



As one of the leading conglomerates in the Philippines, GT Capital Holdings, Inc. continues to be the partner of choice for best-in-class global brands.

Top international and local companies, including Toyota Motor Corporation, AXA S.A., and Metro Pacific Investments Corporation, among many others, have recognized the benefit of developing long-term strategic partnerships with the GT Capital Group through mutual trust, respect, and transparency. Its local knowledge and expertise, strong nationwide footprint, broad spectrum of clients, and longevity make GT Capital the ideal partner for many leading brands. The GT Capital Group leverages on these robust strategic partnerships to provide the best products and services to the Filipino people in five key sectors of the Philippine economy – banking, automotive assembly, importation, and distribution, property development, infrastructure and utilities, and life and general insurance. GT Capital and its component companies are Partners for Good: trusted partners in long-term strategic joint ventures, in achieving the common good through nation-building, and in delivering world-class products and services to the Filipino.



GT CAPITAL
HOLDINGS INCORPORATED

Partners for Good

2019 ANNUAL REPORT





PHP **28.1** Billion
2019 net income

36.7% GT CAPITAL-OWNED

Metropolitan Bank and Trust Company (Metrobank) is a leading universal bank providing corporate and consumer banking products and services through its extensive nationwide branch network and its foreign branches and representative offices. The Bank reaches out to and serves a wide range of clients that includes large local and multinational corporations, middle market and SMEs, high net worth individuals, and retail segments.



PHP **9.1** Billion
2019 net income

51.0% GT CAPITAL-OWNED

Toyota Motor Philippines Corporation is the Philippines' most dominant car company and is engaged in the assembly, importation, and wholesale distribution of Toyota and Lexus motor vehicles in the Philippines. Products include vehicles and service parts for local sales and OEM (original equipment manufacturer) parts for export. TMP operates a facility located at the Toyota Special Economic Zone in Santa Rosa, Laguna, where it currently assembles its top-selling Vios and Innova models.



PHP **1.6** Billion*
2019 net income

100% GT CAPITAL-OWNED | *Combined property net income

Federal Land, Inc. is a leading Philippine property developer with a historical focus on the residential segment, and has attained a four-decade track record across various real estate subsectors. It is involved in vertical and horizontal residential projects, commercial developments, and master-planned mixed-use communities. The company's land bank, most of which is highly concentrated in key cities within the boundaries of Metro Manila, is sufficient for many years' worth of project development.



PHP **3.4** Billion
2019 life insurance net income

25.3% GT CAPITAL-OWNED

AXA Philippines is one of the largest insurance companies in the Philippines based on total net premium income, and is a pioneer in the bancassurance industry. The company is the innovator behind and the market leader in variable unit-linked life insurance products that offer clients new possibilities to secure their financial future and expand synergies with Metrobank and PSBank by utilizing the Metrobank Group's branch network as a distribution channel. The company also offers general insurance products and services.



PHP **15.6** Billion
2019 core net income

15.6% GT CAPITAL-OWNED

Metro Pacific Investments Corporation is a leading infrastructure conglomerate in the Philippines. Committed to transforming and growing its infrastructure assets, Metro Pacific continuously seeks investment and partnership opportunities for the benefit of all its stakeholders. Metro Pacific currently manages a diverse business portfolio including water, utilities, toll roads, electricity distribution, hospital operations, and light rail.

2019 Milestones

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1	MARCH	GT Capital establishes JBA Philippines in partnership with Used Car System Solutions (USS) of Japan and Mitsui & Co., Ltd.
2	MAY	GT Capital Chairman Arthur Ty is awarded the CEO Leadership Achievement Award by <i>The Asian Banker</i> magazine
3	MAY	Metrobank is recognized as the Philippines' Best Managed Bank by <i>The Asian Banker</i> magazine
4	MAY	GT Capital acquires 702 hectares in General Trias and Imus, Cavite from its redemption of shares
5	JULY	<i>Corporate Governance Asia</i> recognizes GT Capital as Best Investor Relations Company at the 9th Asian Excellence Awards held in Hong Kong
6	AUGUST	Institute of Corporate Directors (ICD) recognizes GT Capital as a Triple Arrow-rated Top Philippine Company according to the ASEAN Corporate Governance Scorecard
7	DECEMBER	Toyota Motor Philippines receives its 18th consecutive Triple Crown Award for nationwide dominance in passenger car, commercial vehicle, and overall unit sales

GT Capital's Strategic Global Partners



TOYOTA



MITSUI & CO.



FINANCIAL SERVICES



ORIX



NOMURA REAL ESTATE DEVELOPMENT



Sumitomo Corporation



ISETAN MITSUKOSHI HOLDINGS



GRAND | HYATT



MARCO POLO HOTELS



JBA Philippines

TOYOTA MOTOR CORPORATION (JAPAN)

A top automotive company worldwide engaged in the design, manufacture, assembly, and sale of passenger cars and commercial vehicles. The wide range of vehicles the company manufactures includes compact, subcompact, mid-sized, sports utility, and hybrid cars, as well as minivans and pick-up trucks, among others. Toyota is the brand name the company uses for these vehicles, while luxury cars are under the Lexus brand. Hybrid cars carry the Prius brand. Aside from vehicles, Toyota also manufactures spare parts and offers financial services for retail and wholesale auto financing, retail leasing, insurance, credit cards, and housing loans. Toyota operates in over 170 countries worldwide.

AXA, S.A. (FRANCE)

Primarily engaged in providing life insurance coverage, as well as property and casualty insurance. Asset management is another service that the group offers, which includes employee benefit plans, medical plans, and investment advice. The bulk of AXA's customers are in Europe, the Mediterranean, and Latin America, whereas other customers come from North America, Asia, and the United Kingdom. The organization's roots can be traced to the time when Claude Bebear decided to join the Ancienne

Mutuelle insurance company – France's oldest insurance company – in Rouen, France in 1958.

MITSUI & CO., LTD. (JAPAN)

One of the most diversified and comprehensive trading, investment, and services enterprises in the world. Utilizing global operating locations, network, and information resources, Mitsui is multilaterally pursuing businesses that range from product sales, worldwide logistics, and financing to the development of major international infrastructure and other projects. It is involved in iron and steel projects, mineral and metal resources, infrastructure projects, motor vehicles, marine and aerospace, chemicals, energy, food resources, food products and services, consumer services, IT, finance and new businesses, and transportation logistics.

METRO PACIFIC INVESTMENTS CORPORATION

A leading infrastructure conglomerate in the Philippines. MPIC's intention is to maintain and continue to develop a diverse set of infrastructure assets through its investments in water utilities, toll roads, electricity distribution, hospital operations and light rail. MPIC is therefore committed to investing through acquisitions and strategic partnerships in prime infrastructure assets with the potential to provide synergies with its existing operations.

TOYOTA FINANCIAL SERVICES CORPORATION (JAPAN)

Wholly-owned by Toyota Motor Corporation, the entity was established as a holding company for Toyota's financial subsidiaries worldwide. The TFS Group mission is to provide sound financial services that contribute to the prosperous life for Toyota customers and others. The company has expanded its global presence, covering more than 30 countries in different regions. TFS offers a diverse range of products and services, such as motor vehicle financing, to meet the various needs of its valued customers.

ORIX CORPORATION (JAPAN)

Engages in non-depository credit intermediation such as leasing, installment loans, life insurance, and other related financial services. It is also involved in property development. In the automotive industry, the company is engaged in corporate and personal leasing, rental, car sharing, and used vehicle sales. The company's corporate financial services include lending, building lease, e-commerce, corporate pension, life and accident insurance consulting, and investment banking. ORIX is also into energy conservation, energy recycling, and electric power. In property development, the company offers housing, real estate investment, and building management.

NOMURA REAL ESTATE DEVELOPMENT (JAPAN)

Nomura Real Estate Development (NRE) is one of Japan's largest real estate developers. Established in 1954, NRE is involved in residential development, corporate real estate brokerage, commercial property development, building leasing, and architectural design. It is a sister company of the Nomura Holdings financial conglomerate and a part of the Nomura business group.

SUMITOMO CORPORATION (JAPAN)

An international trading company that operates in various industries including finance, insurance, metal products, transportation and construction systems, infrastructure, mineral resources, energy, chemicals, electronics, real estate, media, and new industry development, among others. The company also provides IT solutions, mobile communications, and Internet services, and operates TV shopping channels, supermarkets, and drugstores. It develops and imports coal, iron ore, and other minerals. The company also engages in business development, planning, production management, processing, logistics, and construction and real estate ventures.

ISETAN MITSUKOSHI HOLDINGS (JAPAN)

Isetan Mitsukoshi Holdings Ltd. is the Japanese parent company of world-renowned Isetan and Mitsukoshi department stores. The Isetan Mitsukoshi Group was created in 2008 with the vision of becoming the world's foremost retail services group. With over 19,000 employees in Japan and around the globe, the Isetan Mitsukoshi Group is Japan's largest department store group. It operates a total of 26 stores nationwide and 10 outlets overseas and encompasses four separate department store brands: Mitsukoshi, Isetan, Iwataya and Marui-Imai.

GRAND HYATT HOTELS (USA)

A distinguished brand of the Hyatt global hospitality company, Grand Hyatt Hotels are large-scale hotels that provide upscale accommodations in major cities. All Grand Hyatt hotels boast of dramatic, energetic lobbies, exquisite dining options, state-of-the-art technology, spas, fitness centers, and comprehensive business and meeting facilities. Located in the heart of the cities and destinations they serve, Grand Hyatt hotels combine breathtaking spaces, unforgettable experiences, and signature hospitality that create truly grand moments.

MARCO POLO HOTELS (HONG KONG)

Offers a legendary blend of Asian hospitality and Western innovation, served in modern, chic sophistication. Located in strategic business and cultural centers of Hong Kong, China, and the Philippines, Marco Polo Hotels provide its guests with a unique travel experience that embraces the local charm and the adventure of travel with the deeply instilled elegance and warmth of the in-house culture of the Marco Polo group. In the Visayas, Marco Polo Plaza Cebu provides a panoramic view of the city while still accessible from the shopping and business districts of cosmopolitan Cebu City. It is one of the 5-star hotels in the city, offering spacious and comfortable guest rooms and suites.

JBA PHILIPPINES, INC.

An auction house for used cars established through a strategic partnership between GT Mobility Ventures, Inc. and Japan Bike Auction Co. Ltd. JBAP utilizes an APP-Based Inspection System where each vehicle undergoes a 935-point check to accomplish a Vehicle Information and Grading Sheet that summarizes the car's Exterior, Interior, and Engine inspection results. With this uniquely transparent and fair system, JBAP provides sellers with a stable auction platform and promises buyers an exciting car purchase experience.



Our Vision

We will be a world-class conglomerate, dominant in all the key sectors where it is invested, most sought after by global investors seeking opportunities for strategic partnership in the Philippines, and a major contributor to nation-building.

Our Mission

GT Capital Holdings, Inc., a Philippine conglomerate with a strategic business portfolio, has a heritage of leadership in the vital sectors of financial services, insurance, property development, infrastructure and utilities, and automotive assembly and distribution that are essential to national development.

It has earned its stature of prominence in these key sectors by blending local ingenuity and resources with the technology and expertise of best-of-class global business partners.

Anchored on our core values of integrity, excellence, respect, entrepreneurial spirit, and commitment to value creation, we fulfill our mission to ensure sustainable long-term profitability, increase shareholder value, create synergies, provide career opportunities, and contribute to nation-building.

Our Values

Integrity

Above everything else, we practice consistent adherence to ethical and moral values under all circumstances both from an institutional and individual basis. Such values are embedded in our corporate culture, which has earned for us the trust and confidence of our clients, investors, and business partners.

Excellence

Each of the group subsidiaries and affiliates has a solid track record of consistently delivering excellence in all our products and services, resulting in the highest level of satisfaction to our customers and stakeholders, who account for our continued success and leadership in each of the sectors where we are present.

Respect

We take a special regard for the individual, for their empowerment, and for the diversity of opinions,

resulting in a more balanced view of our business proposition, open to different perspectives, constantly challenging assumptions and revisiting previously set ways, within the framework of a shared vision and a shared corporate culture, with the end objective of constant improvement.

Entrepreneurial Spirit

We believe in intelligent risk-taking, identifying key opportunities as they present themselves while holding each one accountable for taking the best action today in order to reap future rewards. This is encouraged at all levels of the organization to constantly provide fresh insight.

Commitment to Value Creation

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

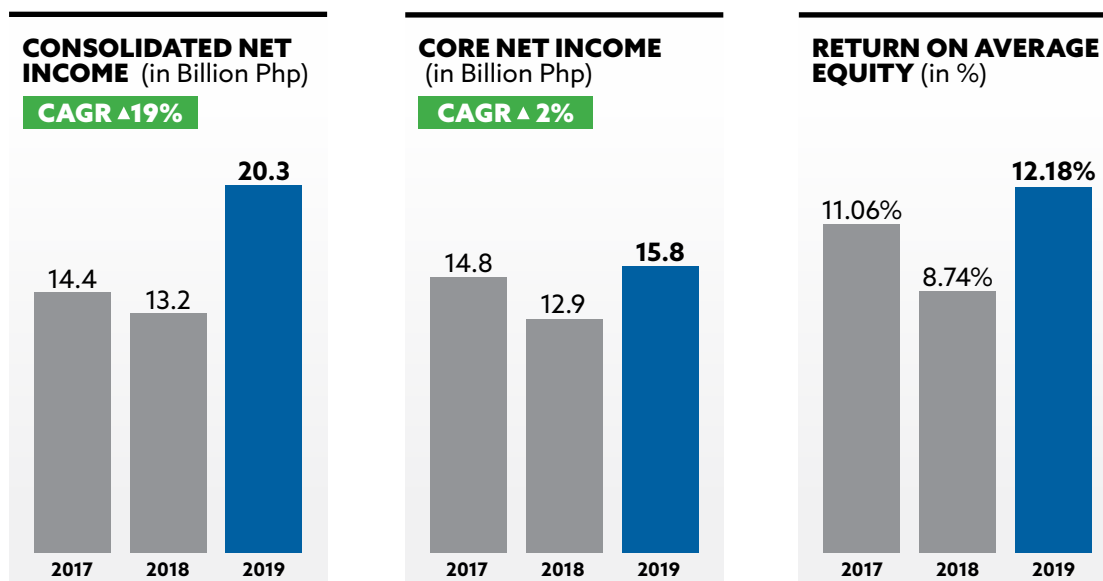


GT Capital's 2019 Sustainability Report can be found on page 108 after the GT Capital Group Management Section.

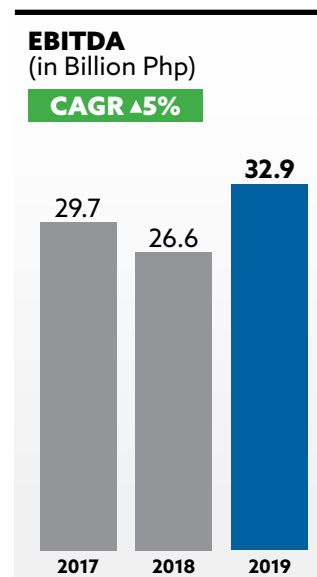
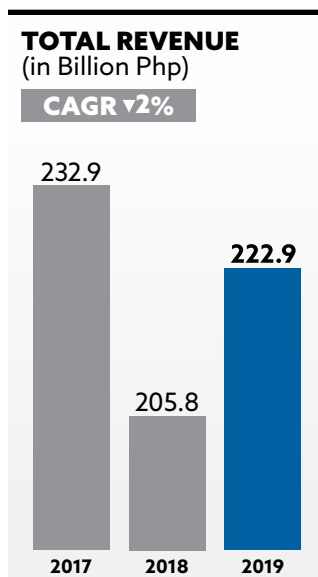
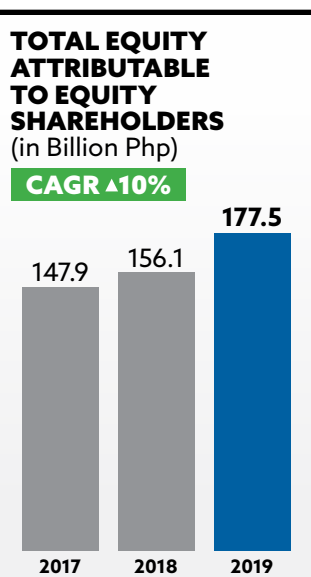
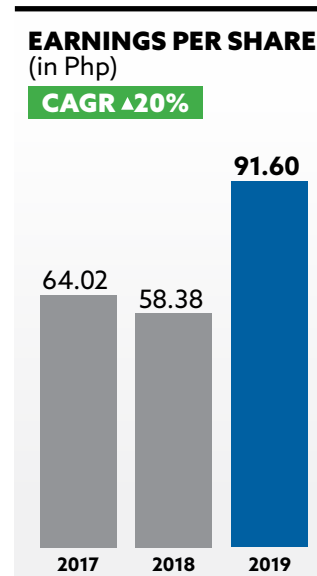
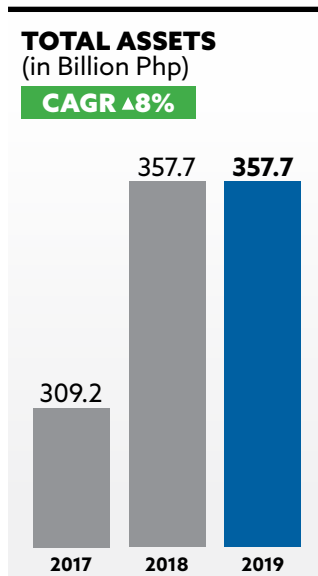
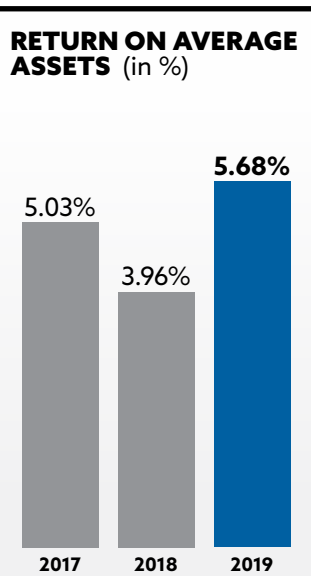
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Consolidated Financial Highlights



In Billion Php, unless otherwise stated	2019 (Audited)	2018 (As Restated)	2017 (As Restated)	CAGR
CONSOLIDATED NET INCOME	20.3	13.2	14.4	+19%
CORE NET INCOME	15.8	12.9	14.8	+2%
TOTAL REVENUES	222.9	205.8	232.9	-2%
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	34.5	25.6	28.1	+11%
EBITDA	32.9	26.6	29.7	+5%
EBITDA MARGIN (in %)	14.8%	12.9%	12.8%	
TOTAL ASSETS	357.7	357.7	309.2	+8%
TOTAL LIABILITIES	168.3	176.8	134.5	+12%
TOTAL EQUITY	189.3	180.8	174.7	+4%
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS	177.5	156.1	147.9	+10%



In Billion Php, unless otherwise stated	2019 (Audited)	2018 (As Restated)	2017 (As Restated)	CAGR
EARNINGS PER SHARE (in Php)	91.60	58.38	64.02	+20%
BOOK VALUE OF COMMON SHARES (in Php)	771.07	672.00	633.64	+11%
CURRENT RATIO (x)	2.13	2.43	3.05	
D/E RATIO (x)	0.67	0.72	0.53	
RETURN ON AVERAGE ASSETS (ROAA) (in %)	5.68%	3.96%	5.03%	
RETURN ON AVERAGE EQUITY (ROAE) (in %)	12.18%	8.74%	11.06%	



ARTHUR V. TY
Chairman



**CARMELO MARIA
LUZA BAUTISTA**
President

Chairman's Message and President's Report

Partners for Good

"We are no strangers to adversity. The Group has survived through several downturns... The experience of these events has pushed us to do our best to prepare for the worst."

Dear fellow shareholders,

Last year, in the midst of international uncertainties and in support of weakening global economic growth, central banks worldwide, including in the Philippines, began to adopt more relaxed monetary policies. Hence, despite global and domestic challenges, the Philippine economy registered GDP growth of 6.0%, still the highest among the ASEAN-5 nations, though at the lower end of the government's 6.0 to 7.0% target for the year.

Although geopolitical trade tensions, a slowdown in global investments, and a ban on local election spending checked the country's growth trajectory, the Philippine government's infrastructure program and the rebound in consumer spending caused a rise in economic output. Remittances from overseas Filipinos reached USD30.1 billion in 2019, 4% higher than in the

previous year, driven by economic growth in North America. Reflecting more stable consumer confidence, household consumption rose 6% to Php6.7 trillion in 2019. Government expenditures grew by 11% in support of the administration's Build-Build-Build program.

Full-year average inflation remained benign at 2.5% in 2019, well within the government's targets and significantly lower than the 5.2% reported in 2018. Money supply (M3) nevertheless grew to Php13.0 trillion, 11% higher than the previous year.

Within this backdrop, our key sectors were able to realize a strong recovery in 2019. The banking sector remained resilient as profit levels continued to grow, complemented by strong trading results, on the back of monetary policy stimulus and low interest rates. Recovering consumer confidence in 2019 allowed the automotive industry to return to single-digit volume growth.

In the property development sector, continued demand from BPO employees and middle class housing bolstered reservation sales. As for the insurance industry, the drop in single-premium unit-linked products was more than offset by the growth in regular-premium protection and health products. Finally, our infrastructure and utilities investments rode on population expansion and lifestyle demand.

In 2019, your company, GT Capital Holdings, Inc., reported a significant 54% increase in its consolidated net income to Php20.3 billion from Php13.2 billion in the previous year. Eliminating one-time gains from the redemption of shares of a previous subsidiary and pro-rata gains from the sale of the hospital business by Metro Pacific, the conglomerate's consolidated Core Net Income rose 22% to Php15.8 billion last year from Php12.9 billion in 2018. GT Capital's consolidated revenues rose 8% to Php222.9 billion in 2019 from Php205.8 billion in 2018. Stronger auto sales from Toyota Motor Philippines, robust booked real estate sales from Federal Land, as well as higher contributions from net income of associates Metrobank, Metro Pacific and Sumisho Motor Finance Corporation (Sumisho), all contributed to GT Capital's robust performance.

THE ROAD TOWARD 2020 AND BEYOND

As a conglomerate, GT Capital's inherent business model has been to continuously seek opportunities for strategic partnerships with global brand leaders. This has been a key

differentiator for our company as we continue to be one of the preferred partners for new investors looking to participate in the Philippine growth story. GT Capital has maintained successful partnerships with companies such as Toyota Motor Corporation, AXA S.A., Mitsui & Co., Ltd., and ORIX Corporation for over 30 years. More recently, strategic partnerships with Sumisho, Nomura Real Estate, Isetan Mitsukoshi Holdings, and Japan Bike & Auto Auction (JBA) have allowed us to further diversify into new segments and improve our product offering by extending the value chain.

These strategic alliances are built upon mutually beneficial relationships combining access to global brands and product knowledge, matched with expertise of domestic markets and the local regulatory environment. We believe that the Strategic Partnership model allows GT Capital to be more dynamic, competitive, and resilient, particularly during periods of disruption in the business cycle. Our strong core results for 2019, across all segments, are a clear demonstration of how the diversity, the synergies, and the strength of partnerships within the GT Capital Group provide the capability to bounce back to recovery after the major disruptions in 2018.

In the past few months of 2020, however, the Philippines and the rest of the world, have been tested by a global pandemic unlike any in history. Millions worldwide have fallen ill and thousands have passed away due to the Covid-19 coronavirus, as of April 2020. Governments worldwide, including the Philippines, have imposed community

quarantines on their citizens to prevent the virus' spread. Our Group has complied with these new restrictions while continuing to support and fulfill our customers' needs.

In addition, the Metrobank and GT Capital Holdings Group stand with all Filipinos in facing the challenges brought about by Covid-19. Aside from the assistance already being extended to impacted customers and displaced employees, a pledge of a Php200-million fund has gone toward initiatives that directly support the fight against the virus. As of April 2020, these initiatives have been managed by the respective Foundations of the Group and have started with efforts to produce the test kits developed by the University of the Philippines-National Institutes of Health (UP-NIH) and the purchase of Personal Protective Equipment for front-line health workers.

Furthermore, we have continued to support employees across the Group even as many of them work from home. GT Capital and its component companies have paid approximately Php1.0 billion in salaries and benefits for the duration of the enhanced community quarantine. For the Group's front-liners, additional compensation and other valuable support have been extended. In preparation for a return to work, GT Capital has availed of Php10 million worth of testing kits through Project ARK of the Office of the Presidential Adviser for Entrepreneurship.

We are no strangers to adversity. The Group has survived through several downturns: political uncertainty in the 1980s, the 1997 Asian financial crisis, and the 2007-2008 global recession. The experience of these events has pushed us to do our best to prepare for the worst.

Our component companies' judicious business practices, long-term vision and planning, and unquestionable brand equity have allowed them to endure and thrive.

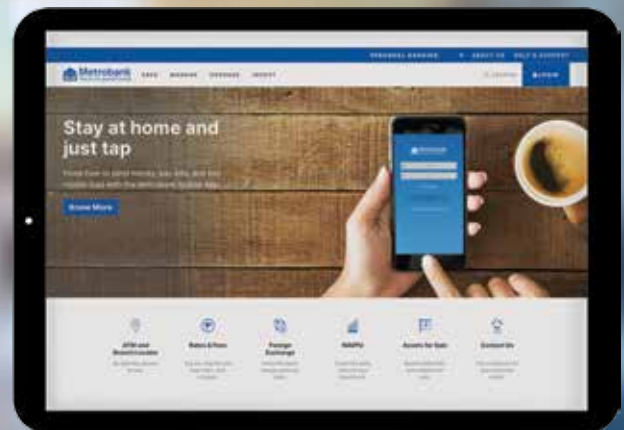
With your continued support, your company can endure the challenges and seize the opportunities of this new decade. Most of all, we thank our front-liners across the conglomerate for their continued bravery, loyalty, and sacrifice. They are at the heart and soul of the GT Capital Group of Companies. We are also grateful to all of our loyal clients who have kept their trust in us; rest assured that you are in good hands. Finally, we thank you, our shareholders, for your sustained patronage, even throughout these difficult times. As we look toward the future, we will remain your Partners for Good: for good products and services to Filipinos, for achieving the common good through nation-building, and for the long-term good of all our clients.

Sincerely yours,

ARTHUR V. TY
Chairman

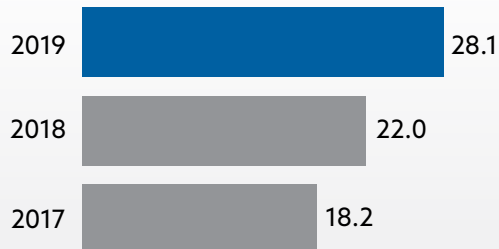
CARMELO MARIA LUZA
BAUTISTA
President

Banking



Net Income Growth:
+27%

Metropolitan Bank & Trust Company (Metrobank) performed notably well in 2019 as key strategic initiatives helped the Bank achieve its financial targets for the year. For its full-year 2019 results, the Bank posted a consolidated net income of Php28.1 billion, a 27% increase from the previous year's Php22.0 billion.

CASA DEPOSITS (in Billion Php)**CAGR ▲6%****NET LOAN PORTFOLIO** (in Billion Php)**CAGR ▲8%****NET INTEREST INCOME** (in Billion Php)**CAGR ▲12%****TOTAL ASSETS** (in Billion Php)**CAGR ▲9%****TOTAL DEPOSITS** (in Billion Php)**CAGR ▲6%****NON-INTEREST INCOME** (in Billion Php)**CAGR ▲16%****CAPITAL ADEQUACY RATIO** (in %)**CONSOLIDATED NET INCOME** (in Billion Php)**CAGR ▲24%**



From left to right:

ARTHUR V. TY
Chairman
Metropolitan Bank
& Trust Company

FABIAN S. DEE
President
Metropolitan Bank
& Trust Company

Metrobank's robust performance for the year is attributed to the consistent improvement in operating revenues which, in turn, was due to sustained loan growth and margin expansion, strong trading and FX gains, increased fee-based income, and prudent cost management.

Total resources stood at an all-time-high of Php2.5 trillion in 2019 as total deposits grew to Php1.7 trillion, a 10% increase from Php1.6 trillion in the previous year. The Bank's current account and savings account (CASA)

ratio improved to 63%. Meanwhile, the loan portfolio grew 7% to Php1.5 trillion by year-end, accounting for 61% of total assets.

In March, Metrobank signed a USD300 million 7-year Bilateral Term Loan Facility with ICTSI Global Finance B.V., guaranteed by International Container Terminal Services, Inc. (ICTSI). The proceeds of the loan shall be used to fund ICTSI's capital expenditures and to refinance existing obligations. The Bank sees the partnership as its way of supporting the port operator's



domestic nation-building and global expansion strategies.

The Bank's net interest income increased by 12% to Php77.0 billion, from Php68.8 billion in 2018. This accounts for 72% of total annual revenues of Php106.9 billion, and contributing to the improvement in net interest margin to 3.84%.

Non-interest income grew by 26% to Php29.9 billion on the back of favorable financial market conditions and higher customer flows, which pushed net trading and FX gains to hit Php9.3 billion. Service fees and commissions, in turn, rose by 12% to Php14.3 billion.

Metrobank's asset quality remained ahead of the industry's as the Bank's non-performing loans (NPL) ratio stood at 1.3% while NPL cover was comfortably at 103%.

Continued focus on improving efficiency and productivity led to a manageable 8% growth in operating expenses to Php57.9 billion, resulting in a notable improvement in cost-to-income ratio to 55% from 58% a year ago.

Strategic Initiatives

The Bank increased its ownership in Metrobank Card Corporation (MCC) to 100% effective September 2018 and by April 2019, the shareholders approved the plan to merge MCC into the Bank, subject to regulatory approvals. This transaction aims to unlock the value of MCC, being a wholly-owned subsidiary of the Bank. In addition, the merger will help improve synergies and cross-selling opportunities, increase profitability and improve capital efficiency, and enable Metrobank to be more competitive in the credit card business.

Metrobank formed a strategic partnership with South Korea's Shinhan Bank which aims to explore possible business opportunities within both countries using the networks of both companies. As the first and only MOU between Shinhan Bank and a Philippine bank, this agreement facilitates further collaboration on transaction banking and trade finance, improved risk management through information exchange, mutual liquidity support, and overseas remittances.

Fund-Raising Activities

To further support its lending operations, the Bank continued utilizing the Php100-billion bond program initiated the previous year. The Bank was able to raise Php17.5 billion in March, Php11.3 billion in June, and Php13.8 billion in October. All issuances were oversubscribed as a result of strong demand from institutional, high-net worth, and retail clients. To date, the entire bond program has raised an aggregate value of Php70.5 billion since November 2018.

Further diversifying its funding base, Metrobank disclosed in September its intention to issue long-term negotiable certificates of deposit (LTNCDs) of up to Php25.0 billion in one or more tranches. Much like time deposits, LTNCDs may allow retail investors to enjoy higher interest rates than current or savings accounts. Initiatives such as these diversify Metrobank clients' investment portfolios while helping support the Bank's lending business.

Awards

In recognition of the Bank's strong domestic franchise, robust corporate governance structure, and unwavering commitment to customers and shareholders, among other noteworthy qualities, Metrobank was awarded as the Best Managed Bank in the

Philippines at the 2019 *Asian Banker* Leadership Achievement Awards in Bangkok, Thailand. *The Asian Banker* magazine is one of the region's leading publications focusing on the financial services industry.

At the same event, Metrobank Chairman Arthur Ty garnered the Asian Banker's CEO Leadership Achievement Award. The selection was based on a very rigorous evaluation process, made on four inter related criteria: the Bank's financial performance, specific achievements, well-communicated long-term vision, and quality of corporate governance.

Metropolitan Bank & Trust Co. was also recognized as one of the Best Companies to Work For in Asia at the recent HR Asia Awards. Among the 23 companies that were awarded in the Philippines, Metrobank has the largest workforce with almost 13,000 employees in over 700 branches in the country. Apart from HR Asia, Metrobank's human resources practices have been consistently recognized by both local and international award-giving institutions, including *Asian Banking and Finance* magazine and the Philippine Social Security System. Metrobank also ranked 42nd in the Forbes Global 2000: World's Best Employers.

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AWARDS WON BY METROBANK IN 2019

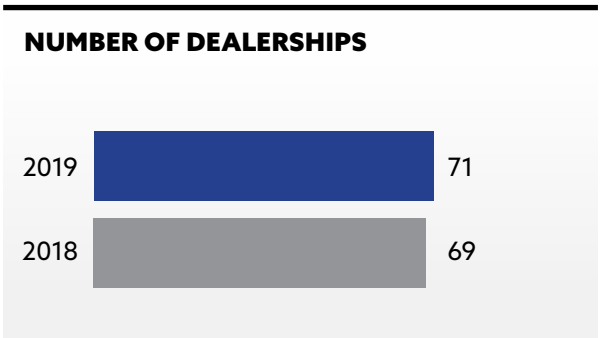
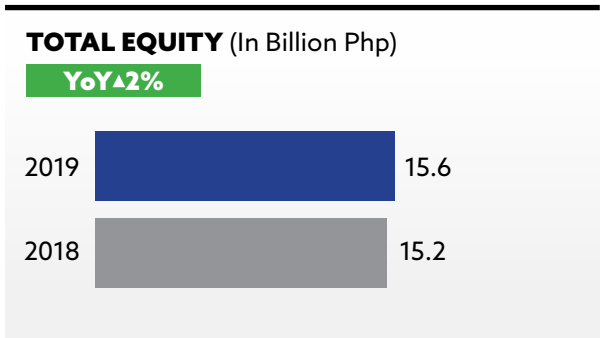
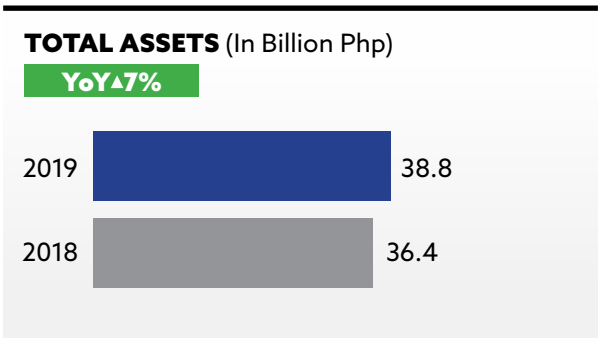
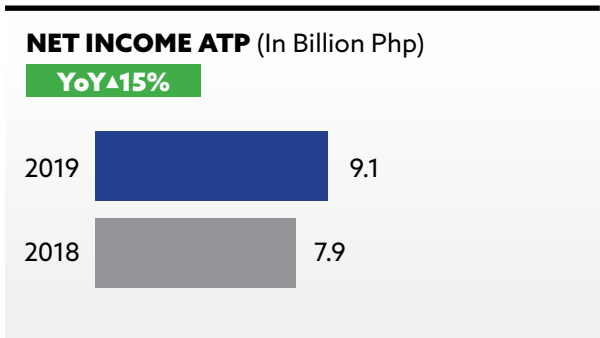
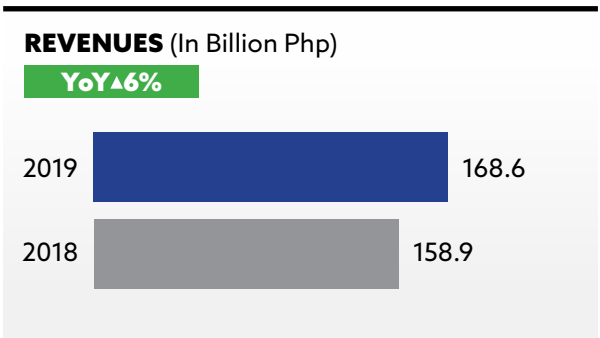
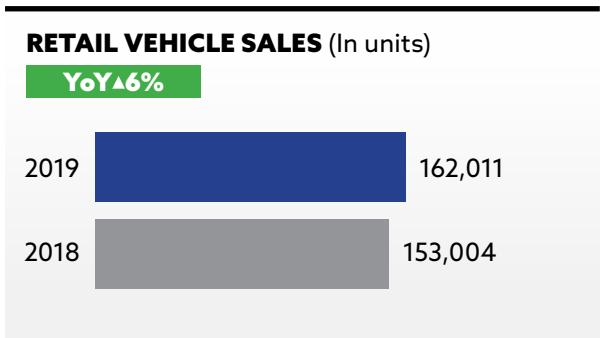
- **The Asian Banker Leadership Achievement Awards 2019**
 - Best Managed Bank in the Philippines
- **The Asian Banker Transaction Awards 2019**
 - Best Foreign Exchange Bank in the Philippines
 - Best Transaction Bank in the Philippines
 - Best Trade Finance Bank in the Philippines
- **The Asian Banker Philippine Awards 2019**
 - Remittance Product of the Year
- **The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2019**
 - Best Service Provider in Cash Management
- **Chartered Financial Analyst (CFA) Society of the Philippines**
 - Best Managed Funds of the Year (Peso Medium-Term Bond Category)
- **2019 Annual Philippine Dealing System (PDS) Awards**
 - Cesar EA Virata Award for Best Securities House (Bank Category)
 - Top Dealing Participant (Corporate Securities)
 - Top Fixed-Income Dealing Participant
 - Top 5 Fixed Income Brokering Participants (Rank 5)
 - Top Brokering Participant Retail Transactions
 - Top 5 PDDTS-PvP Participants (Rank 4)
 - Top 5 Fixed-Income Cash Settlement Banks (Rank 4)
 - Special Citation for Pilot Issuance of Bank Issued Bond and Commercial Paper Program
- **The Asset Benchmark Research Awards 2019**
 - Top Investment Houses in Asian G3 Bonds (Rank 1)
 - Top Investment Houses in Asian Local Currency Bonds (Rank 2)
 - The Most Astute Investors in Asian G3 Bonds (Rank 3)
 - Best Local Currency Bond Individual - Trading (Highly Commended)
 - Best Local Currency Bond Individual - Sales (Ranks 3, 5 & Highly Commended)
- **19th Fund Managers Association of the Philippines (FMAP) Awards & Fellowship Night**
 - Best Fixed Income House (Rank 2)
 - Best Fixed Income Strategist (Rank 2)
 - Best Foreign Fixed Income Trader (Rank 2)
 - Best Local Fixed Income Trader (Rank 3)
 - Best Fixed Income Salesperson (Rank 2)
- **The Bureau of Treasury GSED-Market Maker**
- **Institute of Corporate Directors (ICD) ASEAN Corporate Governance Scorecard Golden Arrow Recognition Ceremony 2019: Philippine Results 2018**
- **HR Asia Awards**
 - Best Companies to Work For In Asia
- **Corporate Governance Asia - 2019 Awards**
 - Asian Excellence Awards - Best Investor Relations Company
 - Asian Excellence Awards - Asia's Best CEO (Investor Relations)
- **16th Annual International Business Awards**
 - Bronze Stevie Award for Best Annual Report - Publicly-Held Corporations

Automotive Assembly, Importation, and Distribution



Net Income Growth:
+15%

Toyota Motor Philippines Corporation (TMP) continues to be at the forefront of the local automotive industry. In 2019, TMP remained the most dominant automotive assembler and distributor in the Philippines, with the widest vehicle line-up of 21 Toyota models.



Driven by continued macroeconomic growth, TMP ended 2019 on a positive note, with retail vehicle sales reaching 162,011 units in 2019, a 6% increase from 153,004 units in the previous year. On the other hand, Philippine auto industry unit sales rose by 2% to 410,035 unit sales in 2019 from 400,298 in the previous year. Favorable macroeconomic indicators due to increased government spending, an expected rise in consumer confidence, and the usual surge in year-end OFW remittances buoyed vehicle sales to a solid finish during the year.



From left to right:
ALFRED V. TY
 Chairman
 Toyota Motor Philippines
SATORU SUZUKI
 President
 Toyota Motor Philippines

Toyota remained the country's most dominant automotive brand in 2019 with a 39.5% overall market share. As a result, TMP garnered its 18th consecutive Triple Crown Award for leading the Philippine auto industry in passenger car, commercial vehicle, and overall sales. The globally-renowned quality, durability, and reliability (QDR) of Toyota vehicles, complemented by the brand's reputation for top-notch after-sales service contributed to sustaining TMP's dominance in 2019.

Sustaining TMP's Triple Crown performance was its market leadership in nine categories: sub-compact passenger

car (Vios), large SUV (Land Cruiser LC200), medium-sized passenger car (Camry), entry-level SUV (Rush), low-cost passenger car (Wigo), multi-purpose vehicle (Innova), mid-sized SUV (Fortuner), pickup truck (Hilux), and utility van (Hiace).

In 2019, TMP also released several all-new models within its existing suite, as well as some completely new introductions. In January, the automaker launched the All-New RAV4, its compact crossover SUV with a new sporty premier look. Following that, in February, the World Premiere for the All-New Hiace was held in the Philippines, being the world's number one market for



this best-selling utility van, outside Japan. The automaker launched the all-new Hiace Commuter and GL Grandia, while introducing a new variant - the GL Grandia Tourer. In May, the minor change Avanza was launched, and in July, TMP introduced the GR Supra, a reinvigorated version of the 1980s-era classic sports car. Later, in August, Toyota released its top-of-the-line variant for utility vans – the All-New Hiace Super Grandia, the top choice of tour operators and executive shuttle services. Finally, in September, TMP launched the All-New Corolla Altis compact sedan and the Lexus RX luxury SUV, both with newly-introduced hybrid variants.

The four best-selling vehicles in the Philippines in 2019 were all Toyota vehicles. Sustaining its number-one spot was the proudly Philippine-made Vios subcompact sedan, with 33,181 units sold in 2019. Second was the Hilux pickup truck, which sold 20,846 units in 2019. In third was another locally assembled model, the Innova multi-purpose van, which sold a total of 20,794 units. The Fortuner, the best-selling vehicle in the country in 2017, was fourth place with 19,865 units sold in 2019. The four aforementioned vehicles also led their respective categories in terms of vehicle sales.

TMP sells its vehicles through its exclusive nationwide dealership network, which includes Lexus Manila, Inc. In line with the company's continuous expansion program, TMP added two dealers, bringing the total to 71 in 2019. These new dealer outlets are Toyota Albay which opened in March, and Toyota Valenzuela in June, which coincided with the reopening of the newly renovated Toyota Cebu City. Early in the year, Toyota Cabanatuan transferred to its new home in Nueva Ecija and changed its business name to Toyota Nueva Ecija.

In an effort to intensify Toyota's education campaign on hybrid electric vehicle technology, TMP, together with Toyota Motor Asia Pacific, its regional office in Singapore, held an HEV Conference in February, where stakeholders from the government, environment advocacy groups / NGOs, academe, business partners, and media participated. The program highlighted the Toyota Prius, the Philippines' pioneer electrified vehicle.

In March, TMP began its Hybrid Electric Vehicle (HEV) Campus Tour at Mapua University, the first in a series of campus activities that help educate college students about electrified vehicles, clarifying misconceptions about the



Launch of the GR Supra in July 2019

technology, and encouraging them to join Global Toyota's Environment Challenge 2050. Throughout the year, the caravan also went to De La Salle University in Manila, Don Bosco Technical College in Mandaluyong, and the University of the Philippines in Diliman.

Also during the year, the auto industry leader opened its first Toyota Lifestyle Center in the Philippines, a brand experience hub located in Ayala Center Cebu. Through the featured cars and interactive digital tools, prospective customers can view and experience their dream vehicle first-hand.

In April, TMP hosted the 11th Asia Pacific Production Self-Reliance Meeting, a two-day summit that aims to strengthen Toyota's manufacturing capability. During the assembly, twelve Toyota affiliates from nine countries shared best practices towards more independent production operations. TMP brought regional leaders to the Toyota Special Economic Zone in Santa Rosa, Laguna, showcasing the Philippine subsidiary's efforts related to safety, quality assurance, carbon dioxide emission reduction, and process efficiency, among others.

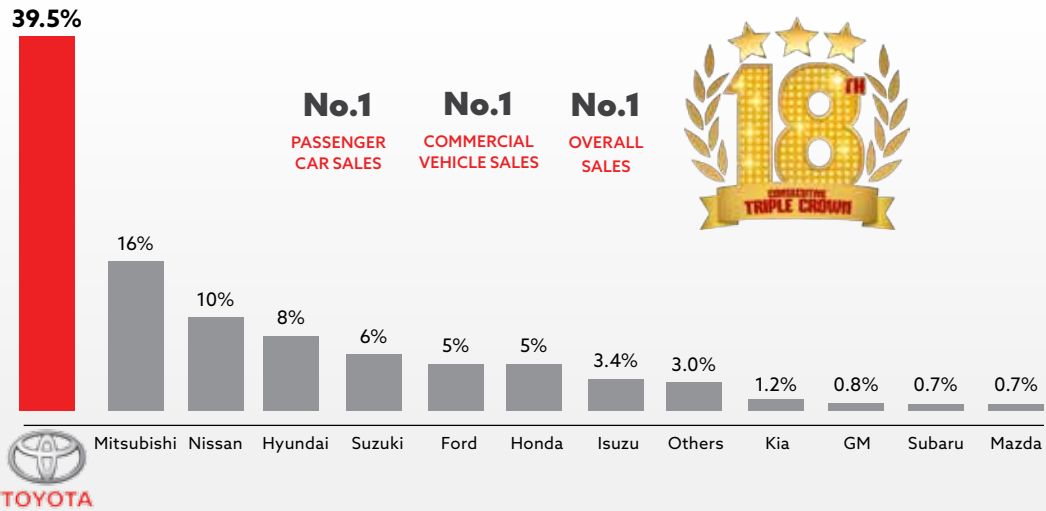
In July, Toyota inaugurated its new Php1.0 billion high-technology press line at its Santa Rosa assembly plant. The facility includes a 1600-ton servo-type press machine with an automated sheet feeder and an unloader robot. This allows for local manufacturing of side member panels, some of the largest body components for the Vios.

The new press line is TMP's single largest localization project under the Philippine government's Comprehensive Automotive Resurgence Strategy (CARS) Program. The company invested Php5.4 billion in the CARS Program, which was designed to enhance the capability and regional competitiveness of the country's auto manufacturing sector.

Since its establishment three decades ago, TMP has been committed to the long-term sustainability of its operations to contribute to nation-building. Guided by its mission to deliver Always Better Cars, Toyota maintains fulfilling its customers' needs and expectations as its top priority. These aims, aside from driving TMP toward its robust 2019 performance, will continue to guide the automaker as it faces the challenges and opportunities of the future.

OVERALL MARKET SHARE

As of December 2019 YTD



2019 GLOBAL TOYOTA SALES PERFORMANCE RANKINGS

2019
Still
TOP 9
for the last three years
2017-2019

Market	TOTAL
1 United States	2,369,547
2 Japan	1,610,169
3 China	1,609,047
4 Thailand	332,380
5 Indonesia	332,354
6 Canada	237,091
7 Brazil	217,371
8 Australia	215,378
9 Philippines	162,011
10 Saudi Arabia	157,413
11 Taiwan	157,241
12 United Kingdom	129,427
13 Russia	127,841
14 South Africa	127,062
15 India	126,524
16 France	118,977
17 Mexico	105,663
18 Italy	96,691
19 Germany	93,358
20 Spain	84,862

NEW MODEL LAUNCHES IN 2019



RAV4

Introduced
January 2019



HIACE

February 2019



NEW AVANZA

May 2019



Supra

July 2019



ALL-NEW COROLLA ALTIS

September 2019



LEXUS RX

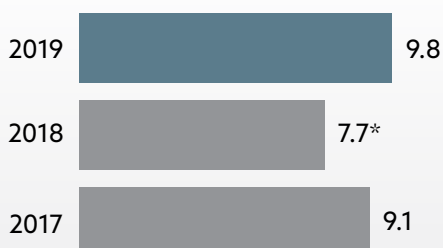
September 2019

Property Development



Net Income Growth:
+56%

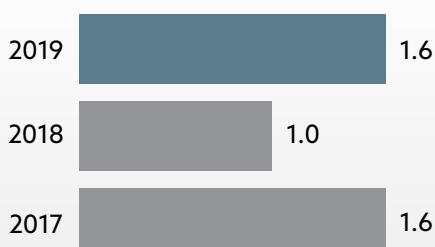
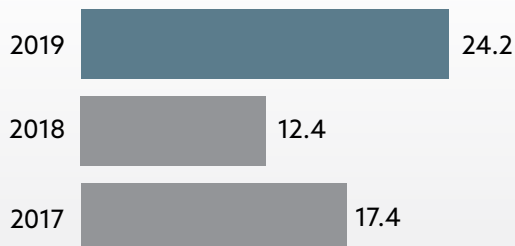
The Philippine real estate industry remained strong in 2019, bolstered by continued reservation sales demand and managed growth in project launches. Mirroring the industry's growth momentum, Federal Land, Inc. registered gains in key areas of operations for the year.

REAL ESTATE SALES (In Php Billion)**YoY ▲29%**

*Excluding one-time lot sales to joint venture partners

REVENUES (In Php Billion)**YoY ▲26%**

*Excluding one-time lot sales to joint venture partners

NET INCOME (In Php Billion)**YoY ▲56%****TOTAL ASSETS** (In Php Billion)**YoY ▲12%****TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS** (In Php Billion)**YoY ▲3%****RESERVATION SALES** (In Php Billion)**YoY ▲96%**

Federal Land's total revenues grew to Php13.2 billion in 2019, 26% higher compared to the previous year, after excluding Php2.9 billion in non-recurring lot sales in 2018. GT Capital's wholly owned property developer reported a consolidated net income of Php1.6 billion in 2019, up 56% from Php1.0 billion in the previous year.



Quantum Residences along Taft Avenue, Pasay



From left to right:

ALFRED V. TY
Chairman
Federal Land, Inc.

PASCUAL M. GARCIA III
President
Federal Land, Inc.

Reservation sales almost doubled in 2019 at 96%, further increasing Federal Land's revenue base, which will be recognized as construction and equity contributions from buyers increase. Leasing revenues rose by 28% over the same period in 2018, with 94% of all rentable spaces leased out.

In 2019, Federal Land was able to launch six projects. These are The Estate Makati along Ayala Avenue in February, the Mi Casa Hawaii Tower located at Metro Park Bay Area, Pasay in March, Quantum Residences Amethyst Tower along Taft Avenue in September, Marco Polo

Residences Tower 5 situated in Cebu in September, Natsu Tower—the second tower of Japanese-inspired residential development The Seasons Residences at Bonifacio Global City in October, and the company's first development in Ortigas Center, Pasig, The Grand Midori Ortigas in November.

Federal Land, through a joint venture with SM Prime Holdings, Inc. launched The Estate Makati, an ultra-high-end luxury condominium. Designed by world-renowned architectural firm Foster + Partners in collaboration with



The Grand Midori Ortigas in Pasig

W.V. Coscolluela & Associates, The Estate Makati is poised to be the crowning jewel of the city skyline. With only four units per floor, residents will experience exclusivity and privacy like no other.

In March, Federal Land announced a new shopping experience set to rise in Bonifacio Global City as Isetan Mitsukoshi Holdings, Ltd. brings its first Mitsukoshi Mall in the Philippines. The four-story Mitsukoshi Mall will feature a wide selection of lifestyle brands, including Japanese labels previously not available in the Philippines, and an expertly curated selection of Filipino and international brands. The retailer's flagship store in Manila will provide customers with unparalleled Japanese-style *omotenashi* customer service. This project will be housed within The Seasons Residences complex, a four-tower Japanese-inspired residential development and Federal Land's joint venture with Nomura Real Estate Development and Isetan Mitsukoshi Holdings, Ltd.

Throughout 2019, Federal Land garnered awards from prestigious organizations. FIABCI, a global real estate federation, bestowed the developer its Gold Award for Outstanding Developer (Residential High-Rise) for Grand Hyatt Manila Residences

at the FIABCI Property & Real Estate Excellence Awards ceremony in May.

CMO Asia and World Marketing Congress presented Federal Land with the Philippines Brand Leadership Award in June. Later, in July, BCI Asia named the company as one of the country's top developers in its Top Ten Awards for The Seasons Residences—Haru Tower in Bonifacio Global City. In November, the Seasons Residences also earned the Best Innovation Project Award from Lamudi Philippines in its Buyers' Choice Property Awards.

In addition, Federal Land also brought home three award titles from the Japan International Property Awards (JIPA) 2019: Best Luxury High-Rise Development and Best Architectural Design for The Estate Makati, as well as Best Hotel Suite Development for Grand Hyatt Manila.

As it reaches close to five decades of excellence, Federal Land reaffirms its commitment to developing world-class properties faithful to the aspirations and expectations of its residents. Facing the challenges of the future, Federal Land will remain anchored on the values of trust, reliability, and integrity.

Life and General Insurance

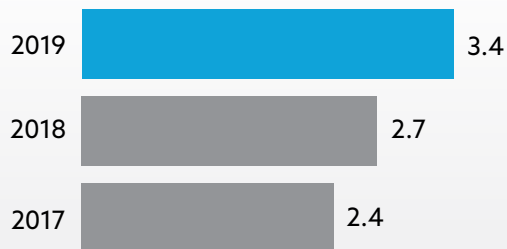


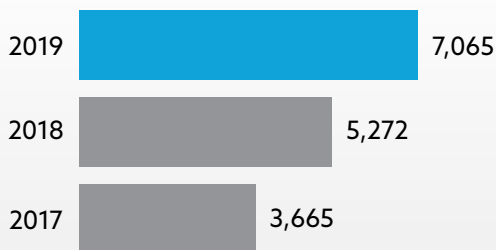
Net Income Growth:
+23%

*Life insurance sector growth

AXA Philippines continued to perform creditably amid geopolitical and macroeconomic uncertainty. In 2019, the GT Capital Group's insurance arm accomplished key milestones in its aim of providing world-class insurance products to Filipinos. AXA Philippines launched its new "Know You Can" branding campaign, along with new products, stronger institutional partnerships, and broader retail propositions.

ANNUALIZED PREMIUM EQUIVALENT (In Php Billion)**CAGR ▲4%**

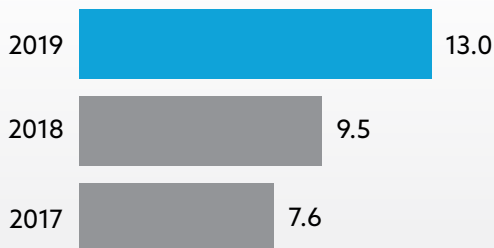
NET INCOME - LIFE INSURANCE (In Php Billion)**CAGR ▲19%**

EXCLUSIVE FINANCIAL ADVISORS**CAGR ▲39%**

TOTAL ASSETS - LIFE INSURANCE (In Php Billion)**CAGR ▲8%**

TOTAL EQUITY - LIFE INSURANCE

(In Php Billion)

CAGR ▲31%

Echoing the resilience of the Philippine insurance industry, AXA Philippines ended 2019 with robust results. In 2019, AXA Philippines' new business from its life insurance segment stated in Annualized Premium Equivalent (APE) reached Php6.8 billion in 2019, driven by growth in Regular Premium products. In turn, the growth in Regular Premium was driven by strength in sales of Protection and Health products, as AXA's flagship products continue to grow year-on-year. Bancassurance accounted for 59% of premium revenues while sales agencies accounted for 41%.



From left to right:

SOLOMON S. CUA
Chairman
AXA Philippines

RAHUL HORA
President
AXA Philippines

AXA Philippines achieved a consolidated net income of Php2.5 billion in 2019, driven by 24% growth in the life insurance sector. This improvement was primarily driven by growth in the life sector's premium margins, stronger asset management fee-based income, and higher income from AXA's investments.

One year after the company launched its brand campaign, "For All that You Value, Choose AXA," which aimed to further strengthen AXA's value proposition and align with its goal to

become a financial one-stop shop for its clients, AXA Philippines continued in 2019 to expand its product portfolio by offering not just life insurance, health plans, and savings and investments products, but also general insurance products.

In 2019, AXA Philippines launched its newest brand campaign, "Know You Can," which aims to empower people to live better lives by encouraging self-belief and by inspiring AXA customers to go further in life, whatever their game plan may be.



The “Know You Can” campaign features tennis legend Serena Williams, who shares her own story of self-belief. Narrating stories about her journey as an athlete, her struggle with a life-threatening ailment, and her comeback to competitive tennis after childbirth, Williams delivered AXA’s message of empowerment through financial freedom.

Guided by this newest brand campaign, AXA Philippines continued to deliver best-in-class insurance products in 2019, through its 47 agency branches in key areas nationwide, including more than 7,000 exclusive financial advisers and managers. The full-service insurance company bolstered its reach through more than 900 branches nationwide of Metrobank and PSBank, AXA’s premier bancassurance partners. Over 1,000 dedicated financial executives assist customers through AXA’s complete suite of life and general insurance products.

In April 2019, AXA Philippines introduced a new variant of Smart Traveller, the company’s comprehensive travel insurance product, to cover domestic trips as well. AXA Smart

Traveller provides clients with 24-hour travel assistance, personal accident coverage of up to Php5 million, medical coverage, protection of personal belongings, and refunds for travel inconveniences such as flight delays. This innovative travel product offers affordable yet comprehensive coverage and is available for straight-through purchase via AXA’s corporate website.

Also during the year, AXA Philippines introduced the SAM Underwriter, which stands for Seamless Automated Mobile Underwriter. SAM automates all application forms, making applying for insurance easier for customers by cutting down processing times. The platform also features a user-friendly instant messaging interface that allows clients to obtain prompt approvals through online chats with agents. In addition, SAM reduces the paperwork needed to be accomplished in applying for a policy.

Another new offering for the year is AXA’s Comprehensive Car Insurance Online, a comprehensive motor car insurance product made available online through AXA’s e-commerce site and through AXA Assist, the insurer’s

online car insurance app. It allows customers to customize their coverage, while making use of secure debit and credit card payment gateways. AXA Assist also offers hassle-free filing of claims and 24/7 emergency roadside assistance.

A major part of AXA Philippines' expansion efforts is the enhancement of its network of partners.

AXA Philippines and Metrobank Card Corporation established a partnership within the year to allow the latter to offer life and general insurance products to its extensive community with over 1.5 million cards in force.

GCash, the country's leading mobile wallet, has also chosen AXA Philippines to underwrite the coverage for GCash Insure, a new comprehensive and affordable insurance product for users of the said e-wallet platform. With life and personal accident insurance coverage of up to Php200,000 and daily hospital income insurance up to Php10,000, GCash Insure allows Filipinos to have insurance for themselves and their families with their choice of an affordable monthly or annual premium.

AXA uses partnerships to bring brands together to help reach wider audiences and offer new and exciting products to existing clients. In 2019, AXA Philippines continued to pursue brand partnerships with several companies and institutions to enter into new markets and add extra value to their products.

In July 2019, AXA Philippines, in partnership with The SM Store, awarded

the winner of their "Shop and Fly" promo with an all-expense paid trip for two to Hong Kong Disneyland, as well as an AXA Personal Accident Insurance coverage policy worth Php50,000.

AXA Philippines' partnership with the NBA, America's premier basketball league, continues to be strong in 2019 as AXA remains the official insurance provider of the NBA here in the Philippines. With this partnership, AXA and the NBA hosted renowned players to conduct clinics in a special event dubbed NBA 3X Philippines. Gracing the event were Collin Sexton of the Cleveland Cavaliers, Monte Morris of the Denver Nuggets, and NBA legend Muggsy Bogues, who also participated in a celebrity three-on-three tournament.

Also during the year, AXA Philippines entered into a strategic partnership with Preferred Global Health, Ltd., an American global patient organization based in Boston, Massachusetts. Through the agreement, select customers of AXA who are diagnosed with cancer or a cardiovascular disease will receive assistance from a personal care manager who will coordinate a series of specialist services under Preferred Consultation and Care. AXA policyholders who are qualified to go to the USA for treatment will then receive support from their personal care manager, who will arrange doctor recommendations, appointment schedules, travel and accommodation logistics, and more.

AXA also began its partnership with the University Athletic Association of the Philippines (UAAP) to reach more



Filipinos and instill a sense of self-belief in them through their passion for sports. As a result of the agreement, AXA Philippines has been providing insurance coverage for the UAAP throughout Season 82.

Furthermore, AXA Philippines joined forces with the Asian Institute of Management (AIM) to jointly hold the Innovation Fellowship Program, which will enable companies, entrepreneurs, and innovative students to develop solutions to real-world problems through classes and workshops. The program's objective is to synergize participants' knowledge and expertise to help them solve problems facing the insurance industry.

To consolidate its life and general insurance products and services into a more comprehensive suite for its customers, AXA Philippines inaugurated its sleek and modern AXA Service Center at the Wellington Building in Binondo. Replacing the old AXA and Charter Ping An agency offices in the area, it is the first AXA branch in the

Philippines that offers AXA's complete range of products in one center.

In recognition of its efforts, AXA Philippines garnered a Quill Award for '#CommitmentOnPassion: AXA Employee Christmas Bazaar' in the Special and Experiential Events Category of the 17th Philippine Quill Awards held in August 2019. The bazaar showcased AXA employees' homemade products and stage performances.

The year 2019 was truly a year of both challenges and opportunities for AXA Philippines. The company, through its innovative suite of insurance solutions, will continue to empower Filipinos to live fulfilling and exceptional lives.

Infrastructure and Utilities

**METRO
PACIFIC**
INVESTMENTS

Operating Income Growth:
+7%

The strategic partnership between GT Capital and Metro Pacific Investments Corporation (MPIC) has allowed the two leading Philippine conglomerates to utilize their respective strengths and enhance their financial standing. GT Capital is able to participate in the vital infrastructure sector as Metro Pacific continues to expand its portfolio. As of 2019, GT Capital is one of the largest investors in MPIC, with a 15.6% stake in the country's premier infrastructure conglomerate.

SHARE OF OPERATING INCOME (In Php Billion)

CAGR \uparrow 8%



CORE NET INCOME (In Php Billion)

CAGR \uparrow 5%



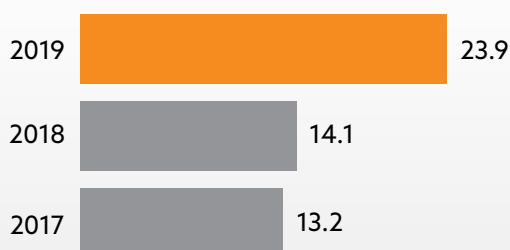
TOTAL ASSETS (In Php Billion)

CAGR \uparrow 10%



REPORTED NET INCOME (In Php Billion)

CAGR \uparrow 35%



WATER - BILLED VOLUME

(in millions of cubic meters per day)

CAGR \uparrow 2%



POWER - ENERGY SALES

(in gigawatt hours)

CAGR \uparrow 5%



TOLL ROADS - AVERAGE DAILY VEHICLE ENTRIES (PHILIPPINES)

CAGR \uparrow 11%



HOSPITALS - NUMBER OF PATIENTS SERVED

(in Millions)

CAGR \uparrow 9%





Maynilad Water Services, Inc. Facility



From left to right:

MANUEL V. PANGILINAN
Chairman
Metro Pacific
Investments
Corporation

JOSE MA. K. LIM
Chief Executive Officer
Metro Pacific
Investments
Corporation

Metro Pacific reported a consolidated core net income of Php15.6 billion in 2019, up 4% from Php15.1 billion recorded a year earlier. Improved financial and operating results of the constituent companies delivered a 7% increase in contribution from operations. Key factors included substantial core net income growth from the Manila Electric Company (MERALCO), continued traffic growth and tariff adjustments on MPIC's domestic toll roads, and strong patient numbers at Metro Pacific hospitals.

Reported net income to equity holders grew by a noteworthy 69% to Php23.9 billion in 2019 from Php14.1 billion in 2018. This was a result of the Php30.1 billion Hospital deal with KKR & Co. which was completed in December 2019.

The contribution of the power business, through MERALCO and Global Business Power, to Metro Pacific's core net income for the year was Php11.6 billion, a 7% increase from Php10.8 billion in 2018.



Cavite-Laguna Expressway (CALAX)

MPIC's tollway business continued to grow year-over-year due to increased traffic on all domestic roads held by Metro Pacific Tollways Corporation (MPTC) combined with several tariff adjustments. Average daily vehicle entries increased by a significant 24% on the Cavite Expressway (Cavitex), 13% on the Subic-Clark-Tarlac Expressway (SCTEX), and 7% on North Luzon Expressway (NLEX). This allowed MPTC to increase its contribution to MPIC's core income to Php5.2 billion in 2019, up 18% from Php4.4 billion in 2018.

Maynilad Water Services, Inc. (Maynilad), MPIC's main water distribution business, largely drove contributions of Php3.6 billion in 2019 to the infrastructure conglomerate's core net income, from Php3.8 billion the previous year. Maynilad delivered more efficient water services as shown in an 11% reduction in average non-revenue water at the district metered area level for the year.

Metro Pacific's hospitals business contributed Php867 million to MPIC's core income for the year, a growth of 12% from 2018's Php771 million. This was driven by stronger patient numbers across the network. MPIC's hospital network was able to attract higher-impact cases through new services, allowing for price adjustments in select facilities.

The growth in net income from MPIC's operations reflects a decade and more of sustained capital investment to enable meaningful volume increases in all of Metro Pacific's major businesses. In the face of challenges, MPIC remains steadfast in its commitment to moving forward with nation-building.

PUSO at SIGASIG 40 YEARS



Metrobank Foundation
Excel. Engage. Empower.

In 1979, the late GT Capital and Metrobank Group Founder and Chairman Dr. George Ty Siao Kian envisioned the Metrobank Foundation, Inc. (MBFI) to be a force for social good and an instrument for nation-building. Forty years later, this purpose remains the compass that sets the direction for the social development initiatives of the Foundation as the corporate social responsibility and philanthropy arm of Metropolitan Bank & Trust Company (Metrobank).



Metrobank Foundation 2019 Outstanding Filipinos Exhibit



From left to right:

ARTHUR V. TY
Chairman
Metrobank
Foundation, Inc.

ANICETO M. SOBREPENA
President
Metrobank
Foundation, Inc.

Metrobank Foundation celebrated its 40th founding anniversary in 2019 with the theme *Puso at Sigasig* (Heart and Zeal), reflecting its sustained commitment to nation-building. The organization traces its humble beginnings to its first major initiative—the acquisition of Manila Doctors Hospital, now deemed as one of the country’s leading medical institutions, and Manila Tytana Colleges, then known as Manila Doctors College.

The following years saw the evolution of the organization with the inception of what would be its flagship programs. Foremost is the Metrobank Annual Painting Competition in 1984, the precursor to today’s Metrobank Art & Design Excellence (MADE), as well as the launch of the Search for Outstanding Teachers (SOT) in 1985, the pioneering recognition program for educators, which laid the groundwork for what is now the Metrobank Foundation Outstanding Filipinos (OF).



Metrobank Foundation Outstanding Filipinos 2019 at Malacañang Palace

Then came the establishment of programs anchored on the priority areas of public service excellence, education, healthcare, visual arts and heritage, and good governance.

In its 40th banner year, the Foundation continues to be at the forefront of nation-building through its wide range of programs and dynamic social development partnerships.

**METROBANK FOUNDATION
OUTSTANDING FILIPINOS**

Metrobank Foundation Outstanding Filipinos is an excellence recognition program that pays tribute to exemplary public servants—teachers, soldiers, and police officers—who render service above and beyond their call of duty.

The program seeks to shine a spotlight on Outstanding Filipinos who embody the words “Beyond Excellence.” They are models of excellence who inspire their peers and pursue initiatives that yield a lasting positive impact in their institutions and communities. In 2019, the Metrobank Foundation Outstanding Filipino title was conferred to ten individuals—four (4) teachers, three (3) soldiers, and three (3) police officers.

The Metrobank Foundation Outstanding Filipino Teachers were Dr. Dorothy S. Tarol, paragon of inclusive education in Western Visayas; Dr. Cristina B. Cristobal, veteran innovator in history instruction from Quezon City; Dr. Ricardo T. Jose, venerable World War II historian; and Dr. Eva Maria C. Cutiongco-de la Paz, prolific clinical genetics researcher.

Meanwhile, the following were named Metrobank Foundation Outstanding Filipino Soldiers: MSgt. Ramil A. Caporas PA, explosives expert-innovator during the Marawi siege; Maj. Romulo G. Dimayuga PN(M), counter-insurgency expert from the Philippine Navy; and Lt. Col. John Paul D. Baldomar PA, catalyst of community and organizational transformation.

Completing the 2019 batch were Metrobank Foundation Outstanding Filipino Police Officers P/CMSgt. Marsha T. Agustin, anti-human trafficking crusader; P/Maj. Robert A. Reyes, anti-cybercrime and intelligence expert; and P/Col. Edwin A. Quilates, public safety strategist from Batangas.



Metrobank Art and Design Excellence (MADE) Awards

The 10 awardees joined the roster of 675 Outstanding Filipinos—368 teachers, 160 soldiers, and 147 police officers—honored by the Metrobank Foundation since 1985.

METROBANK ART & DESIGN EXCELLENCE

Over the years, Metrobank Foundation has made strides in bringing art to public consciousness, and providing platforms for home grown talents and creative visionaries.

In 2019, the Metrobank Art & Design Excellence (MADE) marked 35 years of promoting excellence in visual arts. This annual art tilt has evolved to become a mainstay in the Philippine art landscape. The competition took on the theme “Unleash,” inspired by the Foundation’s continuing advocacy to recognize emerging and established artists who bring vibrancy to the country’s evolving art scene.

Five (5) artists garnered recognition from the Foundation at the MADE awards ceremony held in September at Le Pavillon, Metro Park, Pasay City. They were: Jayme Emille C. Lucas,

Grand Awardee for Oil on Canvas category for “Evanescing Lives from Homeland”; Christian Jame F. Maglente, Grand Awardee for the Water Color on Paper category for “Existence of Blue”; Christian Cedrick M. Dela Paz, Special Citation for Acrylic on Canvas Category for “25/7”; Dave Alcon, Special Citation for Oil/Acrylic on Canvas Category for “Upan” (“Seat”); and Arman Jay S. Arago, Special Citation for the Water Color on Paper category for “Walang Hihigit Pang Sandata” (“No Greater Weapon”).

They are up-and-coming talents joining the roster of 400 artists recognized by the Foundation.

METROBANK FOUNDATION EDUCATION PROGRAMS

At the heart of Metrobank Foundation’s nation-building efforts lies its investments in the potential of education to empower individuals of varied backgrounds. In 2019, the Foundation continued its three (3) core education programs: the Metrobank Scholarship Program, Metrobank-MTAP-DepEd Math Challenge, and National Teachers’ Month.



The Metrobank Scholarship Program offers financial assistance to underprivileged but academically deserving students. It also instills among the scholars the value of paying-it-forward.

Metrobank Foundation and GT Foundation, in partnership with Pacific Paint (Boysen) Philippines, recognized the latest batch of scholar-graduates during the 21st Graduates' Forum held at the Manila Doctors Hospital. In 2019, a total of 38 scholars obtained their undergraduate degrees from four (4) universities and colleges across the country, 17 of whom finished with Latin honors: six (6) magna cum laude and 11 cum laude.

Meanwhile, the Metrobank-MTAP-DepEd Math Challenge (MMC) is the Foundation's annual mathematics competition which seeks to raise the competitiveness and mathematical proficiency of elementary and high school students. As the longest running and most participated numbers tilt in the country, it is hosted by Metrobank Foundation in collaboration with the Mathematics Teachers Association of the Philippines (MTAP) and the

Philippine Department of Education (DepEd).

In 2019, young mathletes from different regions competed for the top spots during MMC national finals held at the Metrobank Plaza Auditorium in Makati City. Emerging as the first placers were: Mohammad Nur G. Casib of My Precious Child Learning Center in Marawi City, for the Grade 6 Individual Competition; Tracy Lauren T. Lei and Nicholas Marcus B. Lua of Saint Jude Catholic School in Manila, for the Grade 6 Team Competition; Bryce Ainsley A. Sanchez of Grace Christian College in Quezon City, for the Grade 10 Individual Competition; and Stephen James L. Ty and Aiman Andrei U. Kue of the Zamboanga Chong Hua High School in Zamboanga City, for the Grade 10 Team Competition.

Out of over 400,000 students who participated in the nationwide elimination rounds, 22 students from 10 regions advanced to the final leg of the competition.

The national winners were awarded by Education Secretary Leonor M. Briones. They received trophies, medals, and



Metrobank Anniversary Grants Turnover Ceremony

cash incentives, part of which allowed them to open Metrobank Fun Savers Club special savings accounts.

The first two programs focused on students. The third Metrobank Foundation education initiative, on the other hand, focuses on teachers. The National Teachers' Month (NTM) enjoins the public to honor the country's educators and their role in shaping a progressive society. This is in line with Presidential Proclamation No. 242 declaring September 5 to October 5 of every year as National Teachers' Month. In 2019, NTM marked its 11-year crusade to engage all sectors in celebrating teachers across the country.

HEALING THE NATION THROUGH GRANTS

Metrobank Foundation recognizes that nation-building is a collective pursuit. In 2019, the Foundation thus continued its campaign to support organizations who share in the same goal of raising the quality of life of those in the margins.

Through the Foundation's Grants Program, Metrobank extends assistance to socio-civic and non-government organizations, as well as local and

national government agencies for the latter's implementation of their programs in various communities. These institutions are awarded grants for projects aligned with the Foundation's thrusts in health, education, arts, and livelihood, as well as the United Nations Sustainable Development Goals.

As it celebrated its 57th anniversary in September, the Metrobank Group, through the Metrobank Foundation and GT Foundation (Ty family foundation), awarded Php35 million worth of development grants to 40 socio-civic organizations during the annual Anniversary Grants Turnover Ceremony.

HONORING EXEMPLARY SERVICE

One of the highlights of the Metrobank Foundation's 40th anniversary is the recognition of individuals and institutions who have displayed unrelenting service and set a benchmark of excellence in the various fields of expertise.



Partner in Empowerment, Advocacy and Commitment to Excellence (PEACE) Award

The Metrobank Foundation Award for Continuing Excellence and Service (ACES) is conferred to past awardees of the Foundation's various recognition programs who, after being recognized for their excellence, have continued to make notable contributions in their respective fields. These individuals have embodied a lifelong commitment to creating a positive impact in the communities they serve, thus setting worthy examples for their contemporaries and every Filipino to emulate. In 2019, the Foundation honored 40 ACES awardees who are role models of excellence in service and dedication.

Further, the Foundation also bestowed the Partner in Empowerment, Advocacy and Commitment to Excellence (PEACE) award to 40 partner institutions whose commitment to uplift the lives of the underprivileged and empower Filipinos mirrors the Foundation's own advocacies. The roster of the 2019 PEACE honorees included national government agencies, non-government and socio-civic organizations, diplomatic missions, media, private companies, and academic institutions.

UPHOLDING A CULTURE OF EXCELLENCE

In 2019, esteemed institutions once again presented accolades to Metrobank Foundation. These distinctions serve as testament to the Foundation's resolve to continue engaging stakeholders, upholding a culture of excellence within the organization as well as among partner institutions, and empowering communities throughout the country.

The Foundation garnered three (3) Gold Anvils and three (3) Silver Anvils during the 54th Anvil Awards hosted by the Public Relations Society of the Philippines (PRSP). A Gold Anvil was given in recognition of "Gratitude In10sified: 2018 National Teachers' Month," a national multi-sectoral movement to recognize the indispensable role of Filipino teachers in shaping empowered and productive citizens. In addition, another Gold Anvil was given to the Foundation for its "Beyond Excellence: 2018 Metrobank Foundation Outstanding Filipinos" souvenir program, featuring the compelling stories and inspiring accomplishments of the 2018 Outstanding Filipino awardees.



Anvil Awards

The third Gold Anvil was conferred to the Foundation for "Discover MADE," the culminating event of the 2018 Metrobank Art & Design Excellence (MADE) in Painting and Sculpture program. This featured three (3) activities, namely the MADE awarding ceremony, the MADE exhibit opening, and the Lecture Series on Philippine Arts and Cultural Heritage. Along with Gold Anvils, the Foundation also received Silver Anvils for its 2018 Bags of Blessing program, Grants and Social Development Partnerships, and Metrobank Foundation's 2017 Annual Report titled 'Building the Future.'

Further, the Metrobank Foundation achieved four (4) awards at the 17th Philippine Quill Awards organized by the International Association of Business Communicators-Philippines. The Foundation took home two (2) Quill Awards of Excellence and two Quill Awards of Merit.

Under the Communication Skills Division, "Good Night, Mr. George Ty. I'll See You In The Morning," a eulogy delivered by Metrobank Foundation President Mr. Aniceto Sobrepeña during the wake of the late Metrobank and



Quill Award of Excellence

GT Capital Group Chairman and Founder Dr. George Ty Siao Kian, won a Quill Award of Excellence.

Another Quill Award of Excellence went to "Beyond Excellence: the 2018 Metrobank Foundation Outstanding Filipinos Souvenir Program," a publication that narrates the life stories and achievements of the 2018 Metrobank Foundation Outstanding Filipinos. Meanwhile, both "Discover MADE" and "Gratitude In10sified: 2018 National Teachers' Month (NTM)," received a Quill Award of Merit each in the communication management category. As of end-2019, the Foundation has received 61 Philippine Quill awards for its various programs and public relations tools since 1986.

For forty years, the Metrobank Foundation has not strayed from its mission to propagate a culture of excellence among its beneficiary sectors, provide solutions to stakeholder needs, and serve at the forefront to reach out to communities. As the country moves toward the future, the Foundation will continue to serve and contribute to nation-building, fueled by heart and zeal.

Corporate Social Responsibility



GT Foundation, Inc.

The philosophy of giving back has guided the GT Foundation, Inc. (GTFI), the Ty family foundation, since its inception in 2009. It is now approaching a decade of sustaining the vision of the late Metrobank Group Chairman Emeritus Dr. George Ty Siao Kian. In 2019, the Foundation continued to implement interventions that address the needs of communities primarily in the areas of health, education, environment, and technology and innovation.



BAGS OF BLESSING

Sharing and paying it forward form the foundation of the Metrobank Group's programs, as manifested by its annual gift-giving tradition dubbed as Bags of Blessing (BoB). This activity aims to be the outward expression of the organization's generosity towards its neighbors, and its unique celebration of Chinese New Year.

"Whatever I spend for my personal and family needs and wants, I should be able to give the same or even more for charity since there are many who are in need," the late Metrobank Group chairman and founder Dr. Ty once expressed. Bags of Blessing was established in 2011 with this purpose. Every year since, GTFI and Metrobank Foundation distribute food packages in red bags to thousands of Filipino families nationwide. BoB draws inspiration from the Chinese traditional ang-pao or cash-filled red envelopes which family and friends often exchange for good luck during Chinese New Year celebrations.

In 2019, GTFI and Metrobank Foundation welcomed the Year of the Earth Pig through a weeklong distribution of Php10 million worth of food packages to 10,000 families which was kicked off on February 5 at San Agustin Church in Intramuros, City of Manila.

Beneficiaries were chosen by the Catholic Bishops' Conference of the Philippines (CBCP), through its national network of Diocesan Action Centers, prioritizing families affected by recent calamities, Indigenous Peoples (IPs), and indigent families unable to participate in the government's conditional cash transfer program.

A number of employees from Metrobank's network of branches nationwide, along with institutional partners Armed Forces of the Philippines (AFP) and Philippine National Police (PNP), volunteered in the simultaneous distribution activities throughout the country.



Dr. George S.K. Ty Advanced Instrumentation Building in De La Salle University Laguna

SALAMIN SA MALIWANAG NA BUKAS

Salamin sa Maliwanag na Bukas (SMB) is a program that seeks to aid the learning of public school children as well as enhance the productivity of indigent adults and elderly through the distribution of reading and prescription eyeglasses.

In 2019, GTFI conducted 14 distribution activities which catered to a total of 5,449 beneficiaries. The Foundation engaged the Purple Hearts Club, Metrobank’s employee volunteerism arm, to be the implementing partner in identified areas.

2019 BAGS OF BLESSING DISTRIBUTION SITES

- City of Manila
- Quezon City
- Marikina City
- Dagupan City
- San Fernando City, Pampanga
- Malolos City, Bulacan
- Angeles City
- Sta. Cruz, Ilocos Sur
- Solana, Cagayan
- Batangas City
- Imus City, Cavite
- Calamba City
- Tinambac, Camarines Sur
- Puerto Princesa City
- Guiuan, Eastern Samar
- Talisay City, Cebu
- Bacolod City
- Iloilo City
- Tandag City, Surigao del Sur
- General Santos City
- Cagayan de Oro City
- Zamboanga City
- Davao City





GT Capital Vice Chairman Alfred V. Ty speaks during the inauguration ceremony of the Dr. George S.K. Ty Advanced Instrumentation Building

The partnership with AFP also made possible the distribution of reading glasses to 300 beneficiaries in Barangay Cau-yan, Pototan, Iloilo on January 2. Distribution also took place on January 16 in Barangay Eastside in Isabela City, Basilan which benefitted 500 individuals.

Towards the end of the year, GTFI completed its series of distribution activities in Cavite, La Union, and Negros Oriental. The Foundation was able to reach out to 1,971 elderlies in partnership with Amlan Elder Care.

LEGACY PROJECT: DR. GEORGE S.K. TY ADVANCED INSTRUMENTATION BUILDING

The late Dr. George Ty Siao Kian’s many legacies live on through the initiatives implemented by GTFI. These take on the form of large-scale infrastructure projects on education and health. On April 11, 2019, GTFI and De La Salle University (DLSU) inaugurated the Dr. George S.K. Ty Advanced Instrumentation Building through a marker-unveiling ceremony at the University’s Science & Technology Complex in Biñan, Laguna.

This project recognizes that infrastructure is a vital component in the delivery of quality education. The four-storey facility houses the University’s research laboratories in different areas of science, engineering, and technology. The building is also home to a Nuclear Magnetic Resonance (NMR) Spectrometer that thoroughly analyzes and interprets molecular and compound structures. This NMR spectrometer is the most sophisticated of its kind in the country.

“The Lasallian identity of a spirit of faith, zeal for service and communion in mission, and its motto, Religio, Mores, Cultura, resonates the vision and mission of GTFI of addressing the needs of the less privileged to improve the quality of their lives,” said GTFI president Alfred Ty during the ceremony.

“It is for these reasons that GTFI partnered with DLSU in the construction of the Dr. George S.K. Ty Advanced Instrumentation Building. This is an affirmation of Dr. Ty’s commitment to support and sustain the advancement of science, technology, and engineering education in the Philippines,” he added.



TMP School of Technology (TMP Tech) Scholarship Program

SCHOLARSHIPS FOR TECHNICAL-VOCATIONAL EDUCATION PROGRAM (STEP)

GTFI believes that investing in the youth's education equates to helping fight poverty and investing in the country's future. It thus sustains its scholarship grants to support promising yet underprivileged students.

The Scholarships for Technical-vocational Education Program (STEP) is GTFI's initiative that provides opportunities for scholars to pursue their studies and develop employable skills in top technical-vocational and training institutions in the country with industry tie-ups for guaranteed employment.

- **TMP SCHOOL OF TECHNOLOGY**

Born out of this track was the Php10 million scholarship grant for Toyota Motor Philippines School of Technology (TMP Tech) students in 2014, offering assistance to 33 scholars. In 2017, GTFI prioritized Technical Vocation Education and Training (TVET) under its education thrust, bringing about an additional Php5 million tranche which supported 20 scholars spread across four (4)

TMP Tech batches. Nine (9) scholars received their certificates during the 8th Commencement Exercises held on May 30 at the TMP Tech campus in Laguna.

- **PUNLAAN SCHOOL**

Punlaan School, whose name directly translates to "seedbed," is an institution that aims to nurture young women's potential and provide them with holistic education and training. GTFI supports their Dual Training System which equips students with the essential knowledge and skills to gain employment in tourism-related industries. During Punlaan School's 26th Commencement Exercises, 16 scholars of Batch II GTFI-Punlaan STEP received their certificates for completing their dual training program in Hospitality and Culinary Arts in the hotel and restaurant industry. To date, a total of 32 GTFI-Punlaan scholars have graduated from the program.

- **DON BOSCO EDUCATIONAL CENTERS**

GTFI granted a total of 70 scholarship slots across four (4) schools or training centers of Don Bosco Educational Centers. Don



GT Foundation donates motorcycle ambulances in Tarangnan, Western Samar

Bosco Naga, Don Bosco Mandaluyong, and Don Bosco San Jose each received 20 slots while Don Bosco Canlubang received 10 slots. All 70 GTFI-DBEC STEP scholars graduated in 2019.

GRANTS

Over the years, GTFI, as a grant-making institution, has forged collaborations with organizations whose programs are in line with the former's priority areas. The grant support enables multi-sectoral partners to implement projects that bridge identified gaps for maximum impact. In 2019, among the organizations supported were Plan International Philippines and Tebow Cure Philippines. In October, GTFI, through Plan International Philippines, turned over three (3) disaster-resilient barangay health stations in Tarangnan, Samar; Kinitaan, North Upi, Maguindanao; and Bungued, Datu Odin Sinsuat, Maguindanao.

These facilities not only provide access to primary healthcare but also maternal services ranging from pregnancy to post-natal as well as childcare. Each facility houses several rooms for consultation, sterilization, labor and delivery, and recovery. Further, GTFI sponsored the

barangay health stations' equipment and purchase of motorcycle ambulance for the transport of patients, especially of pregnant women. These facilities will benefit an estimated 15,000 residents from the host barangays and their neighboring areas.

Meanwhile, GTFI inked a partnership with Tebow Cure Philippines, covering 2018 until 2021, to sponsor the surgical operation of 90 children with special needs aged 18 and under. Tebow Cure Philippines is a non-profit organization that caters to children with correctable physical disabilities and deformities through subsidized surgeries. As of 2019, GTFI has subsidized the surgical operations of 30 children with special needs.



Corporate Social Responsibility

GT Capital hosts a Christmas party for the community of Our Lady Queen of Peace Parish in Bacoor, Cavite



GT CAPITAL HOLDINGS, INC.

Corporate social responsibility (CSR) is at the heart of GT Capital, as it continues the Group's philanthropic legacy and realizes its mandate of contributing to nation-building.

In 2019, the parent company's CSR initiatives were, for the first time, organized under the GT Capital Purple Hearts' Club, an employee-driven grassroots volunteer movement. These activities focused on three key areas: help for the marginalized, education, and nutrition.

Bags of Blessing

GT Capital employees once again participated in the GT Foundation and Metrobank Foundation's annual Bags of Blessing (BoB) event in February. Officers and staff of GT Capital Holdings, Inc., assisted by men and women from the Armed Forces of the Philippines and Philippine National Police, distributed red eco-bags to hundreds of families at the San Isidro Labrador Parish in Marikina City. Volunteers from Metrobank's Marikina sector and ORIX Metro also participated in the distribution. Each family was given a red bag filled with food and

hygiene products, as well as a five-kilogram sack of rice.

GT Capital Christmas Party for Children

In December, GT Capital hosted a Christmas party for the children of Our Lady Queen of Peace Parish (OLQPP) in Bacoor, Cavite. At the event, 150 children spent a morning of fun and games with entertainment provided by local Jollibee Kids Party staff. Accompanied by their mothers, the children were also provided gift baskets filled with traditional Filipino noche buena treats such as cheese, fruit cocktail, and pasta. The children are beneficiaries of the OLQPP's weekly nutrition program.

Sponsorship of AHA! Learning Center Tutors

Throughout the year, GT Capital provided sponsorships worth Php138,000 for two teachers from AHA Learning Center, an NGO that provides afterschool programs that target low-performing but high-potential public school students. In 2019, AHA tutored 330 public school students for free for at least six hours a week in Math and English. In addition, every week, each student receives four school meals and attends at least two hours of free character-building workshops. At the end of 2019, GT Capital also sponsored AHA's Christmas party for its student-beneficiaries in Makati.



TMP donates medical equipment to Santa Rosa Community Hospital



TOYOTA MOTOR PHILIPPINES FOUNDATION

Apart from its leadership in the country's automotive industry, Toyota Motor Philippines (TMP) initiates CSR projects that manifest its sincere commitment to support the communities wherein it operates.

Through the Toyota Motor Philippines Foundation (TMPF), TMP's CSR arm, the company sustained its social and humanitarian projects in 2019, particularly in the fields of education, health, environment, and community service.

Education

Throughout 2019, TMPF sustained its support for its adopted school, the Pulong Sta. Cruz Elementary School (PSCES) in Santa Rosa, Laguna. The year marked the completion of the foundation's computerization project for PSCES. Since 2016, TMPF had envisioned to transform the school into a fully-functioning digital learning institution. This evolution

occurred in three phases, beginning with a generous donation of LCD TVs, desktop and laptop computers, as well as printers. This continued with installing high-speed internet and intranet connectivity within the entire school. In 2019, TMPF completed the project through its incorporation of educational digital content and interactive materials into the school's systems.

Since 1994, Toyota Motor Philippines has been supporting PSCES and its students. TMPF formalized this partnership by formally adopting PSCES through a memorandum of agreement in 2003.

TMPF also sponsored a week-long series of health and wellness activities for PSCES faculty and staff. These included comprehensive annual physical examinations with laboratory tests, free flu vaccinations, and a breast cancer awareness seminar for female school employees.

Aside from these, TMPF continued to inspire academic excellence among the school's students through the foundation's 11th annual Quest for the Best quiz bee. The competition saw the top pupils from Grades 3 to 6 going head-to-head in Mathematics, Science, English, Social Studies, and Current



Tree-planting in Makiling, Laguna for the All-Toyota Green Wave Project

Affairs. The top three students from each grade level received trophies and cash prizes from TMPF. The participants, along with PSCES' special academic awardees, also joined Toyota's Lakbay Aral educational tour program that year.

Environment

TMP participated in the Toyota Global Environment Month in July by holding activities to further raise awareness on environmental conservation. The initiative was part of the Toyota Environmental Challenge (TEC) 2050, which aims to achieve a zero carbon footprint from the automaker's new vehicles, life cycle, and manufacturing operations. In 2019, activities focused on achieving zero CO₂ emissions at factories and optimizing water use.

In addition, as part of TMP's commitment under Challenge 6: Establishing a Future Society in Harmony with Nature, the company continued the global All-Toyota Green Wave Project, which aims to contribute to biodiversity and ecosystem preservation.

In line with this, TMP team members and Toyota Suppliers Club representatives planted 200 trees in the 11-hectare Toyota Forest at the Toyota Special Economic Zone in Santa Rosa, Laguna.

Volunteers also participated in a river cleanup project along the Silang-Santa Rosa River near TMP's Santa Rosa facility. The said river is connected to Laguna Lake, an important water source for nearby communities.

Furthermore, TMP conducted mangrove-planting and coastal cleanup activities in Lian, Batangas. TMP team members, TMPF scholars, and TMP School of Technology faculty and staff planted 1,000 mangroves and collected 54 kilograms of garbage. Mangroves not only protect shorelines from storms, waves and floods, but also maintain water quality by filtering pollutants.

TMP also conducted tree-planting activities in its 10-hectare adopted area within the Makiling Botanic Gardens at the University of the Philippines' Los Baños, Laguna campus. Forty volunteers from TMP and TMPF planted hundreds of seedlings to help preserve Mount Makiling, an ASEAN Heritage Site and home to a diverse range of species.



Make Our Volunteerism Enrich Lives (MOVE) program in Pililla, Rizal

Medical Outreach

Continuing its aim to assist in Santa Rosa's healthcare needs, TMP held its 55th Medical-Surgical Outreach Program in partnership with the Santa Rosa local government and Makati Medical Center (MakatiMed). At the Santa Rosa Community Hospital (SRCH), surgeon-volunteers from MakatiMed operated on pre-screened patients with gallstones, hernia, and breast deformities. In addition, TMP donated ECG machines, stethoscopes, blood pressure apparatus and a cardiac monitor to augment SRCH's capability in providing health screening and diagnostic procedures.

Community Service

Through the years, TMP has assisted communities adversely affected by natural disasters. In 2019, TMP assisted earthquake victims in Mindanao through the Metrobank Foundation's Helping Hands Mindanao Mission. TMPF donated 1,000 retractable tents worth Php2 million to serve as temporary shelters for the affected families in the most severely damaged provinces, North Cotabato and Davao del Sur.



FEDERAL LAND, INC.

Beyond its real estate projects, Federal Land helps uplift the lives of Filipinos in need through social outreach initiatives in the communities it serves.

In 2019, Federal Land volunteers extended help in the year's Brigada Eskwela, the Philippine Department of Education's (DepEd) annual week-long campaign to clean up and prepare public schools for the upcoming school year.

Through its corporate social responsibility group called MOVE (Make Our Volunteerism Enrich Lives), Federal Land assembled 50 executives and employees to participate in the annual Brigada Eskwela cleanup drive at Ciriaco P. Tinga Elementary School in Taguig City, where several key Federal Land projects are located.

The volunteers helped clean the campus, repaint walls, and refurbish desks and cabinets, to ensure that the school would be prepared for the start of the school year. In addition, Federal Land also donated 1,500



AXA Corporate Responsibility Week 2019

hard hats for the school's earthquake drill activity and other disaster preparedness programs.

This was Federal Land's first-ever participation in Brigada Eskwela. Through its involvement, the company showed its support for local government programs and community development.



AXA PHILIPPINES

Consistent with its aim of inspiring and empowering Filipinos to live the life they choose, AXA Philippines chose to focus its CSR projects in 2019 toward health, social inclusion, and disaster preparedness.

AXA Philippines held in July its Corporate Responsibility Week (CR Week), an annual global event in which employees from AXA affiliates worldwide participate in efforts to help local charities and selected cause-oriented projects. Hundreds of AXA employees, led by AXA Philippines President and Chief Executive Officer Rahul Hora, participated in the week-long series of nationwide events.

On the first day of CR Week, volunteers packed meals for over a hundred pregnant women in Tondo, Manila and Porac, Pampanga. Then, AXA officers and staff participated in pipe solar lamp-making, facilitated by Liter of Light and its global director, social entrepreneur Illac Diaz. The initiative provided light to 100 women and their families in Puerto Galera, Mindoro. Later in the week, AXA employees attended disaster preparedness training and donated blood for 1,000 social service patients in support of Manila Doctors Hospital's surgical missions. The week-long celebration culminated in events at SOS Villages, homes for abandoned and orphaned children, in Davao and Cebu. AXA volunteers helped organize a family day celebration for 250 children, while high school students were taught financial literacy by company experts.

In education, AXA Philippines, together with the Metrobank Foundation, partnered with the Philippine Department of Education's Manila Division to offer financial literacy programs for teachers and saving plans for sixth grade students in six schools. Through this partnership, AXA Philippines aims to catalyze financial inclusion in the country by contributing to financial literacy. The programs are expected to benefit the following schools:



Metro Pacific Foundation's Shore It Up! Program

Licerio Geronimo Elementary School, Melchora Aquino Elementary School, Geronimo Santiago Elementary School, Moises Salvador Elementary School, CENTEX Elementary School, and Gen. Miguel Malvar Elementary School. Metrobank Foundation will provide logistical and administrative preparation support in the endeavor.



METRO PACIFIC INVESTMENTS FOUNDATION, INC.

Metro Pacific Investments Corporation (MPIC) implements its CSR efforts through the Metro Pacific Investments Foundation (MPIF), whose mission is to improve the lives of the communities they serve through meaningful engagements and long-term commitments.

Environment and Economic Empowerment

MPIF's environmental advocacy program Shore It Up! (SIU) continued with its initiatives in 2019 with the aim of working with local government units to promote eco-tourism by involving communities

in cleaning up, restoring, and protecting valuable coastal ecosystems.

To achieve this, SIU pursues environmental rescue, restoration, and revival projects with the establishment of Mangrove Propagation and Information Centers, particularly in Alaminos, Pangasinan; Del Carmen, Surigao del Norte; and most recently in Cordova, Cebu.

In 2019, the SIU program was able to achieve a 99% reduction in mangrove cutting and 95% reduction in illegal fishing in Del Carmen. It also supported startups for new tourism-related enterprises in the municipality.

Also in line with the SIU program, MPIF held capacity-building activities for 36 Marine Guardians in Puerto Galera and Medina, Misamis Oriental and 6 Mangrove Eco-Guides in Del Carmen, Surigao del Norte and Alaminos, Pangasinan. The foundation also certified seven new dive scholars from MPIC, One Meralco Foundation, and the Rotary Club of Makati-Lumina.

MPIF conducted its annual Shore It Up! Weekend in Puerto Galera, where 145 volunteer divers from the SIU community,



Health It Up! Program



Mano Amiga Scholarship Program

the MVP group, and the local community of Puerto Galera (the largest number of volunteer divers SIU has mobilized to date) participated in an underwater clean-up and 2,019 non-diving volunteers from the 13 barangays of Puerto Galera, collected over 100,000 pieces of trash through a provincial-wide coastal clean-up.

Health It Up

To deepen its relationship with partner communities, MPIF launched Health It Up! (HIU), a new program that makes healthcare services more accessible to coastal community folks. HIU is designed to complement the foundation's existing environmental and livelihood programs to provide coastal partners with more holistic assistance.

MPIF kickstarted HIU in Puerto Galera. In partnership with the Makati Medical Center Foundation, MPIF brought 22 volunteer doctors to conduct medical, ENT and dental consultations, vision screening, and random blood sugar testing for the benefit of 422 patients. The foundation also donated an Automated External Defibrillator (AED) to the local government and trained MPIC Guardians and the LDRRMO on its use.

MPIF is set to replicate the success of HIU Puerto Galera to other coastal community areas.

Education

MPIF continued to support Mano Amiga through scholarships that open more opportunities for children who would otherwise have no access to quality education.

Mano Amiga is a non-profit organization established in 2008 that has developed into a highly impactful social development program with support from MPIF. Mano Amiga's aim is to provide quality education for children from low-income families.

During the year, MPIF, through Mano Amiga, continued to provide scholarship for 23 scholars and teacher's professional development at the Mano Amiga Academy in Parañaque City. Moreover, 18 MPIC volunteers hosted a summer program for the students. MPIC employees also volunteered in a co-teach program where they taught the scholars how to make mandalas out of recycled CDs, as well as collages out of recycled newspapers and magazines.



Alagang Kapatid Foundation Relief Operations

Calamity Relief and Social Development Projects

In 2019, MPIF contributed to several relief operations across the country.

MPIF, through Alagang Kapatid Foundation, Inc., provided relief support to the fire victims in Barangay San Antonio, Quezon City. Moreover, in partnership with other 'Tulong Kapatid' Foundations, MPIF contributed to the relief operations in Itbayat, Batanes for the victims of the earthquake that happened in July. The Foundation donated 30 Tulip tabletop water filters, as well as an AED unit to the local government.

MPIF also contributed to the development of a rural health center in war-torn Marawi by creating a play and learning corner for the children in the local community. The foundation donated playmats, educational posters and toys, and books.

Puno ng Pag-Ibig

Aside from external engagements, MPIC finds innovative ways to foster a culture of sustainability inside the workplace.

A huge part of the Christmas spirit at MPIC is the creativity and resourcefulness kindled as employees take part in Puno ng Pag-Ibig, the Company's annual upcycling competition where teams are tasked to create six-foot tall Christmas trees out of recycled office materials.

Since 2018, MPIC has added a new dimension to Puno ng Pag-Ibig to make it more meaningful—each team would have an assigned beneficiary and their winnings would be used to buy them special Christmas gifts. The beneficiaries of Puno ng Pag-Ibig 2019 were: Sta. Rita Orphanage, Philippine Children's Medical Center, DOH Treatment and Rehabilitation Center-Bicutan, and Virlanie Foundation.

This inspired our employees to harness their teamwork while maintaining competitiveness. It also resulted in a variety of office waste recycled, as the teams used water bottles, magazines and newspapers, cardboards, scratch papers, and aluminum cans to adorn their trees.

Corporate Governance Report

2019 Corporate Governance Highlights

GT Capital Holdings, Inc. ("GT Capital" or the "Corporation", and together with its subsidiaries, the "Group"), espouses healthy corporate governance practices in line with best standards in the Philippines and in the Association of Southeast Asian Nations ("ASEAN") Region. In pursuit of its goal and in order to contribute to optimal long-term value creation for its stakeholders, GT Capital devotes considerable effort to identify and formalize best practices that implement and imbibe the spirit of the principles outlined in the Securities and Exchange Commission's ("SEC") Code of Corporate Governance for Publicly-Listed Companies and Integrated Annual Corporate Governance Report, the G20/OECD Principles of Corporate Governance, and the ASEAN Corporate Governance Scorecard.

GT Capital's efforts and commitment to raise its level of corporate governance have garnered recognition in the investment community. This affirms the Corporation's standing as one of the top 50 publicly-listed companies ("PLCs") in corporate governance in the ASEAN region and one of the two most improved PLCs in the Philippines awarded by the ASEAN Capital Markets Forum in 2015.

2019 Awards and Recognitions



GT Capital Chairman Arthur V. Ty - Leadership Achievement Award, *The Asian Banker*



Triple Arrow-Rated Company, One of the Top Philippine Companies
ASEAN Corporate Governance Scorecard, Institute of Corporate Directors



Best Investor Relations Company
9th Corporate Governance Asia Asian Excellence Awards

As part of its ongoing improvement in corporate governance, GT Capital initiated the following best practices in 2019:

1. Engagement of an external facilitator in the conduct of its board, committee, Chairman, and directors' assessments;
2. Commencing conduct of aforementioned assessments;
3. Ensuring continued compliance with the Data Privacy Act and its Implementing Rules and Regulations;
4. Establishment of a process for Board of Directors to review, monitor, and oversee the implementation of GT Capital's corporate strategy;
5. Codification of Company Policies on Customer Welfare, Sustainable Value Chain Policy, and Interaction with Community;
6. Conduct of a mentorship program for junior officers in relation to the Corporation's succession planning initiative;
7. Release of first sustainability report in accordance with Global Reporting Initiative ("GRI") standards and with Materiality Disclosure Check by GRI;
8. Roll out of sustainability reporting framework to component companies leading to a consolidated report; and
9. Adoption of Material Related Party Transactions Policy.

2019 Compliance

GT Capital is fully compliant with the Code of Corporate Governance for Publicly-Listed Companies as well as with all pertinent laws, rules and regulations imposed in the conduct of its business.

As a PLC, GT Capital acknowledges its duty and responsibility to provide timely and accurate information to the investing public. To this end, GT Capital strictly complies with all reportorial and disclosure requirements imposed by regulatory agencies such as the SEC, the Philippine Stock Exchange ("PSE"), and the Philippine Dealing and Exchange Corporation. GT Capital likewise ensures the posting of all reportorial and disclosure requirements onto GT Capital's website: www.gtcapital.com.ph.

Corporate Governance Policies and Practices

Good corporate governance practices are necessary in all levels of the organization. In order to ensure good corporate governance and to further cultivate and inculcate a culture of compliance within the Corporation, GT Capital established the following policies in support of its corporate governance framework.

Manual on Corporate Governance

GT Capital adopted a Manual on Corporate Governance (the "CG Manual") to institutionalize the principles of good corporate governance in the entire Corporation. This is in line with the belief of its Board of Directors, Management, employees, and shareholders that corporate governance is a necessary component of what constitutes sound strategic business management. As such, every effort necessary is undertaken to create awareness of the CG Manual within the Corporation and ensure compliance with the same. The charters of

Corporate Governance Report

the Board committees are attached to the CG Manual, and these are reviewed annually and if necessary, amended to reflect corporate governance best practices adopted by the Corporation.

Code of Ethics

The Code of Ethics promotes a culture of good governance and serves as a guide to ensure that GT Capital's directors, officers, and employees adhere to the highest ethical standards in the conduct of its business, keeping in mind GT Capital's corporate core values of integrity, excellence, respect, entrepreneurial spirit, and commitment to value creation.

The Code of Ethics is implemented through the CG Manual, Whistleblowing Policy, Code of Discipline of Employees, and the Policies and Procedures Manual ("PPM") of each department. The Whistleblowing Policy and Code of Discipline of Employees were distributed to all directors, officers, and employees, while the PPMs of each department are disseminated to all the employees of such departments. All these documents are also readily available for access of all directors, officers, and employees through the website, by request from the Legal and Compliance Department, and through the Human Resources ("HR") and Administration Department, and are reviewed on an annual basis in the context of evolving best practices and changing regulations.

GT Capital's HR and Administration Department, in coordination with the relevant heads of other departments, is tasked with implementing and ensuring compliance with the provisions of the Code of Ethics as well as the policies and codes implementing the Code of Ethics. Its responsibilities include, among others, ensuring that the contents of the Code of Ethics are

communicated to all existing and new officers and employees of the Corporation. This is done by providing officers and employees with a copy of GT Capital's Employee Handbook, which includes the Code of Discipline of Employees, and requiring each officer and employee to acknowledge in writing receipt of the same, and conducting an annual orientation on the Corporation's policies. Its activities also include investigating reported violations of the Code and, if necessary, imposing the appropriate disciplinary action. In addition, each department is audited by GT Capital's Internal Audit Department to further verify observance of the relevant policies.

Code of Discipline of Employees and Anti-Corruption Programs

The Code of Discipline of Employees, which has been distributed to all employees of GT Capital and is available on GT Capital's website, ensures that employees of GT Capital conduct themselves in a manner befitting their respective positions in the Corporation by espousing the general principles of professionalism, high ethical standards, discipline, integrity, and honesty. It likewise promotes efficient, orderly, and safe conduct of the Corporation's operations, as well as fairness and uniformity in implementation of any disciplinary action on its employees.

The Corporation's anti-corruption program is integrated in the Code of Discipline which considers bribery and offering or accepting anything of value for personal gain in the conduct of official business a serious offense, with a penalty of dismissal.

The HR and Administration Department is responsible for monitoring and implementing the Code of Discipline of Employees. It regularly

conducts seminars for its employees, including an onboarding seminar for new employees, tackling the policies and procedures of GT Capital including the Corporation's Code of Discipline of Employees and Anti-Corruption Program. Since its adoption in 2013, there have been no major violations of the Code of Discipline of Employees.

Whistleblowing Policy

GT Capital's Whistleblowing Policy was adopted to further strengthen GT Capital's corporate governance framework and maintain the highest standards of transparency, probity, and accountability, consistent with its stature as a PLC.

The Whistleblowing Policy strictly prohibits fraudulent practices and unethical conduct by any of its board members, officers, and employees. It defines who qualifies as a whistleblower and provides the procedure to be followed by such whistleblower to report in good faith acts or omissions which he or she reasonably believes violate a law, rule or regulation or constitutes unethical conduct or fraudulent accounting practice.

Whistleblowers are protected by the confidentiality and non-retaliation provisions in the Whistleblowing Policy. The former ensures that the Corporation maintains the anonymity of the whistleblower during the review and investigation process and provides sanctions to be imposed on any party who reveals the identity of whistleblower without his/her consent. The non-retaliation policy prohibits retaliation or reprisal tactics against employee whistleblowers, such as punitive transfers, withholding of professional promotion or training, loss of seniority rights or benefits, among others, and provides that disciplinary

action shall be taken against an officer or employee who engages in such conduct.

The Whistleblowing Policy is accessible through the GT Capital website, and is also attached to GT Capital's CG Manual.

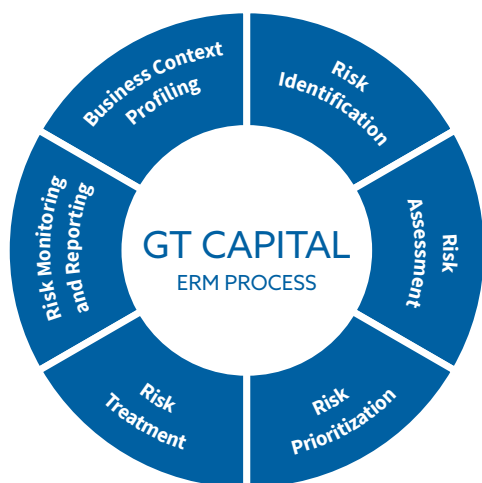
Reports by stakeholders, including employees, may be submitted by e-mail to governance@gtcapital.com.ph or directly in writing to the Chief Audit Executive ("CAE"). The CAE may then investigate the report, appoint an investigating officer, create a special Task Force (internal or outsourced) to investigate the matter independently, or elevate the report to the Discipline, Ethics, and Values Committee composed of the CAE and the respective heads of the HR and Administration Department and Legal and Compliance Department. Investigations shall be completed within sixty (60) calendar days from receipt of the report by the CAE.

Enterprise Risk Management

GT Capital has adopted an Enterprise Risk Management ("ERM") Policy and Framework for the promotion of increased awareness of risks, minimization of GT Capital's exposure to financial losses, and boosting shareholder confidence. GT Capital seeks to maintain an effective risk management process, designed to meet the requirements of generally accepted good corporate governance.

The goal of the enterprise risk management process is to apply a consistent methodology to identify, assess, and manage business risks across GT Capital. GT Capital undertakes an annual assessment of its risks using a methodology aligned with global risk management standards - ISO31000 and COSO Framework.

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Risk Governance Structure

GT Capital's risk governance structure ensures that risk management is not the sole responsibility of one individual but rather occurs and is supported at all levels in the Corporation. The effectiveness of the risk governance structure and process is supported by well-defined risk management roles and responsibilities and periodic review conducted by the Internal Audit Department.



The Board of Directors, through the Risk Oversight Committee, has the ultimate oversight role over the Corporation's risk management activities, and approves risk management related

policies, procedures, and parameters that govern the management of risks.

The Board of Directors, with guidance from the Executive Committee, determines the strategic direction of GT Capital and creates the environment and the structures to properly align risk management with strategic objectives.

The Chief Risk Officer ("CRO") is the Corporation's risk advocate who facilitates the execution of the ERM process. His primary responsibility is to own, develop, implement, and continuously improve the ERM process. He is assisted by a full-time Risk Management Officer.

The Risk Steering Committee members are the risk owners, and are responsible for the identification, assessment, and monitoring of key risks, and the establishment of countermeasures.

In accordance with the Risk Charter, the risk management system is subjected to regular internal audits to identify any gaps in the performance of the process. The audit results are reported to the Audit Committee, Risk Oversight Committee, and Senior Management, and are addressed accordingly.

Key Business Risks and Controls

In 2019, individual interviews and group workshops were conducted for the Annual ERM Reassessment. A total of 34 risks were identified and assessed using the agreed upon Risk Ranking Criteria. Risk Treatment Action Plans were developed for each risk item. A Risk Dashboard containing key risk indicators for each identified risk was developed and monitored to assess on an on-going basis that the risks are effectively managed. Key risks for GT Capital and its component companies include market risk, operational risk, regulatory

compliance risk, financial reporting risk, and portfolio management risk.

Market Risk

GT Capital's component companies are engaged in various sectors, namely banking, insurance, property development, automotive assembly and distribution, and infrastructure and utilities. GT Capital's component companies may be adversely affected by market and other macroeconomic factors such as interest rate, foreign exchange rates, inflation, and other economic variables. Political policies, directions, and uncertainties may also impinge the market demand for component company products and services.

To mitigate this risk, GT Capital and its component companies continuously monitor key risk indicators, conduct sensitivity analyses, and adjust their business strategies accordingly.

Operational Risk

GT Capital's component companies are exposed to risks in the conduct of its operations, which includes fraud and information security. Incidents in this category may lead to disruption in operations, reputational damage or financial losses.

To mitigate this risk, GT Capital and its component companies maintain robust operational policies, procedures, and controls. Regular internal audits and third-party checks, as necessary, are conducted to identify and address gaps in the performance of various functions.

Regulatory Compliance Risk

GT Capital's component companies are regulated by the Bangko Sentral ng Pilipinas, Insurance Commission, Housing and Land Use Regulatory Board, SEC, Bureau of Internal Revenue, and other regulatory bodies. Rules and implementing guidelines are always evolving,

and GT Capital should always be up-to-date with these new developments.

To mitigate this risk, GT Capital's component companies have their own legal and compliance departments to ensure proper compliance with relevant regulations. In addition, the internal audit department of each component company reports any material non-compliance to their respective audit committees.

Financial Reporting Risk

It is of utmost importance to GT Capital and its component companies to be transparent to its shareholders in terms of financial reporting.

To achieve this, each of GT Capital's component companies has engaged Sycip, Gorres, Velayo & Company ("SGV & Co.") as their external auditor. In addition, GT Capital conducts its own review of the submitted financial reports for consolidation. Afterwards, the consolidated financial statements at the GT Capital level are then subject to another external audit by SGV & Co.

Portfolio Management Risk

As a holding company, GT Capital aims to have a diversified portfolio that maximizes profitability and creates shareholder value.

To achieve this, GT Capital Management meets on a periodic basis to monitor and review the performance of the portfolio and accordingly recommends the adjustment of business strategies to the Executive Committee and the Board of Directors.

Environmental and Social Risk

GT Capital's component companies are exposed to non-financial risks such as environmental and social impacts in the conduct of their operations. Environmental risks may be brought about by non-compliance with relevant laws and regulations and contribution of climate change. Social risk primarily arises from the component

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companies' interaction with its stakeholders such as employees, suppliers, customers and other participants in the value chain.

To mitigate this risk, GT Capital's component companies are actively engaging key stakeholders to improve their response to environmental and social risks. In addition, the component companies ensure compliance with all relevant laws and regulations which provide protection to the environment and to participants of its supply chain.

Other Risks

In addition to the key risks discussed above, there are other risks which were identified by GT Capital Management during the 2019 Enterprise Risk Management Annual Reassessment. Each risk has corresponding key risk indicators that are monitored on a periodic basis and serve as an early warning signal for GT Capital in case an emerging risk was to transpire. These indicators are reported to the Board of Directors, through the Risk Oversight Committee, on a quarterly basis.

Policy on Conflicts of Interest

Under GT Capital's CG Manual, directors must observe the conduct of fair business transactions with the Corporation, ensure that his personal interest does not conflict with the interests of the Corporation, and should not use his position for profit or to gain some benefit or advantage for himself and/or his related interests. GT Capital's directors should likewise avoid situations that may compromise their impartiality. When actual or potential conflict of interest exists, the conflicted director is required to fully and immediately disclose the same and abstain from participating in the Board discussion of that item on the agenda.

As part of its evaluation of nominees for directorship, the CG Manual provides that

the Nominations Committee should consider possible conflicts of interest.

Policies on Insider Trading

Consistent with the Securities Regulation Code and other pertinent laws and issuances, GT Capital's policies ensure that its directors, officers, and employees keep secure and confidential all material non-public information which they may acquire or learn by reason of their position. To this end, the directors, officers, and employees are prohibited from dealing in GT Capital shares from the time they receive or become aware of material non-public information up to two (2) full trading days after its disclosure to the investing public (the "Blackout Period"). The Corporation considers insider trading as a very serious offense and prohibits the continued service of any director, officer, or employee who has been convicted by a court of competent jurisdiction of insider trading. Accordingly, subject to procedures required under the policies of the Corporation, a director convicted of insider trading shall be removed from his position while officers and employees shall be subject to dismissal.

Outside the Blackout Period, GT Capital requires its directors, officers, and principal stockholders to report to the Corporation all dealings and transactions in GT Capital shares within three (3) business days after the transaction. This ensures that GT Capital complies with PSE's Revised Disclosure Rules and the Implementing Rules and Regulations of the Securities Regulation Code. The appropriate disclosures are submitted to the PSE and SEC (through SEC Form 23-B) before the relevant information is posted on GT Capital's website.

In 2019, GT Capital submitted details on all transactions made by insiders and has not been penalized for any violation of applicable

laws, rules, and regulations in relation to insider trading.

Procurement Policies

The HR and Administration Department's PPM outlines the procurement policies of GT Capital, which ensures that risk exposure due to unreasonable and exorbitant spending is eliminated.

All purchases require review and approval of the requesting department head and GT Capital's Chief Financial Officer ("CFO") before they are processed. Transactions are then assessed in order to determine if there is a need to comply with the policies and procedures prescribed by the Bids and Awards Committee ("BAC"). Purchases not subject to formal bidding process shall undergo the informal bidding process in which at least three (3) bids/quotations shall be obtained from different suppliers. The HR and Administration Department oversees all procurements, while the Accounting and Financial Control Department is responsible for payment processing of all obligations arising from procurements.

The Corporation maintains a list of accredited suppliers for office supplies and equipment which have been pre-screened to provide competitive prices. Contracts for availment of crucial services are reviewed and approved by the BAC or the Executive Committee for extraordinary service engagements.

Board of Directors and Management

GT Capital's Board of Directors is primarily responsible for the governance of the Corporation and ensures its compliance with the principles of good governance by providing an independent check on Management. By setting policies for the accomplishment of GT Capital's

corporate objectives, the Board of Directors fosters the long-term success, sustained growth, and competitiveness of the Corporation in a manner consistent with its fiduciary responsibility towards both the Corporation and its stakeholders.

Board Composition

The Nominations Committee annually pre-screens and shortlists all candidates nominated to become a member of the Board of Directors. GT Capital's stockholders elect annually the Board of Directors from a final list of candidates prepared by the Nominations Committee. The Corporation availed of the Board Director Sourcing Services of the Institute of Corporate Directors ("ICD") when searching for candidates for the Board of Directors. The experience of the members of the Board encompasses a wide range of experience in business, finance, and law, as well as expertise in industries in which GT Capital's component companies are involved in.

As of May 08, 2019, four (4) members of GT Capital's Board of Directors are Independent Directors. In addition to having all the qualifications and none of the disqualifications as embodied in relevant SEC regulations and in the By-laws of the Corporation, an Independent Director is a person who, apart from his fees and shareholdings, is independent of management and substantial shareholders, and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

GT Capital's CG Manual provides that no director shall simultaneously hold more than five (5) board seats in PLCs, while an executive director shall not serve on more than two (2)

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boards of PLCs outside the Group. No director of the Corporation serves on more than five (5) boards of PLCs, and no executive director serves on more than two (2) boards of PLCs outside of the Group.

The roles of the Chairman and the President are separate to ensure an appropriate balance of power, increase accountability, and improve the Board of Directors' capacity for making decisions separately and independently from Management. Among others, the Chairman ensures that meetings of the Board of Directors are in accordance with the By-laws, listens and addresses governance-related issues that may be raised by non-executive or Independent Directors, and ensures that the Board of Directors exercises strong oversight over the Corporation and its Management. On the other hand, the President, among other responsibilities, plans, develops, and implements the Corporation's policies and goals, interfaces with the Chairman to revise objectives and plans in accordance with current conditions, and communicates clearly and directly with employees concerning performance expectations, productivity, and accountability. Mr. Arthur Vy Ty has served as Chairman of GT Capital since his election on May 11, 2016. Mr. Carmelo Maria Luza Bautista has served as President since GT Capital's listing in April 2012.

Duties and Responsibilities of the Board of Directors

The duties and responsibilities of the Board of Directors, which meets at least six (6) times during the year, include: implementing a process for the selection of directors who can contribute independent judgment to the formulation of sound corporate strategies

and policies; providing guidelines and insights on major investments and capital expenditures; ensuring the Corporation's compliance with all relevant laws, regulations and best business practices; establishing and maintaining an Investor Relations Program to keep stockholders apprised of important developments; identifying the stakeholders in the community and formulating a clear policy of communication with them; adopting a system of check and balance with the Board; identifying key risks and performance indicators and monitoring the same; formulating and implementing policies and procedures that would ensure the integrity and transparency of related party transactions; establishing and maintaining an alternative dispute resolution system in GT Capital; constituting committees it deems necessary to assist it in the performance of its functions; and performing such other duties and responsibilities as may be required under the relevant rules and regulations.

Board Attendance

To ensure attendance of directors, the dates of the six (6) regular Board meetings of GT Capital are set before the beginning of the fiscal year to coincide with the Annual Stockholders' Meeting ("ASM") on the second Wednesday of May and with the financial reports and disclosures during the year (March, June, August, November, and December). The quorum requirement for instances when important matters are to be discussed on the agenda, such as issues that will have a significant impact on the character of the Corporation, is two thirds (2/3) of all the directors. However, the Board Secretariat endeavors to ensure the attendance of at least two thirds (2/3) of all the directors for each meeting, regardless of the agenda. For the year

2019, the Board met six (6) times, as provided below:

Name & Position	No. of Meetings Attended
Arthur Vy Ty Chairman	6/6 (100%)
Alfred Vy Ty Co-Vice Chairman	3/6 (50%)
Francisco C. Sebastian Co-Vice Chairman	6/6 (100%)
Carmelo Maria Luza Bautista President and Director	6/6 (100%)
Renato C. Valencia Lead Independent Director	6/6 (100%)
Jaime Miguel G. Belmonte Independent Director	6/6 (100%)
Wilfredo A. Paras Independent Director	6/6 (100%)
Rene J. Buenaventura Independent Director	6/6 (100%)
David T. Go Director	5/6 (83.33%)
Pascual M. Garcia III Director	6/6 (100%)
Regis V. Puno Director	5/6 (83.33%)

Director, Board, and Committee Self-Assessment

The Board, Committee, and Individual Director’s Self-Assessment forms were adopted as a tool for the Corporation to evaluate the performance of its Board, Committees, and individual directors and to assess the efficiency of its processes. These enable the Board of Directors and Management to identify areas for improvement and determine the value and contribution of the Board of Directors and each director towards the

growth and improvement of the Corporation. The Self-Assessment forms are distributed annually and tabulated by the Board Secretariat so that results may be reported to and acted upon by the Board of Directors, Management, and/or appropriate committee, as necessary.

In 2019, the Corporation engaged the ICD as its external facilitator in the conduct of the Board, Director, and Committee Self-Assessments, as well the Chairman’s Assessment. The first part of the assessment is the distribution and accomplishment by the directors of the Self-Assessment forms.

The criteria for the Self-Assessment of the Board, the Committees, and individual directors are as follows:

Board Self-Assessment Criteria

- Structure and Composition
- Roles and Accountability
- Board Process
- Board Dynamics

Director Self-Assessment Criteria

- Director Roles & Responsibilities
- Vision, Goals and Strategies
- Continuous education, development and improvement
- Board Meetings
- Participation and Overall Performance

Committee Self-Assessment Criteria

- Charter
- Composition and Quality
- Meetings
- Duties and Responsibilities
- Working relationship with executives

Questions may be answered on a scale ranging from “strongly disagree” to “strongly agree”, and qualitative questions are asked to solicit comments and suggestions on recommended areas of focus and on how to improve the Corporation’s performance.

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For the second part of the assessment process, ICD interviewed select directors of the Corporation to enable ICD to ask additional questions in relation to the directors' answers to the Self-Assessment forms.

Performance Assessment of President by the Board

The President's Assessment Questionnaire is a tool used to evaluate the performance of the President of GT Capital and to identify areas of improvement. It is distributed annually to the Board of Directors and the results are provided to the President. The Questionnaire is divided into the following sub-sections: leadership, strategy formulation, strategy execution, financial planning/performance, relationship with the Board of Directors, personal qualities, transparency/effective communication, and integrity. The Board of Directors rated the President on a scale of one (1) as the lowest to five (5) as the highest. The Questionnaire also includes a portion on the President's development needs where the directors can identify the President's strengths and suggest key result areas and personal development for the coming year.

Board Committees

The Board of Directors exercises authority over specific aspects of GT Capital's business through its committees, which aid in complying with the principles of good corporate governance. Each committee is governed by its own charter, which serves as a guide on its composition, frequency of meetings, and exercise of its powers, duties, and responsibilities. The latest version of each

committee charter may be downloaded from the GT Capital website.

Executive Committee

GT Capital's Executive Committee exercises powers and authority of the Board when the Board is not in session, or when it is impractical for the Board of Directors to meet. The Executive Committee reports all its actions to the Board of Directors, which may revise or alter the same, provided that no rights or acts of third parties are prejudiced. The Executive Committee also guides Management in the evaluation of the acts or courses of action to be taken prior to its endorsement to the Board of Directors, if required under the CG Manual and By-laws of GT Capital.

Member / Position Held in Committee	Meetings Attended
Arthur Vy Ty Chairman (Non-executive Director)	30/35
Alfred Vy Ty Vice-Chairman (Non-executive Director)	30/35
Francisco C. Sebastian Member (Non-executive Director)	31/35
Carmelo Maria Luza Bautista Member (Executive Director)	35/35
Mary Vy Ty Adviser (Non-executive)	34/35

Compensation Committee

The Compensation Committee is tasked to implement formal and transparent policies and procedures to ensure that compensation

of directors and key officers of GT Capital is consistent with the Corporation's culture, strategy, long-term interests, and the business environment in which it operates.

Member / Position Held in Committee	Meetings Attended
Jaime Miguel G. Belmonte Chairman (Independent Director)	2/2
Alfred Vy Ty Member (Non-executive Director)	2/2
Renato C. Valencia Member (Lead Independent Director)	2/2

Nominations Committee

The Nominations Committee defines and assesses Board membership criteria and identifies and develops highly-qualified individuals to take on key Board and Board Committee positions when vacancies occur. The Nominations Committee pre-screens and shortlists candidates nominated to become a member of the Board of Directors of GT Capital and other positions requiring the Board of Directors' appointment. It ensures that all nominees possess all of the qualifications and none of the disqualifications provided under existing laws, rules, and regulations, and promotes the Corporation's policy on diversity, such that no discrimination is made based on gender, age, ethnicity, nationality or background, whether social, cultural, political or religious.

The Nominations Committee considers the Corporation's vision, mission, corporate

objectives, and strategic direction as well as gaps in the skills and competencies of the currently serving directors. In determining whether there are gaps, the Nominations Committee also considers the sectors that GT Capital and its component companies are in. The Nominations Committee has the option to use an external search agency or external databases in identifying qualified candidates to the Board of Directors.

As of May 08, 2019, all members of the Nominations Committee are independent directors.

Member / Position Held in Committee	Meetings Attended
Renato C. Valencia Chairman (Lead Independent Director)	2/2
Wilfredo A. Paras Member (Independent Director)	2/2
Rene J. Buenaventura Member (Independent Director)	2/2
Carmelo Maria Luza Bautista Adviser (Executive Director)	2/2

Audit Committee

The Audit Committee exercises oversight responsibility over the financial reporting process, system of internal control, audit process, and the monitoring of compliance with applicable laws, rules, and regulations. It oversees the Corporation's external and internal auditors and reviews the audit and non-audit fees paid to external auditors.

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Statement of the Audit and Risk Oversight Committees on Adequacy of GT Capital's Internal Controls and Risk Management System

In compliance with GT Capital's Manual on Corporate Governance and PSE's Corporate Governance Guidelines for publicly listed companies, the Audit Committee and the Risk Oversight Committee jointly certify, on behalf of the Board of Directors, the adequacy and effectiveness of the Corporation's internal controls and risk management system, and hereby attest that the Parent Corporation's governance, risk management, and control processes are adequately designed and operating effectively relative to its business objectives.

Mr. Wilfredo A. Paras
Chairman, Audit Committee

Mr. Rene J. Buenaventura
Chairman, Risk Oversight Committee

Member / Position Held in Committee	Meetings Attended
Wilfredo A. Paras Chairman (Independent Director)	4/4
Renato C. Valencia Member (Lead Independent Director)	4/4
Rene J. Buenaventura Member (Independent Director)	3/4
Regis V. Puno Member (Non-executive director)	2/4
Pascual M. Garcia III Member (Non-executive director)	4/4

At least one (1) independent director of the Audit Committee has accounting expertise. Mr. Rene J. Buenaventura is a certified public accountant.

Risk Oversight Committee

The Risk Oversight Committee is responsible for ensuring the creation and implementation of a robust and effective system of identifying, assessing, monitoring, and managing all material and relevant risks to the Corporation and its shareholders. GT Capital's Risk Oversight Committee is also responsible for institutionalizing and overseeing the Corporation's risk management program and for monitoring the risk management policies and procedures of GT Capital's subsidiaries in relation to its own. Its powers, duties, and responsibilities include, among others, identifying, assessing, and prioritizing business risks, developing risk management strategies, overseeing the implementation as well as reviewing and revising GT Capital's Risk Management Plan, recommending to the Board of Directors policies and guidelines to address unforeseen risks, and creating and promoting a risk culture that requires the highest standards of ethical behavior among all personnel.

Member / Position Held in Committee	Meetings Attended
Rene J. Buenaventura Chairman (Independent Director)	4/4
Renato C. Valencia Member (Lead Independent Director)	4/4
Wilfredo A. Paras Member (Independent Director)	4/4
David T. Go Member (Non-executive Director)	2/4

Corporate Governance and Related Party Transactions Committee

The Corporate Governance and Related Party Transactions Committee was created as a board-level committee in order to aid the Board of Directors in its primary responsibility for good corporate governance. It is tasked with ensuring the Board of Directors' effective and due observance of corporate governance principles and guidelines. The Corporate Governance and Related Party Transactions Committee is also responsible for passing upon and providing clearance for transactions with related parties which involve disbursements of funds exceeding the amount provided in the Corporate Governance and Related Party Transactions Committee Charter. In all cases, the Corporate Governance and Related Party Transactions Committee shall make its decision taking into consideration the best interest of the Corporation and its shareholders.

The policies which guide the Corporate Governance and Related Party Transactions Committee are found in the Corporate Governance and Related Party Transactions Committee Charter.

One of the policies outlined in the Corporate Governance and Related Party Transactions Committee Charter is the Corporation's policy prohibiting loans to directors except when the following conditions are present: (a) Management has, based on the judgment of the Board of Directors, sufficiently justified the loan or assistance to the related party; (b) the loan or assistance shall be provided on arm's length basis; and (c) the terms and conditions of the loan do not deviate substantially from market terms and conditions and do not jeopardize the best interest of the Corporation.

Member / Position Held in Committee	Meetings Attended
Renato C. Valencia Chairman (Lead Independent Director)	5/5
Wilfredo A. Paras Member (Independent Director)	5/5
Jaime Miguel G. Belmonte Member (Independent Director)	5/5
Anjanette Ty Dy Buncio Adviser	4/5

In 2019, all related party transactions were conducted fairly and at an arm's length basis. Further discussion on the related party transactions of the Corporation can be found under Note 27 of the Corporation's Audited Financial Statements.

Board and Committee Support

GT Capital's Corporate Secretary, Atty. Antonio V. Viray, has extensive experience in legal and company secretarial practices, and, together with Assistant Corporate Secretary, Ms. Jocelyn Y. Kho, plays a significant role in supporting the Board by ensuring the efficient flow of information among the Board of Directors, Management, stockholders, and stakeholders. They ensure that directors have reasonable access to any information they might need to deliberate on all matters on the Board of Directors' agenda and receive the requisite board materials at least five (5) business days before all scheduled meetings of the Board of Directors.

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By keeping abreast with relevant laws, rules and regulations, and industry developments necessary for the performance of their duties and responsibilities, they effectively advise the Board of Directors on significant issues as they arise. In monitoring regulatory compliance, they may take appropriate corrective measures to address all regulatory issues and concerns.

Director and Executive Compensation

GT Capital's Compensation Committee is tasked with ensuring that competitive remuneration is offered to attract and retain the services of qualified and competent directors and officers. Annual compensation of directors and corporate officers of the Board of Directors are determined prior to the start of their term. The HR and Administration Department implements policies on compensation and benefits of employees found in its PPM, which sets forth benefits offered by the Corporation as well as the employees entitled to such benefits.

In 2019, GT Capital directors received aggregate remuneration as follows:

	Remuneration
Executive Directors	Php 3.40 million
Non-Executive Directors (other than independent directors)	Php 22.46 million
Independent Directors	Php 8.86 million

Remuneration of directors (including Independent and Non-Executive Directors) consists of per diem and transportation allowances as well as a year-end bonus which is not dependent on performance. Directors do not receive any remuneration in the nature of options or performance shares.

The aggregate remuneration paid to the five most highly compensated members of GT Capital's Senior Management in 2019 is as follows:

Remuneration Item	Amount
(a) Salary	Php 53.06 million
(b) Bonuses	Php 22.10 million
Total	Php 75.16 million

Orientation and Continuing Education Initiatives for Directors

The Corporation's CG Manual requires incumbent and newly-elected directors to attend a seminar on corporate governance. New directors of GT Capital are oriented regarding GT Capital's core businesses in order to provide the director with a better understanding of the Group. A budget is also in place for continuous professional education of all directors to ensure the continuous effective performance of their functions and to keep them updated on relevant and latest developments. In 2019, directors of the Corporation attended the following programs on corporate governance:

Name of Director/Officer	Date	Program
Arthur Vy Ty	October 18, 2019	Advanced Corporate Governance Training
Alfred Vy Ty	October 11, 2019	Advanced Corporate Governance Training
Francisco C. Sebastian	March 14, 2019	Updates on Corporate Governance and Related Laws and Issuances 2019
	September 26, 2019	Corporate Governance Enhancement Session on 5G Technology Strategy and Governance: Market Trends and New Business Applications; Risk and Challenges; and Cyber Security: Protecting Critical Business Infrastructure
Carmelo Maria Luza Bautista	March 14, 2019	Updates on Corporate Governance and Related Laws and Issuances 2019
	October 11, 2019	Advanced Corporate Governance Training
Renato C. Valencia	October 11, 2019	Advanced Corporate Governance Training
Jaime Miguel G. Belmonte	October 11, 2019	Advanced Corporate Governance Training
Wilfredo A. Paras	September 26, 2019	Corporate Governance Enhancement Session on 5G Technology Strategy and Governance: Market Trends and New Business Applications; Risk and Challenges; and Cyber Security: Protecting Critical Business Infrastructure
Rene J. Buenaventura	May 9, 2019	Technology Governance for Directors
David T. Go	March 14, 2019	Updates on Corporate Governance and Related Laws and Issuances 2019
Pascual M. Garcia III	October 11, 2019	Advanced Corporate Governance Training
Regis V. Puno	October 11, 2019	Advanced Corporate Governance Training

Audit and Accounting

Internal Audit

The Internal Audit function of GT Capital is under the responsibility of its Chief Audit Executive (the "CAE"), Mr. Leo Paul C. Maagma. Prior to the start of the year, a risk-based audit

plan is prepared, which is then approved by the Audit Committee. Progress of the plan as well as significant audit findings are reported quarterly to the Audit Committee and Board of Directors.

The CAE ensures that risk-based audit plans are prepared at the component company level. Progress of these plans and significant audit

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findings meeting the Group's escalation criteria are reported by each component company's Internal Audit Head to the CAE on a quarterly basis. These reports are consolidated and reported to GT Capital's Management, Audit Committee, and Board of Directors.

As mandated by the Internal Audit Charter, to maintain the independence of the internal audit process, the CAE functionally reports to the Audit Committee and administratively to the President. The Audit Committee is thus responsible for the appointment, performance evaluation, and removal of the CAE.

Independent Public Accountants

SGV & Co. was GT Capital's external auditor for the calendar year 2019. GT Capital is compliant with SRC Rule 68, Paragraph 3 (b) (ix) (Rotation of External Auditors), which states that the independent auditors, or in the case of an audit firm, the signing partner, shall be rotated after every five (5) years of engagement, with a two-year cooling off period to be observed in the re-engagement of the same signing partner or individual auditor. The following SGV & Co. partners were engaged by GT Capital since its listing in 2012.

Year	SGV partner engaged
2012	Aris C. Malantic
2013 - 2017	Vicky Lee Salas
2018 - 2019	Miguel U. Ballelos, Jr.

The following table sets out the aggregate fees for audit and audit-related services rendered by SGV & Co. to GT Capital, inclusive of out-of-pocket expenses and value-added-tax for each

of the years ended December 31, 2018 and 2019:

	2018	2019
Audit and Audit-Related Services	2.21	3.04
Non-Audit Services	0.32	0.04
Total	2.53	3.08

Audit services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and review of annual income tax returns. Non-audit services were also provided by SGV & Co. for validation of stockholders' votes during the ASM.

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

Appointment of Independent Party

There was no appointment of an independent party to evaluate the fairness of any transaction price in relation to any mergers, acquisitions, and/or takeovers which require stockholders' approval. For the year 2019, GT Capital was not involved in any mergers, acquisitions and/or takeovers which required stockholders' approval.

Financial Reporting

GT Capital's financial statements comply with Philippine Accounting Standards and Philippine Financial Reporting Standards and are submitted and disclosed in compliance with the applicable laws, rules and regulations. GT Capital did not revise its financial statements in 2019.

Ownership Structure

Stockholders holding more than 5% of outstanding shares

As of December 31, 2019, the following are the owners of GT Capital's common stock in excess of five percent (5%) of its total outstanding shares:

Record Owner	No. of Shares Held	(%)
Grand Titan Capital Holdings, Inc.	120,413,658	55.932%
PCD Nominee Corp. (Non-Filipino)	63,300,943	29.403%
PCD Nominee Corp. (Filipino)	30,881,537	14.345%

No director or officer has shareholdings in GT Capital amounting to five percent (5%) or more of its outstanding capital stock and there are no cross or pyramid shareholdings.

Direct and Indirect Shareholdings of Major Shareholder, Directors and Senior Officers

GT Capital reports quarterly to the PSE the direct and indirect shareholdings of its major shareholder, Grand Titan Capital Holdings, Inc., GT Capital's directors, and its senior officers. Their direct and indirect common shareholdings for the year 2019 are as follows:

Name	Nature of Relationship to GT Capital	Number of Shares Directly Owned (As of January 1, 2019)	Number of Shares Indirectly Owned (As of January 1, 2019)	Number of Shares Directly Owned (As of December 31, 2019)	Number of Shares Indirectly Owned (As of December 31, 2019)
Grand Titan Capital Holdings, Inc.	Principal Shareholder	111,494,658 (55.932%)	0 (0.0000%)	120,413,658 (55.932%)	0 (0.0000%)
Arthur V. Ty	Chairman	103,500 (0.052%)	12,174 (0.060%)	111,780 (0.052%)	13,149 (0.006%)
Alfred V. Ty	Co-Vice Chairman	103,500 (0.052%)	12,174 (0.060%)	111,780 (0.052%)	13,149 (0.006%)
Francisco C. Sebastian	Co-Vice Chairman	104 (0.0000%)	93,150 (0.047%)	112 (0.0000%)	143,802 (0.067%)
Anjanette T. Dy Buncio	Treasurer	0 (0.0000%)	50,504 (0.025%)	0 (0.0000%)	54,544 (0.025%)
Carmelo Maria Luza Bautista	President and Executive Director	1,035 (0.0005%)	12,420 (0.006%)	1,118 (0.0005%)	13,413 (0.006%)
Alesandra T. Ty	Assistant Treasurer	0 (0.0000%)	17,865 (0.009%)	0 (0.0000%)	19,294 (0.009%)

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Name	Nature of Relationship to GT Capital	Number of Shares Directly Owned (As of January 1, 2019)	Number of Shares Indirectly Owned (As of January 1, 2019)	Number of Shares Directly Owned (As of December 31, 2019)	Number of Shares Indirectly Owned (As of December 31, 2019)
Francisco H. Suarez, Jr.	Executive Vice President and Chief Finance Officer	0 (0.0000%)	5,175 (0.0025%)	0 (0.0000%)	5,589 (0.0026%)
Renato C. Valencia	Lead Independent Director	1,035 (0.0005%)	0 (0.0000)	218 (0.0000%)	0 (0.0000)
Jaime Miguel G. Belmonte	Independent Director	1,035 (0.0005%)	0 (0.0000)	1,118 (0.0005%)	0 (0.0000)
Wilfredo A. Paras	Independent Director	1,035 (0.0005%)	0 (0.0000)	1,118 (0.0005%)	0 (0.0000)
Farrah Lyra Q. De Ala	Assistant Vice President	0 (0.0000%)	287 (0.0000%)	0 (0.0000%)	309 (0.0000%)
Winston Andrew L. Peckson	First Vice President and Chief Risk Officer	0 (0.0000%)	281 (0.0000%)	0 (0.0000%)	303 (0.0000%)
Reyna Rose P. Manon-Og	First Vice President and Controller	0 (0.0000%)	204 (0.0000%)	0 (0.0000%)	274 (0.0000%)
David T. Go	Non-Executive Director	104 (0.0000%)	0 (0.0000%)	112 (0.0000%)	0 (0.0000%)
Rene J. Buenaventura	Independent Director	104 (0.0000%)	0 (0.0000%)	112 (0.0000%)	0 (0.0000%)
Pascual M. Garcia III	Non-Executive Director	104 (0.0000%)	0 (0.0000%)	112 (0.0000%)	0 (0.0000%)
Regis V. Puno	Non-Executive Director	104 (0.0000%)	0 (0.0000%)	112 (0.0000%)	0 (0.0000%)
Renee Lynn Miciano-Atienza	Vice President and Head, Legal & Compliance	0 (0.0000%)	47 (0.0000%)	0 (0.0000%)	50 (0.0000%)

Name	Nature of Relationship to GT Capital	Number of Shares Directly Owned (As of January 1, 2019)	Number of Shares Indirectly Owned (As of January 1, 2019)	Number of Shares Directly Owned (As of December 31, 2019)	Number of Shares Indirectly Owned (As of December 31, 2019)
Antonio V. Viray	Corporate Secretary	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Jocelyn Y. Kho	Assistant Corporate Secretary	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	1,080 (0.0000%)
Vicente Jose S. Socco	Executive Vice President	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Appointed August 13, 2019		(As of date of appointment)	(As of date of appointment)		
Antonio Pantaleon A. Zara III	Senior Vice President	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Jose B. Crisol, Jr.	First Vice President and Head, Investor Relations and Corporate Communications	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Leo Paul C. Maagma	Vice President and Chief Audit Executive	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Susan E. Cornelio	Vice President and Head, Human Resources and Administration	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Elsie D. Paras	Vice President Deputy CFO	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)

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Stakeholder Relations

Employee Relations

GT Capital continues to develop a culture of excellence and professionalism and recognizes that the efforts and contributions of all employees are part of the over-all success of the Corporation. Policies on employee health, safety, welfare, discipline, and training are stated in the Employee Handbook, which is provided to all employees of GT Capital upon hiring.

Policies and Practices on Health, Safety, and Welfare of Employees

GT Capital values the health, safety, and welfare of its employees. It provides non-contributory medical and dental coverage for all its employees and eligible dependents, which includes comprehensive in-patient and out-patient hospitalization benefits. First-aid and over-the-counter medicines are available when needed.

Other benefits for regular employees include allowances, leave benefits, bonuses, emergency loans, car plan, housing assistance, retirement benefits, burial assistance, and group life insurance.

Further, in compliance with general labor standards and occupational safety and health standards, GT Capital has incorporated in its Employee Handbook the following policies and programs for the benefit of its employees:

1. Drug-free Workplace Policy & Program;
2. Hepatitis B Workplace Policy & Program;
3. HIV AIDS Workplace Policy & Program; and
4. TB Workplace Policy & Programs.

To date, GT Capital continues to fully comply with labor, occupational safety, and health

standards required by law. It also holds activities such as annual and dental check-up, and safety, fire and earthquake drills.

The annual safety, fire, and earthquake drills as well as seminars on emergency response are conducted in coordination with the Makati Fire Station and the GT Tower building administration to better equip employees with basic and necessary skills in case of emergencies. Emergency grab bags have also been distributed to each employee.

Employees participated in the following activities in the year 2019:

Activity	Employees
Annual Executive Check-up	4
Annual Check-up	32
Dental Check-up	17
Safety, fire, and earthquake drill	29
Emergency grab bags	36
Human Capital Development Initiatives	42
2019 PSE Bull Run	9

Training and Developmental Programs for Employees

Recognizing the need for continuing education and development of its Senior Management and employees, GT Capital's HR and Administration Department identifies programs and allocates a budget for employees to acquire and enhance technical and behavioral competencies. These programs address competency gaps and expose them to the latest concepts, information, and techniques in their respective fields as well as to further build their competencies in preparation for higher responsibilities in the future. These training and development programs supplement the mentoring provided by each Department Head and the President to the officers of GT Capital.

In 2019, the following training programs were attended by GT Capital's Senior Management and other employees:

Senior Management Training

Name of Employee	Date	Program
Francisco H. Suarez, Jr.	January 10, 2019	DBS Vickers Pulse of Asia Conference
	January 15, 2019	First Metro Economic Briefing
	January 21-22, 2019	JP Morgan Philippines Conference 2019
	January 24, 2019	Goldman Sachs 7th Annual Philippines Conference Roundtable
	February 27-28, 2019	UBS Philippines CEO/CFO Forum 2019
	March 14, 2019	Toyota Financial Services Corporate Governance Seminar re: Related laws and Issuances / Updates on Corporate Governance and Related Laws and Issuances
	May 30, 2019	BusinessWorld Economic Forum
	April 4-5, 2019	UA&P Project Management Seminar
	May 30, 2019	BusinessWorld Economic Forum
	June 28, 2019	9th Asian Excellence Awards 2019 - Corporate Governance Asia
	July 1, 2019	Philippine Economic Briefing
	August 23, 2019	UBS Philippines Corporate Day
	August 27-28, 2019	Macquarie ASEAN Corporate Day
	September 3, 2019	Maybank Philippine Corporate Day
	October 24, 2019	Introduction to the Strategic Thinking Process: Discovering your Business Driving Force
	October 25, 2019	Transfer Pricing Briefing
November 4, 2019	GT Capital Economic Briefing	
November 20, 2019	Strategic Planning Seminar for MANCOM	
December 4-5, 2019	Macquarie Non-Deal Roadshow	
Vicente Jose S. Socco	October 25, 2019	SGV & Co. Transfer Pricing Briefing
	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM
Antonio Pantaleon A. Zara III	July 11, 12, 18, & 19, 2019	ICD Professional Directors Program
	October 25, 2019	SGV & Co. Transfer Pricing Briefing
	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM

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Name of Employee	Date	Program
Jose B. Crisol, Jr.	January 10, 2019	DBS Vickers Pulse of Asia Conference
	January 21-22, 2019	JPMorgan Philippines Conference 2019
	January 24, 2019	Goldman Sachs 7th Annual Philippines Conference Roundtable
	February 27-28, 2019	UBS Philippines CEO/CFO Forum 2019
	April 4-5, 2019	UA&P Project Management Seminar
	May 30, 2019	BusinessWorld Economic Forum
	June 28, 2019	9th Asian Excellence Awards 2019 - Corporate Governance Asia
	July 1, 2019	Philippine Economic Briefing
	August 23, 2019	UBS Philippines Corporate Day
	August 27-28, 2019	Macquarie ASEAN Corporate Day
	September 3, 2019	Maybank Philippine Corporate Day
	October 10, 2019	Ateneo - CCE Crisis Management
	October 24, 2019	Introduction to the Strategic Thinking Process: Discovering your Business Driving Force
	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM
December 4-5, 2019	Macquarie Non-Deal Roadshow	
Winston Andrew L. Peckson	January 22, 2019	Breakfast Roundtable with David Stringer-Lamarre of IoD London Region
	September 24, 2019	Philippine Investment Forum
	October 25, 2019	SGV & Co. Transfer Pricing Briefing
	November 19, 2019	Integrating Sustainability and Innovation in Corporate Strategy
	November 20, 2019	Strategic Planning Seminar for MANCOM
Reyna Rose P. Manon-Og	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM
	December 13-14, 2019	High Impact Presentation Workshop
Susan E. Cornelio	March 20, 2019	Influencing in Heels
	March 20 - 21, 2019	Ateneo - CCE OD for Line Leaders
	April 20, 2019	Ateneo - CCE Measuring ROI
	April 26, 2019	Coaching and Performance Development
	September 12, 2019	Business Continuity Overview Seminar
	October 10, 2019	Crisis Management Seminar
	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM

Name of Employee	Date	Program
Elsie D. Paras	March 26, 2019	ICD Joint Forum on Revised Corporation Code
	April 4-5, 2019	UA&P Project Management Seminar
	August 16, 2019	Taxation in the Digital Age: The Philippine Perspective
	September 4, 2019	AYALA-FINEX Training Summit: Innovating Businesses for a Better Tomorrow
	October 10, 2019	The Art of Conflict Transformation
	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM
	December 13-14, 2019	High Impact Presentation Workshop
Leo Paul C. Maagma	April 4-5, 2019	UA&P Project Management Seminar
	May 16, 2019	Institute of Internal Auditors Forum
	September 12, 2019	Business Continuity Overview Seminar
	October 10, 2019	Crisis Management Seminar
	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM
Renee Lynn Miciano-Atienza	March 19, 2019	Corporate Secretary on New Requirements in GIS
	February 27-28, 2019	MCLE Lecture Series
	March 13-14, 2019	MCLE Lecture Series
	October 25, 2019	SGV & Co. Transfer Pricing Briefing
	November 4, 2019	GT Capital Economic Briefing
	November 20, 2019	Strategic Planning Seminar for MANCOM
Farrah Lyra Q. De Ala	April 4-5, 2019	UA&P Project Management Seminar
	July 12 & 19, 2019	Mindfulness Seminar
	August 2, 2019	SGV & Co. How to Survive BIR Audit
	September 12, 2019	Business Continuity Overview Seminar
	October 10, 2019	Crisis Management Seminar
	October 25, 2019	SGV & Co. Transfer Pricing Briefing
	November 4, 2019	GT Capital Economic Briefing
	December 2-3, 2019	Story Telling for Business
John Brandy De Gorostiza	April 4-5, 2019	UA&P Project Management Seminar
	August 17 - October 9, 2019	Comprehensive AUTOCAD
	November 4, 2019	GT Capital Economic Briefing

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Employee Training

GT Capital employees are encouraged to improve and expand their knowledge base by participating in training programs relevant to their fields of expertise. In 2019, GT Capital employees attended the following training programs:

Program
High Impact Presentation Workshop
Diploma Program on Corporate Finance
Project Management Seminar
Communication Techniques
Mindfulness Seminar
Business Continuity Overview Seminar
Crisis Management
Integrating Sustainability and Innovation in Corporate Strategy
Effective Communication and Human Relations
Problem Solving and Decision Making
Comprehensive AUTOCAD
Leadership Training for Managers
Transfer Pricing Briefing
MCLE Lecture Series
Corporate Secretary on New Requirements in GIS
The Art of Conflict Transformation
Corporate Governance Forum
Leadership Training for Managers
Institute of Internal Auditors Forum
IT Security
Developing an Outward Mindset
Story Telling for Business
Taxation in Digital Age
Tax Updates & Code Ethics
PFRS Updates

Succession Planning

In line with GT Capital's initiative to strengthen succession planning, officers, and employees

were given developmental interventions in 2019 based on the results of their individual evaluations, which focused on closing their competency gaps and enhancing leadership skills.

Creditor Protection

The PPM of the Accounting and Financial Control Department outlines GT Capital's policies on creditor protection, which ensure timely payment and compliance with loan covenants, such as the maintenance of various financial ratios. These policies were applied in the review of GT Capital's loan agreements in 2019. The prospectus of each of GT Capital's existing corporate fixed rate bonds also includes provisions for the protection of bondholders, including the appointment of a trustee bank to act in their behalf. In addition, GT Capital's loan agreements include provisions on the disclosure of information to lenders, including the Corporation's financial statements.

The Treasury and Finance Officer monitors all loan provisions to ensure timely payment of interest and/or principal and works in close coordination with the Legal and Compliance Officer to monitor the Corporation's compliance with its loan covenants.

Sustainability Reporting

In 2019, GT Capital released its maiden Sustainability Report with information for the reporting period January 1 to December 31, 2018, adopting the Global Reporting Initiative ("GRI") Standards, an internationally recognized framework for sustainability.

The Sustainability Report covers the thirteen (13) material topics under the GRI Standards:

- Economic Performance
- Indirect Economic Impacts

- Anti-corruption
- Anti-competitive Behavior
- Energy
- Environmental Compliance
- Employment
- Labor/Management
- Training and Education
- Diversity and Equality
- Non-discrimination
- Human Rights Assessment
- Supplier Social Assessment

The Sustainability Report presents globally comparable information affecting its triple bottom line, a vital component of stakeholder relations. Moreover, the focus on sustainability allows GT Capital to identify potential opportunities or trends or evaluate emerging risks, making the endeavor a risk management and strategic initiative for the Corporation.

An online version of the Sustainability Report is available on GT Capital's website.

Customer Welfare and Safety, Environment-Friendly Value Chain and Interaction with Communities

GT Capital monitors its subsidiaries regarding their respective policies and practices on the welfare, health, and safety of end-customers, supplier/contractor selection procedures, interaction with communities, and their initiatives which ensure an environmentally friendly value chain and promote sustainable development.

Toyota Motor Philippines Corporation

Toyota Motor Philippines Corporation ("TMP"), together with its stakeholders in the value chain – suppliers, dealers and team members in partnership with communities and the government, continuously exert efforts to contribute to the attainment of the Toyota

Environmental Challenge (TEC) 2050 goals.

Among the projects implemented by TMP in 2019 were the following:

1. Challenge 1: New Vehicle Zero Carbon Dioxide (CO₂) Emissions: Toyota Hybrid Electric Technology Conference – Promotion of sustainable mobility and low CO₂ emission transportation through adoption of Hybrid Electrified Vehicles ("HEV") in the country and launch of Toyota Corolla Altis HEV – ran by internal combustion engine and an electric motor which has significantly lower CO₂ emission than conventional cars;
2. Challenge 4: Minimizing and Optimizing Water Usage: Installed Membrane Bioreactor (MBR) in TMP's Wastewater Treatment Plant (WWTP) to increase the treatment capacity from 35 m³/hr to 55 m³/hr and improve the quality of effluent;
3. Challenge 6: Establishing a Future Society in Harmony with Nature: Nationwide Mangrove Planting of 40,000 seedlings through TMP volunteers, TMP Dealer Network, Mr. Ernie Gawilan and SYI Team – linked with the Start Your Impossible (SYI) Project; and
4. All Toyota Green Wave Project, a year-round mangrove/tree planting and river/coastal clean-up activity participated by TMP's value chain where 5,370 trees were planted and 1,149 kg wastes were collected.

High environmental performance and sustainable practices of dealers are likewise ensured through Dealer Environment Risk Assessment Program (DERAP) that paved the way for the ISO14001:2015 certification of 61 dealerships to date. Also, as part of greening the supply chain, suppliers are enjoined to strictly follow the Toyota Green Purchasing Guidelines which promote activities related to ISO 14001 certification, CO₂ emission and water consumption reduction, recycling, SoC-

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free chemicals management and corporate social responsibilities activities. There are 29 ISO14001:2015 certified suppliers as of 2019.

To achieve the objectives in environmental protection, strict compliance with the requirements of the Department of Environment and Natural Resources ("DENR"), Laguna Lake Development Authority ("LLDA"), and other regional and local government agencies is ensured.

TMP actively promotes environmental awareness among its value chain through the celebration of Toyota Global Environment Month held every June. As part of the celebration, TMP launched the ECO Driving Video, H2O Fair, Renewable Energy Seminar, Energy Management Learning Session at MERALCO Museum, Tree Planting, River Clean-Up, Water Conservation Film Showing, ECO Bazaar, and Slogan Making and Social Media Contest.

Toyota Manila Bay Corporation

Toyota Manila Bay Corporation ("TMBC") has a high regard for environmental awareness, safety, and health, which is visible in the firm's mission statement to contribute to the growth of the city, society, and the automotive industry.

To address all stakeholders' welfare, health, and safety, TMBC provides safe and secure facilities which are compliant with the standards of the Department of Labor and Employment ("DOLE") and National Building Code such as, among others, the availability of lactation room, customer lounge, CCTV cameras, 24/7 security and housekeeping team, fire protection system, exhaust blowers, fresh air fans, and pressurization blower.

To save on water consumption, most of TMBC's facilities operate a zero-discharge water treatment facility where recycled water is used

for flushing of water closets. Variable Refrigerant Volume (VRF) is also used as air-condition system to precisely regulate temperature within the building for it to be energy efficient.

TMBC likewise rolled-out the following policies and programs:

1. Implementing energy and water conservation programs, including the creation of committees on waste and hazardous waste, chemical control, and atmosphere control in accordance to ISO 14001-2015 standards;
2. Compliance to ISO 14001-2015 standards for Toyota Abad Santos and TDM. TMB, TMK and TCI secured their ISO 14001-2015 certification on 10 July 2019;
3. 5S patrol;
4. Adoption of an accreditation policy where TMBC can only engage with accredited suppliers/vendors, including compliance with all local and national policies;
5. Launching of activities by the HR Department through TMBC's Purple Heart's Club that support communities where the dealerships are located, such as, among others:
 - a. Brigada Eskwala;
 - b. Donation of used oil;
 - c. Blood donation; and
 - d. Support for the Paru-paru Festival in Dasmarinas City.
6. Conducting annual facility audit of the transporter/treater of used oil and filters through its Environment Safety and Health Section to ensure that third-party vendor complies with LLDA and DENR's implementing rules and regulations;
7. Authorized drivers' accreditation program wherein only those who passed TMBC's written and simulation exam can be issued an authorization ID to drive TMBC vehicles; and
8. Rolling-out of the 8-hour mandatory safety and health seminar to all team members as required by DOLE beginning February 2020 onwards.

Federal Land, Inc.

Federal Land takes an active stance in the development of programs aimed at strengthening its relationships with its customers, business partners, suppliers/contractors, the local and national government, its employees and affiliate companies, and the local communities where it operates in.

Federal Land designs and operates every project with infrastructure, amenities, and services necessary for the well-being of its clients. These include technical safety aspects such as structural systems, fire protection, air quality, and noise abatement. Furthermore, Federal Land provides health and wellness amenities as well as support facilities like convenience shops, healthcare, banking, and other services wherever possible. To ensure continuity and excellence in client services, Federal Land maintains a feedback system with customers to either validate the provision of services, or identify gaps in their delivery.

On supplier/contractor selection process, Federal Land has policies in place to meet time, quality, and cost expectations. These policies continuously evolve to meet changing requirements and/or regulatory updates. These include but are not limited to:

- clear accreditation processes for new suppliers and contractors;
- transparent procurement policies overseen by Federal Land's Bidding Committee; and
- fair and regular evaluations in review of suppliers/contractors performance.

To ensure that its value chain is environment-friendly and sustainable, Federal Land develops and delivers projects that promote energy and natural resource conservation. Its efforts include:

- compliance with the Philippine Green Building Code and local city regulations from design to construction;

- rain water recycling system for irrigation purposes of landscaped gardens in the projects; and
- strategic usage of "low e-glass", LED lighting, and passive cooling to promote energy efficiency, where practical.

Beyond structures, Federal Land believes in investing in societal development and nation-building. Federal Land, through its corporate social responsibility arm M.O.V.E. (Make Our Volunteerism Enrich Lives), collaborates with other organizations within the Group in their socio-civic programs. Among its more recent initiatives are:

- "Founder's Run," initiated by Manila Tytana Colleges in support of the college's athletics scholarship program;
- "Pass the Vakul for Itbayat," initiated by Manila Doctors Hospital in support of the victims of Batanes earthquake;
- "Guro, Pulis at Sundalo na may Galing, Puso at Sigasig (GPS²)," initiated by Metrobank Foundation, Inc. ("MFI") in support of the displaced children of Marawi siege; and
- Brigada Eskwela at Ciriaco P. Tinga Elementary School in Taguig City.

Others

Integral to GT Capital's business is corporate social responsibility and environmental sustainability. The commitment of GT Capital is seen in the activities of the entire Group, in particular, MFI and GT Foundation, Inc. ("GTFI"). MFI aims to contribute to achieving sustainable and developed communities while recognizing the efforts of individuals who are integral to nation-building. GTFI invests in strategic programs that advance the development of underprivileged communities. The advocacies of the Group are discussed in the Corporate Social Responsibility section while specific

Corporate Governance Report

activities of MFI and GTFI are discussed in the Component Company Highlights section of the Annual Report.

GT Capital's Purple Hearts' Club was established in 2018 to be the Corporation's social responsibility arm. It aims to train and develop employees to become socially responsible leaders and is tasked with developing and implementing the corporate social responsibility programs of the Corporation. In 2019, it has undertaken the following endeavors:

1. Participated in the annual Bags of Blessings Program of GTFI and MFI;
2. Participated in Brigada Eskwela in partnership with Manila Doctors Hospital CSR Office;
3. Partnered with AHA Learning Center for Ang Teacher Kong Mahal Project by sponsoring two teachers (missionary volunteers) for S.Y. 2019-2020;
4. Participated in Pass the Vakul for Itbayat Project of Manila Doctors Hospital through cash donation;
5. Supported the Surgical Mission of Manila Doctors Hospital in Western Visayas through cash donation;
6. Participated in MFI's Call for Donation for Cotabato Project through cash donation; and
7. Celebrated a Christmas Party and distributed Noche Buena baskets for the children of Our Lady Queen of Peace Parish in Bacoor, Cavite.

Shareholder Meetings and Dividend Policy

The By-laws of GT Capital provides for the second Wednesday of May of every year as the date of the ASM. The notice of ASM, including the details of each agenda item, is released through a disclosure to the PSE at least twenty-eight (28) days before the date of the ASM. The notice of ASM includes the agenda, the record date, the date, time and place of the ASM, and the procedure for validation of proxies. The submission of proxies must be done at least five (5) business days prior to ASM. In accordance with the provisions of the Revised Corporation Code of the Philippines, each outstanding common and voting preferred share of stock entitles the holder as of record date to one vote.

As a policy, GT Capital has an annual target dividend payout of Three Pesos (Php 3.00) per share, payable out of its unrestricted retained earnings. GT Capital has consistently met this target, paying the following dividends:

Year	Per share	Total amount (in millions)
2019	3.00	598.01
2018	3.00	577.79
2017	5.00	871.50
2016	6.00	1,045.80
2015	3.00	522.90
2014	3.00	522.90
2013	3.00	522.90
2012	3.00	500.86

Other Stakeholder and Investor Relations

GT Capital recognizes and values its fiduciary duty towards its investors. Crucial to the establishment and maintenance of the trust and confidence of its investors is transparency in systems and communications. GT Capital's Investor Relations, Strategic Planning, and Corporate Communication ("IRSPCC") Department aims to impart a thorough understanding of GT Capital's strategies in creating shareholder value.

The IRSPCC Department compiles and reports relevant documents and requirements to meet the needs of the investing public, shareholders, and other stakeholders of GT Capital, fully disclosing these to the local stock exchange, as well as through quarterly media and analysts briefings, one-on-one investor meetings, the ASM, road shows, investor conferences, e-mail correspondences or telephone queries, teleconferences, its annual and quarterly reports, and GT Capital's website. All shareholders, including institutional investors, are encouraged to attend stockholders' meetings and other events held for their benefit.

E-mail inquiries from the investing public and shareholders are received by GT Capital's IRSPCC Department through IR@gtcapital.com.ph. Correspondence may also be addressed to:

JOSE B. CRISOL, JR.
First Vice President
Head, Investor Relations, Strategic Planning, and Corporate Communications
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E: jose.crisol@gtcapital.com.ph

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Investor Relations and Corporate Communication Officer
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BRUCE RICARDO O. LOPEZ
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JOAQUIN JUAN PAOLO V. MABANTA
Investor Relations Officer
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E: joaquin.mabanta@gtcapital.com.ph

Other stakeholder concerns may be sent to governance@gtcapital.com.ph.

Corporate Governance Report

The following is GT Capital's 2019 Investor Relations Calendar of Events:

Date	Event	Venue
January 9 – 11	DBS Vickers Pulse of Asia Conference	The Fullerton Hotel Singapore
January 15	First Metro Economic & Capital Markets Briefing	Grand Ballroom, Grand Hyatt Manila
January 21 – 22	JPMorgan Philippines Conference 2019	Makati Shangri-La
January 24	Goldman Sachs 7th Annual Philippines Conference Roundtable	Shangri-La at the Fort
February 4	GT Capital Annual Report 2018 Photoshoot	GT Tower International
February 14	Metrobank Sustainability Forum	Metrobank Plaza Penthouse
February 27 – 28	UBS Philippines CEO/CFO Forum 2019	The Peninsula Manila
March 27	GT Capital Full-Year 2018 Results Analyst and Media Briefing	Grand Salon, Grand Hyatt Manila
May 8	GT Capital Annual Stockholders Meeting	Metrobank Plaza Auditorium
May 14	GT Capital 1 st Quarter Analyst and Media Briefing 2019	Grand Salon, Grand Hyatt Manila
May 30	Sponsorship for BusinessWorld Economic Forum 2019	Grand Ballroom, Grand Hyatt Manila
June 28	9th Asian Excellence Awards 2019 - Corporate Governance Asia	JW Marriott Hotel, Hong Kong
August 15	GT Capital 1 st Half 2019 Analyst and Media Briefing	Grand Ballroom, Grand Hyatt Manila
August 23	UBS Philippines Corporate Day	19th Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati, 1226 Metro Manila
August 26 – 29	Macquarie ASEAN Corporate Day	The Fullerton Hotel Singapore
September 2 – 4	Maybank Philippine Corporate Day	Pavilion Hotel, Kuala Lumpur
October 11	Corporate Governance Training – Institute of Corporate Directors	Penthouse, GT Tower International
November 4	GT Capital Economic Briefing	Penthouse, GT Tower International
November 14	GT Capital January to September Financial and Operating Results Briefing	Grand Salon, Grand Hyatt Manila
November 20	Strategic Planning Seminar for Senior Management Committee	Tower Club, Philamlife Tower, Makati
November 18 – 30	Strategic Planning Week 2019	GT Tower International
November 26	GT Capital Appreciation Night for Investors and Analysts	The Penthouse 66, Grand Hyatt Manila
November 29 - 30	Strategic Planning Plenary Conference 2019	Taal Vista Hotel, Tagaytay City
December 3 - 6	Macquarie Non-Deal Roadshow	Singapore
January 1 – December 31	40 One-on-one meetings with investors and research analysts	Metro Manila, Philippines
January 1 – December 31	24 Conference calls with investors and research analysts	GT Tower International
January 1 – December 31	10 Total conferences and roadshows participated in	Metro Manila, Philippines; Singapore; Hong Kong; Kuala Lumpur, Malaysia
January 1 – December 31	1 Site visit to component companies	Toyota Motor Philippines, Santa Rosa, Laguna



JPMorgan Philippines Conference 2019



UBS Philippines CEO/CFO Forum 2019



Maybank Kim Eng Securities 2019 ASEAN Conference in Kuala Lumpur, Malaysia



Goldman Sachs 2019 Roundtable Conference



GT Capital Appreciation Night 2019 at the Grand Hyatt Manila



GT Capital 2019 Strategic Planning Conference

Corporate Objectives and Non-Financial Indicators



Banking

Corporate Objectives

- Maximize the benefits of the recent Metrobank Card Corporation merger
- Improve synergy and cross-selling across the Metrobank Group

Non-Financial Indicators

- Over 950 branches
- Over 2,300 ATMs
- Over 30 foreign branches, subsidiaries, and representative offices



Automotive Assembly, Importation, and Distribution

Corporate Objectives

- Launch of new models
- Maintain dealership network

Non-Financial Indicators

- 162,011 unit sales
- 71 dealers in 2019
- New model launches in 2019: RAV4, Hiace, Supra, Corolla Altis (Hybrid), Lexus RX
- Number 1 market share (39.5%) in passenger car, commercial vehicle, and overall retail unit sales



Property Development

Non-Financial Indicators

- 6 project launches in 2019, namely:
 - The Estate - Ayala Avenue
 - Mi Casa Tower 1 - Bay Area, Pasay
 - Quantum Residences Tower 2 (Amethyst) - Taft Avenue
 - Marco Polo Residences Tower 5 - Cebu
 - The Seasons Residences Natsu Tower - BGC
 - The Grand Midori Ortigas - Pasig



Insurance

Non-Financial Indicators

Life Insurance

- 35 branches
- Over 7,065 financial advisers
- Present in over 950 Metrobank and PSBank branches

Non-Life Insurance

- 14 branches
- Over 4,110 agents
- Also present in over 950 Metrobank and PSBank branches



Infrastructure and Utilities

Corporate Objectives

- Toll Roads: Completion of Cavite-Laguna Expressway and Cavite-C5 Link

Non-Financial Indicators

- 51,689 gigawatt hours of power sold
- 535,503 average daily vehicle toll road entries in the Philippines
- 535 million cubic meters of billed water volume
- 3.9 million hospital patients served

Board of Directors



From left to right:

ARTHUR V. TY
Chairman

**FRANCISCO C.
SEBASTIAN**
Co-Vice Chairman

ALFRED V. TY
Co-Vice Chairman

MARY VY TY
Board Adviser

**CARMELO MARIA LUZA
BAUTISTA**
Director / President



Board of Directors



From left to right:

RENATO C. VALENCIA
Lead Independent Director

RENE J. BUENAVENTURA
Independent Director

ATTY. REGIS V. PUNO
Director

DR. DAVID T. GO
Director

PASCUAL M. GARCIA III
Director

**JAIME MIGUEL G.
BELMONTE**
Independent Director

WILFREDO A. PARAS
Independent Director



Board of Directors

Arthur V. Ty, 53 years old, Filipino, was elected as Chairman of GT Capital Holdings, Inc. in May 2016. Prior to this, he was the Corporation's Vice Chairman since its inception in 2007 before assuming the Chairmanship in 2012 up to June 2014. He was the President of Metropolitan Bank and Trust Company (Metrobank), a listed company, from 2006 to 2012 and was appointed as its Chairman in April 2012. He also serves as the Chairman of Metropolitan Bank (China) Ltd., Inc. and Metrobank Foundation, Inc.; Vice Chairman and Director of Philippine Savings Bank (PSBank), a listed company; Vice Chairman of First Metro Investment Corporation (FMIC) and AXA Philippines. He is also a Director of Federal Land, Inc. He earned his Bachelor of Science degree in Economics from the University of California, Los Angeles and obtained his Master in Business Administration degree from Columbia University, New York in 1991.

Francisco C. Sebastian, 65 years old, Filipino, is co-Vice Chairman of GT Capital since May 2016. Prior to assuming this post, he was Chairman of GT Capital since June 2014, when he was first elected to the board. He joined the Metrobank Group in 1997 as President of First Metro Investment Corporation, the investment arm of Metrobank, a post he held for 14 years until he became its Chairman in 2011. Mr. Sebastian concurrently serves as Vice Chairman of Metrobank since 2006. He is also a director of Metro Pacific Investments Corporation (MPIC), and Federal Land, Inc. He worked in Hong Kong for 20 years from 1977, initially as an investment banker in Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984, until he joined the Metrobank Group, he owned and managed his own business services and financial advisory firm in Hong Kong. He earned his Bachelor of Arts in Economics (Honors) from

the Ateneo de Manila University and graduated Magna Cum Laude in 1975.

Alfred V. Ty, 52 years old, Filipino, has been a Vice Chairman of the Corporation since February 14, 2012 and has served as a Director of the Corporation since 2007. He is also a Director of Metropolitan Bank and Trust Company (Metrobank) and Chairman of Toyota Motor Philippines Corporation (TMP). He graduated from the University of Southern California in 1989 with a degree in Business Administration, after which he lived in Japan for two years. Some of his other current roles and positions include: Chairman, Federal Land, Inc.; Chairman, Lexus Manila; Chairman, Bonifacio Landmark Realty and Development Corporation; Vice Chairman of Metro Pacific Investments Corporation, a listed company; Chairman, Cathay International Resources Corporation; Vice Chairman, Toyota Motor School of Technology, Inc.; Vice Chairman, Federal Land-Orix Corporation; and Member of the Board of Trustees, Metrobank Foundation, Inc.

Mary Vy Ty, 79 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2014. Prior to this, she served as the Corporation'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, Metropolitan Bank and Trust Company (Metrobank); Adviser, Metrobank Foundation, Inc. and Federal Land, Inc.; Adviser, Manila Medical Services, Inc.; Adviser, Horizon Land Development Corporation; Chairperson, Horizon Royale Holdings, Inc.; Director, Grand Titan Capital Holdings, Inc.; Chairperson, Ausan Resources Corporation; Chairperson, Grand Estate Property Corporation; Chairperson, Inter-Par Philippines Resources Corporation; and

Chairperson of Philippine Securities Corporation, Tytana Corporation, and Federal Homes, Inc. Previously, Mrs. Ty held the position of Director for First Metro Investment Corporation. She earned her collegiate degree from the University of Santo Tomas.

Carmelo Maria Luza Bautista, 63 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation (FMIC) in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of FMIC's Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 42 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 Master's Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista currently serves as Chairman of Toyota Financial Services Philippines Corporation (TFSPH), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), AXA Philippines, and GT Capital Auto Dealership Holdings, Inc. (GTCAD). He is also an Adviser to the Board of Trustees of GT Foundation, Inc. and an Independent Director of Vivant Corporation, a listed company.

Renato C. Valencia, 78 years old, Filipino, is the Lead Independent Director of GT Capital, the current Chairman of iPeople Inc., and Independent Director of EEI Corporation and Anglo Philippine Holdings, Inc. His past positions include the following: President/CEO, Social Security System (SSS); Chairman/CEO, Union Bank of the Philippines; President/CEO, Roxas Holdings, Inc.; Vice Chairman/Director, San Miguel Corporation (SMC); Chairman, Philippine Savings Bank (PSBank); and Independent Director, Metropolitan Bank and Trust Company. Mr. Valencia was formerly a Director at the following companies: Philippine Long Distance Telephone Company (PLDT), Manila Electric Company (MERALCO), Philex Mining Corporation, Far East Bank and Trust Company, Roxas and Company, Inc., Bases Conversion Development Authority (BCDA), Fort Bonifacio Development Corporation, and the Makati Stock Exchange. Mr. Valencia also served as Board Adviser at Philippine Veterans Bank, Advisory Board Member of the Philippines Coca-Cola System Council, and Board Member of the Civil Aeronautics Board. He is a graduate of the Philippine Military Academy with a degree in B.S. Gen. Engineering, and also holds a Master's degree in Business Administration from the Asian Institute of Management.

Board of Directors

Rene J. Buenaventura, 64 years old, Filipino, is an Independent Director of GT Capital Holdings, Inc. He is also the Vice Chairman of Equicom Manila Holdings, Inc., a holding company for businesses engaged in healthcare, banking and finance, and information technology. In addition to his appointment to GT Capital's Board, he also holds the following positions: Independent Director of UBS Philippines, Inc., Independent Director of AIG Insurance Philippines Inc. and Independent Director of Lorenzo Shipping Corporation. He is likewise a Director and Member of the Executive Committee of Maxicare Healthcare Corporation, Vice Chairman of Algo Leasing and Finance Corporation, and President of Cliveden Management Corporation. Mr. Buenaventura is a Certified Public Accountant and graduated Summa Cum Laude for Bachelor of Arts, major in Behavioral Sciences and Bachelor of Science in Commerce, major in Accounting at De La Salle University in the Philippines. He also earned his Master in Business Administration from the same university.

Atty. Regis V. Puno, 61 years old, Filipino, assumed the role of Director and Member of the Audit Committee of GT Capital in 2018. He is currently Special Legal Counsel of the Metrobank Group and the Corporate Secretary of Metrobank. He is also an Of Counsel of Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW) and formerly a Senior Partner of Puno & Puno Law Offices. He was also a former Undersecretary of the Department of Justice. Atty. Puno has a Master of Laws Degree from the Georgetown University Law Center, Washington D.C., U.S.A. He obtained his Bachelor of Laws degree from the Ateneo de Manila University, where he graduated with honors, and has a Bachelor's degree in Economics from the University of the

Philippines. He is also a Director of Lepanto Consolidated Mining Co.; LMG Chemicals Corporation; and is the Philippine Committee Chairman of the Alumni Admissions Program (AAP) of Georgetown University, U.S.A.

Dr. David T. Go, 66 years old, Filipino, has been a Director of GT Capital since May 2014. He acquired his Doctor of Philosophy Degree (International Relations) from New York University in 1982. He currently serves as Vice Chairman and Treasurer of Toyota Motor Philippines Corporation (TMP). He is also the Vice Chairman of Toyota Aisin Philippines, Inc.; Director and Treasurer of Toyota Financial Services Philippines Corporation (TFSPH); President of Toyota Motor Philippines Foundation, Inc. and Toyota Motor Philippines School of Technology, Inc.; Trustee of Toyota Savings and Loan Association; Chairman of Toyota San Fernando, Inc., Toyota Manila Bay Corporation (TMBC), and Toyota Logistics, Inc.; Director of Lexus Manila. Dr. Go has no directorships in other listed companies aside from GT Capital.

Pascual M. Garcia III, 66 years old, Filipino, is currently the President of Federal Land, Inc. and was appointed as Director of GT Capital in May 2018. He also holds several other positions in other companies among which are: Vice Chairman, Cathay International Resources Corporation; Chairman, Omni-Orient Management Corporation; Chairman, Metpark Commercial Estate Association, Inc.; Chairman, Central Realty & Development Corporation; Chairman, Crown Central Properties; Chairman, Alveo-Federal Land Communities, Inc.; Chairman, Topsphere Realty Development Co. Inc.; Chairman, Fed South Dragon Corporation; Chairman, Federal Retail Holdings Inc.; Chairman, Magnificat

Resources Corporation; Co-Vice Chairman, Sunshine Fort North Bonifacio Commercial Management Corporation; President, Bonifacio Landmark Realty & Development Corporation; President, North Bonifacio Landmark Realty and Development Inc.; President, Federal Land-Orix Corporation; President, ST 6747 Resources Corporation; Director, Horizon Land Resources Development Corporation and Director, Sunshine Fort North Bonifacio Realty and Development Corporation. Prior to joining Federal Land, he was the President and Director of Philippine Savings Bank (PSBank) from 2001 to 2013; Co-Vice Chairman of Property Company of Friends, Inc. from 2016 to 2019; Director of Toyota Financial Services Philippines Inc. from 2007 to 2017 and Director of Sumisho Motor Finance Corporation from 2009 to 2016. Mr. Garcia earned his Bachelor's degree in Commerce, major in Management, from the Ateneo de Zamboanga University.

Jaime Miguel G. Belmonte, 56 years old, Filipino, was elected as an Independent Director of GT Capital on July 11, 2012. He is also the President and Chief Executive Officer of The Philippine Star (since 1998); President and Chief Executive Officer of Business World (since 2015); President and Publisher of Pilipino Star Ngayon (since 1994) and PM-Pang Masa (since 2003); President of Pilipino Star Printing Company (since 1994); President of Nation Broadcasting Corporation of the Philippines (since 2016); and President of Hastings Holdings Inc. Mr. Belmonte is also the President of Cebu-based The Freeman and Banat News (since 2004); Vice Chairman of People Asia Magazine; and a member of the Board of Advisers of Manila Tytana College (since 2008). Aside from GT Capital, Mr. Belmonte also sits on the board of Signal TV, Nation Broadcasting Corporation of the Philippines, and Hastings Holdings Inc.

He earned his undergraduate degree from the University of the Philippines in Diliman. Mr. Belmonte has no directorships in other listed companies aside from GT Capital.

Wilfredo A. Paras, 73 years old, Filipino, was elected as Independent Director of GT Capital on May 14, 2013. He currently holds various positions in other Philippine corporations, such as: Independent Director of Philex Mining Corporation, a listed company, (2011-present); Member of the Board of Trustees of Dualtech Training Center (2012-present); and President of WAP Holdings, Inc. (2007-present). He also served as the Executive Vice President/Chief Operating Officer and Director of JG Summit Petrochemical Corporation; President of Union Carbide Philippines; President/Director of Union Carbide-Indonesia; Managing Director of Union Carbide Singapore; and Business Director for Union Carbide Asia-Pacific. Mr. Paras holds a Bachelor of Science (BS) in Industrial Pharmacy degree from the University of the Philippines and a Master's degree in Business Administration (MBA) from the De La Salle University Graduate School of Business. He finished a Management Program from the University of Michigan, Ann Arbor, Michigan, USA. He is also a Fellow of the Institute of Corporate Directors.

Senior Management



Front: **ALESANDRA T. TY**
Assistant Treasurer

**CARMELO MARIA
LUZA BAUTISTA**
President

**ANJANETTE TY
DY BUNCIO**
Treasurer

**FRANCISCO H.
SUAREZ, JR.**
EVP/Chief Finance Officer

Back: **JOSE B. CRISOL, JR.**
FVP/Head of Investor Relations,
Strategic Planning, and Corporate
Communication

**WINSTON ANDREW L.
PECKSON**
FVP/Chief Risk Officer

REYNA ROSE P. MANON-OG
FVP/Controller and Head of
Accounting and Financial Control

Alesandra T. Ty, 39 years old, Filipino, was appointed Assistant Treasurer of GT Capital on February 14, 2012. She graduated from the Ateneo de Manila University with a Bachelor of Science degree in Legal Management. She then earned her Masters in Business Administration from the China Europe International Business School in Shanghai, China. She is currently Director and Corporate Treasurer of AXA Philippines; Corporate Secretary and Corporate Treasurer of First Metro Investment Corporation; Corporate Secretary of GT Foundation, Inc.; Senior Vice President and Treasurer of Federal Homes, Inc.; and Executive Vice President of Grand Titan Capital Holdings, Inc.

Carmelo Maria Luza Bautista, 63 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation (FMIC) in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of FMIC's Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 42 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 Master's Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista currently serves as Chairman of Toyota Financial Services Philippines Corporation (TFSPH), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), AXA Philippines, and GT Capital Auto Dealership Holdings, Inc. (GTCAD). He is also an Adviser to the Board of Trustees of GT Foundation, Inc. and an Independent Director of Vivant Corporation, a listed company.

Anjanette Ty Dy Buncio, 51 years old, Filipino, was appointed as GT Capital's Treasurer in May 2015. Prior to this, she served as the Corporation's Assistant Treasurer since 2007. She holds several other positions in other companies among which are: Vice Chairman and Director of Metrobank Card Corporation; Director, Treasurer, and Senior Vice President of Federal Land, Inc.; Director and Chairman of the Board of Manila Medical Services, Inc.; Senior Vice President of Metrobank Foundation, Inc.; Vice President of GT Foundation, Inc.; and Executive Vice President and Corporate Secretary of Pro Oil Corporation. She graduated from the International Christian University in Tokyo, Japan with a Bachelor of Social Science Degree in Economics.

Francisco H. Suarez Jr., 60 years old, Filipino, serves as GT Capital's Executive Vice President and Chief Financial Officer (CFO). He was appointed to the position on February 16, 2012. He is also a Director and the Treasurer of GT Capital Auto Dealership Holdings, Inc., Toyota Subic Bay, GT Mobility Ventures and JBA Philippines, Director of Toyota Manila Bay Corp., and Corporate Secretary of Toyota Financial Services. Over his tenure, he has successfully supervised over the launch of the Corporation's initial public offering, a top-up private placement, two retail bond issuances, bilateral fixed rate term loans and two series of perpetual preferred shares. Mr. Suarez brings to GT Capital over 35 years of solid and extensive experience in investment banking and financial management. Prior to joining GT Capital, he was the CFO of three subsidiaries of the ATR KimEng Group. For a time, he also served as Executive Director of ATR KimEng Capital Partners, Inc. Before this, he was appointed as the CFO of PSI Technologies, Inc., and, prior to that, of SPi Technologies, Inc. Previously, he was a Director for Corporate Finance at Asian Alliance Investment Corp. He has also assumed various positions in Metrobank, International Corporate Bank, Far East Bank and Trust Company, and the National Economic Development Authority. Mr. Suarez graduated from De La Salle University with a Bachelor of Science degree in Applied Economics and is a candidate for the Master in Business Administration degree at the Ateneo de Manila University.

Jose B. Crisol, Jr., 53 years old, Filipino, serves as First Vice President and Head of the Investor Relations, Strategic Planning, and Corporate Communication Department of GT Capital. He was appointed to the position on July 26, 2012. Before joining the Corporation, he was the Assistant Vice President for Investor Relations of SM Investments Corporation (SM). Prior to working with SM, he was a Director at the Department of Trade and Industry (DTI), heading its Trade and Industry Information Center. He also served for a time, on a concurrent basis, as Head of DTI's Office of Operational Planning. His other past employment includes occupying various positions at The Philippine American Life Insurance Company and Merrill Lynch Philippines, Inc., among others. He holds a Master in Business Economics degree from the University of Asia and the Pacific, and a Bachelor of Science degree in Economics from the University of the Philippines - Diliman. He completed his primary and secondary education at the Ateneo de Manila University.

Winston Andrew L. Peckson, 68 years old, Filipino, serves as First Vice President and Chief Risk Officer of GT Capital. He was appointed to the position in February 2016. Mr. Peckson brings to the Corporation over 40 years of experience in banking. Concurrent to his position, he is a Director of the First Metro Philippine Equity Exchange Traded Fund, Inc. and a Fellow of the Institute of Corporate Directors. Before joining GT Capital, he served as a Consultant for the Treasury and Investment Banking Group of FMIC. Prior to his stint with FMIC, he was the Head of Treasury Marketing of Philippine National Bank. Before this, he was also Vice President and General Manager of ABN AMRO Bank NV's Manila Offshore Branch, a position he held for 10 years. Other previous positions he held were: Vice President and Corporate Treasury Advisor of Bank of America - Manila Branch; CEO and Director of Danamon Finance Company (HK) Ltd. (DFCL); Manager for Corporate Banking of Lloyds Bank PLC - Hong Kong Branch; Vice President for Commercial Banking of Lloyds Bank PLC - Manila Offshore Branch; and Branch Banking Head of Far East Bank & Trust Company. He obtained his Bachelor of Arts Degree, Major in Psychology and Minor in Business Administration, from the Ateneo de Manila University and earned his Masters Degree in Business Management from the Asian Institute of Management.

Reyna Rose P. Manon-og, 38 years old, Filipino, was appointed the Corporation's Controller in October 2011. Before joining the Corporation, she was the Assistant Vice President and Head of the Financial Accounting Department of United Coconut Planters Bank. Prior to this, she was a Director in SGV & Co. where she gained seven years of experience in external audit. She is a Certified Public Accountant and a cum laude graduate of Bicol University with a Bachelor of Science degree in Accountancy. She recently completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Jocelyn Y. Kho, 65 years old, Filipino, has served as the Corporation's Assistant Corporate Secretary since June 2011 and formerly the Corporation's Controller until 2010. She served as Vice President under the Office of the Assistant to the Group Chairman of Metrobank from 1978 to 2009. She concurrently holds the following positions: Assistant Corporate Secretary, Grand Titan Capital Holdings, Inc.; Controller and Assistant Corporate Secretary, Global Treasure Holdings, Inc.; Director and Treasurer, Global Business Holdings, Inc. and Circa 2000 Homes, Inc.; Director and Senior Vice President, Federal Homes, Inc.; Director, Treasurer, and Corporate Secretary of Crown Central Properties Corporation; Director of Cathay International Resources, Inc. and Magnificat Resources Corporation; Corporate Secretary and Ex-Com Member of Federal Land, Inc.; Director and Treasurer, Nove Ferum Holdings, Inc.; Director and Treasurer, Horizon Royale Holdings, Inc.; Chairman and President, Glam Holdings Corporation, Yorktown Properties, Inc., Uni-Plastic International Corporation, MBTC Management Consultancy, Inc. and The Metropolitan Park, Inc.; Director and President, Harmony Property Holdings, Inc.; Splendor Fortune Holdings, Inc.; and Splendor Realty Corporation. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975, and is a candidate for the Master of Science Degree in Taxation from Manuel L. Quezon University.

Senior Management



Front: **JOCELYN Y. KHO**
Assistant Corporate
Secretary

ELSIE D. PARAS
VP/Head of Business
Development

SUSAN E. CORNELIO
VP/Head of Human
Resources and Administration

**ATTY. ANTONIO V.
VIRAY**
Corporate Secretary

Back: **LEO PAUL C.
MAAGMA**
VP/Chief Audit Executive

**ATTY. RENEE LYNN C.
Miciano-Atienza**
VP/Head of Legal and
Compliance

VICENTE SANIEL SOCCO
Chairman
GT Capital Auto Dealership
Holdings, Inc.

ANTONIO P.A. ZARA III
General Manager
GT Capital Auto Dealership
Holdings, Inc.

Elsie D. Paras, 47 years old, Filipino, serves as GT Capital's Vice President and Head of Corporate Finance and Business Development. She has taken the lead in the mergers, acquisitions, divestment activities, and some fund-raising efforts of the Company since she joined on January 5, 2015. Prior to joining the Corporation, she served as Finance Manager and Deputy CFO of SIA Engineering Philippines, a joint venture of Cebu Air and SIA Engineering of Singapore. Before this, she was a Manager for Strategic Consulting for Jones Lang La Salle MENA in Dubai. Her other employments include: Business Development Manager for Commercial Centers of Robinsons Land Corporation and Project Development Manager at Ayala Land, Inc. for middle-income housing among others. She attained her Masters in Business Management, Major in Finance from the Asian Institute of Management in 2001. She was also a participant in the International Exchange Student Program of HEC School of Management of France. Prior to her MBM, she worked for six years in equity research and investment banking. She graduated with honors from the University of the Philippines with a Bachelor of Science degree in Business Economics.

Susan E. Cornelio, 48 years old, Filipino, joined the Corporation on July 4, 2012 as the Head of Human Resources and Administration. Prior to this, she served as Vice President/ Head of Compensation and Benefits of Sterling Bank of Asia and as Assistant Vice President/ Head of Compensation and Benefits of United Coconut Planters Bank. She has had other HR stints from the following institutions: Metrobank, ABN AMRO Offshore Banking, Solidbank, and Citytrust. She holds a Bachelor of Science in Commerce major in Accounting from the Sta. Isabel College and a Master Certificate in Human Resources and International HR Practices from Cornell University's School of Industrial and Labor Relations. She recently obtained a Master in Business Economics from the University of Asia and the Pacific.

Atty. Antonio V. Viray has been Corporate Secretary since 2009. His legal profession started as a litigation lawyer of the FERIA Law Office (formerly FERIA LUGTU & LAO). He then embarked on a banking career with the Philippine Savings Bank (PSBank) retiring as Senior Vice President and Corporate Secretary. When PSBank was acquired by Metrobank, he was recruited as General Counsel (later Special Counsel) of Metrobank, later to become Senior Vice-President, Corporate Secretary and Director. He is currently Corporate Secretary of Grand Titan Capital Holdings, Inc., and Of Counsel of FERIA TANTOCO DAOS LAW FIRM. His foundations as a successful corporate lawyer and secretary were provided by Colegio de San Juan de Letran (Letran College) where he graduated Valedictorian of his Associate in Arts; University of Sto. Tomas where he finished his Bachelor of Laws as Valedictorian Magna Cum Laude; and Northwestern University School of Law in Chicago, Illinois, U.S.A. where he obtained his Master of Laws through a Ford Foundation Fellowship Grant. Atty. Viray was former President of the Bankers Institute of the Philippines (BAIPhil); and Association of Bank Lawyers. He was the lawyer who incorporated the Chamber of Thrift Banks, the aggrupation of the thrift banks associations: Savings Banks Association of the Philippines, Stock Savings and Loan Associations and the Development Bankers Association.

Leo Paul C. Maagma, 49 years old, Filipino, was appointed the Chief Audit Executive of GT Capital Holdings, Inc. in April 2018. With over 26 years of extensive work experience—more than 21 years in audit and five years in accounting, accounts receivables, treasury, and payroll—Mr. Maagma began his career in an external auditing firm, then spent five years in a manufacturing foods business, and nearly 15 years in a business engaged in the distribution of health care products. He spent eight years of his nearly two decades in audit work at the regional and country head offices of two multinational companies, Zuelig Pharma Corporation (Zuelig) and Unilever Bestfoods (Unilever). Before joining GT Capital, for 14½ years, Mr. Maagma served in various capacities at Zuelig—Internal Audit Manager from 2012 to 2018, Accounts Receivable Manager from 2010 to 2012, Corporate Internal Audit Manager from 2007 to 2010, and Internal Audit Manager from 2003 to 2007. At Zuelig, he was chiefly responsible for the Philippine subsidiary's internal audit function, while assisting in regional risk-based internal audits for the Zuelig Pharma Group across 12 countries in the Asia-Pacific region. Prior to his time at Zuelig, Mr. Maagma held several

positions at Unilever from 1998 to 2003: Regional Information Systems Audit Supervisor, Category Accounting Manager, and Treasury Manager. Previously, he performed other supervisory roles in audit in Empire East Land Holdings, Inc. and Ernst and Young, International. Mr. Maagma earned his Master's Degree in Business Administration (MBA) at the Asian Institute of Management (AIM). Aside from this, he is a Certified Public Accountant (CPA), Chartered Business Administrator (CBA), and a certified Information Security Management Systems (ISMS) Internal Auditor. He graduated from the University of Santo Tomas (UST) with a Bachelor of Science degree in Commerce, major in Accountancy.

Atty. Renee Lynn Miciano-Atienza, 37 years old, Filipino, is Vice President and Head of the Legal & Compliance Department of GT Capital. She was appointed to her position on May 11, 2016 and has been with GT Capital since August 2012. She concurrently holds the following positions: Director, GT Capital Auto Dealership Holdings, Inc.; Director, Toyota Subic, Inc. Prior to joining the Corporation, she was the Head of the Investigation and Enforcement Department of the Capital Markets Integrity Corporation (CMIC). Before joining CMIC, she was the Officer-in-Charge of the Prosecution and Enforcement Department of the Philippine Stock Exchange (PSE). She was also Legal Counsel of the Office of Senator Miguel Zubiri, and prior to entering law school, a trader for United Coconut Planters Bank. She earned her Bachelor of Science degree in Management from the Ateneo de Manila University and finished her Juris Doctor degree in the same university. In 2019, she completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Vicente Sanial Socco, 60 years old, is the Chairman of GT Capital Auto Dealership Holdings, Inc. (GTCAD). GTCAD is a wholly-owned subsidiary of GT Capital and is the vehicle for the automotive holdings of the Group. He brings close to forty years of expertise in the automotive sector. Mr. Socco began his career with Toyota in the Philippines as a member of the marketing team. He was then appointed General Affairs Manager of Toyota's Manila Representative Office in 1984 until Toyota Motor Philippines Corporation (TMP) opened in 1988, where he rose through the ranks to become Senior Vice President (SVP) for Marketing. In 2001, Mr. Socco joined the regional headquarters of Toyota in Singapore. Mr. Socco was appointed SVP of Lexus Asia in 2007, concurrent with his roles as the Executive-in-Charge for country operations at Toyota Motor Asia Pacific (TMAP). In 2012, he assumed the role of Executive Vice President and acting Chief Operating Officer for the region. Then, in 2014, he was assigned to Toyota's global headquarters as General Manager for TMAP in Japan. He then returned to Singapore in 2017 as EVP for Lexus Asia until his retirement in July 2019. Mr. Socco garnered his Bachelor of Science in Economics at the University of the Philippines in Diliman and completed the Executive Development Program of the Wharton School of the University of Pennsylvania.

Antonio P. A. Zara III, 52 years old, Filipino, is the General Manager of GT Capital Auto Dealership Holdings, Inc. (GTCAD). He was appointed to the position in November 2018. Mr. Zara brings to GT Capital close to three decades of global automotive industry experience in various technical, sales and marketing, and senior leadership roles. Prior to his involvement with GTCAD, he was General Manager for Global Aftersales Planning at the Nissan Motor Company global head office in Yokohama, Japan. Previously, he was the President of Nissan Motor Distributor Indonesia, heading the country's Nissan and Datsun assembly, importation, and distribution operations. Before this, he was the President of Nissan Motor Philippines, Inc., overseeing consistent double-digit vehicle unit sales growth and nearly doubling the said car company's market share during his tenure. Prior to Nissan, he held several positions in various markets for General Motors (GM): Managing Director of General Motors Korea in Incheon, South Korea; Vice President for Vehicle Sales, Service and Marketing of General Motors Southeast Asia in Bangkok, Thailand; President of General Motors Asia Pacific Japan, Ltd. in Tokyo, Japan; Vice President and Head of Vehicle Sales, Service, and Marketing for Pt. General Motors Indonesia; and Director of the sales and aftersales departments of General Motor Automobiles Philippines in Makati, Philippines. Mr. Zara graduated with honors from the Don Bosco Technical Institute with a Degree in Mechanical Engineering.



FABIAN S. DEE
President
Metropolitan Bank &
Trust Company (Metrobank)

SATORU SUZUKI
President
Toyota Motor Philippines
Corporation

PASCUAL M. GARCIA III
President
Federal Land, Inc.

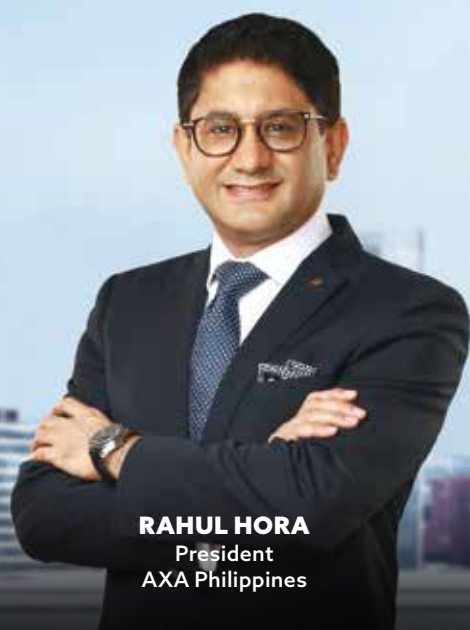
GT Capital Group Management

Fabian S. Dee, Filipino, is the President of Metropolitan Bank and Trust Company (Metrobank), the country's premier universal bank, recognized by financial experts as the Best Bank and the Strongest Bank in the Philippines today. He is a seasoned banker with about 30 years of experience in treasury, corporate banking, and retail banking. Mr. Dee joined the Metrobank Group in 2000 to lead the Bank's largest business center, then he moved to Corporate Banking to reinforce Metrobank's stronghold among the large conglomerates and middle market accounts. In 2006, he was appointed National Branch Banking Sector Head, successfully improving the Bank's footprint in the retail business. Within Mr. Dee's term as President of Metrobank, he had concurrently held various positions including Chairman and Director of Metrobank Card Corporation from 2006 until 2020, Chairman of Metro Remittance Singapore Pte. Ltd. from 2010 until 2019, Chairman of LGU Guarantee Corporation from 2017 until 2019, and Chairman of SMBC Metro Investment Corporation from 2014 to 2017.

Satoru Suzuki is the President of Toyota Motor Philippines Corporation (TMP). Prior to this, he was the Executive Vice President for the Marketing and Sales Group of Toyota Motor Asia Pacific Pte. Ltd. (TMAP) in Singapore and was the General Manager of TMAP Japan at Toyota Motor Corporation (TMC). In 1984, he began his career with TMC and served under its Overseas Planning Division. It was in 1997 when he first joined TMP and served as Vice President of the company's Vehicle Sales Department for three years. Following his initial assignment at TMP, he was then appointed to TMC and TMAP Singapore, in charge of Marketing and Sales as well as Project Planning, where he served as Assistant Manager. He then

moved up to General Manager and Executive Vice President for sixteen years.

Pascual M. Garcia III, Filipino, is the President of Federal Land, Inc. and was appointed as Director of GT Capital in May 2018. He also holds several other positions in other companies among which are: Vice Chairman, Cathay International Resources Corporation; Chairman, Omni-Orient Management Corporation; Chairman, Metpark Commercial Estate Association, Inc.; Chairman, Central Realty & Development Corporation; Chairman, Crown Central Properties; Chairman, Alveo-Federal Land Communities, Inc.; Chairman, Topsphere Realty Development Co., Inc.; Chairman, Fed South Dragon Corporation; Chairman, Federal Retail Holdings, Inc.; Chairman, Magnificat Resources Corporation; Co-Vice Chairman, Sunshine Fort North Bonifacio Commercial Management Corporation; President, Bonifacio Landmark Realty & Development Corporation; President, North Bonifacio Landmark Realty and Development, Inc.; President, Federal Land-Orix Corporation; President, ST 6747 Resources Corporation; Director, Horizon Land Resources Development Corporation and Director, Sunshine Fort North Bonifacio Realty and Development Corporation. Prior to joining Federal Land, he was the President and Director of Philippine Savings Bank (PSBank) from 2001 to 2013; Co-Vice Chairman of Property Company of Friends, Inc. from 2016 to 2019; Director of Toyota Financial Services Philippines Inc. from 2007 to 2017 and Director of Sumisho Motor Finance Corporation from 2009 to 2016. Mr. Garcia earned his Bachelor's degree in Commerce, major in Management, from the Ateneo de Zamboanga University.



RAHUL HORA
President
AXA Philippines



JOSE MA. K. LIM
President
Metro Pacific Investments
Corporation



ANICETO M. SOBREPEÑA
President
Metrobank Foundation, Inc.

Rahul Hora is the President and CEO of AXA Philippines. His accomplished work experience spans 22 years, including four years in the FMCG industry and more than 18 years in insurance. Upon joining AXA Philippines, he led part of the sales team as Chief Agency Officer beginning 2009 and then also served as a member of the Board of Directors in 2012. In 2015, he was appointed Chief Operating Officer and led the organization towards being a more customer-centric company, with key focus on digital transformation. Prior to working at AXA Philippines, he has served as the Regional Head of Distribution in AXA Asia Life based in Hong Kong; and the Senior Vice President and Head of Sales Development of ICICI Prudential Life Insurance Co. Ltd. He also has notable experience starting in the Indian insurance industry, serving as the Sales Manager of ICICI Prudential in Delhi, right from its inception, and later becoming a member of its Senior Management team as ICICI expanded. He earned his undergraduate degree from St. Stephens College in Delhi University, after which he attended the Centre of Management Development and received his Masters Degree in Marketing.

Jose Ma. K. Lim is the incumbent President and Chief Executive Officer of Metro Pacific Investments Corporation. Mr. Lim joined the MPIC Group (which was then called Metro Pacific Corporation or MPC) in 1995 as Treasury Vice President of the Fort Bonifacio Development Corporation (then a subsidiary of MPC). He was later appointed as its Chief Financial Officer in 2000. In 2001, he assumed more responsibility for the company as he concurrently served as Vice President and Chief Financial Officer of MPC. Mr. Lim currently acts as a Director in the following MPIC subsidiary and affiliate companies: Beacon Electric Asset Holdings Incorporated, Meralco, Metro Pacific Tollways Corporation, Manila North Tollways Corporation, Tollways Management Corporation, Maynilad, Light Rail Manila Corporation, AF Payments, Inc, MetroPac Water Investments Incorporated, Indra Philippines, Medical Doctors Incorporated, Colinas Verdes Hospital Managers Corporation, and East Manila Managers Corporation. He is also the Chairman of Asian Hospital Incorporated, Davao Doctors Hospital (Clinica Hilario) Incorporated, and Riverside Medical Center Incorporated. He is also the President of the Metro Strategic

Infrastructure Holdings Incorporated. Prior to joining the MPIC Group, he built himself a solid reputation in foreign banking institutions as Vice President of the Equitable Banking Corporation and Director for Investment Banking of the First National Bank of Boston.

He is a founding member and Treasurer of the Shareholders Association of the Philippines. He is also an active member of the Management Association of the Philippines where he served as Vice-Chair of the Good Governance Committee from 2007 to 2009. For five consecutive years from 2012-2016, he was conferred the Best CEO for Investor Relations by Corporate Governance Asia. Mr. Lim earned his Bachelor of Arts degree in Philosophy from the Ateneo de Manila University and his Master of Business Administration degree from the Asian Institute of Management.

Aniceto M. Sobrepeña is the President of Metrobank Foundation, Inc. and Executive Vice President of Metropolitan Bank and Trust Company (Metrobank). After serving the national government for 22 ½ years in the National Economic and Development Authority and the Office of the President in Malacañang, Mr. Sobrepeña was appointed as Executive Director in 1995 and in 2006, was elected President of the Metrobank Foundation, the corporate social responsibility arm of the Metrobank Group of Companies. Mr. Sobrepeña has expertly steered MBFI to new and greater heights of institutional achievements in the public affairs and human development area. Under his stewardship, the Foundation has emerged as one of the country's most dynamic philanthropic organizations and most awarded corporate foundations. Concurrently, Mr. Sobrepeña also serves as Vice Chairman of Manila Doctors Hospital, the Metrobank Foundation's health care affiliate and Chairman of the Manila Tytana Colleges (formerly Manila Doctors College), and Executive Director of the GT Foundation, Inc., the family foundation of Dr. George S.K. Ty.



GT CAPITAL
HOLDINGS INCORPORATED

Sustainability Report 2019

About this Report

(102-46, 102-50, 102-54)

The 2019 Sustainability Report relates GT Capital's sustainability performance in terms of the conglomerate's economic, environmental, and social impacts in its areas of operations and in communities reached by its activities and projects.

This report has been prepared in accordance with the GRI Standards: Core Option. It discusses GT Capital's sustainability performance at the parent level, unless otherwise stated.

The information in this report covers GT Capital's operations for the calendar period ending December 31, 2019.

For the second year in a row, sustainability reporting specialists from the University of Asia and the Pacific supported GT Capital's sustainability team in identifying and measuring the sustainability topics relevant to GT Capital and its component companies. They also assisted the company in gathering and generating data for inclusion in this report, through stakeholder consultations, technical assistance, and workshops.

A copy of this report may be downloaded at <https://www.gtcapital.com.ph/sustainability-report>. Inquiries and other concerns related to this report may be sent to GT Capital's Chief Risk Officer at winston.peckson@gtcapital.com.ph.



The paper version of the 2019 GT Capital Sustainability Report is printed on Magno 150gsm, a PEFC Credit and FSC Mix Credit material. Magno paper products, produced in the company's paper mills in Europe, meet high quality and environmental standards.



Message from the President

(102-14)

Dear fellow stakeholders,

As we prepare GT Capital's 2019 Sustainability Report, the country is in the midst of a global pandemic. Companies have been required to act decisively to continue to provide essential services for their clients at this difficult time. In addition, the spread of Covid-19 has motivated all corporations to revisit how they do business, impact the environment, and shape the way societies live, as these factors have accelerated community transmission.

During the lockdown period, GT Capital and its component companies responded to the call of the national government to soften the financial impact of the lock-down on both our retail and corporate customers. Thus, interest payments have been deferred, rental and amortization payments pushed back, and insurance premium collections postponed. The conglomerate's component companies all implemented measures to maintain customer service. Our lending institutions granted grace periods for monthly amortizations and lease collections, while our insurance companies deferred premium payments. For instance, Metrobank and PSBank branches remained open and waived fees for electronic fund transfers. In addition, AXA and Toyota Insure extended the validity of coverage for qualified policies expiring within the ECQ, while AXA committed to pay out Covid-19 related health and death benefits. Furthermore, Toyota Motor Philippines extended financial assistance to its dealerships. Lastly, Federal Land deferred rental and amortization payments for customers and tenants.

Over the medium to long term, the Group will continue to improve on its sustainability reporting and economic, social, and governance (ESG) initiatives. GT Capital's business model of strategic partnerships with global brand leaders, a key differentiator for the conglomerate, is an advantage toward achieving these goals. Several of the Group's international strategic partners have established sustainability practices and policies, such as Toyota's Environment Challenge 2050, Mitsui's Environmental Management Strategy, and ORIX's Transition to a Carbon-Free Society. For future

sustainability initiatives, GT Capital and its component companies can draw on our partners' experience.

Against this backdrop, we report the environmental and social initiatives of GT Capital and its component companies. As we continue to pursue excellence in our operations, we reaffirm our commitment to align our various businesses with sustainability principles to enhance the environment and strengthen the country's social fabric amid the pandemic.



Last year, we identified ten (10) United Nations Sustainable Development Goals (UN SDGs) that are material to our component companies. These include UN SDG 1, No Poverty; 3, Good Health and Well-Being; 4, Quality Education; 5, Gender Equality; 7, Affordable and Clean Energy; 8, Decent Work and Economic Growth; 10, Reduced Inequalities; 12, Responsible Consumption and Production; 13, Climate Action; and 16, Peace, Justice and Strong Institutions.

We are confident that our investments in critical industries that fuel the country's productivity and generate jobs will drive our businesses towards helping achieve these 10 SDGs. GT Capital and its component companies are now more closely looking

at their respective businesses, examining how they may further measure and align their activities and set targets according to the UN SDGs.

Nonetheless, GT Capital's component companies and strategic partnerships have implemented programs and offered products and services in line with long-held sustainability principles and practices.

To support local economic activity and promote the livelihood of small and medium-sized businesses, Metropolitan Bank & Trust Company (Metrobank) offers three kinds of SME business loans—the Puhunan Loan, Agri Business Loan, and Franchise Business Loan. All three offerings are designed to make it easier for sectors that more frequently need to promptly secure funding for business expansion and working capital.

In support of the government's initiative to further develop auto and auto parts manufacturing capabilities in the country, Toyota Motor Philippines (TMP) has remained committed to the government's Comprehensive Automotive Resurgence Strategy (CARS) program. The Vios, TMP's official entry to the CARS program, is manufactured in its Santa Rosa plant along with the Innova. TMP has full manpower complement of 1,967 employees as of the end of 2019.

In addition, to contribute to mitigating the environmental impact of the automotive manufacturing industry, TMP adheres to Toyota Motor Corporation's global policies on sustainable development, among others, to develop, establish and promote technologies enabling the environment and economy to coexist harmoniously, and to build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation. TMP also aligns and works with TMC to contribute to the achievement of the Toyota Environmental Challenge 2050, a set of six environmental targets to be attained by the year 2050 with the ultimate goal of having zero environmental impact while contributing a net positive impact on society.

To address the demand for comfortable residential, commercial, and office spaces, Federal Land has accelerated development of projects in 2019, including The Estate Makati and Grand Midori Ortigas, which are awaiting Leadership in Energy and Environmental Design (LEED) certification. The property developer's hotels and master-planned townships have also contributed to providing the real estate market with sustainably designed buildings and structures.

To protect people and organizations over the long term, AXA Philippines strives to align itself with the AXA S.A. Group's three-pronged corporate responsibility approach—climate change, health risk prevention, and responsible data. Among other commitments, AXA aims for 100% of the electricity consumed in all of its buildings and facilities worldwide to come from renewable sources by 2025.

And to contribute to empowering communities to become sustainable, Metro Pacific Investments Corporation (MPIC) powers households, commerce, and industries, delivers clean and safe water, and makes world-class healthcare more accessible nationwide. In 2019, through GT Capital's strategic investment in MPIC, we embarked on several projects to make renewable energy available in more places. Complementing TMP's thrust to provide mobility solutions to more Filipinos, MPIC contributed to the country's infrastructure initiatives by continuing its expansion of the Light Rail Transit (LRT) system and toll roads in Metro Manila and Luzon.

This report further details the sustainability performance of GT Capital and its component companies in 2019, specifically their economic, environmental, and social impacts on various stakeholders, both within and outside the Group. In accordance with our commitment to nation-building, GT Capital coordinates with our component companies to take practical actions toward solving the sustainability issues confronting the country.

In all that we do, we aim to be Partners for Good: for keeping the trust of our joint venture partners and clients, for maintaining long-term business sustainability, and for achieving the common good through nation-building. To this end, we will continue to take advantage of the synergies of our various businesses to enhance the environment and the communities where we operate. Despite the challenges of 2020, we remain confident in the Group's ability to eventually bounce back toward our pre-pandemic growth trajectory, whilst maintaining sustainable business practices. We are adequately equipped to take—and create—the opportunities presented to us to maintain the structural soundness of our business in a sustainable manner that protects the environment and advances the common good for society.

CARMELO MARIA LUZA BAUTISTA
President

Sustainability Framework

(102-11)

Sustainability Framework

Business excellence is at the heart of GT Capital's operations throughout its 13 years of experience. In 2018, GT contextualized business excellence within the Three P's of sustainability—Planet, People, Prosperity. Alternatively referred to as the Triple Bottom Line, this framework makes GT Capital more conscious of the need for its business interests ("prosperity") to be balanced with society's interests in environmental ("planet") and social ("people") terms.

More specifically, we have taken the elements of our traditional business model—value creation, market leadership, sustainable leadership, organic growth, strategic partnerships, conscious operations—and challenged both the parent and component companies to make these elements work in synergy to serve the Triple Bottom Line.

This way, GT Capital will be able to achieve a holistic form of business excellence that benefits all the parent and component companies' stakeholders, to include investors, shareholders, employees, customers and end-users of its products and services, and the communities where they operate.

GT Capital's Sustainability Framework



In 2018, we identified 10 UN Sustainable Goals that are material to our component companies—SDG 1, No Poverty; 3, Good Health and Well Being; 4, Quality Education; 5, Gender Equality; 7, Affordable and Clean Energy; 8, Decent Work and Economic Growth; 10, Reduced Inequalities; 12, Responsible Consumption and Production; 13, Climate Action; and 16, Peace, Justice and Strong Institutions. We remain committed to contributing to the achievement of these SDGs through our business operations and other corporate activities.



Our Materiality Process

(102-40, 104-42, 102,43, 102-44, 102-47)

Materiality Process

Following the GRI Standards framework, GT Capital in 2018 conducted a materiality assessment to identify the environmental, social, and governance (ESG) issues that had the most potential to affect our businesses and our stakeholders. To determine these issues, we consulted stakeholder groups who had the most influence on our ESG, or sustainability, performance—the parent company’s principals, capital fund providers, employees, senior executives, regulators, and component companies.

The materiality assessment was made in partnership with the University of Asia and the Pacific.

The process resulted in the identification of 16 material topics, which we have determined to be still relevant today. The table below shows these topics.

Economic (4)	Social (10)
Economic Performance	Employment
Indirect Economic Impacts	Labor/Management Relations
Anti-corruption	Training and Education
Anti-competitive Behavior	Diversity and Equal Opportunity
	Nondiscrimination
	Human Rights Assessment
	Supplier Social Assessment
	Marketing and Labeling
	Customer Privacy
	Socioeconomic Compliance
Environmental (2)	
Energy	
Environmental Compliance	

Taking these topics, GT Capital is in the process of establishing business strategy and key ESG targets both for the parent and component companies.

Management approach disclosures for our material topics are discussed on pages 10 to 15 while relevant data are shown on page 16 to 19.

How We Contribute to Nation Building

(102-2, 102-6, 102-7, 203-2)

GT Capital recognizes the imperative for companies to look for the Triple Bottom-line. Beyond profit, the Group continues to expand its view of operating performance to include benefits to society and the environment. This is true especially of investment holding companies such as ours, as we stimulate the economy, create employment, and move key sectors of the country through the initiatives of our component companies.

As viable new opportunities develop in the Philippines, we continue to build on our tradition of excellence and leadership in five key sectors—banking; automotive assembly, importation, and distribution; property development; infrastructure and utilities; and life and general insurance.

This tradition is predicated not only on building long-term value for our shareholders, clients, and employees, but also on enabling a stronger and more prosperous nation through our sustainability efforts and corporate social responsibility (CSR) activities. Our operations include economic and social activities that will eventually lead to profitability and inclusive nationwide progress. In addition, long before the incorporation of GT Capital in 2007 and the publication of its maiden Sustainability Report last year, the conglomerate was already heir to a rich philanthropic tradition through the Metrobank Foundation and the Ty family foundations.

As we reaffirm our commitment to CSR and sustainability as integral to our business, we ensure that our investment decisions are

consistent with our core values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation.

Our goal is to engage in meaningful investment ventures that contribute to nation building and to continuously support our component companies in expansion ventures that further improve their contribution to the economy, environment, and society. We guarantee due diligence for our new investments and undertake regular monitoring of our existing investments to determine and maintain their alignment to our overall corporate mission, vision, and core values.

Component companies' contribution

GT Capital serves customers across sectors including automotive assembly, importation, distribution, dealership and financing, banking, property development, life and general insurance, and infrastructure and utilities.

For close to six decades, Metropolitan Bank and Trust Company (Metrobank), the country's premier universal bank, has provided meaningful banking services to Filipinos everywhere. Through its workforce of 13,150 employees, Metrobank's diverse product portfolio—investment banking, thrift banking, leasing, financing, bancassurance, and credit cards—ensures that clients' varied financial needs are adequately addressed.

Metrobank continues its strong legacy of being the bank of choice for small and

medium-scale enterprises (SMEs), which cover 90% of the Philippine economy. The Bank supports SMEs through its Agribusiness Loan Program, especially in underbanked provinces, as well as the SME Kapihan, a regular activity that provides learning and relevant information to small businesses. And through the Metrobank Foundation, the bank honors outstanding Filipinos—teachers, soldiers, police officers, and artists in particular—through awards and grants, dovetailing its programs for education, disaster response and healthcare. For the year, a total of 50 socio-civic and charitable organizations were provided with grant assistance worth a total of Php20.0 million and caters to 24,115 individuals and 11,397 families.

Incorporated in August 1988, Toyota Motor Philippines (TMP) is an advocate of automotive manufacturing as a catalyst for national development. It has invested at least Php5.2 billion in the government's Comprehensive Automotive Resurgence Strategy (CARS) program aimed at further developing capabilities in the country's automotive manufacturing sector. TMP has 1,967 employees as of the end of 2019, 91% of whom are assigned in its manufacturing activities in Santa Rosa, Laguna, contributing to job generation in the countryside. The country's leading automaker also supports many SMEs in its value chain, many of whom form the Toyota Suppliers Club of 96 member-companies. In 2019, through the Toyota Motor Philippines Foundation, TMP sustained its support for Pulong Sta. Cruz Elementary School (PSCES) in Santa Rosa, Laguna, sponsored scholars in 20 partner tech-vocational institutions nationwide, participated in tree-planting and mangrove-planting under the global All-Toyota Green Wave program, organized a medical-surgical outreach, and provided assistance to earthquake victims in Mindanao.

A prime real estate developer, Federal Land Inc. (FLI), which began close to five decades ago as Federal Homes, Inc., has since grown into the GT Capital family and as a proud partner of the Metrobank Group. In 2019, FLI launched six projects in key locations, namely Makati, Pasay, Taft Avenue, Cebu, Bonifacio Global City (BGC), and Ortigas. Federal Land aims to create more dynamic communities for generations to enjoy in the years to come.

AXA Philippines is one of the country's largest and fastest-growing insurance companies in terms of total net insurance premium. Today, AXA has close to 7,000 financial advisors in more than 40 branches, and about 1,200 financial executives in over 900 Metrobank and PSBank branches nationwide. Charter Ping An, on the other hand, has 22 branches nationwide and more than 2,000 agents. Currently, AXA Philippines protects 1.3 million individuals through its comprehensive suite of life and non-life insurance products.

GT Capital's strategic partnership with Metro Pacific Investments Corporation (MPIC) has made us the largest minority investor in the country's leading infrastructure holding company. Our equity investment in MPIC further supports our vision of nation-building by providing our stakeholders with access to basic services such as clean water, reliable power, tollways, railways, and hospitals. This is in consonance with the government's direction to significantly enhance the country's infrastructure to enhance economic growth. MPIC intends to implement new power generation projects, primarily in renewables, and strengthen its retail sales market, helping provide electricity to more homes and businesses nationwide.



EMPLOYMENT AND DIRECT ECONOMIC VALUE GENERATED AND CONTRIBUTED

(203-2)

GT Capital generates employment for thousands of Filipinos. This is one of the Group's most noticeable impacts to society. Owing to our business lines and strategic partnerships, GT Capital has generated over 19,510 jobs as of end-2019 across the country.

We maintain healthy relationships with our employees through hiring highly qualified candidates, providing acceptable and benchmarked compensation packages, ensuring a healthy working environment, and ensuring employee satisfaction through surveys. We commit to hire, retain, and develop talent in sectors that are key to the growth of the nation's economy.

Head Count (102-8)	Total
GT Capital Holdings, Inc.	42
Metropolitan Bank and Trust Company (Parent Bank)	13,150
Toyota Motor Philippines Corporation	1,967
Toyota Manila Bay Corporation	966
Toyota Financial Services Philippines	405
Federal Land, Inc.	495
Philippine AXA Life Insurance Corp.	2,430
Metro Pacific Investments Corporation	55

In 2019, the GT Capital Group generated and distributed Php 226.8 billion in direct economic value, with operating costs taking the largest share at Php 176.5 billion. A total of Php 21.0 billion went to payments to capital providers, Php10.6 billion was paid to suppliers and for other operating costs, Php4.9 billion was remitted to the government in taxes and fees, Php3.0 billion was paid to employees in wages and benefits, and Php1 million was set aside for community investments and donations. The company retained Php10.7 billion in economic value.

GT Capital Holdings Group COVID-19 Response Reached Php 1.2 Billion

(203-2)

The GT Capital Holdings Group has stood with all Filipinos in facing the challenges brought on by COVID-19. The Group and its component companies have pledged support to manage the disruption and provide meaningful assistance to customers, employees, and partners who most need help in these difficult times. In total, the GT Capital Group's overall contribution to the pandemic response reached Php1.2 Billion.

When the lock down period began by mid-March, GT Capital's immediate priority was the safety and protection of our workforce. Above all, the conglomerate wanted to ensure

the physical well-being and financial security of its Group-wide employee base, recognizing that they are the GT Capital Group's most valuable resource. Throughout the enhanced community quarantine, GT Capital and its component companies continued to support their more than 25,000 employees, including the agency-based workforce across the Group, many of whom are restricted to work from home or are displaced by the situation. For the GT Capital Group's front-liners, who had put themselves at risk every day at the height of the crisis, additional compensation and other tangible assistance have been extended.



TOTAL GT CAPITAL GROUP RESPONSE APPROXIMATELY (as of June 5, 2020)
PHP1.2 BILLION

PHP1.0 Billion Policies and programs in place to support 26,000 Group-wide officers, agency-based support staff and front-liners



PHP200 Million pledged fund for direct CSR initiatives. Actual disbursements include:

PHP100 Million Food gift certificates for 1 Million families through Project Ugnayan of the Phil Disaster Relief Foundation and Caritas Manila

PHP18 Million Molecular Laboratory for the Phil. Red Cross capable of 1,000 tests a day

PHP25.4 Million 20,000 sets of PPE for 21 hospitals in Metro Manila, Cavite, and Cagayan de Oro

PHP15 Million 22,000 rapid test kits and 3,800 PCR swab tests c/o U.P. NIH and Project ARK

PHP4.3 Million 109,200 pairs of gloves and 2,000 sets of PPE for the Police and Armed Forces

PHP10 Million Philippine Star Tala Para sa Kapwa, San Juan Medica Center (through Xavier School), McDonald's Charities, Jollibee Group Foundation

The Group will continuously monitor the evolving situation and will implement further measures as needed.

Management Approach

As a holding company, GT Capital strives for its component companies to contribute to nation building through products, services, and solutions that fulfill the aspirations of Filipinos while adhering to sustainability principles and standards.

As founder George S.K. Ty put it, “while success in business is a source of pride, our contribution to nation building give us even greater satisfaction.”

GT Capital counts on the synergy of its component companies and strategic partnerships not only to expand its businesses but, more importantly, to assure a sustainable future for the markets and stakeholders it serves and the communities it reaches and operates in. The synergistic activities of its component companies respond to Filipinos’ needs in a multi-faceted fashion shelter, through Pro-Friends and Federal Land; banking through Metrobank; insurance through AXA Philippines; mobility through Toyota; and water, power, healthcare services, and roads through MPIC.



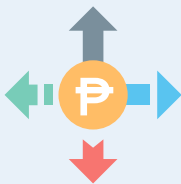
Economic Performance (103-1,2,3)

GT Capital manages the impacts of its economic performance on stakeholders by reviewing and validating component companies’ annual budgets. It works with independent third parties including investment consultants, actuarial professionals, and auditors to safeguard and grow its financial resources while generating and distributing value for its stakeholders and throughout the value chain.

Investment decisions are consistent with its core values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation. Such decisions also comply with the company’s determined investment criteria and risk appetite.

GT Capital’s Finance and Accounting group, guided by approved policies and practices, is responsible for monitoring the conglomerate’s economic performance. This group conducts monthly meetings, annual planning, and checklists of reportorial requirements.

GT Capital also monitors its indirect economic impacts occurring primarily through its component companies as part of the supply chain.



Indirect Economic Impacts (103-1,2,3)

As an investment holding company, our indirect economic impacts primarily occur through our component companies and the supply chain which includes both customers and suppliers. We ensure that investment decisions made are consistent with our core values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation. We guarantee due diligence for new investments by considering our overall economic contribution and position. We

undertake regular monitoring of already existing investments to determine their alignment to GT Capital's corporate mission, vision, and core values.



Anti-corruption (103-1,2,3)

We do not tolerate corruption in the workplace as it may damage GT Capital's reputation which may eventually result in the low morale of our employees. It may also have financial, legal, and regulatory consequences.

GT Capital's Code of Discipline provides penalties for corruption violations. Our Code of Ethics also enjoins that all directors, officers and employees shall ensure the conduct of fair business transactions and guarantee that personal interest does not affect the exercise of their duties. Likewise, they shall not use their position to profit or acquire benefits or advantage for themselves or related interests. GT Capital has established procurement policies and contracts to avail crucial services which are reviewed and approved by the Bids and Awards Committee or the Senior Executive Committee for extraordinary service engagements.



Anti-competitive Behavior (103-1,2,3)

Competition stimulates innovation, productivity and competitiveness, all of which contribute to an effective business environment. We conduct due diligence and engage legal advisers to ensure compliance with the Philippine Competition Act.



Environmental Category

The company intends to monitor the environmental impacts of its activities at the component-company and parent levels. The component companies plan and execute their own programs to mitigate their impact on the environment; reduce the energy, water, and other resources consumed in their activities; and promote the protection of the environment in their areas of operation.

GT Capital is in the process of drafting its environmental policy for adoption in the coming years. Nevertheless, its Legal and Compliance group ensures that it adheres to environmental laws and regulations.



Energy (103-1,2,3)

We exert conscious efforts in energy conservation at our head office through shifting into more energy-efficient office equipment and minimizing consumption only to necessary usage. We plan to draft our environmental policy in the coming years. We also aim to achieve a reduction in our energy consumption which translates to lower energy costs and contributes to sustainable business operations. We also target a net percentage decrease in total energy consumption and in average consumption per employee.

Management Approach



EMPLOYMENT(103-1,2,3)

We maintain healthy relationships with our employees through hiring of highly qualified candidates, provision of acceptable compensation packages (benchmarked), ensuring a healthy working environment, and ensuring employee satisfaction through surveys. We commit to hire, retain, and develop talents. One of the goals and targets of our Human Resources and Administration Department (HRAD) is to achieve attrition and vacancy rates that are below the industry average. The HRAD Head primarily manages the human resource administration and development processes. We also have a payroll system that facilitates compensation and other benefits. The hiring and compensation processes are subject to regular internal audits in accordance with the Internal Audit Department's plan. Competency assessment for employee candidates are also facilitated by a third-party consultant.

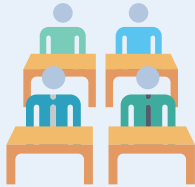
Our Human Resources Committee reviews and proposes changes and improvements to the compensation and benefits package regularly subject to the approval of the Executive Committee. Regular employees are also granted life insurance, health care, disability and invalidity coverage, parental leave, and retirement provision.

The HRAD conducts continuous reviews on an annual basis and proposes changes to its processes as necessary



LABOR/ MANAGEMENT RELATIONS (103-1,2,3)

We aim to maintain healthy relationships with employees through full disclosure of plans that may affect employees' well-being. We also commit to provide employees with a reasonable notice period prior to operational changes. As of 2018, we provide a notice period of at least 30 days (4 weeks) before implementing operational changes.



TRAINING AND EDUCATION (103-1,2,3)

We provide individual development plans (IDP) for our employees based on their competency assessments. IDP includes career and succession planning. We commit to upgrade our employees' competencies through individual development plans and aim to provide at least 16 hours of training per employee per year.



DIVERSITY AND EQUALITY (103-1,2,3)

We value diversity across all ranks and aim to provide equal opportunity for all relevant stakeholders. We ensure that equal opportunity is provided to employees and no preference is given on the basis of gender, ethnicity, or race. Through HRAD, Human Resources Committee, and other relevant department heads, we commit to provide our employees and applicants equal opportunity on the basis of competencies, and not on the basis of any discriminatory factor especially when it comes to diversity of governance bodies and employees, and salary and remuneration of women to men.



NON-DISCRIMINATION (103-1,2,3)

We aim to provide a safe and healthy working environment by ensuring that controls are in place to prevent and address incidents of discrimination through the provision of mechanisms to raise awareness on and to report incidents of discrimination. Acts of discrimination are covered by the Code of Discipline of our company. Through HRAD, Human Resources Committee, and other relevant department heads, we aim to provide our employees and management a working environment free of discrimination.



HUMAN RIGHTS ASSESSMENT (103-1,2,3)

We, at GT Capital, ensure that our component companies follow acceptable and sustainable business practices involving human rights issues. Our company complies with its human rights policies and procedures. Our company's human rights assessment primarily impacts the following stakeholder groups: the management, the principals, the shareholders, the regulators, and the employees.

Management Approach

GT Capital is committed to provide appropriate training on human rights policies and procedures. Our company is also committed to ensure that track record on human rights is considered in its investment decisions. The offices responsible for the implementation of these policies and procedures are the HRAD, Corporate Planning and Business Development Department, and Legal and Compliance Department.



SUPPLIER SOCIAL ASSESSMENT (103-1,2,3)

GT Capital ensures that there is an assessment of our activities in order to prevent and mitigate our negative social impacts in the supply chain. These include impacts of GT Capital that are directly linked to our activities, products, or services.



MARKETING AND LABELLING (103-1,2,3)

GT Capital ensures stakeholders' access to accurate and adequate information about our company and its transactions. Through timely and accurate disclosures of material information, we aim to mitigate the negative effects of inadequate marketing. GT Capital is committed to respect the stockholders' right to information based on prescribed rules and regulations. Our company also aims to provide stockholders accurate and timely information during the annual stockholders' meeting and quarterly briefings, and to achieve non-violation of disclosure rules. As part of evaluating the effectiveness of our approach in this area, we ensure regular audits on processes, feedback forms, and consultations with investors.

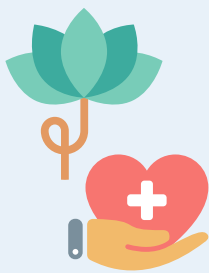


CUSTOMER PRIVACY (103-1,2,3)

GT Capital processes the personal data of our data subjects, including our stockholders in accordance to the Data Privacy Act of 2012 (DPA). Our company manages the impacts on data privacy through implementation of security measures for organizational, physical, and technical aspects.

Our company's policy on customer privacy is included in our Data Privacy Manual which includes GT Capital's Privacy Policy (public) and Privacy Notice (public). GT Capital is committed to protect the fundamental human right of our data subjects to privacy while ensuring free flow of information to promote innovation, growth, and development.

Part of our company goals and targets are related to privacy are zero breach and full compliance with the DPA, and related laws and issuances as well as the requirements of the National Privacy Commission (NPC). The departments responsible for this are the Data Protection Officers and the Data Breach Response Team. Finally, the company specifically aims for organizational security measures and physical security measures such as outlining of storage type and location of documents with personal data, rules on sharing of personal data with third parties, and technical security measures in the form of personal data back-up in electronic format, monitoring of security breaches, and regular testing of security measures.



ENVIRONMENTAL COMPLIANCE AND SOCIOECONOMIC COMPLIANCE (103-1,2,3)

Acting in an environmentally and socially responsible way is our duty to our stakeholders. GT Capital believes that doing so can positively affect its bottom line and long-term success as a conglomerate. With these, environmental and social responsibility have been included as a covenant in our contracts. Our Legal and Compliance Department ensures that we adhere to laws and regulations. GT Capital strives to prevent and avoid violations of Philippine environmental laws and regulations and continues its compliance with all laws and regulations in the environmental, social, and economic areas.

Economic Performance

Direct Economic Value Generated and Distributed (201-1)

Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:



DIRECT ECONOMIC VALUE GENERATED

PHP **226.8** Billion

CORE NET INCOME

PHP **15.8** Billion

Economic value, retained: 'directed economic value generated less 'economic value distributed'.



PHP **10.7** Billion

Defined benefit plan obligations and other retirement plans (201-3)

as disclosed in the consolidated audited financial statements

PENSION LIABILITY

PHP **859** Million

Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments

OPERATING COSTS

PHP **176.5** Billion

EMPLOYEE WAGES AND BENEFITS

PHP **3.0** Billion

PAYMENTS TO SUPPLIERS AND OTHER OPERATING COSTS

PHP **10.6** Billion

PAYMENTS TO PROVIDERS OF CAPITAL

PHP **21.0** Billion

PAYMENTS TO GOVERNMENT

PHP **4.9** Billion

COMMUNITY INVESTMENTS

PHP **1** Million

Financial assistance received from government (201-4)
None received in 2019

Indirect Economic Impacts (203-2)

SIGNIFICANT INDIRECT ECONOMIC IMPACTS

*employment data to be discussed separately

OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION (205-1)

Deals subjected to overall risk assessment including regulatory (corruption) risk

COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES (205-2)

The Chief Audit Executive (CAE) receives communication through the governance hotline. The Company's Code of Ethics covers sanctions against corruption and other illegal activities.

LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST AND MONOPOLY PRACTICES (206-1)

No actions against the Company in relation to anti-competitive behavior, anti-trust or monopoly practices.

Environmental Performance

Reduction of energy consumption (302-4)

Actual energy consumption at the parent level



Non-compliance with environmental laws and regulations (307-1)

No non-compliance with environmental laws and/or regulations in 2018

Social Performance

New employee hires and employee turnover (401-1)

Total number rate of new employee hires during the reporting period, by age group, gender and region.



Total number and rate of employee turnover during the reporting period, by age group, gender and region.

None

Benefits provided to full-time employees that are not provided to temporary or part-time employees (401-2)

Actual availment of employee benefits provided to full-time employees that are not provided to temporary or part-time employees during the period.



LIFE INSURANCE

42 Employees



HEALTH CARE

42 Employees

DISABILITY AND INVALIDITY COVERAGE

0 Employees

PARENTAL LEAVE

2 Employees

RETIREMENT PROVISION

0 Employees

Parental Leave (401-3)



Total number of employees that were entitled to parental leave, by gender.

7 Male 12 Female

Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.

2 Female

Total number of employees that returned to work in the reporting period after parental leave ended, by gender.

2 Female

Return to work and retention rates of employees that took parental leave, by gender.

2 Female

Labor Management Relations

MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES (402-1)



30 Days

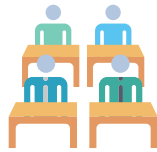
Minimum number or weeks' notice typically provided to employees and their representative prior to the implementation of significant operational changes that could substantially affect them.

Social Performance



Training and Education

53.3 hours



Average hours of training that the organization's employees have undertaken during the reporting period (404-1)

GENDER



Male: **61.7** hours

Female: **48.1** hours

EMPLOYEE CATEGORY

junior officers: **70.7** hours

senior officers: **52.2** hours

Programs for upgrading employee skills and transitions assistance programs (404-2)

57 programs

Percentage of employees receiving regular performance and career development reviews (404-3)

100% of employees



Percentage of total employee by gender and by employee category who received a regular performance and career development review during the reporting period. (404-3)

47.6%
male
(20)



52.4%
female
(22)

Diversity and Equal Opportunity

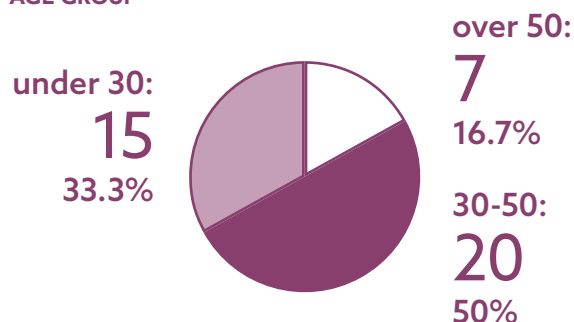
Diversity of governance of bodies and employees (405-1)
 Percentage of individuals within the organization's governance bodies in each of the following diversity categories:



GENDER



AGE GROUP



Ratio of basic salary and remuneration of women to men (405-2)

1.00:0.96
female to male

Ratio of the basic salary and remuneration of women to men for each employee category significant locations of operations.

Non-discrimination

Incidents of discrimination and corrective actions taken (406-1)

0 incident of discrimination reported

Human Rights Assessment

Employee training on human rights policies and procedures (412-2)

Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.

Employees are required to familiarize themselves with the Company's Code of Discipline before annual acknowledgement is signed.

Significant investment agreements and contract that include human rights clauses or that underwent human rights screening (412-3)

Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.

All contracts include standard clauses in relation to compliance with all applicable laws and regulations and have undergone legal due diligence.



Supplier Social Assessment

New suppliers that were screened using social criteria (414-1)

Group-wide policy under development

Negative social impacts in the supply chain and actions taken (414-2)

Formal policy for development to be cascaded to component companies

Suppliers are usually sourced from accredited MBT/Group suppliers.

Marketing and Labelling

Incidents of non-compliance concerning marketing communications (417-3)



No noted incidents of non-compliance concerning marketing communications.

Customer Privacy

Substantiated complaints concerning breaches of customer privacy losses of customer data (418-1)

No substantiated complaints concerning breaches of customer privacy and losses of customer data.

Socioeconomic Compliance

Non-compliance with laws and regulation in the social and economic area (419-1)

No recorded fines or monetary sanctions for non-compliance with environmental, social and economic laws and regulations.

Economic Performance

Direct economic value generated and distributed (201-1)

**DIRECT ECONOMIC VALUE
GENERATED**

PHP **99.9** Billion

NET INCOME

PHP **28.1** Billion

Anti-corruption

Confirmation incidents of corruption and actions taken (205-3)

There are no incidents in which directors or employees were removed or disciplined for corruption during the period. There are no incidents when contracts with business partners were terminated due to incidents of corruption.

Environmental Performance

Materials

Used by weight or volume (301-1)

3,166 pieces of UPS batteries and

17,498 cartridges of printer toner



Energy

Consumption within the organization (302-1)

81,715,298.59kWH

Emissions

Direct (Scope 1) GHG Emissions (305-1)

90027kg CO²e



Energy Indirect (Scope 2) GHG Emissions (305-2)

143,406,263.26kg CO²e



Water and Effluents

Water Consumption (303-5)

1,239,454.17m³

Solid and Hazardous Wastes



SOLID WASTE

Total Solid Waste Generated

9.21MT

HAZARDOUS WASTE

Total Weight of Hazardous Waste Generated

0.0071MT

Environmental Compliance

Non-compliance with Environmental Laws and Regulations (307-1)

**TOTAL AMOUNT OF MONETARY
FINES FOR NON-COMPLIANCE
WITH ENVIRONMENTAL LAWS
AND/ OR REGULATIONS**

Zero

**NO. OF NON-MONETARY
SANCTIONS FOR NON-COMPLIANCE
WITH ENVIRONMENTAL LAWS AND/
OR REGULATIONS**

Zero

Social Performance

Employment

New employee hires and employee turnover (401-1)

TOTAL EMPLOYEE COUNT

13,150

EMPLOYEE BREAKDOWN BASED ON AGE

≤ 25 - 2,980
 26 - 30 - 3,276
 31 - 35 - 2,318
 36 - 40 - 1,291
 41 - 45 - 1,085
 46 - 50 - 1,378
 51 - 55 - 708
 > 55 - 114

EMPLOYEE BREAKDOWN BASED ON GENDER:

Female **8,565**
 Male **4,585**

8.69% ATTRITION RATE

5.33% RATE OF LOWEST PAID EMPLOYEE AGAINST MINIMUM WAGE

Labor-management Relations

89% of employees covered with Collective Bargaining Agreements

Diversity and Equal Opportunity

65% of workers in the workforce are female

35% Percentage of male workers in the workforce

Number of employees from indigenous communities and/or vulnerable sector

Female **125** Male **11**

Occupational Health and Safety

Work-related ill health (403-10)

2019 Diseases/Principal complaint count **2,288**

No. of Work-related injuries **9**

No. of Work-related fatalities **0**

Employee Training and Development

TOTAL TRAINING HOURS PROVIDED TO EMPLOYEES

750,470.50hours

AVERAGE TRAINING HOURS PROVIDED TO EMPLOYEES

57.07hours

Customer Management

Customer Satisfaction **81%**

Customer Privacy

No. Substantiated Complaints on Customer Privacy **0**

No. of Complaints addressed **0**

No. of Customers, Users and Account Holders whose Information is Used for Secondary Purposes **0**

Data Security

No. of data breaches, including leaks, thefts and losses of data **0**

Training and Education

Average hours of training per year per employee (404-1) **57.07** hours

Employee assessed based on their performance **95%**

Number of employees promoted **2,915**

Non-discrimination

Incidents of discrimination and corrective actions taken – There were no instances of discrimination during the reporting period.

Freedom of Association and Collective Bargaining

Employee covered by collective bargaining agreement **6,111**

Percentage of employees covered by collective bargaining agreement **89%**

Product or Service Contribution to UN SDGs

Product or Service Contribution to UN SDGs
 Php 605 Billion loans distributed are aligned with UN SDGs. In the interest of time, loans tagged for this report are limited to 80% of the Institutional Banking Loan Portfolio

Economic Performance

Toyota Group Investments
1989-2019
PHP 66 Billion

2019
PHP 3.52 Billion

Total Duties & Taxes Paid
1989-2019
PHP 384 Billion

2019
PHP 46.8 Billion

Procurement from local suppliers
1989-2019
PHP 216 Billion

2019
PHP 17.56 Billion

Toyota Group Auto Parts Exports
1997-2019
USD 15.5 Billion

2019
USD 1.02 Billion

accounts to 27% of total PH auto parts exports

Employment
1989-2019

(TMP, Suppliers & Dealer Network)

Over 55,000 Employees



REVENUES

PHP 168.6 Billion

NET INCOME ATP

PHP 9.1 Billion

Total Vehicle Sales 1989 – 2019

1,745,863 units

54.3% local production of total vehicle sales

Total Vehicle Production 1989 – 2019

867,741 units

Manpower Profile

Total Employees

1,967 Team Members

BY GENDER



Male 1,605 (83%)

Female 362 (19%)

BY AGE

18-22 years: 42

23-27 years: 458

28-32 years: 392

33-37 years: 307

38-42 years: 152

43-47 years: 265

48-52 years: 277

53 & over years: 74

BY REGION

149 PH-Makati City:

marketing offices at GT Tower International in Makati City

1,798 PH-Santa Rosa City:

TMP's head office and manufacturing plant in Santa Rosa City, Laguna

20 Overseas

Toyota's Global headquarters (Japan) or at Regional headquarters (Singapore, Thailand) for Team Members under the Intra-Company Transfer (ICT) Program

New employee hires and employee turnover

BY GENDER



Male 79 (72%)

Female 31 (28%)

BY AGE

18-22 years: 28

23-27 years: 50

28-32 years: 19

33-37 years: 1

38-42 years: 2

43-47 years: 3

48-52 years: 4

53 & over years: 3

BY REGION

22 PH-Makati City

88 PH-Santa Rosa City

0 Overseas

Environmental Performance

Energy

ELECTRICITY

Average Monthly Consumption (in Kwh)

1,927,921.77

▲ 8%

Consumption Per Unit Produced (in Kwh)

428.21

▼ -8%

LPG

Average Monthly Consumption (in Kg)

58,626.13

▲ 7%

Consumption Per Unit Produced (in Kg)

13.02

▼ -9%

DIESEL

Average Monthly Consumption (in L)

20,192.07

▼ -13%

Consumption Per Unit Produced (in L)

4.48

▼ -26%

Emissions

VOC Emissions Per Unit Produced (in g/m²)

48.06 ▲ 0.4%

CO² Emissions Per Unit Produced
(in ton-CO²)

0.28 ▲ 7%



Water

Average Monthly Consumption (in m3)

15,857.13 ▲ 2%



Consumption Per Unit Produced (in m3)

3.52 ▼ -13%



Waste

Target Max. Generation Per Unit Produced

10.35 ▼ -12%

Actual Generation Per Unit Produced

11.92 ▲ 11%

Average Monthly Generation

53,653.30 ▲ 30%

Number of Local Suppliers and Geographical Location

Programs for upgrading employee skills and transition assistance programs

IN-HOUSE

19 Corporate Trainings

4 Leadership Development Programs

2 Global Training Programs

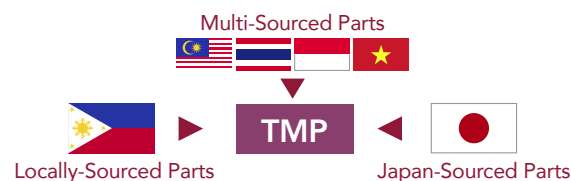


PUBLIC SEMINARS

As requested by Function Heads

1 program to prepare employees for Retirement

Parts Supply Flow



Local Parts
44 Suppliers

Indirect Materials
447 Suppliers

Locally-Sourced Parts

ELECTRICALS & SYSTEMS

11 Aircon, Clock, Writing Harness, Meter Combination (*100% CCP)

CHASSIS

7 Tires, Alloy Wheel Exhaust Pipe, Pedal, Fuel Tank, Brake Tubes, Asphalt Sheet

INTERIOR

7 Seat Belt, Door Trim, Visor, Carpet Assy

RESIN

6 Bumper, Instrument Panel, Cluster Louver

STAMPED/FORGED

5 Reinforcement Instrument Panel Cluster, Hood lock, Insulator

RUBBER

1 Weather Strip, Hoses, Moldings

OTHERS

7 Glass, Sticker, Battery

Economic Performance



Revenues
PHP 13.2 Billion

Net Income
PHP 1.6 Billion

Social Performance



Parental Leave (401-3)

Total number of employees that were entitled to parental leave

218 Male | 289 Female

Total number of employees that took parental leave, by gender

6 Male | 18 Female

Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender

6 Male | 8 Female

Return to work and retention rates of employees that took parental leave, by gender

6 Male | 18 Female

Minimum notice periods regarding operational changes Federal Land, Inc. is not unionized



30 days (402-1)



Training

Average hours of trainings that the organization's employees have undertaken the reporting period by (404-1):

GENDER

**Male 1,552.5 hours (total),
 13.16 hours (average)**

**Female 1,594 hours (total)
 9.78 hours (average)**

EMPLOYEE CATEGORY

**Staff 1,594 hours (total)
 9.78 hours (average)**

**Junior Officers 2,026 hours (total)
 14.58 (average)**

**Senior Officers 347.50 hours (total)
 17.38 hours (average)**

Social Performance



Program for upgrading employee skills and transition assistance program (404-2)

Type and scope of programs implemented, and assistance provided to upgraded employee skills:

In-house trainings	11
Core Trainings	8
Employee Engagement trainings	3
External Functional trainings	76
Total # of programs	87

No existing program for Retiree. HR will review its existing Retirement program.



Incident of discrimination and corrective actions taken (406-1)

No incident of discrimination reported in 2019



Incidents of non-compliance concerning marketing compliance (417-3)

0

Percentage of employees receiving regular performance and career development reviews (404-3)

80.04% of employees
(qualified for performance appraisal)



Male **33.3%**



Female **46.71%**



Substantiated complaints concerning breaches of customer privacy and customer data (418-1)

No incidences of breaches, losses and security risks on customer data.

Ratio of basic salary and remuneration of women to men (405-2)

STAFF:

0.94:1.00
Female to Male

JUNIOR OFFICERS:

1.10:1.00
Female to Male



Non-compliance with laws and regulations in the social and economic area (419-1)

No fines or monetary sanctions were recorded/paid due to non-compliance with environmental, social, and economic laws and regulations.



Economic Performance

NET INCOME - LIFE INSURANCE

PHP **3.4** Billion

Legal actions for anti-trust, and monopoly practices (206-1)

No formal case against AXA was filed by PCC for the period

Environmental Performance

Noncompliance with environmental laws and regulations (307-1)

No identified non-compliance with environmental laws and/ or regulations in 2019

Social Performance



Benefits provided to full-time employees that are not provided to temporary or part-time employees (401-2)

- We do not have part-time employees
- Both regular and contractual direct hires same Group Life Insurance coverage
- Both regular and contractual direct hires same HMO coverage
- Both regular and contractual direct hires same Group Life Insurance coverage with ADD
- Both regular and contractual direct hires same parental leave benefit
- Regular employees have the option to purchase AXA shares at a discount
 - o Both regular and contractual direct hires have same vacation and sick leave credits
 - o Both regular and contractual direct hires have same clothing allowance
 - o Both regular and contractual direct hires have same rice allowance
 - o Both regular and contractual direct hires have same bereavement assistance benefit
 - o Regular employees may avail of company loans
- No distinction of benefit based on location



Parental Leave (401-3)

Total number of employees that were entitled to parental leave, by gender

1,590 Female | **991** Male

Total number of employees that took parental leave, by gender

108 Female | **42** Male | **0** LGBTQ

Total number of employees that returned to work in the reporting period after parental leave ended, by gender

79 Female | **42** Male | **0** LGBTQ

Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender

79 Female | **42** Male | **0** LGBTQ

Return to work and retention rates of employees that took parental leave, by gender

100%

Average hours of training per year per employee (404-1)

 **2.5 hours per FTE**
(head office data only)

 **Female 14 hours**
 **Male 15 hours**



Programs for upgrading employee skills and transition assistance program (404-2)

Type and scope of programs implemented, and assistance provided to upgrade employee skills:

- Manager Capability
- Change Management
- Problem Solving and Decision Making
- Process Improvement (Kaizen)
- No transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

Ratio of basic salary and remuneration of women to men (405-2)

Ratio of the basic salary and remuneration of women to men for each employee category by significant locations of operations: pay structure is the same for all regardless of location of operation.

COMPENSATION RATION

RATIO OF SALARY AND REMUNERATION OF WOMEN TO MEN

Director
Female **99%**
Male **94%**

Director
1.09:1

Senior Management
Female **91%**
Male **93%**

Senior Manager
0.98:1

Manager
Female **89%**
Male **93%**

Manager
0.94:1

Supervisor/Officer
Female **97%**
Male **95%**

Supervisor / Officer
1:1

Rank and File
Female **94%**
Male **91%**

Rank and File
1.01:1



Employee training on human rights policies or procedures (412-2)

12 hours

Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations

17.09%

Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations



Incidents of discrimination and corrective actions taken (406-1)

Total number of incidents of discrimination during reporting period

0

Note: Current policy is being reviewed to strengthen safeguards against discriminated

2019 Key Performance Indicators

Power

30 million
MERALCO
estimated
population served

46,871 Gwh
MERALCO
energy sales

3,851 Gwh
GBP energy sales

Toll Roads

283,296
NLEX average
daily vehicles

70,551
SCTEX average
daily vehicles

181,656
CAVITEX average
daily vehicles

Water

9.7 million
Estimated
population served

535 MCM
Volume of water
billed

727 MCM
Volume of water
supplied

Healthcare

3,235
Total beds
available

3.7 million
Number of out-
patients

201,131
Number of in-
patients

Light Rail

446,943
Average daily
ridership

178,417
Total passenger
trips

161,346,440
Total number
of riders

Social Performance



Parental Leave (401-3)

Total number of employees that were entitled to parental leave, by gender

11 Male **16** Female

Total number of employees that took parental leave, by gender

0 Male **2** Female

Total number of employees that returned to work in the reporting period after parental leave ended, by gender

0 Male **2** Female

Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender

0 Male **2** Female

Return to work and retention rates of employees that took parental leave

100% Female



Minimum notice periods regarding operational changes (402-1)

30 days

Average hours of training per year per employee at MPI Parent Company level (404-1)

Average hours of training that the organization's employees have undertaken during the reporting period, by:

GENDER

Female - **19** hours | Male - **18** hours

EMPLOYEE CATEGORY

Senior Management - **9** hours

Middle Management - **18** hours

Supervisors - **40** hours

Rank and File - **15** hours

Economic Performance



CORE INCOME
PHP 15.6 Billion

REPORTED INCOME
PHP 23.9 Billion

Financial assistance received from the government (201-4)

None received in 2019

Legal actions for anti-competitive behavior, anti-trust and monopoly practices (206-1)

No actions against the Company in relation to anti-competitive behavior, anti-trust or monopoly practices.

Environmental Performance

Noncompliance with environmental laws and regulations (307-1)

No non-compliance with environmental law and/or regulations in 2019

Programs for upgrading employee skills and transition assistance program (404-2)

- MCLE 2019 Program
- ISO 31000 Risk Management Training
- Philippine Institute of CPA – Metro Manila Region Conference
- Master Class on Power and Electricity
- Project Finance Modeling Training Course
- M&A Deal Structuring Training Course
- How to Survive the BIR Audit Training
- Harrison Development Accreditation
- Expanded Maternity Benefit Law Workshop
- Executive Assistants Training
- Forging a Grisilient Future (AQ+Grit Workshop)
- Applied Improvisation
- Executive Presence
- Project Management



Incidents of discrimination and corrective actions taken (406-1)

0



Incidents of non-compliance concerning marketing communication (417-3)

No noted incidents of non-compliance concerning marketing communications



Substantiated complaints concerning breaches of customer privacy and customer data (418-1)

No substantiated complaints concerning breaches of customer privacy and losses of customer data



Non-compliance with laws and regulations in the social and economic area (419-1)

No recorded fines or monetary sanctions for non-compliance with environmental, social and economic laws and regulations.



GRI Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102:	Organizational Profile		
General Disclosures 2016	102-1	Name of the organization	GT Capital Holdings Inc.
	102-2	Activities, brands, products, and services	p. 6
	102-3	Location of headquarters	43rd Floor, GT Tower International 6813 Ayala Avenue corner H.V. Dela Costa Street, Makati City, Philippines
	102-4	Location of operations	Philippines
	102-5	Ownership and legal form	GT Capital is a corporation registered with the Philippine Securities and Exchange Commission. As of December 31, 2019, GT Capital is 55.93% owned by Grand Titan Holdings, Incorporated, directors and officers. The remainder is public float.
	102-6	Markets served	p. 6
	102-7	Scale of the organization	p. 6
	102-8	Information on employees and other workers	p. 8
	102-9	Supply chain	The supply chain at the parent level covers contractual services, office supplies and equipment.
	102-10	Significant changes to the organization and its supply chain	GT Capital redeemed its 51% stake in Property Company of Friends, Inc. in exchange for 702 hectares of selected assets.
	102-11	Precautionary Principle or approach	p. 4
	102-12	External initiatives	Global Reporting Initiative, ASEAN Corporate Governance Scorecard
	102-13	Membership of associations	Philippine Stock Exchange
Strategy			
102-14	Statement from senior decision-maker	p. 2	

GRI Standard	Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
GRI 102: General Disclosures 2016	Ethics and integrity		
	102-16	Values, principles, standards, and norms of behavior	https://www.gtcapital.com.ph/about/vision-mission
	Governance		
	102-18	Governance structure	https://www.gtcapital.com.ph/governance/policies
		Stakeholder engagement	
	102-40	List of stakeholder groups	p. 5
	102-41	Collective bargaining agreements	GT Capital has no collective bargaining agreements at present.
	102-42	Identifying and selecting stakeholders	p. 5
	102-43	Approach to stakeholder engagement	p. 5
	102-44	Key topics and concerns raised	p. 5
	Reporting practice		
	102-45	Entities included in the consolidated financial statements	The entities consolidated in the financial statements are Federal Land, Inc., Toyota Motor Philippines Corporation, Toyota Manila Bay Corp., and GT Capital Auto Dealership Holdings, Inc.
	102-46	Defining report content and topic Boundaries	p. 1
	102-47	List of material topics	p. 5
	102-48	Restatements of information	There were no restatements of information from the 2019 sustainability report.
	102-49	Changes in reporting	There were no changes in the reporting framework from the 2019 sustainability report.
	102-50	Reporting period	p. 1
	102-51	Date of most recent report	May 8, 2019 - date of the 2019 Annual Stockholders' Meeting
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	Winston Andrew L. Peckson Chief Risk Officer winston.peckson@gtcapital.com.ph
102-54	Claims of reporting in accordance with the GRI Standards	p. 1	
102-55	GRI Content Index	p. 30	
102-56	External Assurance	The report has not been externally assured.	

GRI Content Index

Material Topics

GRI Standard		Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
Economic Category				
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 10	
	103-2	The management approach and its components	p. 10	
	103-3	Evaluation of the management approach	p. 10	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distribute	p. 16	
	201-3	Defined benefit plan obligation and retirement plans for employees	p. 16	
	201-4	Financial assistance received from the government	p. 16	
Indirect Economic Impacts				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 10	
	103-2	The management approach and its components	p. 10	
	103-3	Evaluation of the management approach	p. 10	
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	p. 6, 8-9	
Anti-corruption				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 11	
	103-2	The management approach and its components	p. 11	
	103-3	Evaluation of the management approach	p. 11	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	p. 16	
	205-2	Communication and training about anti-corruption policies	p. 16	
Anti-competitive Behavior				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 11	
	103-2	The management approach and its components	p. 11	
	103-3	Evaluation of the management approach	p. 11	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 14	

GRI Standard		Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
Environmental Category				
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 11	
	103-2	The management approach and its components	p. 11	
	103-3	Evaluation of the management approach	p. 11	
GRI 302: Energy 2016	302-4	Reduction of energy consumption	p. 17	
Environmental Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 15	
	103-2	The management approach and its components	p. 15	
	103-3	Evaluation of the management approach	p. 15	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations.	p. 17	
Social Category				
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 12	
	103-2	The management approach and its components	p. 12	
	103-3	Evaluation of the management approach	p. 12	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	p. 17	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 17	
	401-3	Parental leave	p. 17	
Labor/Management Relations				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 12	
	103-2	The management approach and its components	p. 12	
	103-3	Evaluation of the management approach	p. 12	
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	p. 17	

GRI Content Index

GRI Standard		Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 13	
	103-2	The management approach and its components	p. 13	
	103-3	Evaluation of the management approach	p. 13	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	p. 18	
	404-2	Programs for upgrading employee skills and transition assistance programs	p. 18	
	404-3	Percentage of employees receiving regular performance and career development reviews	p. 18	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 13	
	103-2	The management approach and its components	p. 13	
	103-3	Evaluation of the management approach	p. 13	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	p. 19	
	405-2	Ratio of basic salary and remuneration of women to men	p. 19	
Non-Discrimination				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 13	
	103-2	The management approach and its components	p. 13	
	103-3	Evaluation of the management approach	p. 13	
GRI 406: Non-Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	p. 19	
Human Rights Assessment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 13	
	103-2	The management approach and its components	p. 13	
	103-3	Evaluation of the management approach	p. 13	
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	p. 19	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 17	

GRI Standard		Disclosure	Page number(s), direct answer and/or URLs	Reason for Omission
Supplier Social Assessment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 14	
	103-2	The management approach and its components	p. 14	
	103-3	Evaluation of the management approach	p. 14	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	p. 19	
	414-2	Negative social impacts in the supply chain and actions taken	p. 19	
Marketing and Labeling				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 14	
	103-2	The management approach and its components	p. 14	
	103-3	Evaluation of the management approach	p. 14	
GRI 417: Marketing and Labeling 2016	417-3	Incidents of non-compliance concerning marketing communications	p. 19	
Customer Privacy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 14	
	103-2	The management approach and its components	p. 14	
	103-3	Evaluation of the management approach	p. 14	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 19	
Socio-economic Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	p. 15	
	103-2	The management approach and its components	p. 15	
	103-3	Evaluation of the management approach	p. 15	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	p. 19	

Statement of Management's Responsibility for Financial Statements

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent and consolidated financial statements including the schedules attached therein, as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

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

(Original signed)

Arthur V. Ty

Chairman of the Board

(Original signed)

Carmelo Maria L. Bautista

President

(Original signed)

Francisco H. Suarez Jr.

Chief Financial Officer

SUBSCRIBED AND SWORN to before me on **08 JUN 2020** affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Arthur V. Ty

TIN No. 121-526-580

Carmelo Maria L. Bautista

TIN No. 106-903-668

Francisco H. Suarez, Jr.


TIN No. 126-817-465

Doc. No.: 493

Page No.: 100

Book No.: 48

Series of 2020


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Roll No. 55633; MCLE Compliance No. VI-0026178
PTR No. 8126012/01-07-2020; Makati City
IBP No. 105458/01-07-2020; Makati City

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Redemption of shares in Property Company of Friends, Inc. (PCFI)

In 2019, GT Capital Holdings, Inc. (the Company) entered into a series of agreements with its then subsidiary, PCFI, for the latter's redemption, cancellation and retirement of 64,530,712 Series A Redeemable Voting Preferred Shares held by the Company, representing 51% ownership interest of the Company in PCFI. In exchange for the shares, PCFI assigned and transferred certain real properties to the Company, amounting to an aggregate fair value of ₱20.00 billion.

Upon completion of the closing conditions, the Group lost control over PCFI and the latter has been deconsolidated in the consolidated financial statements. Moreover, the results of PCFI's operations were presented as discontinued operations in the consolidated statements of income for the years ended December 31, 2019, 2018 and 2017. This transaction is significant to our audit as the amounts involved are material to the consolidated financial statements. Moreover, accounting for this transaction required significant management judgments, particularly, on the assessment of loss of control, determination of the fair values of assets received as consideration and the classification of PCFI as a discontinued operation. The discussion of management's judgments and other disclosures in relation to the redemption of shares in PCFI are included in Notes 3 and 12 to the consolidated financial statements.

Independent Auditor's Report

Audit Response

We obtained and reviewed the relevant contracts and agreements pertaining to the transaction. We evaluated management's judgment on the loss of control over PCFI. We reviewed the assets and liabilities to be deconsolidated as at the date of loss of control, including the results of operations of PCFI for the six-month ended June 30, 2019. We also checked the propriety and valuation of properties received by reference to the related deeds of assignment, transfer certificates of titles, and appraisal reports.

We evaluated the Group's basis for classifying the former subsidiary as discontinued operation by checking whether the operations and cash flows of PCFI can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. Furthermore, we reviewed the presentation and disclosures in the notes to the consolidated financial statements.

Revenue recognition from real estate services

The Group's real estate revenue amounted to ₱7.98 billion in 2019. We consider this as a key audit matter because the revenue recognition of the Group requires the application of significant management judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; and (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition of real estate.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers), as well as survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the project engineers as approved by the construction manager, which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor. In other cases, the Group also compares the contractors' billing forms against the budgeted costs and adjusts the costs accordingly to real estate inventories or cost of real estate revenue.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion method in amortizing sales commission consistent with the Group's revenue recognition policy. The assessment of the stage of completion and level of buyer's equity involves significant management judgment as disclosed in Note 3 to the consolidated financial statements.

Audit Response

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities.

For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as accomplishment reports and progress billings from contractors.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

Impairment Testing of Goodwill and Intangible Assets

Under PFRS, the Group is required to test goodwill and intangible assets with indefinite useful life for impairment at least on an annual basis. As of December 31, 2019, the Group has goodwill and customer relationship intangible asset amounting to ₱5.93 billion and ₱3.88 billion, respectively, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically estimated future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate, and earnings before interest and taxes (EBIT) margin on key customers. The disclosures in relation to the significant assumptions and carrying value of goodwill and intangible assets are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialists to evaluate the assumptions and methodologies used. These assumptions include discounted expected future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate and EBIT margin on key customers. We compared the key assumptions used, such as discount rates and growth rates against the historical performance of the cash-generating unit (CGU), industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data.

We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Accounting for Investments in Associates

The Group has effective ownership of 15.52% in MPIC and 36.65% in MBTC as of December 31, 2019. These investments are accounted for using the equity method. The application of equity method of accounting to these investments is a key audit matter because these investments in associates contributed ₱13.08 billion or 51.89% to the consolidated net income of the Group in 2019, and accounted for 65.81% and 44.07% of the consolidated total noncurrent assets and total assets, respectively, of the Group as of December 31, 2019.

The Group's share in MPIC's net income is significantly affected by: (1) MPIC's revenue on water and sewerage services from the Metropolitan Waterworks and Sewerage System (MWSS) West Service Area; (2) accounting for KKR & Co. (KKR)'s investments in Metro Pacific Hospital Holdings, Inc. (MPHHI); and (3) MPIC's impairment testing of goodwill as well as its several service concession agreements with the Philippine Government.

Water and sewerage service revenue recognition is significant to our audit because it is affected by the: (a) completeness of data captured during monthly meter readings, which involves processing large volume of data from multiple locations and different billing cut-off dates for different customers; (b) the propriety of the application of the relevant rates to the billable consumption of different customers classified as residential, semi-business, commercial or industrial; and (c) the reliability of the systems involved in processing bills and recording revenues.

Independent Auditor's Report

Moreover, MPIC and MPHHI completed a series of transactions on December 9, 2019 for the investment and entry of global investment firm, KKR, through Buhay (SG) Investments Pte. Ltd (Buhay SG), alongside Arran Investment Private Limited (Arran), in and to, MPHHI. These series of transactions which provided Buhay (SG) an economic interest of approximately 80%, on fully diluted basis post conversion of the Exchangeable Bonds, were accounted for as a single equity transaction with MPIC losing control over MPHHI. Subsequently, the retained investment in MPHHI is accounted for under the equity method. These matters are significant to our audit because these transactions required significant management judgments and estimates, which include the assessment of loss of control, subsequent accounting for retained investment, the determination of the fair values of liabilities assumed as part of consideration and the accounting for the Exchangeable Bonds. The amounts involved are also material to the Group's share in MPIC's net income.

In addition, MPIC has goodwill arising from its acquisition of long-term investments in water and tollways business as well as several service concession agreements (SCAs) with the Philippine Government and/or its agencies or instrumentalities that are not yet available for use and are required to be tested for impairment at least annually under PFRS. Discussions are currently ongoing with the MWSS on the provisions of Maynilad's Concession Agreement identified for renegotiation and amendment, which is an impairment indicator that requires an assessment of the recoverability of MPIC's SCA related to Maynilad. This matter is important to our audit because the impairment assessment of goodwill and SCAs not available for use involves significant management judgment and estimation that could have a material effect on the Group's share in MPIC's net income.

The Group's share in MBTC's net income is significantly affected by MBTC's application of Expected Credit Loss (ECL) model in calculating allowance for credit losses for its loans and receivables. This matter is a key area of judgment because it involves the exercise of significant management judgment. Key areas of judgment include: segmenting MBTC's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The Group assesses impairment of its investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable.

As of December 31, 2019, the Group's investment in MPIC amounted to ₱36.96 billion and fair value has declined significantly compared to the carrying value. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The Group performed an impairment test on its investment in MPIC using the sum of the parts of the value-in-use (VIU) and fair value less cost to sell (FVLCTS) of the MPIC Group. We considered the impairment testing of the Group's investment in MPIC as a key audit matter as significant judgment and estimates are involved in the determination of the VIU and FVLCTS.

The relevant disclosures related to the Group's investment in associates are provided in Note 8 to the consolidated financial statements.

Audit Response

For MPIC, we obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption to the billing system, calculating billable amounts based on MWSS approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. In addition, we performed test recalculation of the billed amounts using the MWSS approved rates and formulae, and compared them with the amounts reflected in the billing statements. Moreover, we involved our internal specialists in performing the aforementioned procedures on the automated aspects of this process.

We obtained and reviewed relevant contracts and agreements related to the linked transactions involving MPHII. We evaluated management's judgments on the loss of control over MPHII, subsequent accounting for retained investment, and how the entry of KKR and issuance of Exchangeable Bond should be accounted for, by reference to the related purchase agreements and documents. We reviewed the assets and liabilities to be deconsolidated as at the date of loss of control. We also involved our internal specialists in reviewing the valuation methodology and key inputs, such as revenue growth, margins, estimates of certain taxes related to the fair values of liabilities assumed as part of consideration. We compared the revenue growth and margins to the historical performance of the investee. We also reviewed the presentation and disclosures in the notes to the consolidated financial statements.

We discussed with management and its legal counsel the status of the review of the concession agreement and obtained copies of correspondences with MWSS. We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the value in use of goodwill and SCAs not yet available for use. These assumptions include the expected volume of traffic for the toll roads, ridership for the rail, billed water volume for the water concession, growth rate and discount rates. We compared the forecast revenue growth against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast revenues. We also compared the key assumptions such as traffic volume, rail ridership and water volume against historical data and against available studies by independent parties that were commissioned by the respective subsidiaries. We reviewed the weighted average cost of capital (WACC) used in the impairment test by comparing it with WACC of other comparable companies in the regions.

For MBTC, we obtained an understanding of the board-approved methodologies and models used for the different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed MBTC's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested MBTC's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in MBTC's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the MBTC's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis and checked the appropriateness of the transition adjustments.

We involved our internal specialists in the performance of the above procedures.

For the Group's recoverability of investment in associates, we involved our internal specialist in evaluating the methodology and assumptions used. For MPIC's toll and light rail segment, the assumptions used in determining the VIU include the expected volume of traffic for the toll roads, ridership for the rail, growth rate and discount rates. We compared the forecast revenue growth against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast revenues. We also compared the key assumptions used such as traffic volume and rail ridership against historical data and against available studies by independent parties that were commissioned by the respective subsidiaries. We tested the WACC used in the impairment test by comparing it with WACC of other comparable companies in the region.

Independent Auditor's Report

For the other components of MPIC, we also involved our internal specialists in evaluating the assumptions and methodology used by Group in determining the FVLCTS, in particular those relating to the use of price-earnings (P/E) ratios of comparable companies in the valuation of the unquoted equity shares. We also re-performed the calculation of the FVLCTS.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and the Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and the Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

The engagement partner on the audit resulting in this independent auditor's report is Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

SEC Accreditation No. 1566-AR-1 (Group A),

April 3, 2019, valid until April 2, 2022

Tax Identification No. 241-031-088

BIR Accreditation No. 08-001998-114-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125210, January 7, 2020, Makati City

March 27, 2020

Consolidated Statements of Financial Position

(In Millions)

	December 31	2018	January 1
	2019	(As restated - Note 2)	(As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	P12,133	P14,353	P20,155
Short-term investments (Notes 4 and 27)	–	65	1,666
Financial assets at fair value through profit or loss (FVTPL) (Note 10)	4,698	3,181	611
Receivables (Note 5)	13,382	15,153	12,716
Contract assets (Note 21)	5,095	8,329	13,310
Inventories (Notes 2 and 6)	72,189	75,389	72,052
Due from related parties (Note 27)	209	666	166
Prepayments and other current assets (Note 7)	10,416	9,790	10,273
Total Current Assets	118,122	126,926	130,949
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	12,373	10,948	1,939
Receivables - net of current portion (Note 5)	3,421	932	1,063
Contract assets - net of current portion (Note 21)	5,556	6,886	2,863
Investment properties (Note 9)	15,347	17,728	17,392
Investments and advances (Notes 2 and 8)	178,059	163,735	128,601
Property and equipment (Note 11)	13,159	13,638	11,671
Goodwill and intangible assets (Note 13)	10,040	12,955	13,012
Deferred tax assets (Note 29)	1,141	1,024	814
Other noncurrent assets (Note 14)	436	2,894	909
Total Noncurrent Assets	239,532	230,740	178,264
	P357,654	P357,666	P309,213
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Note 15)	P25,234	P25,411	P25,823
Contract liabilities (Note 21)	4,553	8,787	5,446
Lease liabilities (Note 2 and 30)	15	–	–
Short-term debt (Note 16)	12,890	10,500	6,033
Current portion of long-term debt (Note 16)	4,974	820	2,467
Current portion of liabilities on purchased properties (Notes 20 and 27)	432	416	582
Current portion of bonds payable (Note 17)	3,899	2,994	–
Customers' deposits (Notes 2 and 18)	560	563	618
Dividends payable	589	1,198	589
Due to related parties (Note 27)	204	204	189
Income tax payable	875	601	777
Other current liabilities (Note 19)	1,356	843	1,229
Total Current Liabilities	55,581	52,337	43,753

(Forward)

	December 31	January 1	
	2019	2018 (As restated - Note 2)	2018 (As restated - Note 2)
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 16)	P87,149	P94,349	P57,021
Lease liabilities - noncurrent (Note 2 and 30)	296	-	-
Bonds payable (Note 17)	15,040	18,913	21,877
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	3,352	2,877	3,152
Pension liability (Note 28)	1,222	859	1,399
Deferred tax liabilities (Notes 2 and 29)	3,138	5,334	5,095
Other noncurrent liabilities (Note 20)	2,556	2,169	2,167
Total Noncurrent Liabilities	112,753	124,501	90,711
	168,334	176,838	134,464
Equity			
Equity attributable to equity holders of the Parent Company			
Capital stock (Note 22)	3,370	3,211	3,143
Additional paid-in capital (Note 22)	98,827	85,592	78,940
Retained earnings - unappropriated (Notes 2 and 22)	74,569	52,223	45,000
Retained earnings - appropriated (Note 22)	400	17,000	19,000
Other comprehensive loss (Notes 2 and 22)	(2,019)	(4,207)	(522)
Other equity adjustments (Note 22)	2,322	2,322	2,322
	177,469	156,141	147,883
Non-controlling interests (Notes 2 and 22)	11,851	24,687	26,866
Total Equity	189,320	180,828	174,749
	P357,654	P357,666	P309,213

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(In Millions, Except Earnings Per Share)

Years Ended December 31

	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
CONTINUING OPERATIONS			
REVENUE			
Automotive operations (Note 35)	P192,966	P179,117	P211,692
Equity in net income of associates and joint ventures (Note 8)	14,578	11,513	8,673
Real estate sales (Note 35)	7,982	9,342	7,753
Interest income (Note 23)	2,305	1,668	1,668
Rent income (Notes 9 and 30)	1,526	1,181	915
Sale of goods and services	802	778	640
Commission income	252	108	56
Other income (Note 23)	2,529	2,124	1,468
	222,940	205,831	232,865
COSTS AND EXPENSES			
Cost of goods and services sold (Note 24)	133,943	129,849	147,713
Cost of goods manufactured and sold (Note 25)	36,819	31,809	39,635
General and administrative expenses (Note 26)	13,595	10,667	10,380
Interest expense (Notes 16 and 17)	6,453	5,401	3,536
Cost of real estate sales (Note 6)	5,340	6,839	5,176
Cost of rental (Note 30)	435	476	360
	196,585	185,041	206,800
INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	26,355	20,790	26,065
PROVISION FOR INCOME TAX (Note 29)	5,057	3,886	4,933
NET INCOME FROM CONTINUING OPERATIONS	21,298	16,904	21,132
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	3,814	707	278
NET INCOME	P25,112	P17,611	P21,410
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Profit for the year from continuing operations	P16,586	P12,795	P14,239
Profit for the year from discontinued operations	3,723	361	133
	20,309	13,156	14,372
Non-controlling interests			
Profit for the year from continuing operations	4,712	4,109	6,893
Profit for the year from discontinued operations	91	346	145
	4,803	4,455	7,038
	P25,112	P17,611	P21,410
Basic/Diluted Earnings Per Share from Continuing Operations Attributable to Equity Holders of the Parent Company (Note 34)			
	P74.31	P56.70*	P63.41*
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)			
	P91.60	P58.38*	P64.02*

*Restated to show the effect of stock dividends distributed in 2019.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(In Millions)

	Years Ended December 31		
	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
NET INCOME FROM CONTINUING OPERATIONS	P21,298	P16,904	P21,132
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	3,814	707	278
NET INCOME	25,112	17,611	21,410
OTHER COMPREHENSIVE INCOME			
CONTINUING OPERATIONS			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of AFS investments (Note 10)	-	-	660
Changes in cumulative translation adjustments	(4)	4	(3)
Changes in cash flow hedge reserves (Note 16)	10	(62)	-
Equity in other comprehensive income of associates and joint venture (Note 8):			
Changes in fair value of AFS investments	-	-	(2,142)
Cash flow hedge reserve	(307)	85	8
Remeasurement on life insurance reserves	(167)	376	(190)
Translation adjustments	(551)	(1,968)	(1,382)
Other equity adjustments	-	19	-
	(1,019)	(1,546)	(3,049)
Items that may not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI (Note 10)	1,699	(1,469)	-
Equity in changes in fair value of financial assets at FVOCI of associates (Note 8)	2,517	(1,228)	-
Remeasurements of defined benefit plans (Note 28)	(435)	348	(108)
Equity in remeasurement of defined benefit plans of associates (Note 8)	(1,066)	393	(169)
Income tax effect	450	(218)	67
	3,165	(2,174)	(210)
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	2,146	(3,720)	(3,259)
OTHER COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	(220)	236	28
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	1,926	(3,484)	(3,231)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	P27,038	P14,127	P18,179
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Total comprehensive income for the year from continuing operations	P18,930	P5,197	P11,025
Total comprehensive income for the year from discontinued operations	3,586	4,230	147
	22,516	9,427	11,172
Non-controlling interests			
Total comprehensive income for the year from continuing operations	4,539	4,238	6,848
Total comprehensive income for the year from discontinued operations	(17)	462	159
	4,522	4,700	7,007
	P27,038	P14,127	P18,179

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

(In Millions)	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Treasury Shares (Note 22)	Retained Earnings - Appropriated (Note 22)
Balance at January 1, 2019, as previously reported	P3,211	P85,592	P-	P17,000
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	-	-	-	-
At January 1, 2019, as restated	3,211	85,592	-	17,000
Stock dividend declared	159	13,235	-	-
Cash dividend declared (Note 22)	-	-	-	-
Reversal of appropriation upon completion of expansion and acquisition	-	-	-	(16,600)
NCI on acquisition of subsidiaries	-	-	-	-
Effect of deconsolidation (Note 12)	-	-	-	-
Total comprehensive income	-	-	-	-
Balance at December 31, 2019	P3,370	P98,827	P-	P400
Balance at January 1, 2018	P3,143	P78,940	P-	P19,000
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	-	-	-	-
At January 1, 2018, as adjusted	3,143	78,940	-	19,000
Effect of adoption of PFRS 9	-	-	-	-
Effect of adoption of PFRS 15	-	-	-	-
At January 1, 2018, as restated	3,143	78,940	-	19,000
Cash dividend declared (Note 22)	-	-	-	-
Stock dividend declared (Note 22)	68	6,652	-	-
Appropriation during the period	-	-	-	17,000
Reversal of appropriation upon completion of expansion and acquisition	-	-	-	(19,000)
Realized gain (loss) on sale of financial assets at FVOCI	-	-	-	-
Total comprehensive income	-	-	-	-
Effect of equity call of a majority-owned subsidiary	-	-	-	-
Adjustments on NCI of a subsidiary	-	-	-	-
Balance at December 31, 2018, as restated	P3,211	P85,592	P-	P17,000
Balance at January 1, 2017	P2,960	P57,437	P-	P14,900
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	-	-	-	-
At January 1, 2017, as restated	2,960	57,437	-	14,900
Issuance of capital stock	183	21,503	-	-
Dividends declared (Note 22)	-	-	-	-
Appropriation during the period	-	-	-	19,000
Reversal of appropriation upon completion of expansion and acquisition	-	-	-	(14,900)
Acquisition of additional TMBC shares	-	-	-	-
Total comprehensive income	-	-	-	-
Balance at December 31, 2017, as restated	P3,143	P78,940	P-	P19,000

See accompanying Notes to Consolidated Financial Statements.

Attributable to Equity Holders of the Parent Company					
Retained Earnings - Unappropriated (Note 22)	Other Comprehensive Income (Loss) (Note 22)	Other Equity Adjustments (Note 22)	Total	Attributable to Non-controlling Interests (Note 22)	Total Equity
P53,459	(4,207)	P2,322	P157,377	P24,910	P182,287
(1,236)	-	-	(1,236)	(223)	(1,459)
52,223	(4,207)	2,322	156,141	24,687	180,828
(13,395)	-	-	(1)	-	(1)
(1,187)	-	-	(1,187)	(4,259)	(5,446)
16,600	-	-	-	-	-
-	-	-	-	148	148
19	(19)	-	-	(13,247)	(13,247)
20,309	2,207	-	22,516	4,522	27,038
P74,569	(P2,019)	P2,322	P177,469	P11,851	P189,320
P48,582	(P5,975)	P2,322	P146,012	P27,679	P173,691
(1,002)	-	-	(1,002)	(162)	(1,164)
47,580	(5,975)	2,322	145,010	27,517	172,527
(1,945)	5,453	-	3,508	(92)	3,416
(635)	-	-	(635)	(559)	(1,194)
45,000	(522)	2,322	147,883	26,866	174,749
(1,168)	-	-	(1,168)	(6,925)	(8,093)
(6,721)	-	-	(1)	-	(1)
(17,000)	-	-	-	-	-
19,000	-	-	-	-	-
(44)	44	-	-	-	-
13,156	(3,729)	-	9,427	4,700	14,127
-	-	-	-	45	45
-	-	-	-	1	1
P52,223	(P4,207)	P2,322	P156,141	P24,687	P180,828
P39,961	(P2,775)	P2,322	P114,805	P26,433	P141,238
(1,192)	-	-	(1,192)	(131)	(1,323)
38,769	(2,775)	2,322	113,613	26,302	139,915
-	-	-	21,686	-	21,686
(1,461)	-	-	(1,461)	(5,791)	(7,252)
(19,000)	-	-	-	-	-
14,900	-	-	-	-	-
-	-	-	-	(1)	(1)
14,372	(3,200)	-	11,172	7,007	18,179
P47,580	(P5,975)	P2,322	P145,010	P27,517	P172,527

Consolidated Statements of Cash Flows

(In Millions)

Years Ended December 31

	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	P26,355	P20,790	P26,065
Income before income tax from discontinued operations (Note 12)	2,597	866	(63)
Income before income tax	28,952	21,656	26,002
Adjustments for:			
Equity in net income of associates and joint venture (Note 8)	(14,578)	(11,513)	(8,673)
Interest expense (Notes 12, 16 and 17)	6,453	5,401	3,535
Depreciation and amortization (Note 11)	2,417	2,096	1,921
Interest income (Notes 12 and 23)	(2,305)	(1,668)	(1,668)
Pension expense (Note 28)	244	366	319
Dividend income (Notes 12 and 23)	(335)	(152)	(8)
Unrealized foreign exchange losses (Note 26)	-	146	385
Provisions (Note 26)	213	135	134
Realized and unrealized gain on financial assets at FVTPL	(135)	(59)	-
Gain on disposal of property and equipment (Notes 11 and 23)	(15)	(198)	(23)
Gain on sale of AFS investments	-	-	(15)
Gain on disposal of direct ownership in subsidiaries (Note 12)	(2,341)	-	-
Unrealized foreign exchange gains	(137)	-	-
Operating income before changes in working capital	18,434	16,210	21,909
Decrease (increase) in:			
Short-term investments	64	1,600	(68)
Contract assets	1,876	-	-
Land for future development	-	-	187
Financial assets at FVTPL	(1,375)	(2,505)	-
Receivables	(6,318)	(2,207)	768
Inventories	(6,784)	(4,212)	(8,201)
Due from related parties	457	(500)	(86)
Prepayments and other current assets	(3,878)	628	(3,358)
Increase (decrease) in:			
Accounts and other payables	3,202	2,630	4,896
Contract liabilities	(1,054)	-	-
Lease liabilities	311	-	-
Customers' deposits	2	976	1,102
Due to related parties	-	15	(35)
Other current liabilities	787	(386)	590
Net cash provided by operations	5,724	12,249	17,704
Dividends paid (Note 22)	(4,910)	(7,483)	(7,252)
Interest paid	(9,146)	(4,625)	(3,432)
Income tax paid	(4,612)	(4,377)	(3,700)
Interest received	2,418	1,922	2,188

(Forward)

	Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Dividends received (Note 8)	P3,742	P2,249	P1,611
Contributions to pension plan assets and benefits paid (Note 28)	(108)	(575)	(641)
Net cash provided by operating activities	(6,892)	(640)	6,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of property and equipment and intangible assets (Note 11)	60	198	117
Disposal of investment property (Note 9)	-	177	-
Disposal of financial assets at FVOCI	3	495	-
Sale of AFS investments	-	-	2,430
Additions to:			
Investments in associates and joint venture (Note 8)	(943)	(29,630)	(26,776)
Investment properties (Note 9)	(1,095)	(222)	(659)
Financial assets at FVOCI	-	(10,478)	-
Property and equipment (Note 11)	(2,274)	(3,919)	(3,475)
AFS investments	-	-	(1,742)
Intangible assets (Note 13)	(56)	(62)	(235)
Impact of business consolidation	49	-	-
Impact of deconsolidation of a subsidiary	(1,421)	-	-
Acquisition of subsidiary, net of cash acquired	-	-	(59)
Increase (decrease) in other noncurrent assets	1,801	(1,987)	(106)
Net cash used in investing activities	(3,876)	(45,428)	(30,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan availments (Note 16)	43,984	71,286	38,354
Issuance of capital stock (Note 22)	-	-	21,686
Payment of loans payable	(36,152)	(31,427)	(38,398)
DST on stock dividend issuance	(2)	(1)	-
Increase (decrease) in:			
Liabilities on purchased properties	492	(503)	1,564
Other noncurrent liabilities	(59)	1,012	408
Non-controlling interests (Note 22)	-	-	(1)
Acquisition of noncontrolling interests	148	45	-
Net cash provided by financing activities	8,411	40,412	23,613
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	137	(146)	(385)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,220)	(5,802)	(799)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,353	20,155	20,954
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P12,133	P14,353	P20,155

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

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

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

Group Activities

The Parent Company, Federal Land, Inc. (Federal Land) and Subsidiaries (Federal Land Group), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Toyota Manila Bay Corp. (TMBC) and Subsidiary (TMBC Group) and GT Capital Auto Dealership Holdings, Inc. (GTCAD) and Subsidiary are collectively referred herein as the "Group". The Parent Company, which is the ultimate parent of the Group, the holding company of the Federal Land Group (real estate business), Toyota Group (automotive business), TMBC Group (automotive business) and GTCAD (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

The principal business interests of the Federal 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 Federal Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

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

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

The principal business interests of GTCAD are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any auto dealership or other corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Company (MBTC or Metrobank), Metro Pacific Investments Corporation (MPIC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA), Toyota Financial Services Philippines Corporation (TFSPC) and Sumisho Motor Finance Corporation (SMFC).

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela 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 financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) investments and derivative financial instruments that 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 million peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

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:

	Country of Incorporation	Direct Percentages of Ownership		Effective Percentages of Ownership	
		December 31		December 31	
		2019	2018	2019	2018
Federal Land and Subsidiaries	Philippines	100.00	100.00	100.00	100.00
Toyota and Subsidiaries	-do-	51.00	51.00	51.00	51.00
TMBC and Subsidiaries	-do-	58.10	58.10	58.10	58.10
GTCAD and Subsidiaries	-do-	100.00	100.00	100.00	100.00
PCFI and Subsidiaries	-do-	-	51.00	-	51.00

Federal Land's Subsidiaries

	Percentages of Ownership	
	2019	2018
Horizon Land Property and Development Corp. (HLPDC)	100.00	100.00
Federal Property Management Corp. (FPMC)*	100.00	100.00
Federal Land Orix Corporation (FLOC)	100.00	100.00
Topsphere Realty Development Company Inc. (TRDCI)	100.00	100.00
Bonifacio Landmark Hotel Management Corporation (BLHMC)	100.00	100.00
Fed South Dragon Corporation (FSDC)	100.00	100.00
Federal Retail Holdings, Inc. (FRHI)**	100.00	-
Magnificat Resources Corp. (MRC)***	100.00	49.10
Central Realty and Development Corp. (CRDC)	75.80	75.80
Federal Brent Retail, Inc. (FBRI)	51.66	51.66

* Formerly Omni Orient Management Corp. Amended Articles of Incorporation was approved by the SEC on October 25, 2019.

** On April 30, 2019, FRHI was incorporated and has not started its commercial business operations.

*** In September 2019, the Group increased ownership from 49.10% to 100.00% thereby obtaining control over Magnificat.

Toyota's Subsidiaries

	Percentages of Ownership	
	2019	2018
Toyota Makati, Inc. (TMI)	100.00	100.00
Toyota Sta. Rosa Laguna, Inc. (TSRLI)	100.00	100.00
Toyota Motor Philippines Logistics, Inc. (TLI)	100.00	100.00
Lexus Manila, Inc. (LMI)	75.00	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	55.00	55.00

TMBC's Subsidiaries

	Percentages of Ownership	
	2019	2018
Oxfordshire Holdings, Inc. (OHI)	100.00	100.00
TMBC Insurance Agency Corporation (TIAC)	100.00	100.00

GTCAD's Subsidiaries

	Percentages of Ownership	
	2019	2018
GT Mobility Ventures, Inc. (GTMV)*	66.67	-
Toyota Subic, Inc. (TSI)	55.00	55.00

* On January 31, 2019, GTMV was incorporated and has not started its commercial business operations.

Notes to Consolidated Financial Statements

On September 9, 2019, the SEC approved GTMV's increase in authorized capital stock, from 1,000,000 shares with par value of ₱1.00 per share to 600,000,000 shares with par value of ₱1.00 per share. GTCAD and Mitsui & Co. Ltd. (Mitsui) have subscribed to the increase in the authorized capital stock of GTMV and has paid for such subscription amounting to ₱99.75 million and ₱50.00 million, respectively. This resulted to a change in GTCAD's direct holdings in GTMV from 100.00% to 66.67%.

In February 2019, the Parent Company remitted ₱100.00 million to GTCAD to fund the latter's investment in a used car auction business which had been completed in March 2019. GTCAD, through GTMV, a joint venture between the Company and Mitsui, formed JBA Philippines with auction house operator Japan Bike Auction Co., Ltd. ("JBA"). 60% of JBA Philippines will be controlled by GTMV while 40% will be owned by JBA.

PCFI's Subsidiaries

	Percentages of Ownership	
	2019*	2018
Micara Land, Inc. (MLI)	-	100.00
Firm Builders Realty Development Corporation (FBRDC)	-	100.00
Marcan Development Corporation (MDC)	-	100.00
Camarillo Development Corporation (CDC)	-	100.00
Branchton Development Corporation (BDC)	-	100.00
Williamton Financing Corporation (WFC)	-	100.00

* In July 2019, PCFI redeemed its preferred shares and PCFI ceased to be a subsidiary of the Parent Company. Accordingly, the financial statements of PCFI were deconsolidated from the consolidated financial statements of the Group (Note 12).

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

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- i. the contractual arrangement with the other vote holders of the investee
- ii. rights arising from other contractual arrangements
- iii. the Group's voting rights and potential voting rights

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. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

NCI are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- reclassifies the Parent Company'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 PFRSs;
- 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 excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized within the equity section of the consolidated statements of financial position.

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

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

Business Combinations and Goodwill

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

Notes to Consolidated Financial Statements

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one (1) year.

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

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

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

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

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

Change in Ownership without Loss of Control

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those of the previous year except for the following new and amended PFRSs and PAS which were adopted as of January 1, 2019.

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

New Standards

PFRS 16, Leases

The Group applied the standard for the first time. It supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Group adopted the modified retrospective approach with certain transition reliefs with the date of initial application of January 1, 2019 and applied the following practical expedients wherein it:

- a. Applied the standard only to contracts that were previously identified as leases, applying the old standards at the date of initial application;
- b. Used the recognition exemptions for short-term leases and lease contracts for low value assets;
- c. Relied on its assessment of whether leases are onerous immediately before the date of initial application; and
- d. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The reconciliation of the operating lease commitments to the total gross lease payments used in the measurement of the lease liabilities are as follows (in millions):

Operating lease commitments as of December 31, 2018	P408
Add: Lease payments relating to renewal periods not included in operating lease commitments as of December 31, 2018	-
Less: Lease payments pertaining to leases of short-term and low-value assets	-
Operating lease commitments not considered on lease term	-
<u>Total gross future lease payments as of January 1, 2019</u>	<u>P408</u>
<u>Weighted average incremental borrowing rate</u>	<u>5.00% - 9.02 %</u>
<u>Lease liability as of January 1, 2019</u>	<u>P393</u>

Except for the additional disclosures required, PFRS 16 has no impact for leases where the Group is the lessor.

The Group has lease contracts for various office spaces. Prior to 2019, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Group; otherwise it was classified as an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense under 'General and Administrative Expenses' in the statements of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' and 'Accrued other expenses', respectively.

Effective January 1, 2019, the Group applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Group recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

Based on the foregoing, as of January 1, 2019, the Group recognized ROU assets of P393.04 million (presented under 'Property and equipment'); lease liability of P392.13 million; and derecognized accrued rent expense of P0.91 million related to previous operating leases.

Notes to Consolidated Financial Statements

Amendments

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

- *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
 - a. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
 - b. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - a. *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.
 - b. *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- c. Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group did not avail of the relief provided by the SEC and instead adopted the IFRIC agenda decision retrospectively effective January 1, 2019.

A reconciliation between the carrying amounts under the old practice to the balances reported is presented below (in millions):

	December 31, 2019		
	Before adoption of IFRIC agenda decision on borrowing cost	Effect of IFRIC agenda decision on borrowing costs	As reported
<i>Statement of Financial Position</i>			
Assets			
Current Assets			
Inventories	₱73,837	(₱1,648)	₱72,189
Noncurrent Assets			
Investments and advances	178,096	(37)	178,059
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	3,644	(506)	3,138
Equity			
Retained earnings - Unappropriated	75,748	(1,179)	74,569
<i>Statement of Comprehensive Income</i>			
Revenue			
Equity in net income of associates	14,615	(37)	14,578
Cost and Expenses			
Interest expense	5,602	851	6,453
Cost of real estate sales	5,977	(637)	5,340
Provision for income tax	5,132	(75)	5,057

Notes to Consolidated Financial Statements

December 31, 2018			
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
<i>Statement of Financial Position</i>			
Assets			
Current Assets			
Inventories	₱77,469	(₱2,080)	₱75,389
Noncurrent Assets			
Investments and advances	163,739	(4)	163,735
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	5,959	(625)	5,334
Equity			
Retained earnings – Unappropriated	53,459	(1, 236)	52,223
Noncontrolling interests	24,910	(223)	24,687
<i>Statement of Comprehensive Income</i>			
Revenue			
Equity in net income of associates	11,517	(4)	11,513
Real estate sales	18,508	(9,166)	9,342
Interest income	2,082	(414)	1,668
Rent income	1,257	(76)	1,181
Other income	2,458	(334)	2,124
Cost and Expenses			
General and administrative expenses	14,040	(3,373)	10,667
Interest expense	4,965	436	5,401
Cost of real estate sales	12,609	(5,770)	6,839
Provision for income tax	4,171	(285)	3,886
January 1, 2018			
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
<i>Statement of Financial Position</i>			
Assets			
Current Assets			
Inventories	₱73,689	(₱1,637)	₱72,052
Noncurrent Assets			
Investments and advances	128,627	(26)	128,601
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	5,594	(499)	5,095
Equity			
Retained earnings – Unappropriated	46,002	(1,002)	45,000
Noncontrolling interests	27,028	(162)	26,866

	December 31, 2017		
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
<i>Statement of Comprehensive Income</i>			
Revenue			
Equity in net income of associates	P8,699	(P26)	P8,673
Real estate sales	14,092	(6,339)	7,753
Interest income	2,085	(417)	1,668
Rent income	940	(25)	915
Other income	1,607	(139)	1,468
Cost and Expenses			
General and administrative expenses	12,899	(2,519)	10,380
Interest expense	3,394	142	3,536
Cost of real estate sales	10,035	(4,859)	5,176
Provision for income tax	4,524	409	4,933

Interpretations

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. Since the Group operates in a complex and regulated environment, it assessed whether the Interpretation had an impact on its consolidated financial statement. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period

Notes to Consolidated Financial Statements

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred income tax asset and liability are classified as noncurrent asset and liability, respectively.

Cash and Cash Equivalents

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

Fair Value Measurement

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.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

Financial Instruments – Initial Recognition and Subsequent Measurement effective January 1, 2018

Financial Instruments

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.

a. Financial assets

Initial recognition of financial instruments

At initial recognition, financial assets are classified as, and subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for sales contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments and receivables.

FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to Consolidated Financial Statements

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets can no longer be recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's financial assets at FVOCI includes investments in quoted and unquoted equity instruments.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes investment in UITF as held for trading and classified these as FVTPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables, installment contracts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivable, loans receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 120 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a SICR when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Notes to Consolidated Financial Statements

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (other than "Taxes payable" which is covered by other accounting standard), "Short-term and long-term debts", "Bonds payable", "Liabilities on purchased properties" and "Other current liabilities".

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to short-term debt, long-term debt, bonds payable and liabilities on purchased properties.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

c. 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.

d. Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as cross-currency swaps, and interest rate swaps to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

Fair Value Hedge

The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged. In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

Financial Instruments - Initial Recognition and Subsequent Measurement effective before January 1, 2018

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.

Notes to Consolidated Financial Statements

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 (FVTPL), 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 FVTPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVTPL 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.

'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 FVTPL. This accounting policy relates to the accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', 'Cash and cash equivalents' and 'Short-term investments'.

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

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

Other financial liabilities

These are financial liabilities not designated at FVTPL 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 or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

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

Derivative Financial Instrument and Hedge Accounting

The Group uses derivative financial instruments such as cross currency interest rate swap to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as OCI.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedge item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as OCI in the cash flow hedge reserve, while the ineffective portion is recognized directly in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognized as OCI are transferred to profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Notes to Consolidated Financial Statements

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 consolidated 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 consolidated statements of income. If, in the subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

Financial liability

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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, condominium units held for sale and residential units.

Land and improvements are carried at the lower of cost or net realizable value (NRV).

Cost includes:

- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units;
- Planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

Notes to Consolidated Financial Statements

Construction in progress (CIP) includes development or construction costs incurred for real estate projects that have not yet reached the preliminary stage of completion and/or not yet launched. This account also includes owner supplied materials. Upon reaching the preliminary stage of completion, these are 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.

Costs of residential units include land cost, land improvement costs, borrowing costs, amounts paid to contractors for construction and development, planning and design cost, cost of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Gasoline retail, petroleum products and chemicals

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

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 Venture

Investments in associates and joint venture 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 joint venture of the Group. A joint venture (JV) 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 joint venture. 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 joint venture 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 other comprehensive income (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 venture is shown on the face of the consolidated statement of income as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate and 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 and advances' account in the consolidated statements 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 joint venture. 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 joint venture not recognized during the period the equity method was suspended.

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

Land held for Future Development

Land held for future development consists of properties for future developments and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less cost to complete and costs of sale. Costs include cost incurred for development and improvements of the properties. Upon start of development, the related cost of the land is transferred to real estate inventories.

Investment Properties

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

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of the properties which is 5 to 41 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.

CIP is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. CIP is not depreciated until such time as the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property and Equipment

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

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.

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.

Notes to Consolidated Financial Statements

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	3 to 5
Leasehold improvements	2 to 10 or lease term (whichever is shorter)
Machinery, tools and equipment	2 to 10
Building	15 to 41
Boilers and powerhouse	9 to 25
Turbine generators and desox system	9 to 25
Buildings and land improvements	9 to 25
Electrical distribution system	7 to 25
Other property and equipment	3 to 5

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

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

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated assets are still carried in the accounts until they no longer in use and no further depreciation is charged against current operations.

Intangible Assets

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

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.

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 Non-financial Assets).

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

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 venture, investment properties, property and equipment, goodwill 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 (VIU) 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

Notes to Consolidated Financial Statements

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 venture

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 joint venture. The Group determines at each financial reporting date whether there is any objective evidence that the investments in associates and joint venture 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 joint venture and the carrying cost and recognizes the amount in the consolidated statement of income.

Intangible assets

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. For intangible assets with finite useful lives, the carrying amount is assessed and written down to its recoverable amount when an indication of impairment occurs.

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 reporting date.

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.

Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The disposal group is excluded from the results of continuing operations and is presented as a single amount as 'Net income from discontinued operations' in the consolidated statement of income.

Additional disclosures are provided in Note 12. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

Customers' Deposits

The Group requires buyers of real estate 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 contracts receivable.

Equity

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

Capital stock

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

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

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

Additional paid-in capital

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

Retained earnings

The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividend on capital stock. Dividends on capital 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.

Other Comprehensive Income

Other comprehensive income comprises items of income and expenses that are recognized directly in equity. OCI items are either reclassified to profit or loss or directly to equity in subsequent periods.

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. 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 under the 'Non-controlling interests' account in the consolidated statement of financial position.

Notes to Consolidated Financial Statements

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers

The Group primarily derives its revenue from automotive operations and real estate sales. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Automotive operations

The Group derives its revenue from automotive operations from the sale of manufactured vehicles, trading of completely built-up vehicles and local and imported auto parts and sale of services. In the sales contract with customers, services other than vehicle sales such as additional service, additional warranty and other services are separated from the sale of vehicles to identify performance obligations.

Timing of revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time. The Group recognizes revenue from goods or services at a point in time when the goods or services are transferred to the customers and fulfills the performance obligations. In order to determine whether the control over the goods or services is transferred over time, the Group determines whether the customer simultaneously obtains and consumes the benefits provided by the Group's performance and whether the assets controlled by the customer and whether the assets created by the Group have no substitute purpose, and whether the Group has the right to make executable claims for the portion that has been completed so far.

The Group allocates the transaction prices based on the stand-alone selling prices to the various performance obligations identified in a single contract.

The Group estimates the amounts of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled - the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods.

If the period between the transfer of the goods or services promised to the customer and the payment of the customer is within one year, a practical simple method that does not adjust the promised price for a significant financing component is used.

Real estate sales

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report as approved by the construction manager which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost recognition

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Rental income under noncancellable and cancellable leases on investment properties 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.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

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

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

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

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

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.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and 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. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Notes to Consolidated Financial Statements

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue Recognition prior to January 1, 2018

Revenue and Cost Recognition

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

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

Automotive operations

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

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.

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

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

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

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Interest income

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

Rent income

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

Sale of goods

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

Rendering of services

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

Commission income

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

Management fees

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

Dividend income

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

Other income

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

Expense Recognition

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 and services sold.

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

Notes to Consolidated Financial Statements

Cost of goods manufactured and sold

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

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 POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized. These are recorded as 'Prepaid expenses' under 'Prepayments and other current assets' account.

General and administrative expenses

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

Cost of real estate sales

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

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Pension Costs

The Parent Company and its subsidiaries have funded, noncontributory defined benefit retirement plans, administered by trustees, covering their permanent employees.

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

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

Defined benefit costs comprise the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

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

Employee leave entitlement

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

Income Tax

Current tax

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

Deferred tax

Deferred tax is provided using the balance sheet 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 pesos, 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 retranslated using the closing exchange rates prevailing at reporting date. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange difference are taken to the consolidated statements 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.

Notes to Consolidated Financial Statements

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Real estate inventories" and "Investment properties" accounts in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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.

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

Group as lessee

Policies applicable beginning January 1, 2019

The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

ROU assets

The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	50
Office space	2 to 3

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debt and others) and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (Note 20).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of other equipment that are considered to be of low value (i.e., those with value of less than 250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Residual value of leased assets and deposits on lease contracts

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Policies applicable prior to January 1, 2019

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 specified 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 at the date of renewal or extension period for scenario (b).

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Lease liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income under 'Occupancy and equipment-related cost' on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets' and 'Accrued other expenses' lodged in 'Accrued interest and other expenses', respectively.

Notes to Consolidated Financial Statements

Group as lessor

Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted earnings per share attributable to owners of the Parent Company is calculated in the same manner assuming that, the weighted average number of common shares outstanding is adjusted for potential common shares from the assumed exercise of dilutive instruments.

Contingencies

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

Events after Financial Reporting Date

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

Standards Issued But Not Yet Effective

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 2020

- *Amendments to PFRS 3, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The Group is currently assessing the impact of adopting PFRS 17.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- PIC Q&A No. 2018-14, PFRS 15 - *Accounting for Cancellation of Real Estate Sales*
- PIC Q&A No. 2018-15, PAS 1 - *Classification of Advances in the Nature of Prepayments: Current vs. Non-current*
In 2018, Philippine Interpretations Committee (PIC) issued PIC Q&A No. 2018-14 and 2018-15 which provides guidance on some implementation issues with regard to the adoption of PFRS 15. Subsequently, SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the applications of some of the provisions of the above PIC Q&As. Effective January 1, 2021, real estate companies need to adopt the PIC Q&As and any subsequent amendments thereof retrospectively, or as the SEC will later prescribe.

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 reporting date. Actual results could differ from such estimates.

Notes to Consolidated Financial Statements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of 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:

Accounting for redemption of shares in PCFI

In assessing whether the Group has lost control over PCFI, the Group considers if the following factors are still present: (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. The Group assessed that it lost of control over PCFI upon the signing of redemption agreement, combined with the approval of the transaction by the Philippine Competition Commission. See Note 12 for the details of the transaction.

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.

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.

Determination of significant influence over another entity

The determination of significant influence over another entity, other than the rebuttable presumption of ownership over twenty percent (20.00%), requires significant judgment. In making judgment, the Group evaluates existence of the following:

- representation on the BOD or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

As at December 31, 2019 and 2018, the Group determined that it exercises significant influence over MPIC in which it holds 15.52% and 15.55% ownership interest, respectively. Although the Group holds less than 20.00% of the ownership interest and voting rights in MPIC, the Group considers that it exercises significant influence through its entitlement to nominate at least two (2) out of fifteen (15) directors of MPIC. The Parent Company is also entitled to nominate one (1) out of three (3) members in each of the Audit Committee (AC), Risk Management Committee (RMC) and Governance Committee (GC) of MPIC.

The combination of the Parent Company's 15.52% ownership over MPIC and representation in the BOD, AC, RMC and GC of MPIC provides the Parent Company with the ability to exercise significant influence over the operating and financial policies of MPIC. Accordingly, the Parent Company accounted for its investment in MPIC as an associate using equity method of accounting.

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.

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

Beginning 1 January 2018, the Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikelihood to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation. Incorporation of forward-looking information The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Notes to Consolidated Financial Statements

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Collectibility of the sales price

Before January 1, 2018, 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.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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 based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that it retains all significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Distinction between investment properties and owner-occupied properties

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

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

Contingencies

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

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.

Discontinued operations

The Group determined that the redemption of shares, equivalent to 51% ownership interest, by PCFI will qualify for presentation of the former subsidiary as discontinued operations since it represents a separate line of business and the operations and cash flows of PCFI can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. (Note 12)

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 estimation of the total cost of the real estate project requires technical inputs from project development engineers. See Note 5 for the related balances.

The carrying amount of installment contracts receivables is disclosed in Note 5. The Group recognized real estate sales in 2019 and 2018 amounting to ₱7.98 billion and ₱9.34 billion, respectively.

Estimating allowance for impairment losses (Prior to January 1, 2018)

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 as the financial condition of the counterparty and net selling prices of collateral. 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 EIR. 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

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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.

The carrying values of these receivables and due from related parties are disclosed in Notes 5 and 27, respectively.

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.

Estimating the useful life of non-financial assets

The Group determines the EUL of its 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 intangible assets would increase the recorded 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.

The carrying values of investment properties, property and equipment, intangible assets from customer relationship and software costs are disclosed in Notes 9, 11 and 13, respectively.

Evaluating impairment of non-financial assets

The Group reviews input VAT, investments in and advances to associates and joint venture, investment properties, creditable withholding tax, property and equipment, intangible assets from customer relationship, software costs, 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 joint venture, property and equipment, and software cost.

The Group considers the significant and prolonged decline in the quoted market price of MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investment in MPIC. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The recoverable amount of the investment in MPIC has been determined based on the sum of the parts of the value in use and fair value less cost to sell of the MPIC Group. Based on the Group's impairment testing, the investment in MPIC is determined to be not impaired.

The carrying values of input VAT and creditable withholding taxes, investments in associates and joint ventures, investment properties, property and equipment, intangible assets from customer relationship, software costs, and other noncurrent assets are disclosed in Notes 7, 8, 9, 11, 13 and 14, respectively.

Estimating the IBR for lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

Estimating impairment of AFS investments (Prior to January 1, 2018)

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 values of AFS investments is disclosed in Note 10. The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. The net unrealized gain on AFS investments is disclosed in Note 10.

Impairment of goodwill and intangible assets with indefinite useful life

The Group conducts an annual review for any impairment in the value of goodwill and intangible assets with indefinite useful life (i.e., customer relationship). Goodwill is written down for impairment when the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group estimates key inputs such as discounted future cash flows forecasts, expected gross margins, discount rates and long-term growth rates. The Group uses the weighted average cost of capital in discounting the expected cash flows from specific CGUs.

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

Recognition of deferred tax assets

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

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

Estimating 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, turnover rates 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. The carrying values of pension asset, 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.

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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. Provision for product warranty is disclosed in Note 20.

Purchase price allocation of investment in MPIC

The Parent Company is required to perform a purchase price allocation for its investment in MPIC in 2017. A significant portion of MPIC's net assets pertain to concession assets and the valuation of these concession assets require estimates from management. These estimates include revenue growth, gross margins, expected traffic volume and billed water volume, toll or tariff rates and discount rates.

Purchase price allocation of investment in MBTC

The Parent Company is required to perform a purchase price allocation for its investment in MBTC. A significant portion of MBTC's net assets pertain to loans and receivables, property and equipment, investment properties and deposits, and the valuation of these assets require estimates from management. These estimates include future cash flows forecasts, discount rates and appraised values of property, equipment and investment properties.

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	P65	P56
Cash in banks and other financial institution (Note 27)	4,452	6,512
Cash equivalents (Note 27)	7,616	7,785
	P12,133	P14,353

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 interest rates ranging from 0.05% to 6.70% in 2019 and 2018 and from 0.10% to 3.75% in 2017 (Notes 23 and 27).

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 3 months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.01% to 2.50% in 2019 and 2018 and from 0.01% to 3.00% in 2017 (Notes 23 and 27).

5. Receivables

This account consists of:

	2019	2018
Trade receivables	P11,210	P9,681
Loans receivable (Note 27)	3,421	932
Nontrade receivables (Note 27)	1,043	1,438
Accrued rent and commission income (Note 27)	445	479
Installment contracts receivables	289	2,401
Accrued interest receivable (Note 27)	97	210
Management fee receivable (Note 27)	64	253
Others (Note 27)	418	973
	16,987	16,367
Less: Allowance for credit losses	184	282
	P16,803	P16,085

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

	2019	2018
Current portion	₱13,382	₱15,153
Noncurrent portion	3,421	932
	₱16,803	₱16,085

Trade Receivables

Trade receivables pertain to receivables from sale of vehicles and/or parts and services. These are noninterest-bearing and generally have 30 days to one year term.

Loans Receivable

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

	2019	2018
Real estate	₱3,421	₱932

Loans receivable from Cathay International Resources Corp. (CIRC)

In 2012, Federal Land entered into a loan agreement with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective annual 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. Federal Land used discounted cash flow analyses to measure the fair value of the loan. The 'Day 1' difference for this receivable amounted to ₱94.22 million at inception in 2012. Accretion of interest in 2019, 2018 and 2017 amounted to ₱10.05 million, ₱9.58 and ₱8.52 million, respectively (Note 23).

On June 8, 2015, the Board of Federal Land approved the conversion of this receivable to equity in exchange for the common shares of CIRC. Federal Land is yet to apply with the SEC for the conversion as of report date. The outstanding balance of long-term loans receivable as of December 31, 2019 and 2018 amounted to ₱665.63 million and ₱641.88 million, respectively (Note 27).

Loans receivable from Multi Fortune Holdings, Inc. (MFHI)

In 2019, Federal Land entered into a new loan agreement with MFHI. Federal Land agreed to lend to MFHI a total amount of ₱135.00 million with nominal interest rates ranging from 6.06% to 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

In 2017, Federal Land entered into a loan agreement with MFHI. Federal Land agreed to lend to MFHI a total amount of ₱290.00 million with nominal interest rate of 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

Nominal interest income earned in 2019, 2018 and 2017 amounted to ₱27.64 million, ₱18.62 million and ₱8.36 million, respectively (Note 23).

The outstanding balance of long-term loans receivable from MFHI as of December 31, 2019 and 2018 amounted to ₱425.00 million and ₱290.00 million, respectively.

Loans receivables of TMPC to local companies

In 2019, TMPC entered into loan agreements with local companies. The loan bears fixed interest rate of 4.00% and is payable for a period of three (3) years up to December 2, 2022. The outstanding balance of long-term loans receivable as of December 31, 2019 amounted to ₱2.33 billion.

Nontrade Receivables

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

Accrued Rent and Commission Income

Accrued rent pertains to tenants' rentals and their share in utilities (electricity, water and liquefied petroleum gas) and other charges to customers (Note 27). Commission income pertains to commission earned from sale of real estate properties (Note 27).

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Installment Contracts Receivables

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

The details of installment contracts receivables and contract assets follow:

	2019	2018
Installment contracts receivables	₱293	₱3,314
Less: Unearned interest income	4	913
	289	2,401
Less: Noncurrent portion	-	-
<u>Current portion</u>	₱289	₱2,401

Installment contracts receivables are collected over a period of one to 10 years. The fair value upon initial recognition for Federal Land is derived using the discounted cash flow methodology using discount rates ranging from 8.00% to 12.00% in 2019, 2018 and 2017. PCFI's installment contracts receivables bear annual interest of 12.00% to 21.00% in 2018 and from 12.00% to 21% in 2017, computed on the diminishing balance of the principal.

Movements in the unearned interest income in 2019 and 2018 follow:

	2019	2018
Balance at beginning of year	₱913	₱1,085
Additions	4	1,037
Reclassification to contract assets	(911)	-
Accretion (Note 23)	(2)	(1,209)
<u>Balance at end of year</u>	₱4	₱913

Management Fee Receivables

Management fee receivables pertain to management fee being charged by the real estate businesses for the conduct of relevant studies for the maintenance, upkeep and improvement of real estate properties and equipment of associates and affiliated companies (Note 27).

Others

Other receivables include receivable from employees and retention, bond and guarantee fee receivables (Note 27).

Allowance for Credit Losses

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

	December 31, 2019		
	Trade Receivables	Other Receivables	Total
Balance at beginning of the year	₱8	₱274	₱282
Provision for (reversal of) credit losses (Note 26)	(2)	(96)	(98)
<u>Balance at end of year</u>	₱6	₱178	₱184

	December 31, 2018		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year, as previously reported	₱7	₱276	₱283
Provision for (reversal of) credit losses (Note 26)	1	(2)	(1)
<u>Balance at end of year</u>	<u>₱8</u>	<u>₱274</u>	<u>₱282</u>

In 2019, reversals of credit losses were made due to improvements in payments and recovered amounts.

6. Inventories

This account consists of:

	2019	2018 (As restated – Note 2)
At cost		
Real estate		
Land and improvements	P43,115	P46,873
Condominium units held for sale	12,940	12,163
Construction in progress	4,744	6,217
Gasoline retail and petroleum products (Note 24)	11	10
Food (Note 24)	8	6
Materials and supplies	–	885
Automotive		
Finished goods	5,311	3,911
Work-in-process	27	122
Raw materials in transit	1,694	1,410
	67,850	71,597
At NRV		
Automotive		
Spare parts	4,339	3,792
	P72,189	P75,389

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

	2019					
	Rawland intended for development	Land and improvements	Subtotal	Condominium units held for sale	Construction in progress	Total
Balance at beginning of year, as previously reported	P18,492	P29,032	P47,524	P13,592	P6,217	P67,333
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	–	(651)	(651)	(1,429)	–	(2,089)
Balance at beginning of year, as restated	18,492	28,381	46,873	12,163	6,217	65,253
Construction and development costs incurred	–	516	516	5,678	3,284	9,478
Land acquired during the year	18,418	3,322	21,740	–	–	21,740
Borrowing costs capitalized	–	196	196	25	910	1,131
Effect of deconsolidation (Note 12)	(18,492)	(7,050)	(25,542)	(259)	(3,841)	(29,642)
Cost of sales during the year	–	(598)	(598)	(5,130)	(1,433)	(7,161)
Transfers from construction in progress to condominium units for sale	–	–	–	393	(393)	–
Transfer from land development and improvements to condominium units	–	(70)	(70)	70	–	–
Balance at end of the year	P18,418	P24,697	P43,115	P12,940	P4,744	P60,799

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	2018 (As restated - Note 2)					
	Rawland intended for development	Land and improvements	Subtotal	Condominium units held for sale	Construction in progress	Total
Balance at beginning of year, as previously reported	₱18,278	₱32,703	₱50,981	₱9,755	₱4,852	₱65,588
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	-	(472)	(472)	(1,165)	-	(1,637)
Balance at beginning of the year, as restated	18,278	32,231	50,509	8,590	4,852	63,951
Construction and development costs incurred	-	1,444	1,444	4,698	5,845	11,987
Land acquired during the year	1,029	560	1,589	-	-	1,589
Borrowing costs capitalized	-	355	355	4	1,263	1,622
Cost of sales during the year	(44)	(5,431)	(5,475)	(1,364)	-	(6,839)
Income from discontinued operations	-	(1,910)	(1,910)	(59)	(3,209)	(5,178)
Transfers from construction in progress to condominium units for sale	-	-	-	675	(675)	-
Transfer to and from rawland	(751)	751	-	-	-	-
Transfers to investment property (Note 9)	-	-	-	(126)	(407)	(533)
Recognition of intercompany deferred gain	-	371	371	-	-	371
Reclassifications and others	(20)	10	(10)	(255)	(1,452)	(1,717)
Balance at end of the year	₱18,492	₱28,381	₱46,873	₱12,163	₱6,217	₱65,253

Federal Land's capitalized borrowing costs in its real estate inventories amounted to ₱1.05 billion and ₱1.26 billion in 2019 and 2018, respectively, for loans specifically used to finance Federal Land's project construction with interest rates ranging from 3.00% to 6.71%, from 2.90% to 6.71% and 2.58% to 6.27% in 2019, 2018 and 2017, respectively. Capitalized borrowing costs amounting to ₱113.28 million and ₱111.10 million pertains to capitalized cost on rawland intended for development. Also, Federal Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱6.29 million and ₱116.20 million in 2019 and 2018, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 6.26% and 6.63% in 2019 and 2018, respectively.

PCFI's capitalized borrowing cost as part of real estate inventories amounted to ₱243.88 million in 2018.

Inventories charged to operations follow:

	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
Cost of good and services sold (Note 24)	₱133,943	₱129,849	₱147,713
Cost of goods manufactured and sold (Note 25)	36,819	31,809	39,635
Cost of real estate sales	5,340	6,839	5,176
	₱176,102	₱168,497	₱192,524

The cost of the inventories carried at NRV amounted to ₱4.45 billion and ₱3.89 billion as of December 31, 2019 and 2018, respectively.

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

	2019	2018
Balance at beginning of year	₱96	₱91
Provision for inventory write-down	17	51
Write-off of scrap inventories	-	(8)
Reversal	-	(38)
	₱113	₱96

7. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Advances to contractors and suppliers	₱3,710	₱3,197
Input VAT	3,589	1,087
Creditable withholding taxes (CWT)	1,246	1,438
Ad-valorem tax	713	412
Prepaid expenses	627	1,146
Cost to obtain a contract (Note 21)	186	236
Advances to officers, employees, agents and brokers (Note 27)	50	281
Deposit for land purchases	-	1,657
Others	295	336
	₱10,416	₱9,790

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 payment and will be due and demandable upon breach of contract.

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.

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

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 year from the date the ad-valorem taxes are paid.

Prepaid expenses mainly include prepayments for supplies, taxes and licenses, rentals, insurance and other land acquisition related costs.

Cost to obtain a contract pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units which are amortized to cost of sales over the expected construction period using percentage of completion.

Advances to officers and employees amounting to ₱41.72 million and ₱54.60 million as of December 31, 2019 and 2018, 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 ₱8.84 million and ₱8.45 million as of December 31, 2019 and 2018, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subject to liquidation within 30 days after the release of cash advance. Cash advances to brokers amounting to nil and ₱217.43 million as of December 31, 2019 and 2018, respectively represent PCFI's advances to brokers which will be recovered by applying the amount to the commissions that will be earned by the brokers.

Deposit for land purchases are deposits made for the acquisition of certain parcels of land that are intended for future development. The Deed of Absolute Sale (DOAS) for these properties will be executed upon fulfillment by both parties of certain undertakings and conditions.

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

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8. Investments and Advances

This account consists of:

	2019	2018 (As restated – Note 2)
Investments in associates	P160,605	P146,635
Investments in joint ventures	17,454	17,100
	P178,059	P163,735

There is no impairment loss for any of these investments in 2019 and 2018.

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

	2019	2018
Cost		
Balance at beginning of year	P110,284	P87,789
Acquisitions/additional investments during the year	937	22,495
Effect of business combination	(149)	–
Balance at end of year	111,072	110,284
Accumulated equity in net income		
Balance at beginning of year	47,768	36,487
Equity in net income for the year	14,214	10,909
Recognition of previously deferred gain	11	372
Balance at end of year	61,993	47,768
Dividends received		
Balance at beginning of year	(9,539)	(7,429)
Dividends received during the year	(2,092)	(2,110)
Balance at end of year	(11,631)	(9,539)
Accumulated equity in other comprehensive income		
Balance at beginning of year	(3,573)	(1,043)
Equity in fair value changes on financial assets at FVOCI for the year	2,517	(1,229)
Equity in net unrealized gain on AFS investments for the year	–	–
Equity in translation adjustments	(551)	(1,968)
Equity in remeasurement on life insurance reserves	(167)	376
Equity in net unrealized gain (loss) on remeasurements of defined benefit plans	(739)	272
Equity in other equity adjustments	–	19
Balance at end of year	(2,513)	(3,573)
Effect of elimination of intragroup profit		
Balance at beginning of year	1,695	2,195
Recognition of previous deferred gain	(11)	(372)
Elimination during the year	–	(128)
Balance at end of year	1,684	1,695
	P160,605	P146,635

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

	2019	2018 (As restated – Note 2)
Cost		
Balance at beginning of year, as previously reported	₱15,699	₱8,458
Acquisitions/additional investments during the year	106	7,241
Balance at end of year	15,805	15,699
Accumulated equity in net income		
Balance at beginning of year, as previously reported	2,280	2,070
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	(4)	(26)
Balance at beginning of the year, as restated	2,276	2,044
Equity in net income for the year	550	430
Unrealized gain on sale of properties (Note 27)	(197)	(198)
Balance at end of year	2,629	2,276
Dividends received		
Balance at beginning of year	–	–
Dividends received during the year	(26)	–
Balance at end of year	(26)	–
Accumulated equity in other comprehensive income		
Balance at beginning of year	109	20
Equity in net unrealized gain (loss) on remeasurements of defined benefit plans	(7)	4
Equity in cash flow hedge reserve	(307)	85
Balance at end of year	(205)	109
Effect of elimination of intragroup profit		
Balance at beginning of year	(984)	(52)
Recognition of deferred gain	34	–
Elimination during the year	201	(932)
Balance at end of year	(749)	(984)
	₱17,454	₱17,100

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

	Nature of Business	Country of Incorporation	2019	2018
Associates:				
MBTC	Banking	Philippines	36.65	36.36
MPIC	Infrastructure	-do-	15.52	15.55
Phil AXA	Insurance	-do-	25.33	25.33
Crown Central Properties Corporation (CCPC)	Real estate	-do-	48.00	48.00
Magnificat Resources Corporation (Magnificat)	-do-	-do-	–	49.10
Joint ventures:				
Bonifacio Landmark Realty and Development Corporation (BLRDC)	Real estate	-do-	70.00	70.00
North Bonifacio Landmark Realty and Development Inc. (NBLRDI)	-do-	-do-	70.00	70.00
Sunshine Fort North Bonifacio Realty and Development Corporation (Sunshine Fort)	-do-	-do-	60.00	60.00
HSL South Food Inc. (HSL)	-do-	-do-	60.00	60.00
Sunshine Fort North Bonifacio Commercial Management Corporation (SFNBCMC)*	-do-	-do-	51.00	–
Alveo Federal Land Communities, Inc. (AFLCI)	-do-	-do-	50.00	50.00
ST 6747 Resources Corporation (STRC)	-do-	-do-	50.00	50.00
Pasay Hong Kong Realty Dev't Corp. (PHRDC)**	-do-	-do-	50.00	–
TFSPC	Financing	-do-	40.00	40.00
SMFC	-do-	-do-	20.00	20.00

*In September 2019, Federal Land increased its ownership in Magnificat from 49.10% to 100.00% thereby obtaining control over the latter.

**On March 11, 2019, SFNBCMC was incorporated.

*** In October 2018, Federal Land made a deposit to PHRDC for future stock subscription amounting to ₱100 million. In October 2019, upon SEC approval of PHRDC's increase in capital stocks, the deposit was converted to 1 million preferred shares of PHRDC with par value of ₱100 per share for 50% ownership by Federal Land.

Notes to Consolidated Financial Statements

The following table summarizes cash dividends declared and paid by the Group's associates and joint venture (amount in millions, except for dividend per share):

	Declaration Date	Per Share	Total	Record Date	Payment Date
2019					
MBTC	February 13, 2019	₱1.00	₱3,980	March 1, 2019	March 14, 2019
MPIC	March 5, 2019	0.076	2,395	March 20, 2019	April 3, 2019
MPIC	August 1, 2019	0.0345	1,087	August 19, 2019	August 30, 2019
Phil AXA	November 6, 2019	40.9008	409	October 24, 2019	December 17, 2019
SMFC	June 21, 2019	6.56	131	June 21, 2019	July 19, 2019
	Declaration Date	Per Share	Total	Record Date	Payment Date
2018					
MBTC	February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018
MPIC	March 1, 2018	0.076	2,395	March 28, 2018	April 26, 2018
MPIC	August 2, 2018	0.0345	1,087	August 31, 2018	September 25, 2018
Phil AXA	November 26, 2018	159.5033	1,595	November 23, 2018	December 17, 2018

Investment in MBTC

On April 20, 2017, the Parent Company acquired a total of 306.00 million common shares of MBTC from Ty-Family Companies for a total purchase price of ₱24.72 billion. On April 21, 2017, the Parent Company paid the purchase price in cash. This increased the Parent Company's ownership in MBTC from 26.47% to 36.09%. Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MBTC, the difference of ₱5.45 billion between the Parent Company's share in the carrying values of MBTC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MBTC's specific and identifiable assets and liabilities amounting to ₱1.60 billion and the remaining balance of ₱3.85 billion for notional goodwill.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.02 billion as part of the cost of the investment.

In April 2018, the Parent Company participated in the ₱59.99 billion stock rights offering of MBTC for a total of 299.28 million shares, equivalent to ₱22.45 billion. As a result, the percentage ownership of the Parent Company in MBTC increased from 36.09% to 36.36%. Based on the final purchase price allocation relating to the Parent Company's increase of 0.27% ownership interest in MBTC, the difference of ₱218.00 million between the Parent Company's share in the carrying values of MBTC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MBTC's specific and identifiable assets and liabilities amounting to ₱208.00 million and the remaining balance of ₱10.00 million for notional goodwill.

In October 2019, the Parent Company received a stock dividend equivalent to a total of 189.22 million common shares of Metrobank.

On various dates in 2019, the Parent Company acquired an aggregate of 12.26 million common shares of Metrobank for a total consideration of ₱836.53 million. This increased the Parent Company's ownership interest in Metrobank from 36.36% to 36.65%.

Investment in MPIC

On May 27, 2016, the Parent Company subscribed to 3.60 billion common shares of MPIC for a total subscription price of ₱21.96 billion. On the same day, the Parent Company entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with the Parent Company as the buyer and MPHI as the seller of 1.30 billion common shares of MPIC for a total consideration of ₱7.94 billion. On August 5, 2016, the SEC approved the increase in the authorized capital stock of MPIC. As a result, the Parent Company's ownership interest is 15.55% of the issued and outstanding capital stock of MPIC.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.24 billion and ₱0.04 billion, respectively, as part of the cost of the investment. Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MPIC, the difference of ₱7.41 billion between the Parent Company's share in the carrying values of MPIC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MPIC's specific and identifiable assets and liabilities amounting to ₱4.68 billion and the remaining balance of ₱2.73 billion for goodwill.

Investment in BLRDC

On June 8, 2012, Federal Land and Orix Risingsun Properties II, Inc. (ORPI) entered into a joint venture agreement for the creation of BLRDC, with Federal Land owning 70% and ORPI owning 30% to develop three (3) main projects, namely (1) residential condominium project, (2) hotel/office building, and (3) operation of the hotel.

Federal Land does not exercise control at 70% ownership over BLRDC, but instead exercises joint control because Federal Land and ORPI have contractually agreed to share control over the economic activities of BLRDC.

Investment in NBLRDI

On June 14, 2018, Federal Land entered into a Joint Venture Agreement with ORPI to incorporate a joint venture company, NBLRDI, in which Federal Land held 70% equity interest. The agreement was entered to develop Grand Hyatt Residences Tower II. This was reflected as additions of ₱1.69 billion in the investment in associates and joint ventures in 2018.

Investment in Sunshine Fort

On July 3, 2017, the Federal Land entered into a Joint Venture Agreement with NREMI Development Company (NRE) to incorporate a joint venture company in which Federal Land held 60% equity interest. In 2017, Federal Land made an initial investment amounting to ₱288.75 million. In 2018, Federal Land made additional investments amounting to ₱4.33 billion.

Investment in AFLCI

On April 29, 2015, Federal Land and Alveo Land Corp. executed a joint venture agreement for the organization of a joint venture, AFLCI, to manage the development of a 45-hectare property along Laguna Boulevard in Biñan, Laguna. AFLCI was incorporated on June 16, 2015. An initial investment amounting to ₱574.13 million was reflected as additions to the investment in associates and joint ventures in 2015. In 2016, an additional investment amounting to ₱17.00 million was made.

Investment in STRC

In June 2016, SM Development Corporation (SMDC) entered into an agreement with Federal Land to incorporate a joint venture company, STRC, in which Federal Land holds a 50% stake. STRC will develop a 3,200 square meter property located along Ayala Avenue as a high-end luxury residential tower. An initial investment amounting to ₱250.00 million was reflected as additions to the investment in associates and joint ventures in 2016.

On December 12, 2016, the BOD of Federal Land approved the additional investment in STRC amounting to ₱750.00 million divided into preferred shares in the amount of ₱712.50 million and common shares in the amount of ₱37.50 million. On January 10, 2017, Federal Land has fully paid its subscription to STRC. The percentage of ownership is retained as SMDC also invested an equivalent amount.

In 2018 and 2017, Federal Land made additional investments in STRC amounting to ₱0.47 billion and ₱0.03 billion, respectively.

Investment in TFSPC

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

In 2018 and 2017, the Parent Company remitted ₱720.00 million and ₱480.00 million, respectively, to TFSPC in response to the latter's equity call upon its stockholders.

Notes to Consolidated Financial Statements

Investment in SMFC

On August 11, 2017, the Parent Company acquired 4.0 million common shares, representing 20% ownership in SMFC for a total consideration of ₱379.92 million from PSBank and PSBank Retirement Fund.

In relation to the acquisition, the Parent Company capitalized documentary stamp taxes amounting to ₱1.50 million as part of the cost of the investment.

Fair Value of Investment in Associates and Joint ventures

Phil AXA and CCPC as well as BLRDC, NBLRDI, Sunshine Fort, SFNBCMC, AFLCI, STRC, PHRDC, TFSPC and SMFC are private companies and there are no quoted market prices available for their shares.

As of December 31, 2019 and 2018, the fair values of the Group's investment in PSE-listed entities follow (Note 32):

	2019	2018
MBTC	₱109,213	₱115,834
MPIC	17,003	22,687
	₱126,216	₱138,521

Management considers significant and prolonged decline in the quoted market price of MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investment in MPIC. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The recoverable amount of the investment in MPIC has been determined based on the sum of the parts of the value in use and fair value less cost to sell of the MPIC Group. Based on the Group's impairment testing, the investment in MPIC is determined to be not impaired.

The following tables present the carrying values of the Group's material associates:

Investments in MBTC

	2019	2018
Consolidated Statements of Comprehensive Income		
Net interest income, other income and share in net income of associates and joint ventures	₱106,919	₱92,606
Expenses	78,045	69,171
Net income	28,874	23,435
Other comprehensive income (loss)	3,666	(2,655)
Total comprehensive income	32,540	20,780
Consolidated Statements of Financial Position*		
Total assets	2,450,813	2,243,693
Total liabilities	(2,132,322)	(1,952,989)
Net assets	318,491	290,704
Equity attributable to NCI	(8,937)	(7,744)
Other equity reserves	-	-
Net assets attributable to common shareholders of MBTC	309,554	282,960
GT Capital's ownership interest in MBTC	36.65%	36.36%
GT Capital's share in net assets of MBTC	113,452	102,884
Notional goodwill	4,363	4,450
Fair value and other adjustments	2,852	3,166
Elimination of intercompany transactions	-	(96)
	₱120,667	₱110,404

*MBTC does not present classified statements of financial position.

Investments in MPIC

	2019	2018
<i>Consolidated Statements of Comprehensive Income</i>		
Revenues	P159,098	P122,686
Expenses	97,287	93,599
Net income	27,818	22,202
Other comprehensive income (loss)	(1,477)	320
Total comprehensive income	26,341	22,522
<i>Consolidated Statements of Financial Position</i>		
Current assets	105,237	79,579
Noncurrent assets	506,541	478,633
Current liabilities	(75,118)	(56,606)
Noncurrent liabilities	(290,615)	(262,377)
Net assets	246,045	239,229
Equity attributable to NCI	(55,083)	(65,692)
Net assets attributable to common shareholders of MPIC	190,962	173,537
GT Capital's ownership interest in MPIC	15.52%	15.55%
GT Capital's share in net assets of MPIC	29,637	26,985
Capitalized transaction cost	277	277
Notional goodwill	2,727	2,727
Fair value and other adjustments	4,311	3,861
	P36,952	P33,850

The following table presents the carrying values of the Group's material joint venture:

	2019			2018		
	BLRDC	TFSPC*	Sunshine Fort	BLRDC	TFSPC*	Sunshine Fort
<i>Selected Financial Information</i>						
Cash and cash equivalents	P643	P925	P157	1,071	1,501	743
Current financial liabilities	4,548	-	1,595	4,620	-	1,940
Non-current financial liabilities	3,010	-	-	3,004	-	-
Financial liabilities	-	73,780	-	-	73,850	-
Depreciation and amortization	(26)	62	-	72	44	-
Interest income	29	6,959	7	44	6,165	7
Interest expenses	(223)	3,877	-	120	2,910	2
Income tax expense	11	183	5	25	372	(55)
<i>Statements of Comprehensive Income</i>						
Revenues	706	7,265	632	2,311	6,481	42
Expenses	759	6,503	613	2,297	5,322	167
Net income	(42)	580	15	(11)	787	(70)
Other comprehensive income	-	(781)	-	-	218	-
Total comprehensive income	(42)	(201)	15	(11)	1,005	(70)
<i>Statements of Financial Position</i>						
Current assets	1,466	-	10,852	3,905	-	8,068
Noncurrent assets	12,258	-	1,784	10,746	-	1,495
Total assets	13,724	83,444	12,636	14,651	83,509	9,563
Current liabilities	(4,548)	-	(1,595)	(4,618)	-	(1,963)
Noncurrent liabilities	(3,010)	-	(3,474)	(3,825)	-	(48)
Total liabilities	(7,558)	(74,027)	(5,069)	(8,443)	(75,852)	(2,011)
Net assets	6,166	9,417	7,567	6,208	7,657	7,552
GT Capital's ownership interest	70.00%	40.00%	60.00%	70.00%	40.00%	60.00%
GT Capital's share in net assets	4,316	3,767	4,540	4,346	3,063	4,531
Additional subscription	-	-	-	-	720	-
Notional goodwill and other adjustments	241	894	(195)	241	894	(208)
	P4,557	P4,661	P4,345	P4,587	P4,677	P4,323

*TFSPC does not present classified statements of financial position.

Notes to Consolidated Financial Statements

The following table presents the aggregate financial information of the Group's other associates and joint ventures as of and for the years ended December 31, 2019 and 2018:

	2019		2018	
	Associates	Joint ventures	Associates	Joint ventures
<i>Statements of Financial Position</i>				
Current assets	P189	P12,317	P214	P10,132
Non-current assets	52	4,727	308	2,899
Total assets*	142,168	-	126,794	
Current liabilities	73	6,473	69	3,556
Non-current liabilities	-	353	-	240
Total liabilities*	130,416	-	117,559	
<i>Statements of Comprehensive Income</i>				
Revenues	17,409	3,397	14,201	2,597
Expenses	13,499	2,366	9,854	1,878
Net income	2,559	747	3,114	493
Other comprehensive income	778	(7)	718	6
Total comprehensive income	3,337	740	3,832	499

*Phil AXA does not present classified statements of financial position.

The aggregate carrying values of immaterial associates and joint ventures amounted to P6.88 billion and P5.89 billion as of December 31, 2019 and 2018, respectively.

Limitation on dividend declaration of associates and joint venture

Phil AXA

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

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

MBTC

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

As of December 31, 2019 and 2018, there were no agreements entered into by the associates and joint ventures of the Group that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group. MBTC's dividend declarations and payments are subject to the approval of BSP.

As of December 31, 2019 and 2018, accumulated equity in net earnings amounting to P52.97 billion and P40.51 billion, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

As of December 31, 2019, 2018 and 2017, the Group has no share on commitments and contingencies of its associates and joint ventures.

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2019			Total
	Land and Improvements	Building and Improvements	Construction In Progress	
Cost				
At January 1	₱6,983	₱7,907	₱4,301	₱19,191
Additions	587	506	2	1,095
Effect of deconsolidation (Note 12)	(2,389)	(656)	(258)	(3,303)
Reclassifications	33	78	-	111
Transfers	(2)	-	-	(2)
At December 31	5,212	7,835	4,045	17,092
Accumulated Depreciation				
At January 1	18	1,445	-	1,463
Depreciation (Note 11)	4	340	-	344
Effect of deconsolidation (Note 12)	-	(62)	-	(62)
Reclassification	(2)	2	-	-
At December 31	20	1,725	-	1,745
Net Book Value at December 31	₱5,192	₱6,110	₱4,045	₱15,347

	December 31, 2018			Total
	Land and Improvements	Building and Improvements	Construction In Progress	
Cost				
At January 1	₱7,105	₱7,592	₱3,819	₱18,516
Additions	19	128	75	222
Disposals	(177)	-	-	(177)
Transfers	36	61	-	97
Transfers from inventories (Note 6)	-	126	407	533
At December 31	6,983	7,907	4,301	19,191
Accumulated Depreciation				
At January 1	14	1,110	-	1,124
Depreciation (Note 11)	4	335	-	339
At December 31	18	1,445	-	1,463
Net Book Value at December 31	₱6,965	₱6,462	₱4,301	₱17,728

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 ₱1.53 billion, ₱1.18 billion and ₱0.92 billion in 2019, 2018 and 2017, respectively (Note 30).

Construction-in-progress pertains to the accumulated cost incurred for the development and redevelopment of Federal Land's malls. The mall redevelopment is expected to be completed in 2021.

The aggregate fair values of the Group's investment properties amounted to ₱26.61 billion and ₱37.45 billion as of December 31, 2019 and 2018, respectively. The fair values of the Group's investment properties have been determined based on valuations performed by Asian Appraisal Company (AAC) and Philippine Appraisal Co. Inc. (PACI), independent appraisers which are accredited by the SEC. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued by AAC and PACI in 2017.

Notes to Consolidated Financial Statements

10. Investment Securities

Investment securities consist of:

	2019	2018
Current:		
Financial assets at FVTPL (Note 27)		
Quoted	₱4,698	₱3,181
Noncurrent:		
Financial assets at FVOCI		
Quoted	12,160	10,631
Unquoted	213	317
	12,373	10,948
	₱17,071	₱14,129

Financial assets at FVTPL

These pertain to the Parent Company's investments in unit investment trust fund (UITF) (Note 32).

Financial assets at FVOCI

Quoted equity securities

This includes foreign currency-denominated equity investments in Toyota Motor Corporation (TMC), a listed company in the Tokyo Stock Exchange, amounting to ₱11.06 billion and ₱9.43 billion as of December 31, 2019 and 2018, respectively. The Group has irrevocably elected to classify these investments under this category as it intends to hold these investments for the foreseeable future.

Unquoted equity securities

This account comprises of shares of stocks of various unlisted private corporations. The Group has designated these equity securities as at FVOCI because they will not be sold in the foreseeable future.

Unquoted equity securities include Toyota Aisin Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounting to ₱200.74 million and ₱301.95 million as of December 31, 2019 and 2018, respectively. Also included in the balance are unquoted equity securities of Federal Land and TMBC amounting to ₱9.94 million and ₱0.11 million, respectively, as of December 31, 2019 and ₱9.94 million and ₱0.46 million, respectively, as of December 31, 2018.

Unquoted equity securities of Federal Land pertain to preferred shares of a utility company issued to the Group in connection with its subscription to the electricity services of the said utility company needed for Federal Land's real estate projects. The Group does not intend to dispose these investments since these are directly related to the continuity of its business.

Movements in the fair value reserves on financial assets at FVOCI follow:

	2019		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	(₱734)	₱223	(₱511)
Changes in fair values of financial assets at FVOCI	1,733	(35)	1,698
Balance at end of year	₱999	₱188	₱1,187

	2018		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	₱751	₱207	₱958
Changes in fair values of financial assets at FVOCI	(1,485)	16	(1,469)
Balance at end of year	(₱734)	₱223	(₱511)

11. Property and Equipment

The composition and rollforward analysis of this account follow:

2019										
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Building and Land Improvements	Other Property and Equipment	Right-of-use assets	Construction-in-Progress	Total
Cost										
At January 1	P706	P1,193	P328	P2,482	P2,951	P5,120	P5,708	P-	P964	P19,452
Additions	188	107	30	556	3	212	329	453	397	2,275
Effect of deconsolidation (Note 12)	(186)	(370)	(21)	(699)	(84)	(629)	-	-	-	(1,989)
Disposals and reclassifications	(36)	97	-	188	220	2	(71)	-	(474)	(74)
At December 31	672	1,027	337	2,527	3,090	4,705	5,966	453	887	19,664
Accumulated Depreciation and Amortization										
At January 1	351	608	195	913	87	904	2,756	-	-	5,814
Effect of deconsolidation (Note 12)	(128)	(235)	(20)	(494)	-	(359)	-	-	-	(1,236)
Depreciation and amortization	158	201	42	275	16	381	1,000	61	-	2,134
Disposals and reclassifications	(30)	(9)	-	(4)	-	(108)	(56)	-	-	(207)
At December 31	351	565	217	690	103	818	3,700	61	-	6,505
Net Book Value at December 31	P321	P462	P120	P1,837	P2,987	P3,887	P2,266	P392	P887	P13,159

2018										
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Building and Land Improvements	Other Property and Equipment	Construction-in-Progress	Total	
Cost										
At January 1		P612	P939	P319	P1,843	P2,786	P4,046	P4,177	P1,315	P16,037
Additions		177	279	9	446	165	390	1,716	737	3,919
Disposals		(102)	(54)	-	(32)	-	(18)	(185)	(95)	(486)
Reclassifications and others		19	29	-	225	-	702	-	(993)	(18)
At December 31		706	1,193	328	2,482	2,951	5,120	5,708	964	19,452
Accumulated Depreciation and Amortization										
At January 1		281	446	153	717	75	613	2,081	-	4,366
Depreciation and amortization		148	174	42	225	12	308	850	-	1,759
Disposals		(78)	(12)	-	(29)	-	(17)	(175)	-	(311)
At December 31		351	608	195	913	87	904	2,756	-	5,814
Net Book Value at December 31		P355	P585	P133	P1,569	P2,864	P4,216	P2,952	P964	P13,638

Construction-in-progress as of December 31, 2019 pertains to GTCAD and TMP's building construction and Toyota group's machineries and building improvements.

Construction-in-progress as of December 31, 2018 pertains to FLI's building improvements which were expected to be completed in 2019 and Toyota group's machineries, tools, equipment and other projects which are expected to be completed in 2020.

Gain on disposal of property and equipment amounted to P14.50 million, P23.27 million and P23.09 million in 2019, 2018 and 2017, respectively (Note 23).

Details of depreciation and amortization follow:

	2019	2018	2017
Continuing operations			
Property and equipment	P1,983	P1,542	P1,280
Investment properties (Note 9)	333	309	224
Intangible assets (Note 13)	101	95	103
	2,417	1,946	1,607
Depreciation and amortization attributable to discontinued operations			
Property and equipment	151	217	243
Investment properties (Note 9)	11	24	21
Intangible assets (Note 13)	8	30	50
	170	271	314
	P2,587	P2,217	P1,921

Notes to Consolidated Financial Statements

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

	2019	2018	2017
Consolidated Statements of Income			
Cost of goods manufactured	P1,246	P974	P809
Cost of rental (Note 30)	329	309	240
Cost of goods and services	-	31	61
General and administrative expenses (Note 26)	842	632	492
Attributable to discontinued operations (Note 12)	170	150	163
	2,587	2,096	1,765
Consolidated Statements of Financial Position			
Real estate inventories	-	121	156
	P2,587	P2,217	P1,921

12. Disposal of Assets

Disposal of Investment in PCFI

On May 10, 2019 the Parent Company and PCFI executed a Redemption Agreement for the redemption, cancellation and retirement of the 64,530,712 Series A Redeemable Voting Preferred Shares with a par value of P10.00 per share of PCFI, representing 51% interest of the Parent Company in PCFI. The Parent Company and PCFI have agreed to the redemption price of P20.00 billion through the assignment, transfer and conveyance of the selected assets owned and/or beneficially owned by PCFI to the Parent Company.

On July 4, 2019, Philippine Competition Commission approved the Redemption Agreement of the Parent Company and PCFI. Accordingly, the financial statements of PCFI were deconsolidated from the consolidated financial statements of the Group as of that date.

The derecognized assets and liabilities of PCFI as of the date of deconsolidation follow:

Assets	
Cash and cash equivalents	P1,421
Short-term investments	1
Receivables	5,482
Contract assets	2,688
Inventories	29,642
Prepayments and other current assets	3,251
Financial assets at FVOCI	3
Investment properties	3,241
Property and equipment	753
Goodwill and intangible assets	2,862
Deferred tax assets	64
Other noncurrent assets	634
	50,042
Liabilities	
Accounts and other payables	3,643
Contract liabilities	3,180
Loans payable	8,057
Customer's deposits	5
Dividends payable	1,145
Income tax payable	72
Pension liabilities	182
Deferred tax liabilities	2,417
Other liabilities	435
	19,136
Net assets	P30,906

Net unrealized gain on financial assets at FVOCI and net unrealized gain on defined benefit plan of PCFI amounting to ₱18.91 million were reclassified to retained earnings.

PFRS 5 requires income and expenses from disposal group to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2018 and 2017 have been restated to present the results of operation of PCFI as 'Net income from discontinued operations'.

The results of operations of PCFI included in the consolidated statements of income are presented below:

	2019	2018	2017
Real estate sales	₱3,275	₱9,166	₱6,339
Rent income	46	76	25
Interest income	204	414	418
Other income	193	334	138
Revenue	3,718	9,990	6,920
Cost of real estate sales	1,847	5,111	3,771
General and administrative expenses	1,331	3,373	2,518
Interest expense	284	640	694
Cost and expenses	3,462	9,124	6,983
Income (Loss) before income tax	256	866	(63)
Provision for (Benefit from) income tax	71	159	(341)
Net income	185	707	278
Gain on deconsolidation	2,341	-	-
Dividend income from discontinued operations*	1,288	-	-
Net income from discontinued operations	₱3,814	₱707	₱278
<i>*pertains to dividends attributable to the Group which were declared by PCFI and received by the Group after the loss of control over PCFI</i>			
Attributable to Parent Company	₱3,723	₱361	₱133
Attributable to non-controlling interest	91	346	145
	₱3,814	₱707	₱278

Other comprehensive income from discontinued operations consists of the following:

	2019	2018	2017
Changes in fair value of available-for-sale investment	₱-	₱-	₱1
Changes in cash flow hedge reserve	(226)	252	-
Changes in fair value of financial assets at FVOCI	-	-	(27)
Remeasurement of defined benefit plan	6	(17)	54
	(₱220)	₱236	₱28

The aggregate consideration received consists of:

Value of selected assets received	₱20,000
Non-controlling interest	13,247
	₱33,247

The net cash outflow arising from the deconsolidation of cash and cash equivalents of PCFI amounted to ₱1.42 billion. Total gain on deconsolidation amounted to ₱2.34 billion, which is the difference between the consideration received and the carrying value of the Group's investment in PCFI.

On October 18, 2019, the Parent Company and PCFI executed a Deed of Assignment to assign, transfer and convey the selected assets of PCFI to the Parent Company.

Notes to Consolidated Financial Statements

13. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	2019	2018
Goodwill	P5,926	P8,767
Customer relationship	3,883	3,883
Software costs - net	228	303
Franchise - net	3	2
	P10,040	P12,955

Goodwill

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

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

	2019				
	Toyota	TRDCI	PCFI	TMBC	Total
Balances at beginning of year	P5,597	P88	P2,841	P241	P8,767
Effect of deconsolidation (Note 12)	-	-	(2,841)	-	(2,841)
Balances at end of year	P5,597	P88	P-	P241	P5,926

	2018				
	Toyota	TRDCI	PCFI	TMBC	Total
Balances at beginning and end of year	P5,597	P88	P2,841	P241	P8,767

Toyota

The recoverable amount of Toyota CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to cash flow projections is 10.74% in 2019 and 16.90% in 2018. Cash flows beyond the three-year period are extrapolated using a steady growth rate of 3.56% in 2019 and 4.46% in 2018. The carrying value of goodwill amounted to P5.60 billion as of December 31, 2019 and 2018. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

The calculations of VIU for the Toyota CGU are most sensitive to the following assumptions:

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

Regarding the assessment of the VIU 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.

PCFI (Note 12)

The recoverable amount of PCFI CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 14.64% in 2018. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 2.60% in 2018. The carrying value of goodwill amounted to P2.84 billion as of December 31, 2018. No impairment loss was recognized on the goodwill arising from the acquisition of PCFI.

The calculations of VIU for PCFI CGU are most sensitive to the following assumptions:

- Expected future cash inflows from real estate sales
- Growth rate; and
- Pre-tax discount rate - Discount rate reflects management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the VIU of PCFI, 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.

TMBC

The recoverable amount of TMBC CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 11.53% in 2019, 14.48% in 2018. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.51% in 2019 and 4.46% in 2018. The carrying value of goodwill amounted to ₱241.06 million as of December 31, 2019 and 2018. No impairment loss was recognized on the goodwill arising from the acquisition of TMBC.

The calculations of VIU for TMBC CGU are most sensitive to the following assumptions:

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

Regarding the assessment of the VIU of TMBC, 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.

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 VIU calculations using earnings projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to earnings projections is 17.58% and 20.1% in 2019 and 2018, respectively. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 3.10% and 4.46% in 2019 and 2018, respectively. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2019 and 2018. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The calculations of VIU for the customer relationship are most sensitive to the following assumptions:

- Attrition rate - Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- Earnings before interest and taxes (EBIT) margin on key customers - A 5.28% EBIT margin was used in projecting the net operating profit on sales to key customers for the three-year period; and
- Pre-tax discount rate - Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

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

Notes to Consolidated Financial Statements

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:

	2019	2018
Cost		
Balance at beginning of year	P729	P667
Effect of deconsolidation (Note 12)	(217)	-
Additions	55	62
	567	729
Accumulated Amortization		
Balance at beginning of year	426	307
Effect of deconsolidation (Note 12)	(196)	-
Amortization (Note 11)	109	119
Disposal/reclassification	-	-
	339	426
Net Book Value	P228	P303

Franchise

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

In 2017, Federal Land acquired additional franchise amounting to P0.87 million.

The amortization of the franchise fee amounting to P0.34 million, P0.33 million and P0.28 million in 2019, 2018 and 2017, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).

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

	2019	2018	2017
Software cost	P101	P89	P74
Franchise	-	-	-
Attributable to discontinued operations (Note 12)	8	30	50
	P109	P119	P124

14. Other Noncurrent Assets

This account consists of:

	2019	2018
Rental and other deposits	P375	P2,252
Deferred input VAT	40	64
Retirement asset (Note 28)	7	9
Derivative asset (Note 16)	-	469
Escrow fund	-	26
Others	14	74
	P436	P2,894

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

Escrow fund represents part of the proceeds from bank takeout that are required to be deposited in an escrow account until completion of certain documentation and other requirements of the bank.

15. Accounts and Other Payables

This account consists of:

	2019	2018
Trade payables	P12,337	P13,167
Accrued expenses	4,534	4,192
Deferred output tax	2,380	1,693
Telegraphic transfers, drafts and acceptances payable	1,840	1,675
Accrued interest payable	896	579
Accrued commissions	777	686
Nontrade payables	602	430
Customer advances	577	578
Royalty payable	288	255
Retentions payable	10	687
Payable for customer's refund	-	320
Due to landowners	-	34
Others	993	1,115
	P25,234	P25,411

The details of trade payables are as follows:

	2019	2018
Automotive	P11,106	P11,079
Real estate	1,226	2,081
Others	5	7
	P12,337	P13,167

Trade payables for automotive pertain to the purchase of raw materials, spare parts and vehicles which are noninterest-bearing and are normally settled on one to 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.

The details of accrued expenses are as follows:

	2019	2018
Dealers' incentives, supports and promotions	P2,559	P2,444
Employee benefits	579	421
Freight, handling and transportation	218	112
Payable to contractors	212	173
Taxes	114	47
Utilities and services	96	97
Office supplies	46	31
Outsourced services	40	34
Insurance	34	61
Repairs and maintenance	31	19
Professional fees	20	29
Rent	18	35
Regulatory fees and charges	2	4
Others	565	685
	P4,534	P4,192

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

Notes to Consolidated Financial Statements

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

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

Accrued interest payables are normally settled within a 15 to 60 day term.

Accrued commissions are settled within one (1) year.

Customer advances pertain to payments received from buyers for the processing of transfer of units upon turnover.

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

Due to landowners represents liabilities to various real estate property sellers. These are noninterest-bearing and will be settled within one year.

Retentions payable represent a portion of construction cost withheld by the Federal Land Group and paid to the contractors upon completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 20).

Payable for customer's refund account represents deposit from buyers subject for refund and are normally settled within one year.

Others include refunds from cancelled sales from Federal Land and other government-related payables which are non-interest bearing and are normally settled within one year. These also include other non-interest bearing payables which are all due within one year.

16. Short-term Debt and Long-term Debt

This account consists of:

	2019					
	Interest rates	Short-term debt	Long-term debt			Subtotal
Corporate notes			Loans payable			
Parent Company	0.85% - 7.25%	P-	P-	P63,790	P63,790	P63,790
Federal Land Group	2.80% - 6.25%	8,580	4,850	22,586	27,436	36,016
Toyota Group	4.60% - 5.10%	2,270	-	246	246	2,516
TMBC Group	4.50% - 4.90%	1,855	-	1,021	1,021	2,876
GTCAD Group	4.60% - 4.85%	185	-	-	-	185
		12,890	4,850	87,643	92,493	105,383
Less: Deferred financing cost		-	-	370	370	370
		12,890	4,850	87,273	92,123	105,013
Less: Current portion of long-term debt		-	3,885	1,089	4,974	4,974
		P12,890	P965	P86,184	P87,149	P100,039

2018						
	Interest rates	Short-term debt	Long-term debt			Total
			Corporate notes	Loans payable	Subtotal	
Parent Company	0.90% - 7.25%	₱-	₱-	₱61,075	₱61,075	₱61,075
Federal Land Group	2.55% - 6.71%	2,830	4,875	21,145	26,020	28,850
PCFI Group	3.95% - 7.50%	3,600	-	7,146	7,146	10,746
TMPC Group	5.00% - 6.25%	2,800	-	246	246	3,046
TMBC Group	4.85% - 5.94%	1,100	-	1,100	1,100	2,200
GTCAD Group	5.00% - 5.80%	170	-	-	-	170
		10,500	4,875	90,712	95,587	106,087
Less: Deferred financing cost		-	-	418	418	418
		10,500	4,875	90,294	95,169	105,669
Less: Current portion of long-term debt		-	25	795	820	820
		₱10,500	₱4,850	₱89,499	₱94,349	₱104,849

Short-term Debt

Parent Company Short-term Loans

In June 2018, the Parent Company obtained an unsecured short-term loan denominated in Japanese Yen (JPY or ¥) with a term of less than 30 days from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90% and was refinanced by a JPY-denominated long-term debt in July 2018.

Federal Land Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, Federal Land Group's outstanding unsecured short-term borrowings amounting to ₱6.38 billion and ₱2.83 billion, respectively, have terms of over 60 to 180 day obtained for the Group's working capital requirements with interest rates ranging from 4.25% to 6.00%, 2.80% to 6.00% and 2.80% to 4.00% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, Federal Land Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱2.20 billion and ₱1.10 billion, respectively, have terms of over 60 to 180 day obtained for the Group's working capital requirements with interest rates ranging from 4.60% to 6.25%, 4.60% to 5.50% and 2.80% to 3.00% in 2019, 2018 and 2017, respectively.

Toyota Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, Toyota Group's outstanding unsecured short-term borrowings amounting to ₱0.62 billion and ₱1.22 billion, respectively, have terms of one year or less obtained to finance its operating activities. These loans bear annual fixed interest rates ranging from 4.60% to 5.10%, 5.05% to 6.25% and 2.55% to 3.38% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, Toyota Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱1.65 billion and ₱1.58 billion, respectively, have terms of over 60 to 180 day obtained to fund the Group's working capital requirements with interest rates ranging from 4.60% to 4.85%, 5.00% to 5.65% and 2.50% to 2.98% in 2019, 2018 and 2017, respectively.

TMBC Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, TMBC Group's unsecured short-term borrowings amounting to ₱0.93 billion and ₱0.25 billion, respectively, have terms ranging from 25 to 31 days obtained to finance its working capital requirements. These loans bear interest rates ranging from 4.55% to 4.90%, 5.10% to 5.50%, and 2.50% to 2.75% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, TMBC Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱0.92 billion and ₱0.85 billion, respectively, have terms of over 28 to 39 days obtained to fund the Group's working capital requirements with interest rates ranging from 4.50% to 4.85%, 5.00% to 5.65% and 2.50% to 2.80% in 2019, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

GTCAD Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, GTCAD Group's unsecured short short-term borrowings amounting to ₱0.05 billion and ₱0.08 billion, respectively, have terms ranging from 30 to 90 days obtained from affiliated and non-affiliated local banks to finance the working capital requirements with interest rates of 4.60% to 4.85% and 5.50% to 5.80%, in 2019 and 2018, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, GTCAD Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱0.14 billion and ₱0.09 billion, respectively, have terms of over 28 to 39 days obtained to fund the Group's working capital requirements with interest rates ranging from 4.60% to 4.85%, and 5.00% to 5.35% in 2019 and 2018, respectively.

PCFI Group Short-term Loans

In 2018, PCFI Group's unsecured short-term loans amounting to ₱3.60 billion have terms of one year or less obtained from various non-affiliated local banks to finance its working capital requirements. These loans bear fixed interest rates ranging from 4.00% to 5.75% and 3.12% to 3.95% in 2018 and 2017, respectively.

Total interest expense charged to operations from the above-mentioned short-term loans amounted to ₱37.68 million and ₱145.39 million in 2018 and 2017, respectively. Interest expense capitalized amounted to nil and ₱20.51 million in 2018 and 2017, respectively.

Federal Land - Corporate Notes

On July 5, 2013, the Group issued ₱4.00 billion unsecured notes with 5.57% interest per annum maturing on July 5, 2020 and an additional ₱1.00 billion notes with 6.27% interest per annum maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2019 and 2018, outstanding balance amounted to ₱4.85 billion and ₱4.88 billion, respectively. As of December 31, 2019 and 2018, the current portion amounting to ₱3.88 billion and ₱0.02 billion, respectively, are presented as a current liability.

The agreements covering the above-mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization. As of December 31, 2019 and 2018, the Group has complied with the loan covenants.

Interest expense charged to operations amounted to ₱122.71 million in 2019, ₱77.27 million in 2018 and nil in 2017. Interest expense capitalized amounted to ₱165.86 million, ₱334.10 million and ₱289.73 million in 2019, 2018 and 2017, respectively.

Long-term Loans

Parent Company Long-term Peso Loans

In November 2019, the Parent Company obtained an unsecured long-term loan with a non-affiliated local bank with a principal amount of ₱3.00 billion to refinance bonds due in November 2019. Said loan bear fixed interest rate of 5.39% with a term of 10 years and maturity date of 2029.

In March 2018, the Parent Company obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 6.50% to 7.25%, with terms ranging from 10 to 12 years and maturity dates ranging from 2028 to 2030.

In 2015, the Parent Company obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 5.00% to 5.88%, with various terms ranging from 10 to 13 years and maturity dates ranging from 2025 to 2028.

As of December 31, 2019 and 2018, the carrying value of the above-mentioned long-term loans payable amounted to ₱52.74 billion and ₱49.73 billion, respectively.

Parent Company Long-term JPY Loans

In July 2018, the Parent Company obtained an unsecured long-term loan from three (3) non-affiliated foreign banks for an aggregate principal amount of ¥23.31 billion, 50% of which will mature in July 2022 and the remaining 50% will mature in July 2024 with interest rate of 3-month JPY Libor plus 0.65% spread. Proceeds from the loan were used to refinance a short-term loan from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90%. As of December 31, 2019 and 2018, the carrying value of the said loan amounted to ₱10.73 billion and ₱11.00 billion, respectively.

In July 2018, the Parent Company entered into an interest rate swap agreement with MUFG Bank, Ltd., Labuan Branch. Under the agreement the Parent Company, on a quarterly basis, pays fixed interest rate of 0.852% and receives floating interest rate of 3-month JPY Libor plus 0.65% spread from July 19, 2018 to July 12, 2024. On the same date, the Parent Company designated the swap as an effective hedging instrument under a cash flow hedge arrangement. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to ₱52.58 million and ₱62.18 million in 2019 and 2018, respectively. As of December 31, 2019 and 2018 the negative fair value of the interest rate swap amounted ₱52.58 million and ₱62.18 million, respectively under 'Other noncurrent liabilities' (Note 20).

As of December 31, 2019 and 2018, the movement in the deferred financing cost follows:

	2019	2018
Balances at beginning of year	₱346	₱103
Additions	53	275
Amortization	(74)	(32)
Balances at end of year	₱325	₱346

Total interest expense incurred on these long-term loans payable in 2019, 2018 and 2017 amounted to ₱3.25 billion (including amortization of deferred financing cost of ₱73.86 million), ₱2.79 billion (including amortization of deferred financing cost of ₱31.61 million) and ₱1.41 billion (including amortization of deferred financing cost of ₱9.43 million), respectively.

Federal Land Long-term Loans

Non-affiliated loans

In 2014, Federal Land obtained unsecured loans from various non-affiliated banks amounting to ₱6.60 billion. The loan principal will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.86% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40.00% quarterly principal payment starting at the end of 5th year and 60.00% principal balance on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion principal payable at 40% quarterly payment at the end of 5th year to 9th year and 60.00% principal balance on maturity date with fixed interest rate of 5.05% per annum.

In 2015 to 2019, the Fed Land Group obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱7.08 billion. Said loans bear fixed annual interest rates ranging from 5.00% to 6.71%, various terms ranging from 5 to 10 years and maturity dates from 2020 to 2026.

As of December 31, 2019 and 2018, the carrying value of these non-affiliated long-term loans amounted to ₱18.41 billion and ₱12.14 billion, respectively, net of unamortized deferred financing cost.

Affiliated loans (Note 27)

On August 25, 2016, Federal Land obtained a 5-year unsecured loan from MBTC, an affiliated bank with a principal amount of ₱2.00 billion and interest rate of 2.80% maturing on August 25, 2021.

On various dates in 2016, the Federal Land Group obtained unsecured long-term loans from an affiliated bank with an aggregate principal amount of ₱2.00 billion. The loans bear interest rates of 2.55% to 2.60%, with terms of five (5) years and maturity date of 2021. The loan proceeds were used to finance real estate projects.

Notes to Consolidated Financial Statements

On various dates in 2017, the Federal Land Group obtained various unsecured long-term loans from an affiliated bank totaling ₱2.50 billion. Said loans bear interest rates of 2.75% to 2.90% and will be payable in 2022. The loan proceeds were used to finance real estate projects.

On June 29, 2018, Federal Land obtained a 5-year unsecured loan from an affiliated local bank, with a principal amount of ₱2.50 billion and interest rate of 4.25% maturing on June 29, 2023.

As of December 31, 2019 and 2018, the carrying value of these affiliated long-term loans payable amounted to ₱8.98 billion and ₱8.96 billion, respectively, net of unamortized deferred financing cost.

As of December 31, 2019 and 2018, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	₱42	₱26
Additions	12	33
Amortization	(11)	(17)
Balances at end of year	₱43	₱42

Interest expense charged to operations amounted to ₱859.52 million in 2019, ₱1.07 billion in 2018 and ₱621.40 million in 2017. Interest expense capitalized from the above-mentioned loans payable amounted to ₱519.11 billion, ₱1.38 billion and ₱1.19 billion in 2019, 2018 and 2017, respectively.

Toyota Group Long-term Loans

As of December 31, 2019 and 2018, this account consists of unsecured long-term debt with the following entities:

	2019	2018
TAPI	₱79	₱79
Other entities	167	167
	₱246	₱246

The loan from TAPI bears a fixed interest rate of 4.20% per annum. This loan is for a period of five years up to February 26, 2021 which is automatically renewed upon maturity for another period of 5 years to 10 years.

The long-term unsecured interest-bearing loans with other entities consist of a 2.7% interest-bearing 10-year term loan with a maturity date of September 28, 2025 and October 23, 2026. These loans are automatically renewed upon maturity for another 10 years.

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.82 million, ₱7.86 million and ₱7.82 million in 2019, 2018 and 2017, respectively.

TMBC Long-term Loans

On March 21, 2016, TMBC entered into a Term Loan Facility with a non-affiliated local bank amounting to ₱1.50 billion to finance the construction of the dealership facilities, with interest rates ranging from 4.85% to 5.94% and payable for a period of 10 years, inclusive of three (3) years grace period on principal repayments subject to interest rate based on 10-year PDST-R2 plus a minimum spread of 1.25%. TMBC loan is secured by a real estate mortgage. The carrying value of the mortgaged properties amounted to ₱392.68 million as of December 31, 2019 and 2018.

TMBC is required to maintain the following financial ratios during the term of the loans:

- Minimum current ratio (CR) of 1.0x - defined as Current Assets divided by Current Liabilities
- Maximum debt to equity ratio (DER) of 4.0x - defined as Total Liabilities divided by Total Tangible Net Worth (Total Equity - Intangibles)
- Minimum debt service ratio (DSR) of 1.2x - defined as Earnings before Interest, Taxes, Depreciation and Amortization divided by Interest Expense plus current portion of Long-term debt of the previous year

As of December 31, 2019 and 2018, TMBC has complied with the required financial ratios.

As of December 31, 2019, 2018 and 2017, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	₱3	₱4
Additions	-	-
Amortization	(1)	(1)
Balances at end of year	₱2	₱3

As of December 31, 2019 and 2018, the carrying value of long-term loans payable amounted to ₱1.02 billion and ₱1.10 billion, respectively. As of December 31, 2019 and 2018, the current portion of long-term loans payable amounted to ₱0.16 billion and ₱0.08 billion, respectively.

Interest expense on long-term loans payable amounted to ₱56.17 million, ₱56.17 million and ₱31.73 million in 2019, 2018 and 2017, respectively. Interest expense capitalized amounted to nil, ₱0.77 million and ₱28.10 million in 2019, 2018 and 2017, respectively.

PCFI Group Long-term Loans

Non-affiliated Loans

On January 10, 2012, PCFI issued ₱3.00 billion 5-year fixed rate notes to non-affiliated banks which were used to fund the acquisition of real estate properties, finance project development and construction costs and fund other general corporate purposes. The unsecured notes are payable quarterly and bear fixed rate of 7.18% plus 5% gross receipts tax and secured by various real estate properties (Note 6). The notes were paid in full on January 26, 2017.

On July 1, 2015, PCFI entered into a three-year unsecured Promissory Note Line facility with a non-affiliated bank amounting to ₱1.00 billion. The note bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital. The note was fully paid in 2017.

On December 11, 2015, PCFI entered into a 5-year Loan Facility Agreement with a non-affiliated bank. The approved credit line was ₱6.00 billion of which ₱4.00 billion was drawn on December 31, 2015 and ₱2.00 billion was drawn on December 31, 2016. The loan bears a 6.00% interest rate payable quarterly in arrears with a grace period on the payment of principal for one year, thereafter, the principal shall be payable on quarterly installment. The net proceeds from the unsecured loan pursuant to the loan facility were used for working capital. As of December 31, 2018, the outstanding balance of the loan amounted to ₱4.00 billion.

On December 19, 2016, WFC issued ₱3.00 billion 5-year fixed rate term loan to non-affiliated banks which were used as permanent working capital in relation to the purchase of sales receivable from PCFI. The unsecured notes are payable quarterly and bear fixed rate of 6.00%. The note was fully paid in 2018.

Affiliated Loans (Note 27)

On July 1, 2015, the Company entered into a three-year Promissory Note Line facility with an affiliated bank amounting to ₱1.50 billion (Note 27). The note is unsecured and bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital requirement. The loan was settled in 2018.

On June 22, 2017, WFC entered into a unsecured US Dollar denominated loan agreement with MBTC, an affiliated bank. On the same day, WFC also entered into a cross-currency swap (CCS) agreement with the same affiliated bank to hedge the foreign currency and interest rate risks in the US Dollar loan. WFC received \$19.89 million on each tranche made in July, August and September 2017 for a total of \$59.67 million but will pay in peso equivalent to ₱3.00 billion within 10 years in accordance with the CCS agreement. Also, WFC, on a semi-annual basis, will pay fixed interest rate of 5.13% per annum on the peso principal amounting to ₱3.00 billion and will receive floating interest rate at 6-month US Dollar LIBOR plus 0.75% on \$59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. Effectively, under the swap agreement, WFC swaps its US Dollar-denominated floating rate loans into peso fixed rate loans. On the same date, WFC designated the swap as effective hedging instrument under a cash flow hedge relationship. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to positive ₱225.64 million as of December 31, 2018. As of December 31, 2018, the positive fair value of the currency swap amounting to ₱468.80 million is included in 'Derivative assets' under 'Other noncurrent assets'.

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As of December 31, 2018, the carrying value of WFC's USD loan amounted to ₱3.15 billion (including unrealized foreign exchange loss of ₱0.15 billion)

The loan has one-year grace period on principal payments and the partial payment on principal will be computed as follows:

- i. 1% of original loan amount at the end of the 2nd year
- ii. 3% of original loan amount at the end of 3rd, 4th and 5th year
- iii. 18% of original loan amount at the end of 6th, 7th, 8th, 9th and 10th year

As of December 31, 2018, the movement of the deferred financing cost is as follows:

	2018
Balances at beginning of year	₱43
Additions	-
Amortization	(16)
Balances at end of year	₱27

Total interest expense incurred in 2018 and 2017 from the aforementioned loans payable amounted to ₱315.35 million and ₱415.13 million, respectively. Interest expense capitalized as part of real estate inventories amounted to ₱76.49 million and ₱293.76 million in 2018 and 2017, respectively.

Debt Covenants

The agreements covering the above mentioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; sustaining current ratio of at least 1.75; debt-to-equity financial ratio should not be more than 2.00 and entering into any partnership, merger, consolidation or reorganization.

These restrictions and requirements were complied with by the Group as of December 31, 2019 and 2018.

Required Financial Ratios

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

Entity	Financial Ratio	Required Ratio
TMBC	CR	1:1
TMBC	DER	4:1
TMBC	DSR	1.2x
Federal Land - Corporate notes	DER	2:1
Parent Company - Long-term loans	DER	2.3:1

As of December 31, 2019 and 2018, the Group has complied with the foregoing financial ratios.

17. Bonds Payable

Maturity Dates	Interest rate	Par Value	2019	2018
₱10.0 billion Bonds				
February 27, 2020	4.8371%	₱3,900	₱3,899	₱3,892
February 27, 2023	5.0937%	6,100	6,076	6,069
		10,000	9,975	9,961
₱12.0 billion Bonds				
November 7, 2019	4.7106%	3,000	-	2,994
August 7, 2021	5.1965%	5,000	4,986	4,978
August 7, 2024	5.6250%	4,000	3,978	3,974
		12,000	8,964	11,946
		22,000	18,939	21,907
Less: Current portion of bonds payable		(3,000)	(3,899)	(2,994)
		₱19,000	₱15,040	₱18,913

₱10.00 billion GT Capital bonds due 2020 and 2023

On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year unsecured bonds due on February 27, 2020 and February 27, 2023, respectively, with annual interest rate of 4.84% and 5.09%, respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. The bonds were listed on the Philippine Dealing and Exchange Corporation on February 27, 2013.

The net proceeds were utilized for general corporate requirements which included various equity calls (e.g., Toledo plant and Panay plant) and refinancing of corporate notes.

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

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

On July 24, 2014, the Parent Company issued 12.00 billion unsecured bonds with tenors of five years, seven years and ten years due November 7, 2019 (Series A Bonds), August 7, 2021 (Series B Bonds) and August 7, 2024 (Series C Bonds), respectively, with annual interest rates of 4.71%, 5.20% and 5.63% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. The bonds were listed on August 7, 2014.

The net proceeds were utilized for general corporate requirements which included financing of ongoing projects (e.g., Veritown Fort and Metropolitan Park), refinancing of outstanding loans, and for working capital requirement.

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third month after the fifth anniversary from issue date and (ii) for the series C bonds: the seventh anniversary from issue date (the relevant Optional Redemption Dates). The redemption price is equal to 100.00% of the principal amount together with the accrued and unpaid interest. The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

Notes to Consolidated Financial Statements

The ₱3.00 billion bonds with maturity date of November 7, 2019 were paid. This was refinanced in November 2019 with a long-term loan from a non-affiliated local bank.

As of December 31, 2019 and 2018, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	₱93	₱123
Amortization	(32)	(30)
Balances at end of year	₱61	₱93

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2019 and 2018, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2019, 2018 and 2017 amounted to ₱1.15 billion (including amortization of deferred financing cost of ₱31.18 million), ₱1.15 billion (including amortization of deferred financing cost of ₱30.54 million) and ₱1.15 billion (including amortization of deferred financing cost of ₱28.98 million), respectively.

18. Customers' Deposits

As of December 31, 2019 and 2018, customers' deposits represent refundable reservation fees and advance payments received from customers which can be applied as payment to the respective automotive sale transaction with the Group.

As of December 31, 2019 and 2018, the balance of this account amounted to ₱0.56 billion and ₱0.56 billion, respectively (Note 27).

19. Other Current Liabilities

This account consists of:

	2019	2018
VAT Payable	₱820	₱318
Withholding taxes payable	379	424
Others	157	101
	₱1,356	₱843

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 year.

20. Liabilities on Purchased Properties and Other Noncurrent Liabilities

Liabilities on Purchased Properties

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

In 2017, Federal Land entered into a contract with Kabayan Realty Corporation (KRC) to acquire certain land for ₱2.26 billion. Upon execution of the contract, Federal Land paid KRC with 22% downpayment amounting to ₱500.00 million and the outstanding balance amounting to ₱1.76 billion shall be paid in five installments with 3.00% interest per annum based on the outstanding balance. The outstanding balance was discounted at the prevailing market rate of 4.75% and the discounted liability as of December 31, 2019 and 2018, amounted to ₱1.22 billion and ₱1.44 billion, respectively.

In 2017, HLPDC entered into various contracts to acquire parcels of land for ₱161.37 million. Upon execution of the contracts, HLPDC paid ₱93.99 million and the outstanding balance amounting to ₱67.37 million shall be paid in 2018.

In 2012, Federal Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in 13 years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2019 and 2018, amounted to ₱1.50 billion and ₱1.85 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.78 billion and ₱3.29 billion as of December 31, 2019 and 2018, respectively (Note 27). Accretion of interest in 2019, 2018 and 2017 amounted to ₱156.48 million and ₱168.05 million and ₱95.04 million, respectively.

Other Noncurrent Liabilities

This account consists of:

	2019	2018
Retentions payable - noncurrent portion	₱1,263	₱1,024
Refundable and other deposits	727	676
Provisions (Note 36)	505	399
Derivative liabilities (Note 16)	53	62
Finance lease obligation - net	8	8
	₱2,556	₱2,169

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

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five to ten 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 to the unpaid rentals upon termination of the lease contract.

Provisions consist of:

	2019	2018
Claims and assessments	₱315	₱199
Product warranties	190	200
	₱505	₱399

Provisions for other expenses pertains to liabilities with uncertain amount or timing of actual disbursement. These include regulatory fees, management incentives and other charges which payment is probable and the amount is estimable as of reporting date. The management reassesses their estimates on an annual basis to determine the reasonableness of provision. Disclosure of information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* are not provided because of reasons permitted under paragraph 92 of PAS 37. Accordingly, general descriptions are provided.

21. Contract Balances and Cost to Obtain a Contract

The contract balances of the Group consist of the following:

	2019	2018
Contract Assets		
Current	₱5,095	₱8,329
Noncurrent	5,556	6,886
	₱10,651	₱15,215
Contract Liabilities		
Current	4,553	8,787
Noncurrent	-	-
	₱4,553	₱8,787

Notes to Consolidated Financial Statements

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

Contract liabilities consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

The amount of revenue recognized in 2019 and 2018 from amounts included in contract liabilities at the beginning of the year amounted to ₱1.23 billion and ₱1.55 billion, respectively.

Cost to Obtain a Contract

The balances below pertain to the cost to obtain contracts included in 'Prepayments and other current assets' (see Note 7):

	2019	2018
Balance at beginning of year	₱236	₱184
Additions during the year	1,239	780
Amortization	(1,289)	(728)
	₱186	₱236

22. Equity

Capital Stock and Additional Paid-in Capital

As of December 31, 2019, 2018 and 2017, the paid-up capital consists of the following (amounts in millions, except for number of shares):

	Shares		Amount	
	2019	2018	2019	2018
Voting Preferred stock - ₱0.10 par value				
Authorized	174,300,000	174,300,000		
Issued and outstanding	174,300,000	174,300,000	₱17	₱17
Perpetual Preferred stock - ₱100.00 par value				
Authorized	20,000,000	20,000,000		
Issued and outstanding	12,000,000	12,000,000	1,200	1,200
Common stock - ₱10.00 par value				
Authorized	298,257,000	298,257,000		
Issued and outstanding	215,284,587	199,337,584	2,153	1,994
Subtotal			₱3,370	₱3,211
Additional paid-in capital			98,827	85,592
			₱102,197	₱88,803

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

Amendment to Articles of Incorporation to Create Voting Preferred Shares of Stock

On October 23, 2014, the BOD approved the proposed amendment to Article Seven of the Parent Company's Amended Articles of Incorporation to create a new class of shares - Voting Preferred Shares, to be taken from existing authorized capital stock of ₱5.00 billion. The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible.

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

Voting Preferred Shares Stock Rights Offering

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

Amendment to Articles of Incorporation to Create Perpetual Preferred Shares of Stock

On March 13, 2015, the BOD of the Parent Company approved the amendment to Article Seven of its amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the corporation of ₱5.00 billion in lawful money of the Philippines, will be divided into 298,257,000 common shares with a par value of ₱10.00 per share, 20,000,000 perpetual preferred shares with a par value of 100.00 per share and 174,300,000 voting preferred shares with a par value of ₱0.10 per share.

On October 14, 2016, the Philippine SEC approved the offering of up to 12.00 million cumulative, non-voting, non-participating, non-convertible, redeemable peso-denominated perpetual preferred shares ('the Offer') with a par value of ₱100.00 per share at an offer price of ₱1,000.00 per share for a total offer price of ₱12.00 billion. The Offer consists of Series A and Series B with dividend rates per annum of 4.6299% and 5.0949%, respectively. Both series of said perpetual preferred shares were listed on the Philippine Stock Exchange on October 27, 2016. The proceeds from the Offer will be used to refinance short-term loans and fund strategic acquisitions.

Common Shares

On April 20, 2017, the Parent Company and Grand Titan signed a subscription agreement for the subscription of 18.30 million common shares of the Parent Company for a total subscription price of ₱21.69 billion. On April 26, 2017, Grand Titan paid the subscription price in cash.

As of December 31, 2019 and 2018, the total number of shareholders of common stock of the Parent Company is 85 and 80, respectively.

Stock Dividends

The BOD and Shareholders of the Parent Company approved on March 26, 2019 and May 8, 2019, respectively, the declaration of an 8.0% stock dividend in favor of the Parent Company's common shareholders. The record and payment dates were set on July 8, 2019 and August 1, 2019, respectively. On August 1, 2019, the 8.0% stock dividend equivalent to 15,947,003 common shares were issued and listed in the Philippine Stock Exchange.

The BOD and Shareholders of the Parent Company approved on March 16, 2018 and May 9, 2018, respectively, the declaration of a 3.5% stock dividend in favor of the Parent Company's shareholders of common stock. The record and payment dates were set on July 9, 2018 and August 2, 2018, respectively. On August 2, 2018, the 3.5% stock dividend equivalent to 6,740,899 common shares were issued and listed in the Philippine Stock Exchange.

Retained Earnings

On December 6, 2018, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱17.00 billion to be earmarked for strategic investment in property development in 2019. In March 2019, ₱16.60 billion out of ₱17.00 billion was reversed.

On December 7, 2017, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱19.00 billion to be earmarked for strategic investment in financial services in 2018. Said appropriation was reversed in March 2018 upon completion of the purpose of appropriation.

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Details of the Parent Company's dividend distributions to preferred shareholders 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
Voting preferred shares				
March 26, 2019	₱0.00377	₱0.66	April 10, 2019	April 25, 2019
March 16, 2018	0.00377	0.66	April 4, 2018	April 13, 2018
March 21, 2017	0.00377	0.66	April 4, 2017	April 20, 2017
Perpetual Preferred Shares				
Series A				
November 26, 2019	11.57475	56.01	January 3, 2020	January 27, 2020
November 26, 2019	11.57475	56.01	April 3, 2020	April 27, 2020
November 26, 2019	11.57475	56.01	July 3, 2020	July 27, 2020
November 26, 2019	11.57475	56.01	October 5, 2020	October 27, 2020
December 6, 2018	11.57475	56.01	January 3, 2019	January 28, 2019
December 6, 2018	11.57475	56.01	April 3, 2019	April 29, 2019
December 6, 2018	11.57475	56.01	July 3, 2019	July 29, 2019
December 6, 2018	11.57475	56.01	October 3, 2019	October 28, 2019
December 7, 2017	11.57475	56.01	January 3, 2018	January 29, 2018
December 7, 2017	11.57475	56.01	April 3, 2018	April 27, 2018
December 7, 2017	11.57475	56.01	July 3, 2018	July 27, 2018
December 7, 2017	11.57475	56.01	October 3, 2018	October 29, 2018
Series B				
November 26, 2019	12.73725	91.21	January 3, 2020	January 27, 2020
November 26, 2019	12.73725	91.21	April 3, 2020	April 27, 2020
November 26, 2019	12.73725	91.21	July 3, 2020	July 27, 2020
November 26, 2019	12.73725	91.21	October 5, 2020	October 27, 2020
December 6, 2018	12.73725	91.21	January 3, 2019	January 28, 2019
December 6, 2018	12.73725	91.21	April 3, 2019	April 29, 2019
December 6, 2018	12.73725	91.21	July 3, 2019	July 29, 2019
December 6, 2018	12.73725	91.21	October 3, 2019	October 28, 2019
December 7, 2017	12.73725	91.21	January 3, 2018	January 29, 2018
December 7, 2017	12.73725	91.21	April 3, 2018	April 27, 2018
December 7, 2017	12.73725	91.21	July 3, 2018	July 27, 2018
December 7, 2017	12.73725	91.21	October 3, 2018	October 29, 2018

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

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
March 26, 2019	₱3.00	₱598.01	April 10, 2019	April 25, 2019
March 16, 2018	3.00	577.79	April 4, 2018	April 13, 2018
March 21, 2017	5.00	871.50	April 4, 2017	April 20, 2017

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, 2019 and 2018.

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

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

	Date of declaration	Class of stock	Total amount (in millions)	Record date	Payment date
Federal Land	December 16, 2019	Preferred Shares-A	₱240.00	December 16, 2019	February 28, 2020
	December 16, 2019	Preferred Shares-B	272.58	December 16, 2019	February 28, 2020
	February 18, 2019	Common	100.00	December 31, 2018	February 28, 2019
	December 28, 2018	Preferred Shares-A	240.00	December 28, 2018	February 28, 2019
	December 28, 2018	Preferred Shares-B	272.58	December 28, 2018	February 28, 2019
	February 26, 2018	Common	100.00	April 24, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-A	240.00	December 15, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-B	272.58	December 15, 2017	February 28, 2018
	February 17, 2017	Common	100.00	February 17, 2017	March 15, 2017
PCFI	February 28, 2018	Preferred Shares-A	1,145.00	June 30, 2017	November 2019
	December 13, 2016	Preferred Shares-A	1,334.64	June 29, 2016	December 15, 2016
Toyota	May 14, 2019	Common	8,392.89	December 31, 2018	May 2019
	May 22, 2018	Common	12,482.39	December 31, 2017	May 2018
	May 23, 2017	Common	11,573.15	December 31, 2016	May 2017
TMBC	December 5, 2018	Common	115.00	December 31, 2017	January 28, 2019

Other comprehensive income

Other comprehensive income consists of the following, net of applicable income taxes:

	2019	2018
Net unrealized gain(loss) on financial assets at FVOCI (Note 10)	₱999	(₱734)
Net unrealized loss on remeasurement of retirement plan	(290)	(106)
Cash flow hedge reserve (Note 16)	(53)	53
Cumulative translation adjustments	(2)	-
Equity in other comprehensive income of associates:		
Equity in cumulative translation adjustments	(3,225)	(2,674)
Equity in net unrealized loss on remeasurement of retirement plan	(1,457)	(711)
Equity in net unrealized gain (loss) on financial assets at FVOCI	2,186	(331)
Equity in remeasurement on life insurance reserves	18	186
Equity in cash flow hedge reserves	(201)	105
Equity in other equity adjustments of associates	6	5
	(₱2,019)	(₱4,207)

The movements and analysis of the other comprehensive income are presented in the consolidated statements of comprehensive income.

Other Equity Adjustments

PCFI

In accordance with the Master Subscription Agreement dated August 6, 2015, the Parent Company subscribed to the final 28.32% of PCFI for a total subscription price of ₱8.76 billion on June 30, 2016. This subscription increased the Parent Company's direct ownership stake in PCFI from 22.68% to 51.00%. This subscription is accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of other equity adjustments amounting to ₱1.75 billion.

TCl

In June 2015, the Parent Company acquired 2,705,295 shares of TCl for a total consideration of ₱13.50 million, resulting in 53.80% ownership over TCl. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱7.12 million.

Notes to Consolidated Financial Statements

Non-controlling interests

The following table presents the rollforward of non-controlling interests:

	2019	2018 (As restated)	2017 (As restated)
Beginning balance	P24,910	P27,679	P26,433
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	(223)	(162)	(131)
Beginning balance, as adjusted	24,687	27,517	26,302
Effect of adoption of PFRS 9	-	(92)	-
Effect of adoption of PFRS 15	-	(559)	-
Beginning balance, as restated	24,687	26,866	26,302
Share of non-controlling interest shareholders on:			
Net income	4,803	4,455	7,038
Other comprehensive income	(281)	245	(31)
Cash dividends paid to non-controlling interest shareholders	(4,259)	(6,925)	(5,791)
Acquisition of additional interests in a subsidiary	148	-	(1)
Effect of deconsolidation (Note 12)	(13,247)	-	-
Adjustment on NCI on subsidiary	-	1	-
Additional stock issuance of a subsidiary	-	45	-
	P11,851	P24,687	P27,517

Financial Information of Subsidiaries

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

Proportion of equity interests held by non-controlling interests

		Direct Ownership		Effective Ownership	
		2019	2018	2019	2018
TMPC	Motor	49.00	49.00	49.00	49.00
PCFI	Real Estate	-	49.00	-	49.00

Carrying value of material non-controlling interests

	2019	2018
TMPC	P10,288	P10,118
PCFI	-	13,487

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

	2019	2018	2017
TMPC	P4,598	P4,024	P6,712
PCFI	-	407	176

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	
	TMPC	TMPC	PCFI
Statement of Financial Position			
Current assets	P26,690	P25,475	P34,982
Non-current assets	12,061	10,953	5,703
Current liabilities	21,051	20,027	11,595
Non-current liabilities	2,091	1,163	6,974
Dividends paid to non-controlling interests	4,259	6,306	561
(Forward)			

	2019	2018	
	TMPC	TMPC	PCFI
Statement of Comprehensive Income			
Revenues	P169,664	P160,090	P10,379
Expenses	156,409	149,120	8,838
Net income	9,255	8,097	1,180
Total comprehensive income	8,910	8,602	1,416
Statement of Cash Flows			
Net cash provided by operating activities	10,267	5,593	2,763
Net cash used in investing activities	(2,438)	(2,453)	(1,421)
Net cash provided by (used in) financing activities	(9,367)	(12,723)	(1,156)

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 2019 and 2018.

The Parent Company considers total equity as its capital amounting to P117.02 billion and P108.37 billion as of December 31, 2019 and 2018, 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:

	2019	2018	2017
		(As restated – Notes 2 and 12)	(As restated – Notes 2 and 12)
Interest income on:			
Installment contracts receivable (Note 5)	P1,862	P1,209	P1,314
Cash and cash equivalents (Note 4)	193	398	4
Short-term investments (Note 4)	-	25	316
Others	250	36	34
	P2,305	P1,668	P1,668

Interest income on installment contracts receivable consist of accretion of unamortized discount of and interest income from collections of Federal Land. Accretion of unamortized discount amounted to P1.23 billion, P0.77 billion and P0.90 billion in 2019, 2018 and 2017, respectively. Interest income from collections amounted to P0.63 billion, P0.44 billion and P0.41 billion in 2019, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

Other Income

This account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Ancillary income	₱903	₱710	₱769
Real estate forfeitures, charges and penalties	343	281	201
Dividend income	335	152	8
Management fee (Note 27)	278	206	76
Foreign exchange gain	137	–	–
Realized and unrealized gain on financial assets at FVTPL	135	59	–
Gain on disposal of property and equipment (Note 11)	15	23	23
Subscription income	–	166	95
Others (Note 5)	383	527	296
	₱2,529	₱2,124	₱1,468

Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee includes services rendered by Federal Land and PCFI in the administration of different projects related to the joint venture (Note 27).

24. Cost of Goods and Services Sold

Cost of goods and services sold consists of:

	2019	2018	2017
Beginning inventory			
Automotive	₱5,646	₱4,734	₱6,861
Gasoline, retail and petroleum products	10	10	9
Food	6	7	1
	5,662	4,751	6,871
Add: Net purchases	135,476	130,815	145,571
Total inventories available for sale	141,138	135,566	152,442
Less: Ending inventory (Note 6)			
Automotive	7,784	5,646	4,734
Gasoline, retail and petroleum products	11	10	10
Food	8	6	7
Subtotal (Note 6)	133,335	129,904	147,691
Cost adjustments and intercompany elimination	(224)	(574)	(202)
Internal and other transfers	97	(200)	(368)
Direct labor	618	523	365
Overhead (Note 30)	117	196	227
	₱133,943	₱129,849	₱147,713

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

25. Cost of Goods Manufactured and Sold

Cost of goods manufactured and sold consists of:

	2019	2018	2017
Raw materials, beginning	P1,371	P1,423	P1,329
Purchases	32,199	28,745	35,350
Total materials available for production	33,570	30,168	36,679
Less: Raw materials, end	1,169	1,371	1,423
Raw materials placed in process	32,401	28,797	35,256
Direct labor	405	357	400
Manufacturing overhead	4,113	3,797	4,084
Total cost of goods placed in process	36,919	32,951	39,740
Work-in-process, beginning	33	12	13
Total Cost of goods in process	36,952	32,963	39,753
Less: Work-in-process, ending	27	33	12
Total cost of goods manufactured	36,925	32,930	39,741
Finished goods, beginning	978	19	66
Total goods available for sale/transfer	37,903	32,949	39,807
Less: Finished goods, ending	861	978	19
Other transfers	223	162	153
	P36,819	P31,809	P39,635

26. General and Administrative Expenses

This account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Salaries, wages and employee benefits (Notes 27 and 28)	P2,985	P2,800	P2,621
Advertising and promotions	2,573	1,434	1,483
Taxes and licenses	1,834	1,836	1,478
Commissions	1,251	1,090	1,109
Depreciation and amortization (Note 11)	842	632	496
Delivery and handling	801	768	709
Light, water and other utilities	555	499	448
Office supplies	309	198	401
Provisions for other expenses (Note 36)	297	–	–
Repairs and maintenance	272	231	255
Rent (Note 30)	251	156	144
Outside services	233	213	175
Warranty	213	85	121
Professional fees	167	134	146
Administrative and management fees	153	19	48
Transportation and travel	137	124	161
Provision for (recoveries from) credit losses (Note 5)	(98)	2	13
Communications	70	67	66
Insurance	60	46	42
Entertainment, amusement and recreation	39	39	36
Provision for inventory losses (Note 6)	17	5	23
Royalty and service fees	14	12	11
Donation	1	1	–
Unrealized foreign exchange loss	–	146	385
Others	619	130	9
	P13,595	P10,667	P10,380

Notes to Consolidated Financial Statements

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, joint venture, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associates, joint venture 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. Outstanding balances at year end are unsecured and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following table shows the significant related party transactions included in the consolidated financial statements.

Category	December 31, 2019		
	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Associates			
Cash and cash equivalents	₱128	₱6,737	Interest bearing at prevailing market rate; due and demandable; Unsecured
Short-term investments	-	135	Interest bearing at prevailing market rate; due and demandable; Unsecured
Long-term cash investments	1		More than three (3) years, interest-bearing
Interest Receivable	22	2	
Commission receivable	-	9	Non-interest bearing; due and demandable; Unsecured
Rent receivable	-	59	Non-interest bearing; due and demandable; Unsecured
Receivable from sharing of expenses	-	41	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	8		
Other receivables	-	11	Non-interest bearing; due and demandable; Unsecured
Due from related parties	-	66	Non-interest bearing; due and demandable; Unsecured
Accounts and other payables	7	1	Within one (1) year, non-interest-bearing
Due to related parties	-	16	Non-interest bearing; due and demandable; Unsecured
Short-term debt	75	2,050	With interest 3%-6% due in 2019; Unsecured
Long-term loans payable	-	9,000	With interest ranging from 2.90% to 4.75%; Payable on 2021-2022; Unsecured
Commission income	3	-	Non-interest bearing; due and demandable; Unsecured
(Forward)			

December 31, 2019

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Interest income	P93	P1	
Rent income	160		
Interest expenses/capitalized	659	30	With interest ranging from 2.90% to 4.75%; With interest 3%-6% due in 2019; Payable on 2021-2022; Unsecured
Joint ventures			
Commission receivable	-	95	Non-interest bearing; due and demandable; Unsecured
Rent receivable	-	2	Non-interest bearing; due and demandable; Unsecured
Management fee receivable	-	16	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	1	-	Within one (1) year, non-interest-bearing
Other receivables	-	1	Non-interest bearing; due and demandable; Unsecured
Due from related parties	-	88	Non-interest bearing; due and demandable; Unsecured
Due to related parties	-	15	Non-interest bearing; due and demandable; Unsecured
Commission income	249	-	Non-interest bearing; due and demandable; Unsecured
Management fee income	63	-	Non-interest bearing; due and demandable; Unsecured
Rent income	95	-	Non-interest bearing; due and demandable; Unsecured
Others			
Cash and cash equivalents	13	332	Within one (1) year, interest-bearing
Dividends receivable	1,463	-	
Trade receivables	1,287	44	1-15 days, non-interest bearing, unsecured, no impairment
Interest receivable	95	26	With interest of 3.15%; Payable in 2022; Unsecured
Receivable from sharing of expenses	-	20	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	57	1	Within one (1) year, non-interest bearing, unsecured
Other receivables	-	36	Non-interest bearing; due and demandable; Unsecured
Due from related parties	-	55	Non-interest bearing; due and demandable; Unsecured
Long-term loans receivable	-	661	With interest of 3.15%; Payable in 2022; Unsecured
Investment in Shares of Stock	837	837	
Accounts and other payables	133,861	7,459	Within one (1) year, non-interest-bearing; 25th day of the succeeding month; 30 days
Royalty and Technical Assistance Fees	67	10	25th day of the second month after the end of the quarter, non-interest-bearing
Insurance Payable	172	172	
Loans payable	3	79	5 years, interest bearing
Liabilities on purchased properties	-	1,493	With 3% interest; payable annually until 2026; Unsecured
Due to related parties	-	172	Non-interest bearing; due and demandable; Unsecured
Interest income	149	-	With interest of 3.15%; Payable in 2022; Unsecured
Management fee income	22	-	Non-interest bearing; due and demandable; Unsecured
Gain or Loss on Disposal of Investments in FVTPL - UITF	50	-	Realized gain on UITF investments
Unrealized Gain from Investment in UITF	85	-	MTM gain on UITF investments
Administration Expense	129	-	Advisory fee on certain transactions
Agency Fee - Trust and Escrow	5	-	Fee for escrow and trust services
Consultancy Fees	3	-	Consultancy fee

Notes to Consolidated Financial Statements

Category	December 31, 2018		
	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Significant investor			
Accounts payable	₱-	₱1	Consultancy fee payable
Consultancy fee	3	-	Consultancy fee
Associates			
Cash and cash equivalents	33,502	10,390	Due and Demandable; fixed interest rates. Unsecured
Short-term investments	18	335	Interest bearing at prevailing market rate; due and demandable. Unsecured
Commission receivable	-	32	Non-interest bearing; due and demandable. Unsecured
Interest receivable	-	12	Interest on time deposit placements with MBTC at 4.0% to 6.7% p.a.
Rent receivable	-	23	Non-interest bearing; due and demandable. Unsecured
Receivable from sharing of expenses	-	39	Non-interest bearing; due and demandable. Unsecured
Financial assets at FVTPL	3,000	3,181	FVTPL investment
Due from related parties	-	44	Non-interest bearing; due and demandable. Unsecured
Investment and advances (Note 8)	22,495	22,495	Participation in MBTC's stock rights offering and initial investment in an associate
Other noncurrent assets	1	47	Non-interest bearing; due and demandable. Unsecured
Accounts and other payables	8	2	Non-interest bearing; due and demandable; Unsecured
Short term notes payable	-	1,100	With interest 3%-6% due in 2019. Unsecured
Due to related parties	-	16	Non-interest bearing; due and demandable. Unsecured
Loans payable	-	12,000	Various; fixed interest rates. Unsecured
Gain on UITF investments	66	-	Realized and unrealized gain on unit investment trust fund
Interest income	110	-	Various; fixed rate
Management fee income	9	-	Service fee in the administration of different project
Commission income	10	-	Commission fee received from selling or marketing the real estate units
Rent income	127	-	Lease of office space
Interest expenses	219	-	Various; fixed rate
Trust and agency fees	4	-	Retainer's and trustee fee
Joint ventures			
Management fee receivable	-	50	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable	-	100	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable	-	1	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses	-	635	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables	-	28	Non-interest bearing; due and demandable; Unsecured; no impairment
Due from related parties	516	566	Non-interest bearing; due and demandable; Unsecured; no impairment
Investment properties	184	184	Purchased properties
Investment and advances (Note 8)	7,241	7,241	Additional/initial investment in associates and joint ventures
Property and equipment	86	86	Purchased properties
Due to related parties	15	15	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission income	37	-	Commission fee received from selling or marketing the real estate units
Management fee income	110	-	Service fee in the administration of different project related to the JV
Rent income	52	-	Lease of office space
(Forward)			

December 31, 2018

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Other related parties			
Cash and cash equivalents	₱34	₱218	Due and demandable, unsecured, no impairment; Fixed;
Interest receivable	-	50	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable	-	(8)	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable	-	4	Non-interest bearing; due and demandable; Unsecured; no impairment
Non-trade receivables	64	44	Within one (1) year, non-interest-bearing. Unsecured, no impairment
Prepaid expenses and others	-	1	Car plan insurance and directors and officers liability insurance premium
Dividends receivables	7	-	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses	-	31	Non-interest bearing; due and demandable; Unsecured; no impairment
Long-term loans receivable	-	662	With interest of 3.15%; Payable in 2022. Unsecured
Management fee receivable	-	175	Due and demandable
Due from related parties	-	56	Non-interest bearing; due and demandable; Unsecured; no impairment
Accounts and other payables	119	8,553	Within one (1) year, non-interest-bearing. Unsecured.
Royalty payable	-	154	25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Due to related parties	-	173	Non-interest bearing; due and demandable; Unsecured; no impairment
Liabilities on purchased properties (Note 20)	(441)	3,293	With 3.00% interest; payable annually until 2026; unsecured
Loans payable	3	1,928	With 3% interest; payable annually until 2026. Unsecured
Commission income	10	-	Commission fee received from selling or marketing the real estate units
Management fee income	60	-	Due and Demandable
Interest income	41	-	Interest income from cash and cash equivalents
Rent income	92	-	Lease of office space
Royalty and technical assistance fee	1,019	-	25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Insurance expense	2	-	Car plan insurance and directors and officers liability insurance premium

Details of the transactions with affiliates are as follows:

Cash and cash equivalents and short-term investments

The Group maintains cash and short-term deposits accounts with MBTC, an associate. The Group also has cash and short-term deposits with other related parties such as Metrobank Card Corporation and PSBank, which are subsidiaries of MBTC. Cash and cash equivalents earn interest at the prevailing investment rates (Note 4).

Financial assets at FVTPL

As of December 31, 2019 and 2018, the Parent Company's investment in UITF amounted to ₱4.70 billion and ₱3.18 billion, respectively (Note 10).

Notes to Consolidated Financial Statements

Operating advances

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

Long-term loans receivable

In 2012, Federal Land entered into a loan agreement with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The outstanding balance of long-term loans receivable as of December 31, 2019, 2018 and 2017 amounted to ₱665.63 million, ₱641.88 million and ₱652.17 million, respectively (Note 5).

Investment Property

In 2018, Federal Land acquired condominium units at a gross consideration of ₱326.40 million from BLRDC with unrealized gain of ₱142.64 million (Note 8).

Property and equipment

In 2018, Federal Land acquired condominium units at a gross consideration of ₱142.01 million from BLRDC with unrealized gain of ₱55.52 million (Note 8).

Affiliated bank loans

The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 4.50% to 6.25%, from 2.50% to 6.00% and from 2.50% to 5.13% per annum in 2019, 2018 and 2017, respectively (Note 16).

Management fee

Management fee amounting to ₱85.52 million and ₱109.85 million in 2019 and 2018, respectively, pertains to the income received from a joint venture of Federal Land with SFNBRDC, NBLRDI, BLRDC and STRC (Note 23).

Lease agreements

Federal Land entered into operating lease agreements for the use of office spaces in GT Tower International Building. The terms of lease range from 5 to 10 years and are generally renewable for 5 years. The rent is payable monthly with annual rent escalation rates ranging from 5% to 8%. The rental income on these leases amounted to ₱309.26 million, ₱326.75 million and ₱130.34 million in 2019, 2018 and 2017, respectively (Note 30).

Compensation of key management personnel for the years ended December 31 and 2019 follow:

	2019	2018	2017
Short-term employee benefits	₱681	₱713	₱643
Post-employment benefits	118	87	81
	₱799	₱800	₱724

Transactions with the Group Retirement Funds

The retirement funds of the Group's 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, 2019 and 2018 amounted to ₱2.68 billion and ₱2.43 billion, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2019, 2018 and 2017 (in absolute amounts):

December 31, 2019			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent			
Investment in equity securities		₱8,895,194	Unsecured with no impairment
Dividend income	₱27,786		Cash dividends
Associate			
Savings deposit		13,418	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		35,722,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		20,228,130	Unsecured with no impairment
Investment in UITF		4,484,955	Unsecured with no impairment
Investment in other security and debt instruments		41,645,784	Unsecured with no impairment
Interest income	2,724,392		Income earned from savings and time deposit
Dividend income	245,000		Cash dividends
Gain on sale of UITF	522,702		Income from sale of UITF
December 31, 2018			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent			
Investment in equity securities		₱9,030,450	Unsecured with no impairment
Gain on sale of shares	₱24,346		Income from sale of shares
Associate			
Savings deposit		23,571	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		87,498,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		19,832,750	Unsecured with no impairment
Investment in UITF		4,123,970	Unsecured with no impairment
Interest income	8,663,321		Income earned from savings and time deposit
Gain on sale of shares	631,243		Income from sale of shares
Gain on sale of UITF	10,797		Income from sale of UITF

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.

Notes to Consolidated Financial Statements

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 annually. Principal actuarial assumptions used to determine pension obligations follow:

	Date of Actuarial Valuation	2019		
		Actuarial Assumptions		
		Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2019	5.00%	8.00%	5.00%
Automotive	-do-	3.00% to 5.00%	5.00% to 8.00%	4.83% to 4.99%
Financial	-do-	N/A	8.00%	5.00%
2018				
	Date of Actuarial Valuation	Actuarial Assumptions		
		Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2018	3.93% to 5.00%	7.00% to 8.00%	7.30% to 7.44%
Automotive	-do-	3.71% to 5.00%	4.90% to 8.00%	7.26% to 7.37%
Financial	-do-	3.50%	8.00%	7.38%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

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

	2019	2018
Retirement asset (Note 14)	(P7)	(P9)
Retirement liability	1,222	859
Net retirement liability	P1,215	P850

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

	January 1, 2019	Effect of deconsolidation (Note 12)	Net benefit cost				Benefits paid	Remeasurements in other comprehensive income					Contributions paid	December 31, 2019
			Current service cost	Net interest	Past service cost	Subtotal		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		
Present value of defined benefit obligation	P3,277	(P227)	P204	P214	P6	P424	(P129)	P-	(P70)	P1	P623	P554	P-	P3,899
Fair value of plan assets	(2,427)	45	-	(180)	-	(180)	136	(143)	-	-	-	(143)	(115)	(2,684)
Net defined benefit liability	P850	(P182)	P204	P34	P6	P244	P7	(P143)	(P70)	P1	P623	P411	(P115)	P1,215

	January 1, 2018	Current service cost	Net interest	Net benefit cost		Benefits paid	Remeasurements in other comprehensive income					Contributions paid	December 31, 2018
				Past service cost	Subtotal		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		
Present value of defined benefit obligation	P3,433	P248	P185	P58	P491	(P118)	P-	(P97)	P1	(P433)	(P529)	P-	P3,277
Fair value of plan assets	(2,041)	-	(125)	-	(125)	111	196	-	-	-	196	(568)	(2,427)
Net defined benefit liability	P1,392	P248	P60	P58	P366	(P7)	P196	(P97)	P1	(P433)	(P333)	(P568)	P850

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:

	2019	2018
Cash and cash equivalents	P36	P89
Investment in government securities	2,002	1,798
Investment in equity securities	447	406
Investment in debt and other securities	209	129
Receivables	28	4
Investment in mutual funds	2	4
Others	-	-
Liabilities	(40)	(3)
	P2,684	P2,427

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Possible Fluctuations	2019 Increase (Decrease)	2018 Increase (Decrease)
Discount rates	+1%	(P312)	(P205)
	-1%	291	232
Future salary increase rate	+1%	300	249
	-1%	(326)	(223)

The Group expects to contribute P300 million to its defined benefit pension plan in 2020.

The average duration of the defined benefit retirement liability at the end of the reporting period is 16.93 years for the Group.

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

Less than 1 year	P223
More than 1 year to 5 years	1,762
More than 5 years to 10 years	2,442
More than 10 years to 15 years	1,636
More than 15 years to 20 years	1,955
More than 20 years	6,165

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

29. Income Taxes

Provision for income tax account consists of:

	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
Current	P4,797	P4,117	P4,301
Deferred	170	(314)	565
Final	90	83	67
	P5,057	P3,886	P4,933

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The components of the Group's deferred taxes as of December 31, 2019, 2018 and 2017 are as follows:

Net deferred tax asset:

	2019	2018 (As restated - Note 2)
Deferred tax asset on:		
Retirement benefit obligation	P487	P412
Deferred intercompany gain	315	326
Accrued expenses	94	98
Allowance for impairment losses	59	93
Warranties payable and other provisions	65	57
Unrealized foreign exchange gain	55	-
Deferred gross profit	53	-
Allowance for inventory obsolescence	31	25
Unamortized past service cost from pension obligation	27	27
NOLCO	-	25
Unearned gross profit on ending inventories	-	23
Others	15	36
	1,201	1,122
Deferred tax liability on:		
Capitalized custom duties	42	32
Unearned gross profit on ending inventories	(9)	-
Unearned gross profit on real estate sales	-	20
Unrealized foreign exchange gain	-	12
Deferred financing cost	-	7
Others	27	27
	60	98
Net deferred tax asset	P1,141	P1,024

Net deferred tax liability:

	2019	2018 (As restated - Note 2)
Deferred tax asset on:		
Unrealized gain on sale of land	P685	P685
Excess of cost over fair value of investment property	97	101
Unearned income	54	56
Prepaid commission	48	54
Retirement benefit obligation	44	46
Unearned gross profit on ending inventories	40	23
Provision for impairment losses on receivables	28	29
Interest expense on Day 1 loss	13	13
Allowance for impairment loss on inventories	5	-
Accrued expenses	-	-
Allowance for probable losses	-	5
Others	-	6
	1,014	1,018
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent Company	2,401	5,055
Capitalized borrowing cost and guarantee fees	1,062	474
Excess of book basis over tax basis of deferred gross profit	426	441
Fair value adjustment on acquisition - by subsidiaries	144	147
(Forward)		

	2019	2018 (As restated – Note 2)
Unamortized discount on long-term payable	₱57	₱59
Lease differential	17	17
Deferred financing costs – bonds	8	16
Retirement asset	2	3
Cash flow hedge reserve	–	97
Accrued income	–	–
Others	35	43
	4,152	6,352
Net deferred tax liability	₱3,138	₱5,334

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.

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
2018	₱4,076	₱–	₱4,076	2021
2017	2,891	–	2,891	2020
2016	3,048	3,048	–	2019
	₱10,015	₱3,048	₱6,967	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2019	₱114	₱–	₱114	2022
2018	3	–	3	2021
2016	2	2	–	2019
	₱119	₱2	₱117	

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:

	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
Provision for income tax computed at statutory rate	30.00%	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	(0.19)	(0.22)	(0.18)
Nondeductible interest and other expenses	0.57	2.16	0.85
Change in unrecognized deferred tax assets	(0.95)	4.68	3.97
Nontaxable income	(10.28)	(15.75)	(10.27)
Operating income within ITH	(0.82)	(2.70)	(7.10)
Others	(1.79)	0.58	0.39
Income subjected to lower tax rate	0.42	(0.07)	–
Effective income tax rates	16.96%	18.68%	17.66%
Continuing operations	16.72%	17.95%	18.97%
Disposal group	0.24%	0.73%	(1.31%)
	16.96%	18.68%	17.66%

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Board of Investments (BOI) Incentives

Federal Land

The BOI issued a Certificate of Registration (COR) as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: PGMH - Narra Tower and PGMH - Mandarin Tower are entitled to ITH from 2013 to 2016 and Axis Residences Tower A is entitled to ITH from 2015 to 2018.

PCFI

On various dates, the BOI issued in favor of PCFI the COR as a new developer of Mass Housing Project for its 31 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects were granted an ITH for a period of three (3) to four (4) years commencing on various dates from 2014 to 2017 and expiring on various dates from 2017 to 2020.

TMPC

TMPC is registered with the BOI as a:

- Participant in the Car Development Program and Commercial Vehicle Development Program.
- Pioneer status for the production of Vios. Under its terms and conditions, TMPC shall be entitled to ITH from July 2, 2013 to July 1, 2019 for revenues generated from this vehicle model subject to achievement of certain percentage of local value added.
- Non-pioneer status for the production of Innova. Under its terms and conditions, TMPC shall be entitled to ITH from April 2016 to April 2020 for portion (as determined by its Logistic Efficiency Index) of revenues generated from this vehicle model.
- Participant in Comprehensive Automotive Resurgence Strategy (CARS) Program. BOI approved TMPC's enrollment of its locally-produced vehicle model to the CARS Program on June 27, 2016. Under the terms of registration, TMPC shall be entitled to Fixed Investment Support and Production Volume Incentives subject to achievement of production volume and localization of body shells and large plastic parts.

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 Parent Company, office space leased for the Group's branches, land leased for Federal Land Group's mall and gasoline station and lease of parking spaces with terms ranging from one (1) to 10 years.

With the adoption of PFRS 16, as of December 31, 2019, the Group recognized interest expense on lease liabilities (included in 'Interest expense' in the consolidated statement of income) amounting to ₱25.69 million and rent expense from short-term leases and leases of low-value assets amounting to ₱250.79 million. Prior to PFRS 16 adoption, rent expense included under 'General and administrative expenses' amounted to ₱156.27 million and ₱143.35 million in 2018 and 2017, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the 'Cost of goods and services sold' account, amounting to ₱22.89 million and ₱22.12 million in 2018 and 2017, respectively (Note 24).

As of December 31, 2019, the carrying amounts of lease liabilities are as follows:

	2019
Beginning balance	₱392
Accretion of interest	26
Payments	(107)
	₱311

As of December 31, 2019 and 2018, the future minimum rental payments are as follows:

	2019	2018
Within one year	P84	P92
After one year but not more than five years	308	342
More than five years	-	15
	P392	P449

The Group as a lessor

The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from five (5) to ten (10) years. The Group's rental income on these leases amounted to P1.53 billion, P1.26 billion and P0.94 billion in 2019, 2018 and 2017, respectively (Note 9). The cost of rental services amounting P434.66 million, P476.37 million and P360.43 million in 2019, 2018 and 2017, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses (Note 11).

As of December 31, 2019 and 2018, the future minimum rental receipts from these lease commitments are as follows:

	2019	2018
Within one year	P778	P708
After one year but not more than five years	1,597	1,565
More than five years	643	605
	P3,018	P2,878

31. Business Combinations

Acquisition of TRDCI

On February 10, 2017, FLI acquired 100.00% interest in TRDCI from Solid Share Holdings Philippines, Inc.

The fair values of the net liabilities assumed as of acquisition date, are as follow:

Current assets	P433
Current liabilities	(847)
Noncurrent assets	486
Noncurrent liabilities	(100)
Fair value of net assets assumed	(28)
Consideration paid in cash	60
Goodwill (Note 13)	P88

The gross contractual amount of receivables acquired amounted to P44.60 million. The goodwill of P0.09 billion comprises the value of the expected synergies arising from having TRDCI within the Group. Goodwill is allocated entirely to the acquisition of TRDCI and none of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, TRDCI contributed gross revenues and net income amounting to P16.35 million and P27.86 million, respectively, to the Group for the year ended December 31, 2017.

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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 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 of 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% and 6.78% to 8.00% as of December 31, 2019 and 2018, respectively. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan. The interest rate used was the average bank lending rate for December 31, 2019 and 2018.

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.

Financial assets at FVTPL

These pertain to the Group's investment in UITFs. UITFs are ready-made investments that allow pooling of funds from different investors with similar investments objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities.

Financial assets at FVOCI - quoted

The fair value of quoted equity securities is based on the quoted market prices or binding dealer price quotations, without any deduction for transaction cost.

Financial assets at FVOCI - unquoted

The fair value of unquoted equity securities is estimated based on the market data approach that makes use of market multiples derived from a set of comparables. Multiples were determined that is most relevant to assessing the value of unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

Derivative financial instruments

The fair values of cross currency and interest rate swap transactions are derived using acceptable valuation method. The valuation assumptions are based on market conditions existing at the reporting dates.

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 and bonds payable

Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term portion of loans payable with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using applicable interest rates for similar types of loans as of reporting date. The interest rates used ranged from 0.085% to 7.35% and from 0.085% to 7.35% for the year ended December 31, 2019 and 2018, respectively.

Liabilities on purchased properties

Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred in 2017 and 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.

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	P4,698	P-	P4,698	P-	P4,698
Financial assets at FVOCI					
Quoted equity securities	12,160	12,160	-	-	12,160
Other noncurrent assets					
Derivative asset	-	-	-	-	-
	P16,858	P12,160	P4,698	P-	P16,858
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	P289	P-	P-	P293	P293
Loans receivables	3,421	-	-	1,243	1,243
Non-financial Assets					
Investment in listed associates	157,619	126,216	-	-	126,216
Investment properties	15,347	-	-	26,606	26,606
	P176,676	P126,216	P-	P28,142	P154,358
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	P53	P-	P53	P-	P53
	P53	P-	P53	P-	P53
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	P3,784	P-	P-	P2,591	P2,591
Lease liabilities	311	-	-	311	311
Loans payable	105,012	-	-	100,622	100,622
Bonds payable	18,939	19,120	-	-	19,120
	P128,046	P19,120	P-	P103,524	P122,644
2018					
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	P3,181	P-	P3,181	P-	P3,181
Financial assets at FVOCI					
Quoted equity securities	10,631	10,631	-	-	10,631
Unquoted equity securities	317	-	-	317	317
Other noncurrent assets					
Derivative asset	469	-	469	-	469
	P14,598	P10,631	P3,650	P317	P14,598
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	P2,401	P-	P-	P2,384	P2,384
Loans receivables	932	-	-	1,075	1,075
Non-financial Assets					
Investment in listed associates	144,254	138,521	-	-	138,521
Investment properties	17,392	-	-	37,451	37,451
	P164,979	P138,521	P-	P40,910	P179,431

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	2018				Total
	Carrying Value	Level 1	Level 2	Level 3	
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	₱62	₱-	₱62	₱-	₱62
	₱62	₱-	₱62	₱-	₱62
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	₱3,293	₱-	₱-	₱3,004	₱3,004
Loans payable	105,669	-	-	108,252	108,252
Bonds payable	21,907	20,565	-	-	20,565
	₱130,869	₱20,565	₱-	₱111,256	₱131,821

As of December 31, 2019 and 2018, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison.

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

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach or 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.

Significant Unobservable Inputs

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

33. Financial Risk Management and Objectives

The Group's principal financial instruments are composed of cash and cash equivalents, short-term investments, receivables, due from related parties, financial assets at FVOCI and financial assets at FVTPL/AFS investments, accounts and other payables, due to/from related parties, loans payable and derivative liabilities.

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

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

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's respective financing and treasury functions focus on managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit Risk

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

Financial assets comprise cash and cash equivalents, short-term investments, receivables, due from related parties and investment securities. 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.

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

As of December 31, 2019 and 2018, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium and residential units collateral is greater than the carrying value of the installment contracts receivable.

a. Credit quality per class of financial assets

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 90 days past due.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2019							
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired			
	High Grade	Medium Grade	Low Grade	Total	Individually Impaired	Individually Impaired	Total	
Cash and cash equivalents* (Note 4)	P12,068	P-	P-	P12,068	P-	P-	P12,068	
Short-term investments (Note 4)	-	-	-	-	-	-	-	
Receivables (Note 5)								
Trade receivables	7,616	-	-	7,616	3,590	4	11,210	
Loans receivable	3,421	-	-	3,421	-	-	3,421	
Nontrade receivables	514	61	-	575	455	13	1,043	
Accrued rent and commission income	423	-	-	423	4	18	445	
Installment contracts receivable	87	-	-	87	201	1	289	
Management fee receivables	64	-	-	64	-	-	64	
Accrued interest receivable	67	-	-	67	-	30	97	
Others	300	-	-	300	46	72	418	
Due from related parties (Note 27)	155	-	-	155	-	54	209	
	P24,715	P61	P-	P24,776	P4,296	P192	P29,264	

*Excludes cash on hand amounting to P64.95 million

	December 31, 2018							
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired			
	High Grade	Medium Grade	Low Grade	Total	Individually Impaired	Individually Impaired	Total	
Cash and cash equivalents* (Note 4)	P14,297	P-	P-	P14,297	P-	P-	P14,297	
Short-term investments (Note 4)	65	-	-	65	-	-	65	
Receivables (Note 5)								
Trade receivables	5,287	34	263	5,584	4,093	4	9,681	
Loans receivable	932	-	-	932	-	-	932	
Nontrade receivables	935	153	92	1,180	223	35	1,438	
Accrued rent and commission income	444	-	-	444	4	31	479	
Installment contracts receivable	2,062	-	-	2,062	315	24	2,401	
Management fee receivables	253	-	-	253	-	-	253	
Accrued interest receivable	180	-	-	180	-	30	210	
Others	717	-	-	717	121	135	973	
Due from related parties (Note 27)	612	-	-	612	-	54	666	
	P25,784	P187	P355	P26,326	P4,756	P313	P31,395	

*Excludes cash on hand amounting to P56.15 million

As of December 31, 2019, 2018 and 2017, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

December 31, 2019									
Past Due but not Individually Impaired									
	Neither Past Due nor Individually Impaired	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	
								Total	Total
Cash and cash equivalents* (Note 4)	P12,068	P-	P-	P-	P-	P-	P-	P-	P12,068
Short-term investments (Note 4)	-	-	-	-	-	-	-	-	-
Receivables (Note 5)									
Trade receivable	7,616	1,155	1,246	309	235	645	3,590	4	11,210
Loans receivable	3,421	-	-	-	-	-	-	-	3,421
Non-trade receivable	575	154	20	18	14	250	455	13	1,043
Accrued rent and commission income	423	1	1	1	1	-	4	18	445
Installment contracts receivable	87	64	40	67	-	30	201	1	289
Accrued interest receivable	67	-	-	-	-	-	-	30	97
Management fee receivables	64	-	-	-	-	-	-	-	64
Others	300	1	-	-	-	46	47	72	418
Due from related parties (Note 27)	155	-	-	-	-	-	-	54	209
	P24,776	P1,375	P1,307	P395	P250	P971	P4,296	P192	P29,264

*Excludes cash on hand amounting to P64.95 million

December 31, 2018									
Past Due but not Individually Impaired									
	Neither Past Due nor Individually Impaired	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	
								Total	Total
Cash and cash equivalents* (Note 4)	P14,297	P-	P-	P-	P-	P-	P-	P-	P14,297
Short-term investments (Note 4)	65	-	-	-	-	-	-	-	65
Receivables (Note 5)									
Trade receivable	5,584	1,412	1,353	537	341	450	4,093	4	9,681
Loans receivable	932	-	-	-	-	-	-	-	932
Non-trade receivable	1,180	109	29	22	32	31	223	35	1,438
Accrued rent and commission income	444	1	1	1	1	-	4	31	479
Installment contracts receivable	2,062	95	63	70	8	79	315	24	2,401
Accrued interest receivable	180	-	-	-	-	-	-	30	210
Management fee receivables	253	-	-	-	-	-	-	-	253
Others	717	49	-	-	-	72	121	135	973
Due from related parties (Note 27)	612	-	-	-	-	-	-	54	666
	P26,326	P1,666	P1,446	P630	P382	P632	P4,756	P313	P31,395

*Excludes cash on hand and cash in other financial institution amounting to P56.15 million and P69.33 million, respectively.

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.

Notes to Consolidated Financial Statements

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2019			Total
	< 1 year	> 1 to < 5 years	> 5 years	
Financial assets				
Cash and cash equivalents* (Note 4)	P12,068	P-	P-	P12,068
Receivables (Note 5)				
Trade receivables	11,210	-	-	11,210
Loans receivable	173	835	-	1,008
Nontrade receivable	1,043	-	-	1,043
Accrued rent and commissions income	445	-	-	445
Installment contracts receivables	289	-	-	289
Accrued interest receivable	97	-	-	97
Management fee receivable	64	-	-	64
Others	418	-	-	418
Due from related parties (Note 27)	209	-	-	209
Financial assets at FVTPL (Note 10)				
Investments in UITF	4,698	-	-	4,698
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	-	-	12,160	12,160
Unquoted	-	-	213	213
Total undiscounted financial assets	P30,714	P835	P12,373	P43,922
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	P12,337	P-	P-	P12,337
Accrued expenses	4,534	-	-	4,534
Telegraphic transfers and drafts and acceptances payable	1,840	-	-	1,840
Retentions payable	10	1,263	-	1,272
Accrued interest payable	896	-	-	896
Accrued commissions	777	-	-	777
Nontrade payables	602	-	-	602
Royalty payable	288	-	-	288
Others	993	-	-	993
Dividends payable	589	-	-	589
Loans payable (Note 16)	22,199	37,051	79,391	138,641
Bonds payable (Note 17)	4,725	16,738	-	21,463
Due to related parties (Note 27)	204	-	-	204
Liabilities on purchased properties (Note 20)	432	2,396	799	3,627
Derivative liabilities (Note 20)	-	-	53	53
Total undiscounted financial liabilities	P50,426	P57,448	P80,243	P188,113
Liquidity Gap	(P19,712)	(P56,613)	(P67,870)	(P144,191)

*Excludes cash on hand amounting to P64.95 million.

	December 31, 2018			Total
	< 1 year	> 1 to < 5 years	> 5 years	
Financial assets				
Cash and cash equivalents* (Note 4)	₱14,310	₱-	₱-	₱14,310
Short-term investments (Note 4)	65	-	-	65
Receivables (Note 5)				
Installment contracts receivables	820	1,846	907	3,573
Trade receivables	9,681	-	-	9,681
Loans receivable	163	1,191	-	1,354
Nontrade receivable	1,438	-	-	1,438
Accrued rent and commissions income	479	-	-	479
Management fee receivables	253	-	-	253
Accrued interest receivable	210	-	-	210
Dividend receivable	12	-	-	12
Others	973	-	-	973
Due from related parties (Note 27)	666	-	-	666
Financial assets at FVTPL (Note 10)				
Investments in UITF	3,181	-	-	3,181
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	-	-	10,631	10,631
Unquoted	-	-	317	317
Derivative assets (Note 14)	-	-	469	469
Total undiscounted financial assets	₱32,251	₱3,037	₱12,324	₱47,612
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	₱13,167	₱-	₱-	₱13,167
Accrued expenses	4,192	-	-	4,192
Retentions payable	687	1,024	-	1,711
Telegraphic transfers and drafts and acceptances payable	1,675	-	-	1,675
Accrued commissions	686	-	-	686
Accrued interest payable	579	-	-	579
Nontrade payables	430	-	-	430
Royalty payable	255	-	-	255
Due to landowners	34	-	-	34
Others	1,115	-	-	1,115
Dividends payable	1,198	-	-	1,198
Loans payable (Note 16)	12,698	42,994	95,339	151,031
Bonds payable (Note 17)	4,105	17,328	4,136	25,569
Due to related parties (Note 27)	204	-	-	204
Liabilities on purchased properties (Note 20)	582	2,287	762	3,631
Derivative liabilities (Note 20)	-	-	62	62
Total undiscounted financial liabilities	₱41,607	₱63,633	₱100,299	₱205,539
Liquidity Gap	(₱9,356)	(₱60,596)	(₱87,975)	(₱157,927)

*Excludes cash on hand amounting to ₱56.15 million.

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 Parent Group's primary risk management objective is to reduce the Group's exposure to changes in foreign exchange rates. To manage the currency risk, the Group enters into hedging activities.

Notes to Consolidated Financial Statements

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents, short-term investments, receivables, accounts and other payables and loans payable. Cash and cash equivalents denominated in foreign currency amounted to US\$42.29 million and JP¥1.80 billion as of December 31, 2019, US\$34.75 million and JP¥1.28 billion as of December 31, 2018 and US\$142.63 million and JP¥6.91 million as of December 31, 2017. Short-term investments denominated in foreign currency amounted to JP¥130.00 million as of December 31, 2018 and US\$32.21 million and JP¥120.00 million as of December 31, 2017. Receivables denominated in foreign currency amounted to US\$0.09 million as of December 2019, US\$0.16 million as of December 31, 2018 and US\$0.46 million as of December 31, 2017. Accounts and other payables denominated in foreign currency amounted to US\$139.57 million and JP¥39.34 million as of December 31, 2019 and US\$179.85 million and JP¥14.27 million as of December 31, 2017. Loans payables denominated in foreign currency amounted to JP¥23.31 billion as of December 31, 2019, US\$59.68 million and JP¥23.31 billion as of December 31, 2018 and US\$59.68 million as of December 31, 2017.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱50.74 to US\$1.00 the Philippine peso-U.S. dollar exchange rates, and ₱0.46 to JP¥1.00 as at December 31, 2019, ₱52.72 to US\$1.00, the Philippine peso-U.S. dollar exchange rates, ₱0.48 to JP¥1.00 as at December 31, 2018 and ₱49.92 to US\$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.44 to JP¥1.00 as at December 31, 2017.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar and peso- JP¥ exchange rates, 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, 2019, 2018 and 2017. There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

	Currency	Change in Variable	Increase (Decrease) in Income Before Tax
2019	US\$	0.31 (0.31)	(P21) 21
	JP¥	0.0002 (0.0002)	(3) 3
2018	US\$	1.85 (1.85)	(P32) 32
	JP¥	0.0002 (0.0002)	(4) 4

The Group determined the reasonably possible change in foreign exchange rate by using the absolute average change in peso-U.S. dollar and peso-JPY exchange rates for the past three (3) years.

Fair Value Hedge

The Parent Company's primary risk management strategy is to reduce the Parent Company's exposure to changes in foreign exchange rates. In this regard, the Parent Company designated a layer of its JPY-denominated long-term loan (the "Hedging Instrument") to hedge the variability in the fair value arising from the translation of its investment in Toyota Motor Corporation (TMC) (the "Hedged Item") amounting to ¥22.05 billion due to fluctuations in JPY/PHP foreign exchange (FX) rates. The hedged risk is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to fluctuations in JPY/PHP FX rates (foreign currency risk). The hedged item is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to foreign currency risk. The hedging instrument is the of ¥22.05 billion layer of the principal amount of its long-term loan with various lenders. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively and retrospectively. All designated hedging relationships were sufficiently effective as of December 31, 2019 and 2018.

Economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of investments amounting to ¥22.05 billion while the hedging instruments create the exact offset of this risk. Since the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Parent Company's and the counterparty's credit

risk were monitored for adverse changes. The Parent Company assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per the Parent Company's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since only a layer of the long-term loan which exactly matches the notional amount of the hedged item was designated as hedging instrument.

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.

There is no sensitivity to the changes in interest rates of the Parent Company's income before tax through the impact of floating rate borrowings because the risk is effectively hedged by an interest rate swap.

As of December 31, 2019 and 2018, the Group has no financial instruments subject to floating interest rates.

Cash Flow Hedge

Interest rate swap

The Parent Company entered into an interest rate swap (IRS) agreement to hedge the variability in the interest cash flows arising from its floating rate loan with various lenders (the "Loan"), attributable to changes in the three-month Japanese Yen ICE LIBOR (3m JPY LIBOR). The hedged risk is variability in interest cash flows of the Loan attributable to changes in the 3m JPY LIBOR (interest rate risk). The hedged item is the interest cash flows on the Loan which is based on 3m JPY LIBOR + margin, floored at 0%. The hedging instrument is an IRS under which the Parent Company will pay fixed interest at a rate of 0.852% per annum and receive variable interest based on 3m JPY LIBOR. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2019 and 2018.

An economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged item creates an exposure to pay 3m JPY ICE LIBOR (floored at 0%) + 0.65%, settled quarterly. The hedging instrument creates an exact offset of this exposure with a consequence of paying a fixed interest payment of 0.852% per annum. Since most of the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Parent Company's and the counterparty's credit risk was monitored for adverse changes. The Parent Company assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per the Parent Company's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the IRS exactly matches the notional amount of the Loan. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

Cross currency swap

WFC entered into a CCS agreement to hedge the variability in the cash flows of its USD loan arising from foreign currency exchange rates and the variability in the interest cash flows arising from the floating interest rate of the same USD loan attributable to the changes in six-month USD LIBOR (6m USD LIBOR). The hedged risk is variability in the cash flows from the translation of its USD Loan amounting to \$59.67 million due to fluctuations in USD/PHP FX rates (foreign currency risk) and variability in the interest cash flows of the USD Loan attributable to changes in the 6m USD LIBOR (interest rate risk). The hedged items are the variability in the cash flows arising from the translation of the USD loan due to foreign currency risk and the interest cash flows on the USD Loan which is based on 6m USD LIBOR + 0.75% (the Hedged Items). The hedging instrument is the CCS under which WFC will pay in peso equivalent to ₱3.00 billion but will receive \$59.67 million and pays fixed interest rate of 5.13% per annum on ₱3.00 billion principal but will receive floating interest rate at 6m USD LIBOR plus 0.75% on \$59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. The terms of the hedging relationships will end in June 2027. The effectiveness of hedging relationship is tested prospectively and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2018.

Notes to Consolidated Financial Statements

An economic relation between the hedged items and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of \$59.67 million loan and an exposure to pay 6m LIBOR +0.75%, settled semi-annually (interest rate risk). The hedging instrument creates an exact offset of these exposures with a consequence of paying a fixed interest payment of 5.13% per annum. Since the critical terms of the hedged items and the hedging instrument matched, a clear economic relationship was established. WFC and the counterparty's credit risk were monitored for adverse changes. WFC assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per WFC's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the CCS exactly matches the notional amount of the USD Loan. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

The Group is holding the following hedging instruments designated as cash flow hedges as of December 31, 2019 and 2018:

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
As at 31 December 2019						
Interest Rate Swap						
Fixed interest rate (%)	0.852%	0.852%	0.852%	0.852%	0.852%	0.852%
	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
As at 31 December 2018						
Interest Rate Swap						
Fixed interest rate (%)	0.852%	0.852%	0.852%	0.852%	0.852%	0.852%
Cross Currency Swap						
Fixed interest rate (%)	5.13%	5.13%	5.13%	5.13%	5.13%	5.13%

The tables set out the outcome of the Group's hedging strategy, the carrying amounts of the derivatives the Group uses as hedging instruments and the their changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions as of December 31, 2019 and 2018:

	December 31, 2019			
	Carrying value	Change in fair value of hedged item used for measuring ineffectiveness	Effective portion recognized in OCI	Hedge ineffectiveness recognized in the income statement
Floating rate loans				
Interest rate swap				
Derivative liability	P53	P53	P53	P-
	December 31, 2018			
	Carrying value	Change in fair value of hedged item used for measuring ineffectiveness	Effective portion recognized in OCI	Hedge ineffectiveness recognized in the income statement
Floating rate loans				
Cross-currency swap				
Other noncurrent asset (Note 14)	P469	P469	P469	P-
Interest rate swap				
Other noncurrent liabilities (Note 20)	62	62	62	-

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. There is no ineffectiveness recognized in the profit or loss as the changes in the fair value of the hedged items used as basis for recognizing hedge ineffectiveness equals to the carrying amount of the hedging instruments.

The movement in cash flow hedge reserve follows:

	2019	2018
Balance at beginning of year	₱190	(₱27)
Effect of deconsolidation (Note 12)	(252)	-
Net unrealized gain on cash flow hedge	9	314
Balance at end of year (gross of tax)	(53)	287
Deferred tax	-	(97)
Balance at end of year (net of tax)	(₱53)	₱190

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 financial assets at FVOCI and 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
2019	Increase by 12.78% Decrease by 12.78%	₱117 (117)
2018	Increase by 32.36% Decrease by 32.36%	₱3,392 (3,392)

The table below shows the sensitivity to a reasonably possible change in the Tokyo Stock Exchange index (TSEi), 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 financial assets at FVOCI. The analysis links TSEi 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 TSEi for the past year. The analysis is based on the assumption that last year's TSEi volatility will be more or less the same in the following year.

	Percentage change in TSEi	Increase (decrease) in total comprehensive income
2019	Increase by 15.21% Decrease by 15.21%	₱1,683 (1,683)
2018	Increase by 19.69% Decrease by 19.69%	₱1,856 (1,856)

Notes to Consolidated Financial Statements

34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share from **continuing operations** attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows (amounts in million, except earnings per share):

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company from continuing operations	P16,586	P12,795	P14,239
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	(589)	(589)	(589)
c.) Net income attributable to common shareholders of the Parent Company from continuing operations	15,997	12,206	13,650
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
e.) Basic/diluted earnings per share, as previously reported (c / d)	–	61.23	68.48
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019	215	215*	215*
g.) <u>Basic/diluted earnings per share, as restated (c / f)</u>	P74.31	P56.70	P63.41

*Restated to show the effect of stock dividends distributed in 2019

The basic/diluted earnings per share from **discontinued operations** attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company	P3,723	P361	P133
b.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
c.) Basic/diluted earnings per share, as previously reported (a / b)	–	1.81	0.67
d.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019	215	215*	215*
e.) <u>Basic/diluted earnings per share, as restated (a / d)</u>	P17.28	P1.68	P0.62

*Restated to show the effect of stock dividends distributed in 2019

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company	P20,309	P13,156	P14,372
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	(589)	(589)	(589)
c.) Net income attributable to common shareholders of the Parent Company	19,720	12,567	13,783
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
e.) Basic/diluted earnings per share, as previously reported (c / d)	–	63.05	69.14
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018	215	215*	215*
g.) <u>Basic/diluted earnings per share, as restated (e / f)</u>	P91.60	P58.38	P64.02

*Restated to show the effect of stock dividends distributed in 2019

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 the following reportable segments:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry and financing institution;
- Automotive operations are engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;
- Infrastructure is engaged in the water distribution, toll operation, power sector, hospitals and rail;
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments); and

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 as of and for the years ended December 31, 2019, 2018 and 2017:

	December 31, 2019					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	P7,982	P-	P192,966	P-	P-	P200,948
Other income	3,299	-	1,337	-	473	5,109
Equity in net income of associates and joint venture	2	10,948	-	3,628	-	14,578
	11,283	10,948	194,303	3,628	473	220,635
Cost of goods and services sold	657	-	133,286	-	-	133,943
Cost of goods manufactured and sold	-	-	36,819	-	-	36,819
Cost of rental	435	-	-	-	-	435
Cost of real estate sales	5,340	-	-	-	-	5,340
General and administrative expenses	2,977	-	10,216	-	402	13,595
	9,409	-	180,321	-	402	190,132
Earnings before interest and taxes	1,874	10,948	13,982	3,628	71	30,503
Depreciation and amortization	459	-	1,950	-	8	2,417
EBITDA	2,333	10,948	15,932	3,628	79	32,920
Interest income	1,870	-	222	-	213	2,305
Interest expense	(1,319)	-	(704)	-	(4,430)	(6,453)
Depreciation and amortization	(459)	-	(1,950)	-	(8)	(2,417)
Pretax income	2,425	10,948	13,500	3,628	(4,146)	26,355
Provision for income tax	(813)	(3)	(4,076)	-	(165)	(5,057)
Net income from continuing operations	1,612	10,945	9,424	3,628	(4,311)	21,298
Net income from discontinued operations	3,814	-	-	-	-	3,814
Net income	P5,426	P10,945	P9,424	P3,628	(P4,311)	P25,112
Segment assets	P90,315	P128,712	P60,085	P36,951	P41,591	P357,654
Segment liabilities	P54,006	P-	P31,009	P-	P83,319	P168,334

Notes to Consolidated Financial Statements

December 31, 2018 (As restated – Notes 2 and 12)

	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱9,342	₱-	₱179,117	₱-	₱-	₱188,459
Other income	2,936	-	1,053	-	202	4,191
Equity in net income of associates and joint venture	(119)	9,506	-	2,126	-	11,513
	12,159	9,506	180,170	2,126	202	204,163
Cost of goods and services sold	673	-	129,176	-	-	129,849
Cost of goods manufactured and sold	-	-	31,809	-	-	31,809
Cost of rental	476	-	-	-	-	476
Cost of real estate sales	6,839	-	-	-	-	6,839
General and administrative expenses	2,366	-	8,074	-	227	10,667
	10,354	-	169,059	-	227	179,640
Earnings before interest and taxes	1,805	9,506	11,111	2,126	(25)	24,523
Depreciation and amortization	542	-	1,547	-	7	2,096
EBITDA	2,347	9,506	12,658	2,126	(18)	26,619
Interest income	1,215	-	332	-	121	1,668
Interest expense	(1,164)	-	(285)	-	(3,952)	(5,401)
Depreciation and amortization	(542)	-	(1,547)	-	(7)	(2,096)
Pretax income	1,856	9,506	11,158	2,126	(3,856)	20,790
Provision for income tax	(930)	-	(2,932)	-	(24)	(3,886)
Net income from continuing operations	926	9,506	8,226	2,126	(3,880)	16,904
Net income from discontinued operations	707	-	-	-	-	707
Net income	₱1,633	₱9,506	₱8,226	₱2,126	(₱3,880)	₱17,611
Segment assets	₱131,788	₱118,157	₱56,430	₱33,850	₱17,441	₱357,666
Segment liabilities	₱65,413	₱-	₱27,865	₱-	₱83,560	₱176,838

December 31, 2017 (As restated – Notes 2 and 12)

	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱7,753	₱-	₱211,692	₱-	₱-	₱219,445
Other income	2,006	-	1,068	-	5	3,079
Equity in net income of associates and joint venture	134	6,979	-	1,560	-	8,673
	9,893	6,979	212,760	1,560	5	231,197
Cost of goods and services sold	555	-	147,158	-	-	147,713
Cost of goods manufactured and sold	-	-	39,635	-	-	39,635
Cost of rental	360	-	-	-	-	360
Cost of real estate sales	5,176	-	-	-	-	5,176
General and administrative expenses	1,850	-	8,262	-	268	10,380
	7,941	-	195,055	-	268	203,264
Earnings before interest and taxes	1,952	6,979	17,705	1,560	(263)	27,933
Depreciation and amortization	476	-	1,283	-	6	1,765
EBITDA	2,428	6,979	18,988	1,560	(257)	29,698
Interest income	1,324	-	320	-	24	1,668
Interest expense	(736)	-	(189)	-	(2,611)	(3,536)
Depreciation and amortization	(476)	-	(1,283)	-	(6)	(1,765)
Pretax income	2,540	6,979	17,836	1,560	(2,850)	26,065
Provision for income tax	(953)	-	(3,975)	-	(5)	(4,933)
Net income from continuing operations	1,587	6,979	13,861	1,560	(2,855)	21,132
Net income from discontinued operations	278	-	-	-	-	278
Net income	₱1,865	₱6,979	₱13,861	₱1,560	(₱2,855)	₱21,410
Segment assets	₱123,817	₱85,771	₱61,835	₱32,365	₱2,240	₱306,028
Segment liabilities	₱56,745	₱-	₱29,178	₱-	₱47,578	₱133,501

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:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Domestic	P215,907	P197,616	P224,909
Foreign	7,033	8,215	7,956
	P222,940	P205,831	P232,865

36. Contingencies

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

In order to partially guarantee the completion of Federal Land's ongoing projects and in the ordinary course of the Group's business, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of P3.83 billion, P3.45 billion and P2.01 billion as of December 31, 2019, 2018 and 2017, respectively.

37. Events after the Reporting Date

On January 27, 2020, the Parent Company paid the quarterly cash dividends amounting to P56.01 million, or P11.57475 per share in favor of GT Capital's perpetual preferred series A stockholders as of record date January 3, 2020.

On January 27, 2020, the Parent Company paid the quarterly cash dividends amounting to P91.21 million, or P12.73725 per share in favor of GT Capital's perpetual preferred c series B stockholders as of record date January 3, 2020.

In a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. As of March 27, 2020, the Group has yet to fully ascertain the risk and impact of the COVID-19 pandemic to its core operations due to the yet unfolding events of the situation. The Parent Company coordinates with its component companies regarding their respective business operations and continuity plans.

The Group considers the events surrounding the pandemic as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation. The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In the interim, in line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Parent Company to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

Notes to Consolidated Financial Statements

38. Consolidated Statements of Cash Flows

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

	2019	2018	2017
Transfers between investment property and inventories (Note 6)	P-	P533	P2,775
Borrowing cost capitalized to inventories (Note 6)	1,131	1,622	1,408
Fair value of previously held interest	-	-	-
Reclassification during the year:			
Prepayments and other current assets	-	-	998
Land held for future development	-	-	(1,416)
Investment properties	-	-	(561)
Property and equipment	-	-	561
Accounts and other payables	-	-	418
Fair value of net assets acquired from business combinations:			
Assets			
Cash and cash equivalents	-	-	1
Receivables	-	-	44
Inventories	-	-	321
Prepayments and other current assets	-	-	67
Property and equipment	-	-	-
Investment properties	-	-	484
Deferred tax assets	-	-	-
Intangible assets	-	-	-
Other noncurrent assets	-	-	2
Liabilities			
Accounts and other payables	-	-	28
Customer's deposits	-	-	-
Loans payable – current	-	-	789
Due to related parties	-	-	30
Other current liabilities	-	-	-
Income tax payable	-	-	-
Deferred tax liabilities on fair value increment	-	-	94
Pension liabilities	-	-	-
Other noncurrent liabilities	-	-	6
Net assets deconsolidated due to sale of subsidiary (Note 12)			
Assets			
Cash and cash equivalents	-	-	-
Short-term investments	1	-	-
Receivables	5,482	-	-
Contract assets	2,688	-	-
Inventories	29,642	-	-
Prepayments and other current assets	3,251	-	-
Financial assets at FVOCI	3	-	-
Property and equipment	752	-	-
Investment properties	3,241	-	-
Goodwill and intangible assets	2,862	-	-
Deferred tax assets	64	-	-
Other noncurrent assets	634	-	-
Liabilities			
Accounts and other payables	3,643	-	-
Contract liabilities	3,180	-	-
Customer's deposits	5	-	-
Dividends payable	1,145	-	-
Income tax payable	72	-	-
Other current liabilities	274	-	-
Pension liabilities	182	-	-
Long-term debt	8,057	-	-
Deferred tax liabilities	2,417	-	-
Other noncurrent liabilities	161	-	-

The following are the changes in liabilities in 2019, 2018 and 2017 arising from financing activities including both cash and non-cash changes:

	January 1, 2019	Effect of deconsolidation (Note 12)	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2019
Short-term debt (Note 16)	₱10,500	(₱3,194)	₱38,215	(₱32,631)	₱-	₱-	₱-	₱-	₱12,890
Current portion of long-term debt (Note 16)	820	(1,707)	1,141	(3,480)	-	-	13	8,187	4,974
Long-term debt - net of current portion (Note 16)	94,349	(3,156)	4,614	(41)	(390)	-	(53)	(8,174)	87,149
Current portion of bonds payable	2,994	-	-	(2,994)	-	-	-	3,899	3,899
Bonds payable (Note 17)	18,913	-	-	-	-	-	26	(3,899)	15,040
Current portion of liabilities on purchased properties (Notes 20 and 27)	416	-	-	(416)	-	-	-	432	432
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	2,877	-	852	-	-	55	-	(432)	3,352
	₱130,869	(₱8,057)	₱44,822	(₱39,562)	(₱390)	₱55	(₱14)	₱13	₱127,736

* Others include effect of business combination and reclassification from noncurrent to current portion.

	January 1, 2018	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2018
Short-term debt (Note 16)	₱6,033	₱32,314	(₱27,847)	₱-	₱-	₱-	₱-	₱10,500
Current portion of long-term debt (Note 16)	2,467	(17)	(3,506)	-	-	17	1,859	820
Long-term debt - net of current portion (Note 16)	57,021	38,989	(75)	195	-	67	(1,848)	94,349
Current portion of bonds payable	-	-	-	-	-	-	2,994	2,994
Bonds payable (Note 17)	21,877	-	-	-	-	30	(2,994)	18,913
Current portion of liabilities on purchased properties (Notes 20 and 27)	582	-	(503)	-	-	-	337	416
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	3,152	-	-	-	62	-	(337)	2,877
	₱91,132	₱71,286	(₱31,931)	₱195	₱62	₱114	₱11	₱130,869

* Others include effect of business combination and reclassification from noncurrent to current portion.

	January 1, 2017	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2017
Short-term debt (Note 16)	₱6,697	₱31,549	(₱33,002)	₱-	₱-	₱-	₱789	₱6,033
Current portion of long-term debt (Note 16)	1,581	-	(4,995)	-	-	-	5,881	2,467
Long-term debt - net of current portion (Note 16)	56,475	6,805	(400)	(20)	-	42	(5,881)	57,021
Bonds payable (Note 17)	21,848	-	-	-	-	29	-	21,877
Current portion of liabilities on purchased properties (Notes 20 and 27)	166	250	(166)	-	-	-	332	582
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	1,993	1,479	-	-	12	-	(332)	3,152
	₱88,760	₱40,083	(₱38,563)	(₱20)	₱12	₱71	₱789	₱91,132

* Others include effect of business combination and reclassification from noncurrent to current portion.

39. Approval for the Release of the Financial Statements

The accompanying financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on March 27, 2020.

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