Reporting Date**

Cash dividends from MBTC
On March 26, 2014, 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 May 7, 2014 payable on May 16, 2014. The BSP approved such dividend declaration on April 15, 2014.

Equity Call from GBPC
On April 25, 2014, the Parent Company disbursed funds totaling ₱681.67 million representing its pro rata share in response to the 3rd tranche of the capital calls from GBPC upon its stockholders to support the Project Panay Energy Development Corporation Unit 3 Expansion Project.

Cash dividends from Toyota
On April 29, 2014, the BOD of Toyota approved the declaration of cash dividends amounting to ₱4.61 billion or ₱297.44 per share to all stockholders of record as of December 31, 2013 payable on May 5, 2014.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE PERIODS ENDED MARCH 31, 2014 AND MARCH 31, 2013 (UNAUDITED)

(Amounts in millions except ratio and %)	**2014**	2013
Liquidity Ratio		
Current ratio	**1.83**	2.01
Current assets	**₱79,911**	₱62,103
Current liabilities	**43,598**	30,882
Solvency Ratio		
Total liabilities to total equity ratio	**1.12**	0.94
Total liabilities	**105,516**	83,606
Total equity	**94,632**	88,580
Debit to equity ratio	**0.68**	0.64
Total debt	**64,425**	56,291
Total equity	**94,632**	88,580
Asset to Equity Ratio		
Asset equity ratio	**2.85**	2.48
Total assets	**200,148**	172,186
Equity attributable to Parent Company	**70,207**	69,363
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	**5.12**	7.11
Earnings before interest and taxes (EBIT)	**4,217**	6,047
Interest expense	**823**	851
Profitability Ratio		
Return on average assets	**0.89%**	2.56%
Net income attributable to Parent Company	**1,737**	3,969
Total assets	**200,148**	172,186
Average assets	**196,254**	154,827
Return on Average Equity	**2.47%**	6.41%
Net income attributable to Parent Company	**1,737**	3,969
Equity attributable to Parent Company	**70,207**	69,363
Average equity attributable to Parent Company	**70,367**	61,927

*computed as EBIT/Interest Expense