DEFINED BY EXCELLENCE, REFINED THROUGH PARTNERSHIP

ANNUAL REPORT 2017

GT CAPITAL
HOLDINGS INCORPORATED

DEFINED BY EXCELLENCE, REFINED THROUGH PARTNERSHIP

OUR CORPORATE OBJECTIVES

Excellence defines GT Capital and its component companies in their respective sectors of the Philippine economy. The diversified conglomerate further refines this achievement through strong strategic partnerships with renowned global brands. Through its consistent commitment to excellence, the group continues its dominance in key underpenetrated lines of business—banking, automotive, property development, infrastructure and utilities, and insurance. As GT Capital contributes to nation-building, the conglomerate fulfills its corporate objectives of: first, enhancing synergies and cross-selling opportunities across its various component companies, second, forging and maintaining strategic partnerships with best-of-class experts to deliver world-class products and services, and third, expanding into both existing and new sectors.

PHP
18.2
BILLION 2017 NET INCOME

36.1% GT CAPITAL-OWNED

BANKING

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

PROPERTY D

PHP 2.1

FEDERAL LAND
GT Capital Holdings
KEEPING YOU IN MIND

100% GT CAPITAL-OWNED

UPPER MID-END

Federal Land 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 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
2.5
BILLION 2017 NET INCOME

25.3% GT CAPITAL-OWNED

INSURANCE

AXA Philippines is one of the largest life 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 their investment choices. AXA Philippines enjoys strong business synergies with Metrobank and PSBank by utilizing the Metrobank Group's branch network as a distribution channel.

TOYOTA

51.0% GT CAPITAL-OWNED

AUTOMOTIVE

TMP is the Philippines' most dominant car company engaged in the assembly, importation, and wholesaling 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
13.4
BILLION 2017 NET INCOME

EVELOPMENT

BILLION 2017
COMBINED
NET INCOME

PRO • FRIENDS

51.0% GT CAPITAL-OWNED

AFFORDABLE ECONOMIC

PRO-FRIENDS is one of the country's fastest-growing property developers, with a significant presence in the affordable economic housing segment, and is also involved in retail and BPO space leasing. The company has evolved from a provider of homes in small pocket developments, to medium-rise communities and townhomes, as well as single detached units in estate developments.

METRO PACIFIC INVESTMENTS

15.6% GT CAPITAL-OWNED

INFRASTRUCTURE AND UTILITIES

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

PHP
14.1
BILLION 2017 CORE NET INCOME

2017 GT Capital Milestones

APR '17

GT Capital increases its stake in **Metrobank** from **26%** to **36%**

MAY '17

GT Capital property arm **Federal Land** launches its joint venture partnership with **SM Development Corporation** (SMDC) called **The Estate**, which is the sole Philippine project of world-renowned architect **Sir Norman Foster**

JUNE '17

Dr. George S.K. Ty receives the **Ramon V. Del Rosario Award for Nation Building**

JULY '17

GT Capital property arm Federal Land enters into a strategic partnership with Japanese real estate expert **Nomura Real Estate** and leading retail group **Isetan Mitsukoshi Holdings** to develop Sunshine Fort at the Grand Central Park in Bonifacio Global City

AUG '17

GT Capital expands to motorcyle financing through the acquisition of **Sumisho Motor Finance Corporation**

SEP '17

GT Capital is recognized as one of the Philippines' Top 10 **Best Managed Companies, Most Committed to Corporate Governance, and Best Investor Relations** by Finance Asia magazine

NOV '17

Dr. George S.K. Ty is conferred the **Order of the Rising Sun, Gold and Silver Star,** by His Majesty Akihito, Emperor of Japan

DEC '17

Toyota Motor Philippines, the joint venture between GT Capital and Toyota Motor Corporation of Japan, achieves its 16th consecutive **Triple Crown Award**

Strategic Global Partners

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 name. Aside from vehicles, Toyota also manufactures spare parts and offers financial services for retail and wholesale financing, retail leasing, insurance, credit cards, and housing loans. Toyota operates in over 170 countries.

ISETAN MITSUKOSHI HOLDINGS (JAPAN)
Isetan Mitsukoshi Holdings Ltd. (Kabushiki-gaisha Mitsukoshi Isetan Hōrudingusu) 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 company. It operates 26 stores in Japan and ten outlets in other countries and encompasses four separate department store brands: Mitsukoshi, Isetan, Iwataya and Marui-Imai.

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 may be traced to the time when Claude Bebear decided to join the Ancienner Mutuelle insurance company – France's oldest insurance company – in Rouen, France in 1958.

METRO PACIFIC INVESTMENTS CORPORATION
A leading infrastructure holding company in the Philippines. MPIC's intention is to maintain and continue to develop a diverse set of infrastructure assets through its investments in water utilities, toll roads, electricity distribution, 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, 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 also is into energy conservation, energy recycling, and electric power. In property development, the company offers housing, real estate investment, and building management.

NOMURA REAL ESTATE (JAPAN)
Nomura Real Estate Development (NRE) is one of Japan's largest property 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 is a part of the Nomura business group.

MITSUI & CO. LTD. (JAPAN)
One of the most diversified and comprehensive trading, investment, and service 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 products, mineral and metal resources, infrastructure projects, motor vehicles, marine and aerospace, chemicals, energy, food resources, food products and services, consumer services, information technology, finance and new businesses, and transportation logistics.

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 information technology 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.

GRAND HYATT HOTELS (USA)
A distinguished brand of the Hyatt global hospitality company, GRAND HYATT HOTELS (USA) 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.

PROPERTY COMPANY OF FRIENDS, INC.
GT Capital's affordable economic property developer. Pro-Friends was established in 1999 and is currently one of the country's leading property developers, focusing on the affordable and economic housing segments, as well as retail space and business process outsourcing (BPO) office leasing. In over 18 years, Pro-Friends has built and sold over 44,000 affordable homes in the provinces of Cavite and Iloilo.

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, 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 CORPORATE 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 the 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.

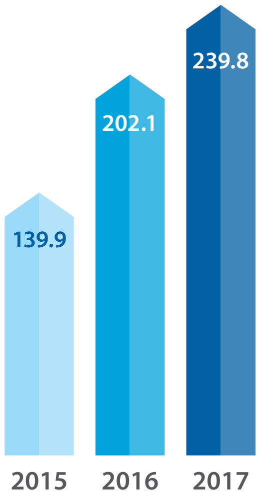
Entrepreneurial Spirit
We believe in intelligent risk-taking, identifying key opportunities as they present themselves while holding each one accountable for taking the best action today in order to reap future rewards. This is encouraged at all levels of the organization to constantly provide fresh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

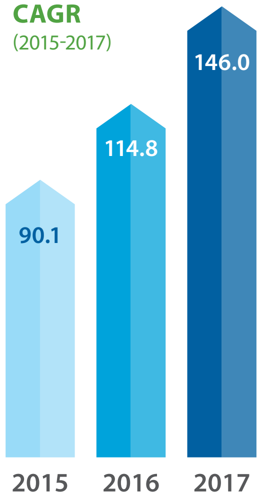
CONTENTS

GT Capital Consolidated Financial Highlights

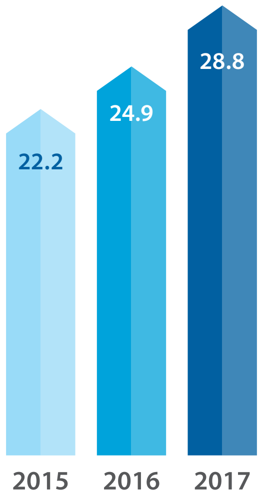
TOTAL REVENUE
(in Billion Php)
31% ▲
CAGR
(2015-2017)



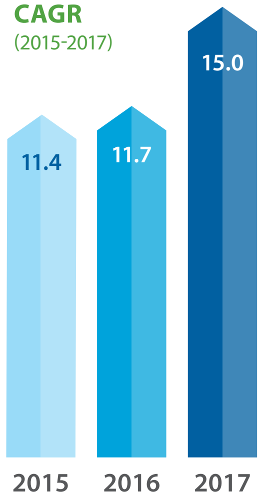
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS
(in Billion Php)
27% ▲
CAGR
(2015-2017)



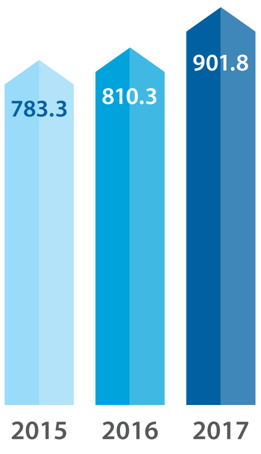
EBITDA
(in Billion Php)
14% ▲
CAGR
(2015-2017)



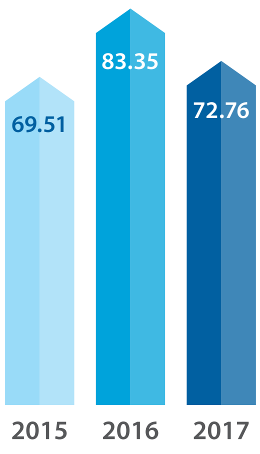
CORE NET INCOME ATTRIBUTABLE TO PARENT
(in Billion Php)
15% ▲
CAGR
(2015-2017)



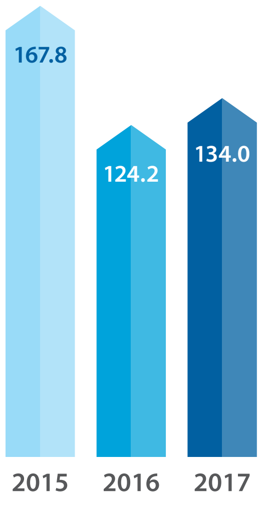
BOOK VALUE OF COMMON SHARES
(in Php per share)
7% ▲
CAGR
(2015-2017)



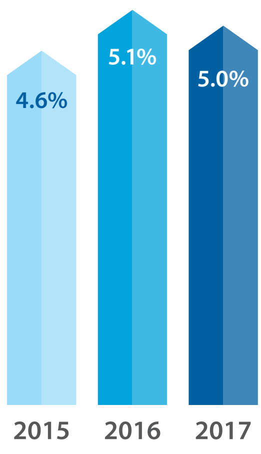
EARNINGS PER SHARE
(in Php)
2% ▲
CAGR
(2015-2017)



TOTAL LIABILITES
(in Billion Php)
-11% ▼
CAGR
(2015-2017)



RETURN ON AVERAGE ASSETS
(%)



	Audited 2017	Audited 2016	(As Restated) 2015
Conso Net Income Attributable to Parent (in Billion Php)	**14.2**	14.6	12.1
Core Net Income Attributable to Parent (in Billion Php)	**15.0**	11.7	11.4
Total Revenue (in Billion Php)	**239.8**	202.1	139.9
EBIT (in Billion Php)	**27.1**	28.9	27.3
EBITDA (in Billion Php)	**28.8**	24.9	22.2
EBITDA Margin	**12%**	12%	16%
Total Assets (in Billion Php)	**307.7**	265.4	304.4
Total Liabilities (in Billion Php)	**134.0**	124.2	167.8
Total Equity (in Billion Php)	**173.7**	141.2	136.5
Total Equity Attributable to Equity Holders (in Billion Php)	**146.0**	114.8	90.1
Earnings per share	**72.76**	83.35	69.51
Book Value of Common Shares	**901.8**	810.3	783.3
Current Ratio	**2.66**	3.01	2.61
D/E Ratio	**0.52**	0.63	0.88
ROAA*	**5.0%**	5.1%	4.6%
ROAE**	**12.2%**	12.0%	13.5%

*Consolidated Net Income attributable to Equity Holders divided by Average Total Assets

**Consolidated Core Net Income attributable to Equity Holders divided by Average Equity attributable to Equity Holders

Message From The Group Chairman

DEFINED BY EXCELLENCE, REFINED THROUGH PARTNERSHIP

The Philippines continued to be one of the better-performing emerging markets in the region with economic growth averaging 6.7% in 2017. Although this was behind the previous year's GDP growth of 6.9%, which was substantially enhanced by election-related spending during the period, this was still a strong showing compared with other neighboring countries.

The economy's creditable finish in the last two quarters of the year helped improve the full-year growth average, with a better-than-expected 7% growth rate in the third quarter and a 6.6% expansion in the fourth.

Manufacturing, trade, real estate, renting, and business activities were the primary growth drivers in the last quarter of the year. Moreover, robust government spending on public goods and services helped sustain economic expansion during this three-month period.

Amid this backdrop, GT Capital similarly managed to sustain its growth momentum as our diverse business segments continued to be at the forefront of their respective industries. Our companies' achievements for the year are described in detail in the accompanying Chairman's Message and President's Report as well as in each component company's individual narrative.

The year 2017 was the first full year of GT Capital as a strategic partner of Metro Pacific Investments Corporation (MPIC), after we acquired a 15.6% stake in the largest utilities conglomerate in the country in May the previous year. Our first year of expansion into infrastructure and utilities was also a truly productive period, as GT Capital grew in key areas of operations in 2017.

Robust sales from Toyota Motor Philippines Corporation (TMP) and impressive performance from Metropolitan Bank & Trust Company (Metrobank), AXA Philippines, and our two property developers Federal Land, Inc. (Federal Land) and Property Company of Friends, Inc. (Pro-Friends) all contributed to GT Capital's performance for the year.

Moreover, our management's prudence in decision-making as well as our business development and marketing initiatives also brought forth GT Capital's robust results.

While in 2017, we focused on enhancing the strategic partnerships we forged in the previous year, in 2018 and beyond, we intend to further utilize our expanded capabilities to reach a wider market and serve a larger audience while looking into other ways to improve our business. For instance, GT Capital will fully subscribe to Metrobank's stock rights offer during the year.

As we celebrate our tenth founding anniversary in 2017, we would like to thank you, our valued shareholders, for your trust and support during this past decade. GT Capital's success is equally yours and, as such, we assure you that we will continue to keep your best interests at heart and in mind as we further enhance our capabilities and improve our business.

In the coming years, we will eye more strategic partnerships with market-leading experts and look for more ways to further improve our products and services as we live up to our standing as a conglomerate that has always been defined by excellence and refined through partnership.

DR. GEORGE S.K. TY
Group Chairman

ABOUT THE ORDER OF THE RISING SUN
The Government of Japan announced on 03 November 2017 the conferment of The Order of the Rising Sun, Gold and Silver Star, on Dr. George S.K. Ty, Group Chairman and Founder of GT Capital Holdings, Inc. and Metropolitan Bank & Trust Company (Metrobank), in recognition of his contribution to strengthening the economic relations between Japan and the Philippines.

As a respected pioneer in the Philippine banking sector, Dr. Ty has been instrumental in forging several collaborative initiatives with major financial institutions in Japan, thereby facilitating the entry of more Japanese investments including small and medium enterprises into the Philippine market.

Having successfully steered the Metrobank and GT Capital Groups to greater heights for decades, Dr. Ty also took the lead in forging landmark joint ventures with several Japanese companies in various sectors.

The Order of the Rising Sun (Kyokujitsu-shō) was established by the Japanese Emperor Meiji in 1875 and is the first national decoration established by the Japanese government. It features rays of sunlight radiating from the rising sun, with attachments that are shaped like paulownia leaves. The Order is conferred to those who have made notable accomplishments in international relations, advancement of Japanese culture, innovations in their respective fields, social development, and environmental conservation.

Sources: Embassy of Japan in the Philippines; Cabinet Office of Japan; Wikipedia

ARTHUR V. TY
Chairman

Chairman's Message and President's Report

"The year 2017 has been both challenging and fulfilling. We have been fortunate to have a strong line-up of businesses that are leaders in their own respective fields. Our efforts at making GT Capital a better and stronger conglomerate have been paying off in more ways than one."

The year 2017 was another banner year for GT Capital as it achieved a 29% growth in core net income for the year, increasing to Php15.0 billion from Php11.7 billion in 2016. Consolidated revenues rose by 19% to Php239.8 billion in 2017 from Php202.1 billion the previous year.

Strong auto unit sales from Toyota Motor Philippines Corporation (TMP), as well as improved results from Metropolitan Bank & Trust Company (Metrobank), AXA Philippines, and Metro Pacific Investments Corporation (Metro Pacific), all contributed to GT Capital's revenue growth for the year.

BANKING
Metrobank reported a consolidated net income of Php18.2 billion in 2017 while total resources grew to a new high of Php2.1 trillion. The Bank's strong performance was fueled by robust growth in loans and deposits, resulting in improved margins. Total deposits amounted to Php1.5 trillion as total loans reached Php1.3 trillion, up 19% from the year before.

CARMELO MARIA LUZA BAUTISTA
President

As of end-2017, Metrobank had a network of 953 branches on a consolidated basis, most of which are located outside Metro Manila, allowing the Bank to continue tapping high-growth areas in the countryside. The Bank also had a network of 2,352 automated teller machines (ATMs) placed in strategic locations nationwide as of end-2017.

AUTOMOTIVE

In 2017, TMP recorded a 19% growth in consolidated revenues to Php185.3 billion from Php155.8 billion in 2016. This growth was primarily driven by a 16% improvement in retail sales volume which was recorded at 183,908 units for the year.

TMP maintained its industry-leading position with an overall market share of 39%, reinforced by continued strong sales from the Fortuner, Vios, and Innova models. TMP's robust sales performance gave it its 16th consecutive Triple Crown award, being the Philippines' number one automotive company in passenger car, commercial vehicle, and overall sales. TMP's consolidated net income grew by 11% to Php13.4 billion in 2017 from Php12.1 billion the previous year.

PROPERTY DEVELOPMENT

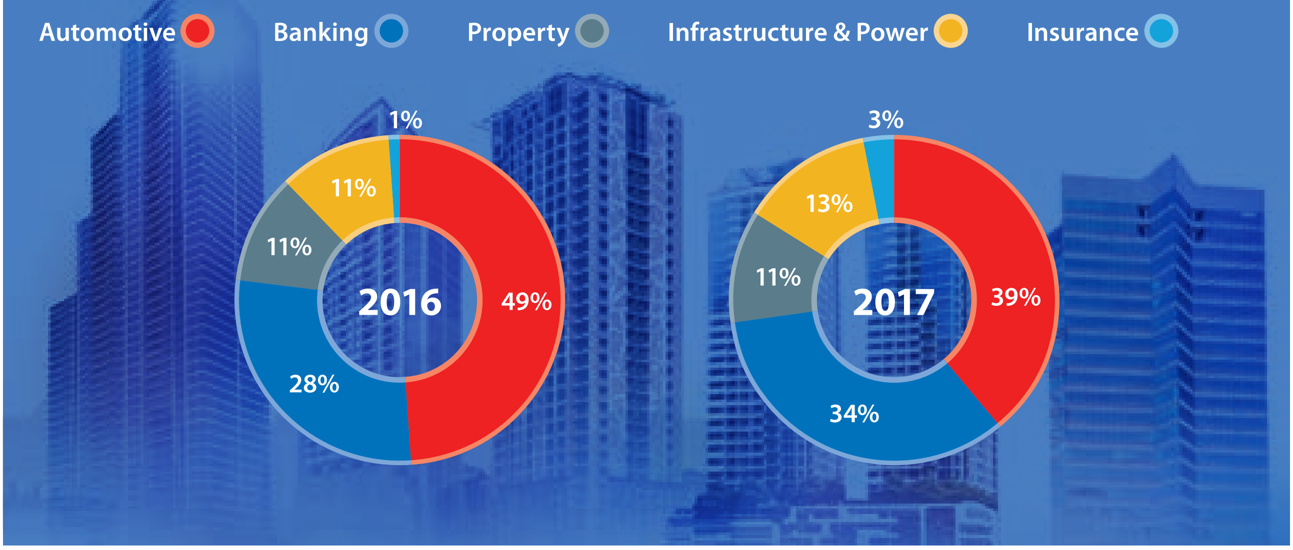
GT Capital's property business offers a comprehensive range of products, from the affordable to the upper-mid-end and luxury residential segments. GT Capital's two property developers--Federal Land, Inc. (Federal Land) and Property Company of Friends, Inc. (Pro-Friends)--registered Php18.2 billion in consolidated revenues in 2017, up 5% growth from the Php17.3 billion recorded in 2016. Combined real estate sales in 2017 grew by 8% to Php15.4 billion from Php14.2 billion the previous year. The two property companies reported an aggregate net income of Php2.1 billion in 2017.

INSURANCE

AXA Philippines' total life insurance sales in Annualized Premium Equivalent (APE) grew by 27% to Php6.3 billion in 2017 from Php5.0 billion the previous year, fueled by growth in regular and single premiums of 29% and 20%, respectively. Total premium revenues, in turn, grew by 22% to Php26.4 billion for the year for life insurance.

The insurance company generated consolidated life and non-life net income of Php2.5 billion for 2017. It

GT Capital Net Income Contribution by Sector



GT Capital 2017 Performance Indicators

also achieved a substantial 42% growth in standalone life insurance net income from Php1.7 billion in 2016 to Php2.4 billion in 2017.

INFRASTRUCTURE AND UTILITIES

In May of 2016, GT Capital acquired a 15.6% stake in Metro Pacific Investments Corporation (MPIC) worth Php29.9 billion, forming a strategic alliance with the largest infrastructure conglomerate in the Philippines. In 2017, its first full year as a GT Capital investment partner, MPIC reported a 17% rise in consolidated core net income to Php14.1 billion from Php12.1 billion in 2016 on the strength of the company's increased presence in the power industry.

Core net income surged on the back of an expanded power portfolio following further investment in Beacon Electric Asset Holdings Inc., robust traffic growth on all roads held by Metro Pacific Tollways Corporation, and continuing growth in the Hospital Group.

LOOKING AHEAD

While 2017 was a year of impressive achievements on many fronts, we continue to be excited with what the future holds for GT Capital. We will continue looking into possible areas of diversification and enhancement while continuing to strengthen existing business segments.

Metrobank will sustain its expansion efforts in terms of its branch network and product and service offerings at the same time enhancing its electronic banking channels. The Bank will also continue to place importance in improving its customer service to ensure that valued customers are well taken care of while enhancing personal marketing initiatives to attract new customers.

In addition, TMP will continue to expand its dealership network and improve its continuously evolving line of vehicle offerings in order to increase volume sales and remain the leader in the local automotive industry.

Our property development companies--Federal Land and Pro-Friends--will continue to use their respective strengths to continue delivering a more comprehensive property product offering for their customers. With Federal Land's historic joint venture with Nomura Real Estate and Isetan Mitsukoshi Holdings, GT Capital continues to be a preferred partner of Japanese companies who want to do business in the Philippines.

AXA Philippines, in turn, will continue to be one of the leading players in the country's fast-growing insurance sector by utilizing the strength of Metrobank and PSBank's nationwide bancassurance network. The company will also look into new and creative ways to offer innovative products to its expanding market, now that general or non-life insurance is part of AXA's suite of offerings.

The year 2017 has been both challenging and fulfilling. We are fortunate to have a strong line-up of businesses that are leaders in their respective fields. Our efforts at making GT Capital a better and stronger conglomerate have been paying off in more ways than one.

In this regard, we acknowledge the contribution and support of our principals, directors, management, and staff. We would also like to thank you, our shareholders, for your trust and your belief in our capabilities. As we move into more challenging times ahead, we will again renew our commitment to do even better than before and to work hard for you and for all our partners.

ARTHUR V. TY
Chairman

CARMELO MARIA LUZA BAUTISTA
President

Component Company Highlights

+19%
LOAN GROWTH

For Metropolitan Bank & Trust Company (Metrobank), 2017 was another banner year characterized by healthy growth in key segments. The Bank attained a consolidated net income of Php18.2 billion during the year, up 10% on a core basis.

Metrobank

ARTHUR V. TY
Chairman - Metropolitan Bank & Trust Company

FABIAN S. DEE
President - Metropolitan Bank & Trust Company

Total resources grew to a new high of Php2.1 trillion. Total deposits, in turn, increased by 10% to Php1.5 trillion and CASA deposits grew by 12% to Php950 billion for a 62% CASA ratio. The increased deposit base provides the Bank with enough funding to support ongoing expansion and service enhancement efforts.

With the greater focus on improving efficiency, expenses for Bank-related operations were kept at a reasonable level with cost growth at only 6%.

Metrobank's total loan portfolio grew by 19% to Php1.3 trillion from Php1.1 trillion in 2016. Total loans accounted for 61% of the Bank's total assets for 2017.

Net interest margins increased to 3.8%, up 21 basis points from last year, mainly driven by improving asset yields. As a result, net interest income increased by 16% to Php61.4 billion from Php53.0 billion in 2016, and accounted for 73% of the Bank's Php83.6 billion total operating income. Meanwhile, non-interest income amounted to Php22.1 billion, consisting of Php12.4 billion in service charges and commissions and income from trust, Php3.9 billion in trading and FX gains, and Php5.9 billion in miscellaneous income.

The Bank's asset quality continued to be better than the industry standard in 2017 with a non-performing loans (NPL) ratio of 1%. Capital ratios, on the other hand, were ahead of Bangko Sentral ng Pilipinas (BSP) Basel III minimum requirements. Metrobank's total capital adequacy ratio (CAR) came in at 14.4% for the year while Common Equity Tier 1 (CET 1) ratio was at 11.8%.

Component Company Highlights

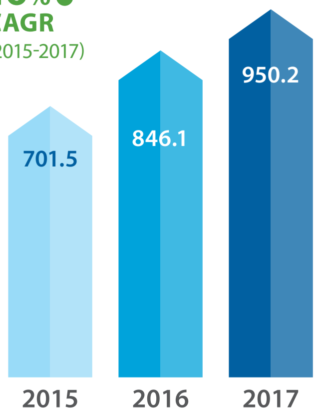
The Metrobank Group ended the year with 953 branches nationwide on a consolidated basis, most of which are located outside Metro Manila, allowing the Bank to continue tapping high-growth areas in the countryside. The Group also had a network of 2,352 automated teller machines (ATMs) nationwide as of end-2017.

Clearly, Metrobank's momentum has been steadily building, as the Bank has effectively sustained its growth trajectory from the previous years.

Metrobank Plaza, Gil Puyat Avenue, Makati City

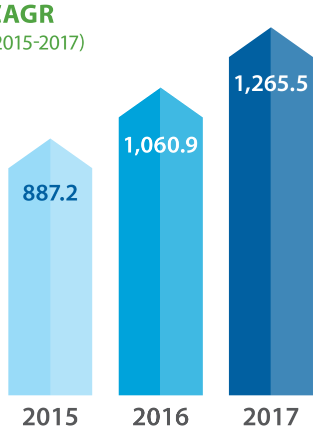
CURRENT ACCOUNT SAVINGS ACCOUNT (CASA)
(in Billion Php)

16% CAGR
(2015-2017)



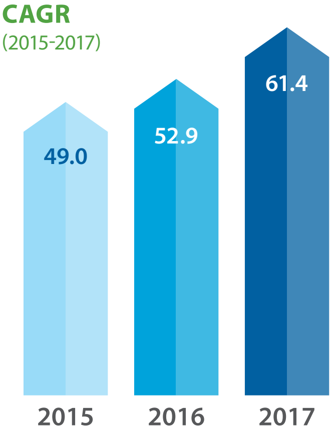
NET LOAN PORTFOLIO
(in Billion Php)

19% CAGR
(2015-2017)



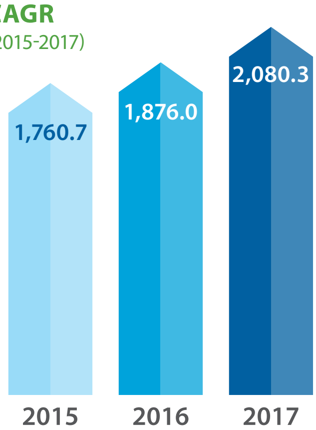
NET INTEREST INCOME
(in Billion Php)

12% CAGR
(2015-2017)



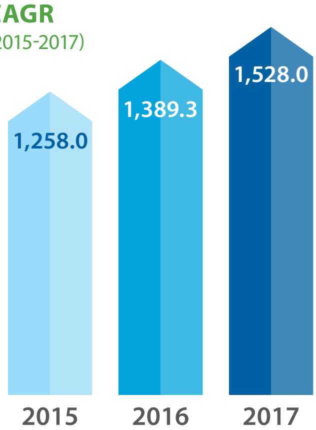
TOTAL ASSETS
(in Billion Php)

9% CAGR
(2015-2017)



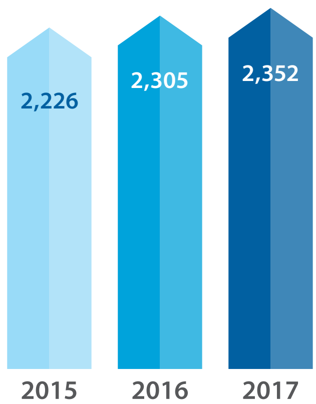
TOTAL DEPOSITS
(in Billion Php)

10% CAGR
(2015-2017)



ATMs NATIONWIDE

3% CAGR
(2015-2017)



Metrobank

Rising Above the Rest

Best Trade Finance Bank in the Philippines 2017
THE ASIAN BANKER

Retail Payment Product of the Year 2017
THE ASIAN BANKER

Global 2000: One of the World's Best Employers 2017
Forbes

Best Commercial Bank in the Philippines 2017
AI

Best UITF Fund Provider in the Philippines 2017
Wealth & finance international

Component Company Highlights

+16%

VEHICLE SALES GROWTH

Toyota Motor Philippines Corporation (TMP) has been the consistent leader in the automotive sector of the Philippines for three decades now — and for good reason. The Toyota brand has been known to offer the highest-quality vehicles not only here in the country, but all over the world as well. In addition, the dependability of Toyota's after-sales service has always been globally recognized as topnotch.

TOYOTA

DR. GEORGE S.K. TY
Chairman - Toyota Motor Philippines Corporation

SATORU SUZUKI
President - Toyota Motor Philippines Corporation

Here in the Philippines, TMP's tradition of leadership was once again proven in 2017 as the automotive company remained the market leader for the year with a total market share of 39%. The company also sold a record total of 183,908 units in 2017, the highest in the industry for the year and 16% higher than the 158,728 units TMP sold in 2016.

The company's strong showing for the year was generally due to the sustained strong sales performance of its vehicles in all key market segments as well as the continued marketing and sales efforts of its 63 dealers nationwide.

Moreover, TMP earned its 16th consecutive Triple Crown award in 2017, as it registered the most number of units sold in three different categories--passenger car, commercial vehicle, and overall sales.

In 2017, the company registered a consolidated net income of Php13.4 billion, a significant 11% increase from its Php12.1 billion net income the previous year. Total revenues grew by a hefty 19% to Php185.3 billion for the year from Php155.8 billion in 2016.

The Fortuner, the SUV segment leader in the country since 2014, emerged not only as TMP's best-selling vehicle in 2017, it was also the overall best-selling vehicle in the country across all segments. A record 39,680 Fortuner units were sold in 2017, 40% higher than the 28,549 units sold the previous year.

The Vios, in turn, remained the country's best-selling subcompact passenger car in 2017, as it has been in the past 15 years. The Vios, the erstwhile best-selling vehicle of TMP and in the industry, attained a total of 36,733 units sold in 2017.

In the multi-purpose vehicle (MPV) segment, TMP introduced in 2017 the Innova Touring Sport, with features that are sportier than its predecessors. The locally assembled Innova has been the most popular MPV in the country since its entry into the market in 2005. In 2017, TMP sold a record 24,435 Innova units.

In October, TMP introduced the newest variant in the Avanza line up, the Avanza Veloz, which features a more robust and modern design. The Avanza remains the industry leader in the compact MPV segment, selling over 80,000 units since its launch in 2006. In 2017, TMP sold 15,463 Avanza units.

TMP followed the launch of the Avanza Veloz with the introduction of the all-new Yaris in December. A

Component Company Highlights

redesigning of a hatchback favorite, the new Yaris has a more aggressive design and improved features.

Other Toyota models that sold well in the country in 2017 were the Hiace with 21,178 units, the Wigo with 19,295 units, and the Hilux with 14,688 units.

With the strong sales performance of TMP's vehicles for the year, the company was ranked 9th in the global sales of Toyota Motor Corporation in terms of vehicles sold based on the Toyota Overseas Sales Rankings report.

Another important highlight of TMP's operations in 2017 was the aggressive expansion of its dealership network. In this regard, TMP opened new dealerships in 11 strategic locations around the country. The new dealers are in Angeles, Pampanga; Matina, Davao; Talisay, Cebu; Calbayog, Samar; Ilocos Norte; Aklan; Santa Rosa, Laguna; Kidapawan City; Mabolo, Cebu; Lapu-Lapu, Cebu; and Iligan City. They are expected to beef up TMP's sales figures for 2018 and beyond.

TMP also opened during the year the newly renovated Toyota Manila Bay in Pasay City, with a multi-level building, a bigger showroom, and a state-of-the-art service center.

As testament to TMP's reputation for service excellence, the company received several awards in 2017. The Fortuner was hailed as the Standard Automobile of the Year (2017-2018) by the Auto Focus People's Choice Awards (AFPCA). The Fortuner will also be inducted into the AFPCA Automobile of the Year Hall of Fame as a three-time winner.

For the AFPCA's Premium and Luxury Models of the Year category, the Wigo was awarded in the Mini segment while the Hilux was awarded for the Pickup segment. The Hilux will also be inducted into the AFPCA Model of the Year Hall of Fame as a five-time winner.

For the Auto Focus Media's Choice Awards (AFMCA), the Innova bagged the Best Design Award in the Standard Category for the MPV segment. The Innova also got the Best Engine Performance Award in the same category and segment.

The Toyota 86, TMP's sports car model, bagged the Best Value for Money in the Standard Category. In turn, the Toyota Alphard was awarded the Best Design and the Best Engine Performance Awards in the Premium/Luxury Category for vans.

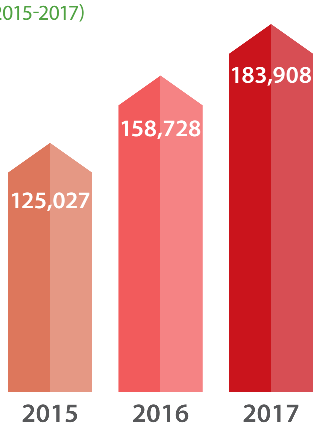
The Toyota Land Cruiser 200 received the Best Value-for-Money Award for the Premium/Luxury Category for the Large SUV/Crossover segment.

In the Carmudi CAGI Awards, the Wigo bagged the Smart Money Award. Carmudi is one of the world's fastest-growing automobile classified ads websites.

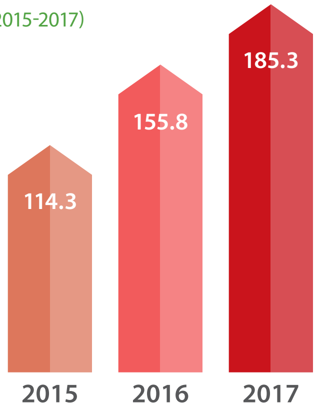
TMP also received two citations as a company during the year. TopGear, one of the country's biggest sources of online information on cars and the automobile industry, cited TMP as the Best in Motorsports in its STIG Awards. Autodeal, another popular online automobile classified ads website, gave TMP the Buyers' Choice Award for 2017.

The year 2017 was truly another banner year for TMP with a vehicle line-up that collectively outperforms those of the other major brands in the industry. Going into 2018 and beyond, TMP aims to continue leading the industry with its quality offering of vehicles that are the best in their respective segments in every way, with topnotch after-sales service while providing excellent customer experience in the entire purchase, ownership, and repurchase cycle.

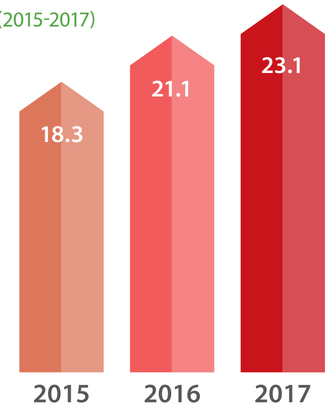
UNITS SOLD
21% ▲
CAGR
(2015-2017)



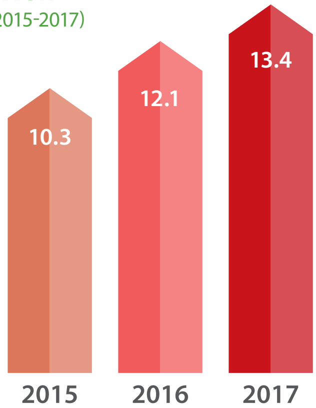
SALES
(in Billion Php)
27% ▲
CAGR
(2015-2017)



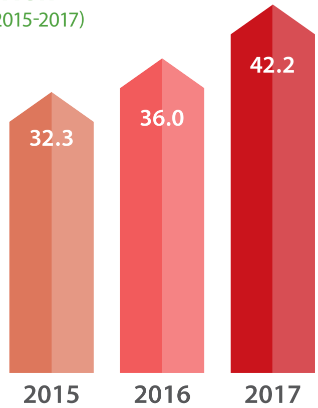
GROSS PROFIT
(in Billion Php)
12% ▲
CAGR
(2015-2017)



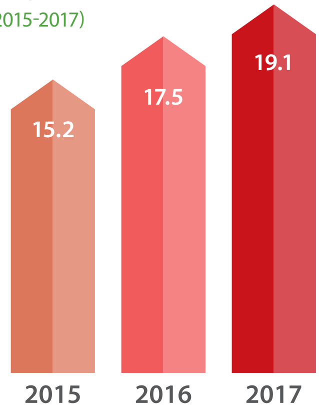
NET INCOME
(in Billion Php)
14% ▲
CAGR
(2015-2017)



TOTAL ASSETS
(in Billion Php)
14% ▲
CAGR
(2015-2017)



TOTAL EQUITY
(in Billion Php)
12% ▲
CAGR
(2015-2017)



Component Company Highlights

+37%

RESERVATION SALES GROWTH

The Philippine property market in 2017 remained healthy, supported by robust inflows from overseas Filipinos, affordable financing, an improving infrastructure environment, and the continued expansion of the office and retail subsectors.

FEDERAL LAND
GT Capital Holdings
KEEPING YOU IN MIND

Sunshine Fort at the Grand Central Park, Bonifacio Global City—a joint venture among Federal Land, Nomura Real Estate, and Isetan Mitsukoshi Holdings

ALFRED V. TY
Chairman - Federal Land, inc.

PASCUAL M. GARCIA III
President - Federal Land, Inc.

With this as a backdrop, Federal Land, Inc. (Federal Land) remained a solid brand in the property market for the year with sustained growth in key areas of operations.

The company's reservation sales grew by 37% to Php17.4 billion in 2017 from the previous year's Php12.7 billion. In the meantime, total revenues grew by 14% to Php11.3 billion from Php9.9 billion in 2016. Total net income for 2017 was at Php1.4 billion.

Federal Land's total assets grew to Php76.9 billion in 2017, a 13% increase from Php67.8 billion the previous year. Total equity grew to Php36.6 billion in 2017 from Php35.9 billion in 2016.

In 2017, Federal Land broke ground for several new projects, one of which is Sunshine Fort in Bonifacio Global City. The groundbreaking ceremony was held in May. Sunshine Fort is a joint venture among Federal Land, Nomura Real Estate Development Co., Ltd., and Isetan Mitsukoshi Holdings Ltd. of Japan. It will offer Japanese themed residential and retail spaces. The project continues to reinforce the commitment of Federal Land to offer global standards in its offerings.

The three-party joint venture is also a further testament to Federal Land's thrust to be a preferred partner of multinational property development companies.

In September, Federal Land introduced The Estate Makati, a joint venture between Federal Land and SM Development Corporation (SMDC). The Estate Makati is the first Sir Norman Foster-designed high-rise condominium in the country and is located on the last available parcel of land along Ayala Avenue's Apartment Ridge in Makati City. Also in September, the company unveiled the marker of the Grand Hyatt Manila at the Bonifacio Global City, with His Excellency President Rodrigo Duterte as special guest.

The year also saw the completion of iMet Tower 1 in October. The development is located in Metro Park at the Bay Area in Pasay City and is the first of four towers in the complex. iMet is a 12-story office building that caters to the increasing number of BPO locators in the Bay Area.

Utilizing the ever-increasing technological awareness of Federal Land's target market, the company implemented initiatives to increase its digital footprint

Component Company Highlights

for 2017. As a result, Federal Land's Facebook following increased by 100% compared to the previous year. Website viewers, in turn, increased ten-fold to 150,000 for the whole year.

As the local property market is poised for continued growth in 2018, Federal Land aims to echo the industry's growth momentum and remain a major entity in the Philippine property landscape.


Sunshine Fort at the Grand Central Park, Bonifacio Global City

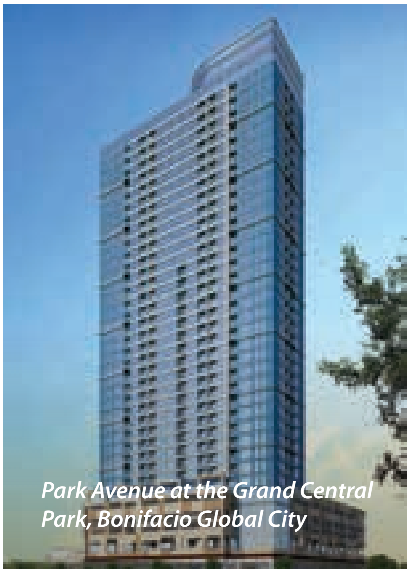

Amenities area at Palm Beach West in Pasay City


Siena Towers in Marikina City

Strategic Partnership Ceremony among Federal Land, Nomura Real Estate, and Isetan Mitsukoshi Holdings


Lobby of Park Avenue at the Grand Central Park, Bonifacio Global City


Palm Beach West complex at the Bay Area, Pasay City


Park Avenue at the Grand Central Park, Bonifacio Global City

Component Company Highlights

+71%

RESERVATION SALES GROWTH

GT Capital invested in Property Company of Friends, Inc. (PRO-FRIENDS) in August 2015 to establish a significant niche in the affordable housing segment and broaden the conglomerate's portfolio of property development offerings. Since then, PRO-FRIENDS has continued nurturing key residential communities for families in the affordable segment in the provinces of Cavite and Iloilo.

PRO • FRIENDS

Actual drone shot of Lancaster New City in Cavite

ALFRED V. TY
Chairman - Property Company of Friends, Inc.

GUILLERMO C. CHOA
President - Property Company of Friends, Inc.

The company's flagship project is Lancaster New City, a 1,600-hectare master-planned community that spans Kawit, Imus, and General Trias in Cavite. The township is home to over 44,000 residents enjoying a complete community experience through the St. Edward Integrated School system, the Parish of the Holy Family, community centers, and a transport hub. Lancaster New City also benefits from key infrastructure developments such as the Manila - Cavite Expressway (CAVITEX) and the Cavite - Laguna Expressway (CALAX), which is expected to be operational by 2020. Lancaster New City marked its 10th anniversary in 2017 with the staging of an original musical entitled "Decade of Dreams", highlighting the experiences and benefits of the families residing in the township.

Meanwhile, residential projects of PRO-FRIENDS in Iloilo include the 61-hectare Monticello Villas and the 50-hectare Parc Regency Residences, the first and only subdivision in Iloilo with a linear park – an open space for the recreational use of residents, which is ideal for neighborhood gatherings and outdoor activities. Both communities are strategically located in the town of Pavia, which is accessible to the city, the Iloilo airport, local schools, and commercial establishments.

To fully serve its communities, PRO-FRIENDS also began developing its own commercial centers. Lancaster New City hosts the PEZA-accredited Suntech iPark, Cavite's very first IT park, and Downtown Lancaster, a 25-hectare mixed-use lifestyle complex with retail and service establishments, such as McDonald's, SM Appliance Center, Watsons, and Philippine Savings Bank (PSBank), among others.

As a major player in affordable housing, PRO-FRIENDS sustains its growth and continues to contribute to GT Capital's overall property portfolio, which now offers both upper-mid to high-end vertical projects courtesy of Federal Land and affordable horizontal developments through PRO-FRIENDS.

Component Company Highlights

Consolidated Property Financial Highlights

2.1 Billion Php
Net Income

18.2 Billion Php
Total Revenues

15.4 Billion Php
Real Estate Sales

115.7 Billion Php
Total Assets

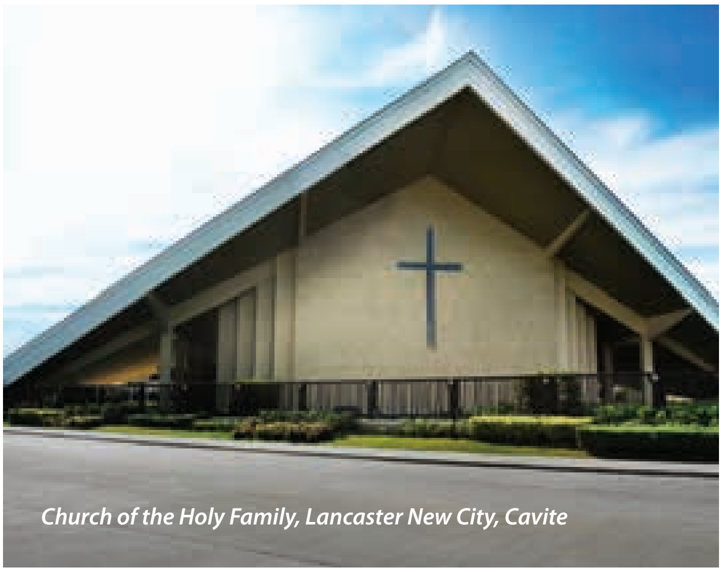
59.8 Billion Php
Total Equity Attributable to Equity Holders

0.6x
Debt-to-Equity Ratio

OVER **2,000**
Hectares of Landbank


The Square at Lancaster New City, Cavite


Leighton Hall at Lancaster New City, Cavite


Church of the Holy Family, Lancaster New City, Cavite


Pro-Friends Model Home


Suntech i-Park at Lancaster New City, Cavite


PRO-FRIENDS Model Homes

Component Company Highlights

+377%

CONSOLIDATED NET INCOME GROWTH

In 2017, AXA Philippines initiated its first-ever global brand campaign, which was simultaneously launched in seven other countries. The campaign saw the global brand's strategy evolving into one that empowers its customers to live a better life through prevention, protection, and care.

SOLOMON S. CUA
Chairman - AXA Philippines

RAHUL HORA
President - AXA Philippines

At the center of this global campaign is the new, refreshed AXA Philippines brand, and the tagline "Live the life you choose," a call to action aimed at engaging AXA's audience and assuring them that AXA Philippines is present to empower them so they can overcome challenges and take charge of their lives.

In the Philippines, the new AXA brand was communicated through local stories of challenge and resilience. AXA Philippines chose some of the most compelling and relevant claims stories of real-life AXA customers and shared these on video. This initiative created a unifying message of empowerment that connected with the global brand campaign.

This new global branding initiative set the stage for another productive and fruitful year for AXA Philippines. New business from the life insurance segment of AXA Philippines, stated in Annualized Premium Equivalent (APE), grew by a hefty 27% to Php6.3 billion in 2017 from Php5.0 billion the previous year. This increase was fueled by a 29% growth in Regular Premium and a 20% growth in Single Premium products.

The insurance company's consolidated life and non-life net income amounted to Php2.5 billion. Standalone net income from life insurance grew by a robust 42% to Php2.4 billion in 2017 from Php1.7 billion during the previous year.

AXA Philippines sustained its expansion efforts in 2017, opening three branches in strategic locations nationwide. The new AXA Laoag branch was inaugurated on February 24, followed shortly by the new AXA Cebu branch, which was inaugurated on March 27. In Metro Manila, AXA Philippines launched its new Eastwood, Quezon City branch on May 30.

The three new offices bring AXA's network to 39 branches, housing more than 3,000 exclusive financial advisors. AXA's Advisory Corners can now be seen in all Metrobank and PSBank branches nationwide.

Complementing the expansion of AXA Philippines' branch network is the enhancement of the company's product portfolio. AXA Philippines launched during the year three new products, namely MyAmbition, RetireSmart, and SmartTraveller.

Component Company Highlights

MyAmbition is an instrument that allows customers to start investing for as low as Php50,000, which is grown through professionally-managed funds. RetireSmart, on the other hand, is an investment-linked pay product that gradually builds customers' future retirement funds with easy payment schemes. A portion of the premium is allocated to funds designed to grow the customer's investment. Moreover, RetireSmart has life insurance coverage.

SmartTraveller is designed for international travel with the Philippines as country of origin. The policy can be purchased up to six months in advance or even six hours before the customer's trip.

Aside from these innovative products, AXA Philippines established new strategic partnerships in 2017. For instance, AXA Philippines signed a long-term partnership to become the official insurance partner of the NBA in the Philippines. The partnership was launched at the NBA Store in Glorietta with Brooke Lopez of the Los Angeles Lakers and NBA executives as special guests.

The company also entered into an agreement with real estate services provider Pronove Tai as AXA's tenant representative. The partnership is aimed at securing AXA Philippines' physical branches and office spaces to further expand operations nationwide.

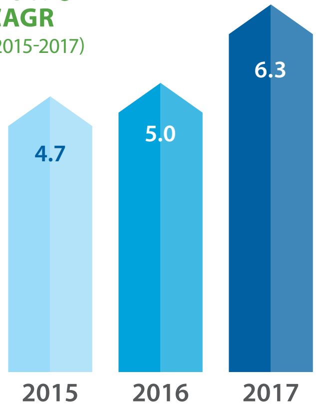
AXA Philippines also established a partnership with eCompareMo.com, the country's leading comparison portal that caters to Filipinos looking for quick, secure, and complete banking and insurance information in the Philippines. AXA Philippines partnered with eCompareMo.com for the latter to sell MyAmbition and SmartTraveller directly on their website.

To cap off a very fruitful year, AXA was recognized by the leading brand consultancy firm Interbrand as the number one global insurance brand for the ninth consecutive year. AXA Philippines also won three citations at the 15th Philippine Quill Awards. AXA Human Resources' Stellar bagged an award of excellence while MyAXA and Social Media Selling took home awards of merit.

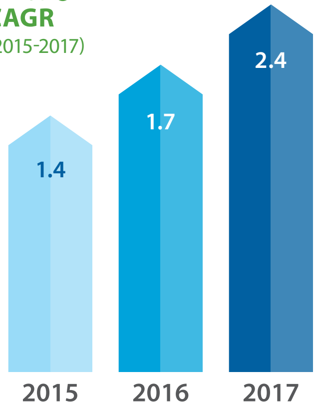
Highlighting another remarkable performance milestone in 2017, AXA Philippines held the number two position in terms of total premiums among life insurance providers in the country, as ranked and disclosed by the Philippine Insurance Commission. AXA Philippines' total premiums grew twice faster than the total market, at 22% versus 11%, and at least four times faster than the average growth of the other top insurance companies. Similarly for AXA Philippines' non-life insurance business, Charter Ping An remained in the top five, growing twice faster than the total industry in terms of Gross Written Premium, at 16% against 8%.

The year 2017 was truly characterized by significant steps to enhance the AXA brand and expand partnerships, the branch network, and the company's product portfolio. While these initiatives already reflected positively on AXA Philippines' financial performance for 2017, the company aims to sustain this growth momentum by continuing to do what it does best: empower its customers to live the life they choose.

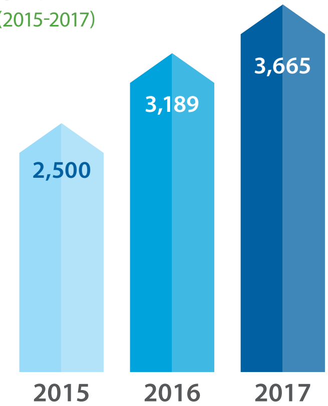
ANNUALIZED PREMIUM EQUIVALENT
(in Billion Php)
16% CAGR
(2015-2017)



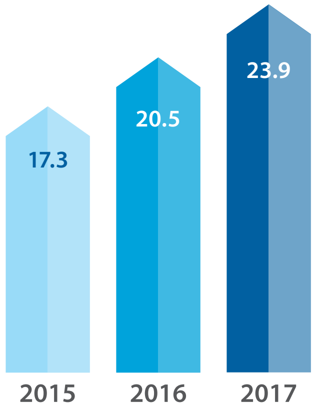
NET INCOME - LIFE INSURANCE
(in Billion Php)
31% CAGR
(2015-2017)



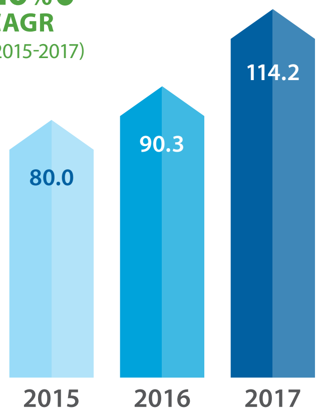
EXCLUSIVE FINANCIAL ADVISORS
21% CAGR
(2015-2017)



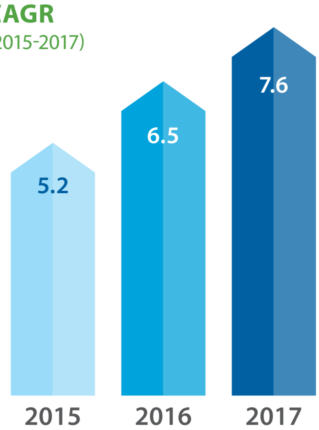
PREMIUM MARGIN
(%)



TOTAL ASSETS - LIFE INSURANCE
(in Billion Php)
20% CAGR
(2015-2017)



TOTAL EQUITY
(in Billion Php)
21% CAGR
(2015-2017)



Visit of AXA Global CEO Thomas Buberl to AXA Philippines Headquarters

Component Company Highlights

+17%

CORE NET INCOME

Metro Pacific Investments Corporation (MPIC) is a publicly-listed investment and management company, whose business is focused on infrastructure, with holdings in Manila Electric Company (Meralco), Maynilad Water Services, Inc., MetroPac Water Investments Corporation, Metro Pacific Tollways Corporation (MPTC), Metro Pacific Hospital Holdings Inc., Light Rail Manila Corporation, and MetroPac Movers Inc.

METRO PACIFIC INVESTMENTS

MANUEL V. PANGILINAN
Chairman - Metro Pacific Investments Corporation

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

In May of 2016, GT Capital acquired a 15.6% stake in MPIC worth Php29.89 billion, making GT Capital the second-largest investor in MPIC and creating a strategic alliance between two forward-looking conglomerates.

In 2017, MPIC was able to sustain the growth momentum it has built in recent years, posting a record increase in its core net income in its first full year as a GT Capital strategic partner. MPIC's core income grew by a record 17% on the back of increased investment growth, ending the year with Php14.1 billion from Php12.1 billion in 2016.

The hike in core income was driven by an expanded power portfolio through increased investments in MERALCO and Global Business Power Corporation, robust traffic growth on all toll roads, and the continuing growth in the hospitals business.

MPIC's power business, which covers generation and distribution, accounted for Php9.4 billion or 52% of the company's core net income, an increase of 30% over the previous year.

The toll roads business--through Metro Pacific Tollways Corporation (MPTC)--contributed Php3.9 billion or 22% of the total net operating income of MPIC. This is a significant increase of 11% from the previous year's contribution of Php3.5 billion. The hike in the toll roads business core income was fueled by strong traffic growth on all roads complemented by a favorable vehicle mix.

MPIC's water business, which covers distribution, production, and sewerage treatment, accounted for Php3.7 billion or 21% of the total core net income of the company. The water business saw its contribution grow by 5% on the back of higher billed volume and tighter controls in operating expenses.

MPIC's water business is comprised of investments in Maynilad, the biggest water utility in the Philippines, and MetroPac Water Investments Corporation, MPIC's unit that focuses on business development outside Metro Manila.

Component Company Highlights

The Hospital Group pitched in Php685 million, or 4% of the total MPIC core net income, up by 16% from the previous year's Php589 million. The increase in contribution from this business segment was driven by organic growth and the continuing expansion of the business which saw MPIC acquiring four new hospitals in 2016-2017.

The rail business contributed Php283 million to MPIC's core net income for 2017. This is 4% higher than the previous year's contribution of Php273 million. This was largely driven by 6% growth in average daily ridership, higher advertising income, and lower repairs and maintenance expenses.

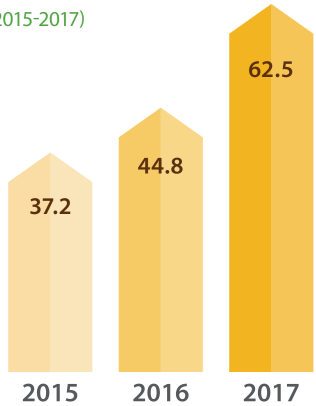
The company's earnings growth reflects significant volume increases for all its businesses, supported by years of high investment together with the continuing emphasis on operational efficiencies. The overwhelming demand for MPIC's services, against the backdrop of continuing economic growth, forms the basis for the company's outlook for 2018.

Toll gates at North Luzon Expressway

Maynilad Water treatment facility

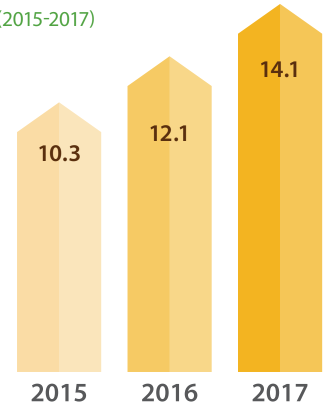
OPERATING REVENUES
(in Billion Php)

30% ▲
CAGR
(2015-2017)



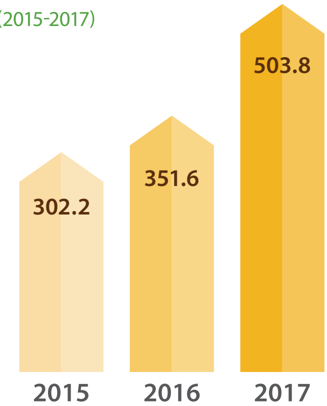
CORE INCOME
(in Billion Php)

17% ▲
CAGR
(2015-2017)



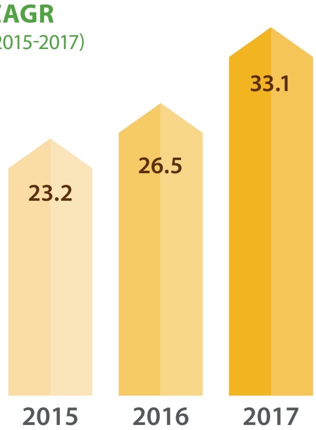
TOTAL ASSETS
(in Billion Php)

29% ▲
CAGR
(2015-2017)



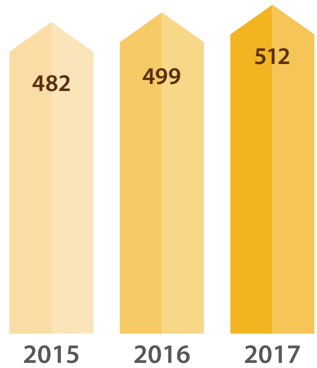
GROSS PROFIT
(in Billion Php)

19% ▲
CAGR
(2015-2017)



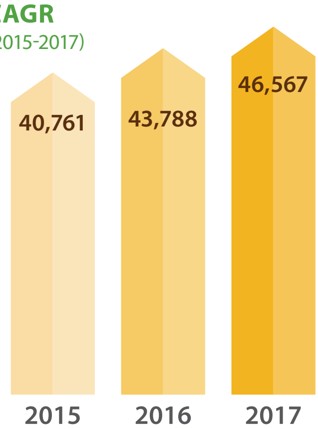
WATER - BILLED VOLUME
(in million cubic meters)

3% ▲
CAGR
(2015-2017)



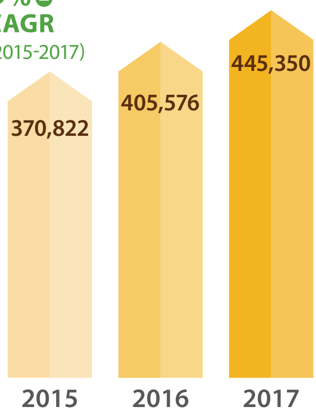
POWER - ENERGY SALES
(in GWh)

7% ▲
CAGR
(2015-2017)



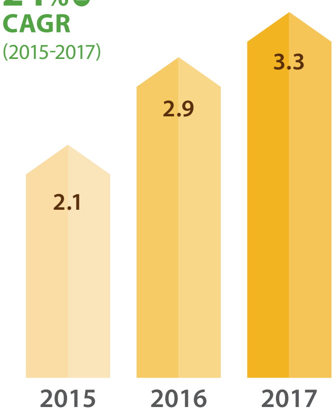
TOLL ROADS - AVERAGE DAILY VEHICLE ENTRIES
(Philippines)

9% ▲
CAGR
(2015-2017)



HOSPITALS - NUMBER OF PATIENTS SERVED
(in Millions)

24% ▲
CAGR
(2015-2017)



Component Company Highlights

For Metrobank Group Chairman Dr. George S.K. Ty, business is not just about reaching the pinnacle of success—ultimately, it is about helping other people achieve their dreams. This is why the Metrobank Foundation, Inc. (MBFI), for 39 years now, has been at the forefront of nation-building through a wide range of corporate social responsibility (CSR) programs in key sectors such as education, visual arts, and health care, as well as fostering dynamic social development partnerships.

Metrobank
Foundation, Inc.

Metrobank Foundation's Outstanding Filipinos Awarding Ceremony

DR. GEORGE S.K. TY
Chairman - Metrobank Foundation, Inc.

ANICETO M. SOBREPEÑA
President - Metrobank Foundation, Inc.

In 2017, the Foundation continued to implement programs that strengthen the Filipino spirit and improve the well-being of our society.

2017 METROBANK FOUNDATION OUTSTANDING FILIPINOS

Foremost among these is the annual search for the Metrobank Foundation Outstanding Filipinos. Guided by the theme "Beyond Excellence," the program recognized ten ordinary individuals with extraordinary accomplishments, rendering service above and beyond the call of duty and making a lasting positive impact on communities.

Among these awardees is "Basilan's Soldier-Trailblazer," Lt. Col. Elmer Suderio. As commander of the 3rd Scout Ranger Battalion, he led a series of successful combat operations against the Abu Sayyaf Group. He also worked to provide alternative livelihood opportunities for Moro National Liberation Front (MNLF) returnees after the organization signed a peace treaty with the government in 1998.

Another recipient, Dr. Alonzo Gabriel, dubbed as "Diliman's Food Security Advocate," led the establishment of the country's only Laboratory of Food Microbiology and Hygiene based in the University of the Philippines College of Home Economics. Outside the university, Dr. Gabriel was one of three technical writers, convened by the Department of Agriculture and the United States Food and Drug Administration, who authored the Philippine National Food Defense Standard in 2011.

For his part, awardee PSSupt. Joel Doria, City Director of the Cebu City Police Office, initiated the anti-criminality campaign known as Project POKEMON. It has resulted in the arrest of more than 1,700 criminals, including big-time drug traders. Huge amounts of contraband worth more than Php80.0 million were also confiscated.

Component Company Highlights

Metrobank Art and Design Excellence (MADE)

Metrobank Math Challenge (MMC)

Metrobank Foundation Scholarship Program Graduates

METROBANK ART & DESIGN EXCELLENCE

The Foundation has also long provided a platform for up-and-coming artists to springboard their work into greater creative fronts. The Metrobank Art & Design Excellence (MADE) helped launch the careers of many of the country's most admired contemporary artists and sculptors, including Elmer Borlongan, Mark Justiniani, and Salvador "Buddy" Ching.

The tradition of celebrating Filipino artistry and creativity continued this year as the Foundation recognized the work of five budding visual artists in awarding ceremonies held at the Le Pavillon, Metropolitan Park in Pasay City. This year's theme, "IMAGINE," challenged Filipino painters and sculptors to root their creative works on the very seedbed of their artistic genius—the human imagination.

In 2017, the Foundation also launched a cultural and heritage education program, with its primary thrust on built environment and built heritage, with secondary concentrations on selected fine arts and intangible cultural heritage. Supported activities include lectures, workshops, conferences, talks, and grant-giving.

MBFI EDUCATION PROGRAMS

Dr. Ty believes that funding education is not merely charity, but an investment in the nation's future. As such, the Foundation has continued to bank on its education programs, namely the Metrobank Math Challenge (MMC), the Metrobank Scholarship Program (MSP), the National Teachers' Month (NTM), and Professorial Lectures in various fields.

The most widely-participated math competition in the country among elementary and high school students, MMC attracted 572,916 students to the nationwide elimination rounds in 2017. Out of this number, 44 students representing 29 public and private schools advanced to the final leg of the competition. National winners received trophies, medals, and cash incentives, part of which allowed them to open a special savings account with the Metrobank Fun Savers Club.

The Foundation also continued to support the education of financially-challenged but academically outstanding students through the various scholarship programs it manages. This year, 91 scholars from 21 universities and colleges across the country finished their undergraduate degrees. This was the biggest batch of graduates for the Foundation so far. Of this number, 23 graduated with Latin honors.

Among the year's standout graduates was Ronald Gil Bilang (BS Petroleum Engineering, Palawan State University). He did not allow the financial losses suffered by his family during the 2013 Zamboanga Siege affect his desire to finish his studies while serving others. A Youth Ambassador for Japan's JENESYS Program, he also worked with the Department of Health to set up a medicinal garden for fire victims and conduct seminars on the preparation of herbal medicine. Ronald envisions himself contributing to the promotion of renewable energy in the country.

Good education would, however, remain far-fetched if not for the school's greatest asset, teachers. Remove them from schools and the significance, impact, and worth of education would be gone. This appreciation for their crucial, yet often overlooked role is at the heart of the National Teachers' Month (NTM) movement, led by MBFI and the Department of Education. In 2017, even more organizations have joined the NTM celebrations which ran from September 5 to October 5, offering treats, discounts, and freebies to educators.

Consistent with its commitment to strengthen the pillars of democracy in the country, the Metrobank Foundation Professorial Chairs program welcomed distinguished personalities to its roster of chairholders

Component Company Highlights

Metrobank Foundation winning Gold and Silver Anvils at the 52nd Anvil Awards

Metrobank Foundation Anniversary Grants Turnover this year. Among them is Philippine Judicial Academy Vice Chancellor Ret. Justice Romeo Callejo, Sr., 2017 Metrobank Professorial Chairholder in Ethics. He delivered a talk on the issue of judicial accountability and disciplinary action at the Supreme Court En Banc Session Hall.

HEALING THE NATION THROUGH GRANTS

Through its Grants Program, the Foundation continues to forge more partnerships with like-minded organizations that share in the mission of raising the quality of life for underserved sectors in society. MBFI's priority thrusts are captured by the acronym HEAL—health, education, arts, and livelihood—which, along with the United Nations' Sustainable Development Goals (SDGs), serve as the guiding framework for the organization's activities towards nation-building.

For 2017, 315,022 individuals benefitted from the various initiatives by the Foundation and its partners. Going into 2018, additional projects supported by MBFI would include providing handwashing facilities in schools, building classrooms for Indigenous Peoples, restoring the Manila Metropolitan Theater, and training coffee farmers valuable livelihood skills.

Together with GT Foundation, Inc. (GTFI), the Ty family foundation, MBFI also distributed Php10.0 million worth of food items to welcome the Year of the Fire Rooster through the annual Bags of Blessing project. Benefitting 10,000 underprivileged families in 18 cities and municipalities nationwide, this series of gift-giving activities during the Chinese New Year helps carry out the Metrobank Group and GT Capital's tradition of sharing.

METROBANK FOUNDATION AS THE RECIPIENT OF AWARDS

A validation of its choice of activities, the Foundation took home seven trophies at the 52nd Anvil Awards organized by the Public Relations Society of the Philippines. Among these were three Gold Anvils and four Silver Anvils. These awards add to the number of honors received by the Foundation. To date, it has won 71 Anvil Awards for its various programs and public relations tools.

Coming from a fruitful year in 2017, the Metrobank Foundation remains committed to a leadership role among corporate philanthropic organizations. The coming years will see the Foundation making meaningful contributions to Philippine social development and giving back to the community.

Corporate Social Responsibility

GT Foundation, Inc.

ABOUT GTFI

Since its inception in 2009, the GT Foundation, Inc. (GTFI) has pursued the philanthropic initiatives of Dr. George S.K. Ty and his family. It has done so by investing in strategic development programs that empower communities, primarily in the areas of education, health, and calamity assistance. In 2017, GTFI continued to support interventions that contribute towards sustainable progress of the Philippines.

Bags of Blessing 2017

BAGS OF BLESSING

GTFI, in partnership with the Metrobank Foundation Inc. (MBFI), held the annual Bags of Blessing (BOB) project. Ushering in the Chinese New Year through the spirit of giving, Php10.0 million worth of food packages were distributed to 10,000 families in 18 cities and provinces nationwide.

A brainchild of Metrobank Group founder and chairman Dr. George S.K Ty, BOB is a series of nationwide gift-giving activities held to welcome the lunar new year. Instead of "ang-paos"—red envelopes containing monetary gifts—bags containing assorted food items are distributed to underprivileged families. In support of the government's anti-poverty programs, beneficiaries were selected from the Listahanan, a database of poor families in the Philippines managed by the Department of Social Welfare and Development.

Over 1,800 volunteer-employees from subsidiaries of GT Capital Holdings, Inc. and the Metrobank Group assisted in the nationwide activities. The Armed Forces of the Philippines and the Philippine National Police also served as partners, providing logistical support and security, respectively.

In acknowledgement of these efforts, the 2017 Bags of Blessing received a Silver Award in the 52nd Anvil Awards as well as a Merit Award during the Philippine Quill Awards.

LEGACY PROJECT: DR. GEORGE S.K. TY LEARNING INNOVATION WING

GTFI and the Ateneo de Manila University held the inaugural blessing of the George S.K. Ty Learning Innovation Wing last September 12, 2017 in Quezon City. One of two major buildings in the Ateneo's iconic hub, The Areté, the George S.K. Ty Learning Innovation Wing was made possible through a donation from the Ty family foundation.


Opening of the George S.K. Ty Learning Innovation Wing of the Arete at the Ateneo de Manila University


GT Foundation Scholars at the Toyota Motor Philippines School of Technology

Consistent with the passion of Dr. Ty for championing quality education, the three-floor academic wing houses non-traditional classrooms and laboratories, creative spaces, performing arts studios, as well as the Ateneo-Cordon Bleu Culinary Institute. It will be a multi-disciplinary learning environment that will serve as a venue to address the needs and concerns of the 21st century such as poverty, disaster risk reduction, peace, and urban congestion, among others.

The Areté, Greek for excellence, goodness, and virtue, is the Ateneo's iconic creativity complex, envisioned as a center for cultivating the spirit of creativity and innovation among students.

SOCIAL INVESTMENT: TECHNICAL VOCATIONAL EDUCATION TRAINING

The GTFI Scholarships for Technical Vocational Education Program (STEP) recognizes technical vocational education training as an effective tool in poverty reduction as it equips young people not only with vocational skills, but also a broad range of knowledge and attitudes that are now recognized as indispensable for meaningful participation in work and life.

GTFI continued to strengthen STEP with the addition of 80 scholarship slots in 2017. With its three partner institutions—Dualtech, Don Bosco, and Toyota Motor Philippines School of Technology—261 students have benefitted from STEP. In 2017, 24 scholars graduated and are now gainfully employed, while 100 scholars are expected to complete their training in 2018.

In line with its firm and continuous commitment to contribute to quality education in the country, a grant facility to improve technical vocational education training facilities was also established. Fr. Pierre Tritz Institute – ERDA Tech was granted Php5.0 million for the construction of the Industrial Electricity room in their new Tanauan, Batangas campus, expected to be completed by 2019.

HEALTH: SURGICAL MISSIONS

In partnership with the Manila Doctors Hospital (MDH), GTFI was able to further its cause in the area of health. In 2017, the Foundation supported a medical surgical mission in the Cordilleras and La Union which benefitted 15 patients with complex otorhinology cases and 109 patients with dermatological issues.

Two new in-house surgical programs were also initiated in 2017 through MDH—PATH and GREAT Health. Under PATH or Pain Alleviation through Treatment of Hernia, MDH doctors performed surgery on patients with hernia. On the other hand, GREAT HEALTH or Gallstone Removal for Eliminating Adverse Threats to Health saw surgeons removing the gallstones of patients unable to afford the cost of such an operation.

Continuing its partnership with Cure Philippines Inc., GTFI supported surgical procedures and the rehabilitation of ten children suffering from repairable diseases such as clubfoot and cleft lip and palate.

HELPING HANDS MARAWI

In response to the crisis in Marawi, GTFI provided Php2.0 million in assistance to families of soldiers killed in action. The amount also went towards the distribution of care packs to 5,000 uniformed personnel in the cities of Iligan and Cagayan de Oro from 18-21 June 2017. These efforts were facilitated through Go Negosyo Kapatid for Marawi under the leadership of the Office of the Presidential Adviser, Mr. Joey Concepcion.

Working with the Office of President Rodrigo Duterte, the Foundation also provided close to Php10.0 million worth of groceries in support of soldiers and police officers who fought during the Marawi siege.

Corporate Social Responsibility

GT Capital Nourishment Program at Our Lady Queen of Peace Parish in Cavite

Toyota Motor Philippines Lakbay Aral 2017

GT CAPITAL HOLDINGS INCORPORATED

GT CAPITAL HOLDINGS, INC.

Nourishment Program for Children

In 2017, GT Capital continued its mission to supplement the nutritional needs of children at Our Lady Queen of Peace Parish in Espeleta, Bacoor, Cavite. What began as a one-time event to provide kids with fun and games during Christmas in 2016 has expanded into a weekly program that nourishes underprivileged children both physically and spiritually. Along with contributions from its employees, GT Capital donated Php280,000 for the program. Through this aid, parish workers and youth ministers ran a weekly feeding and catechism program that taught kids not only the value of healthy eating but also important Catholic values such as generosity, humility, and faith amidst adversity.

Children aged two to 12 years old were served with healthy and nutritious food. By exposing these kids early to healthy food, GT Capital volunteers hope they continue to fortify their health as they grow up. In addition, GT Capital management and staff visited the parish quarterly, participating in actual food preparation and distribution, as well as bringing gifts such as shoes, food packs, and school supplies to the 130 indigent children served by the program.

TOYOTA

TOYOTA MOTOR PHILIPPINES FOUNDATION

The Toyota Motor Philippines Foundation (TMPF) was founded in order to serve as the partner of Toyota Motor Philippines Corporation (TMP) in the latter's corporate social responsibility (CSR) initiatives, particularly in the areas of health, education, the environment, and community service. 2017 was another eventful year for TMPF as it sustained its community work throughout the period.

Education and Health

In the field of education, TMPF continued to provide support to its adopted school, the Pulong Sta. Cruz Elementary School (PSCES) of Sta. Rosa, Laguna, through various projects and programs.

TMPF sponsored an educational tour dubbed *Lakbay Aral*, which brought selected PSCES students to various educational places in Manila. Some 45 students from grades 3 to 6 visited historic landmarks significant to national hero Jose Rizal's life, such as Fort Santiago and the Rizal Monument.

The students, who were accompanied by their class advisers, also went to the Museo Pambata where they were treated to live rondalla and dance performances as well as an arts and crafts display. Lakbay Aral is one of TMPF's initiatives that promotes experiential learning and cultivates the value of academic excellence among elementary students.

TMPF also cited the winners of the 9th "Quest for the Best" Quiz Bee held in PSCES. Some 28 top-performing students from grades 3 to 6 participated in the quiz competition which covered the subject areas of science, English, math, Filipino, and history. Four students emerged as champions in their respective grade levels.

Similarly, TMPF feted the school's top five graduates for school year 2016-2017.


TMP Foundation Quest for the Best Quiz Bee

All-Toyota Green Wave Project

TMPF also supported the health and wellness of PSCES' teachers through the sponsorship of the faculty's annual physical examination for 2017. Around 90 faculty members underwent a comprehensive check-up and free laboratory services such as blood and urine tests, chest x-ray, and electrocardiogram (ECG) tests. Female teachers and staffers were also given free mammography screening.

Since 1998, TMPF has been continuously supporting PSCES in the holistic development of the school's students and teachers, and this is done through various academic and health and wellness programs. TMPF also supports the school's facility maintenance through the *Brigada Eskwela* project and organizes feeding programs for students.

Also during the year, TMPF sponsored a whole-day seminar on Breast Cancer Awareness in partnership with Breast Cancer Imperative, Inc. and Gift2Life, Inc. During the seminar, free mammography screening was offered to the female faculty and staff of PSCES and the Pulong Sta. Cruz National High School.

Environment

Through the years, the global Toyota brand has always ensured that its business activities include initiatives for the protection of the environment. In fact, every year for the past 44 years, Toyota has been celebrating Toyota Environment Month in June, rallying employees to take action in their communities by organizing and participating in activities related to environmental awareness and conservation.

For its part, TMP launched the 2017 Eco Fair here in the Philippines as part of the month-long global celebration. The exhibit highlights TMP's environmental initiatives in its value chain, as aligned with the Toyota Environmental Challenge (TEC) 2050.

The TEC 2050 serves as Toyota's guide in achieving zero environmental impact in all aspects of its operations. After the mother company Toyota Motor Corporation globally launched it in 2015, TMP took on the challenge of further minimizing its carbon footprint by reducing emissions in its own operations and spreading awareness of creating a society in harmony with nature.

The week-long Eco Fair showcased TMP's conscious efforts in reducing carbon dioxide emissions and minimizing and optimizing water usage in business operations. TMP employees, representatives from suppliers and dealers, as well as students from the Santa Rosa community, were taken on a tour of plant facilities which highlighted TMP's environmental best practices.

TMP also conducted a series of tree-planting activities under the All Toyota Green Wave Project, a global environmental initiative of Toyota, which aims to help preserve and sustain the Earth's ecosystems for future generations. As part of the program, Toyota affiliates worldwide aim to plant 11 million trees.

In the Philippines, the Green Wave Project was launched with a tree-planting activity inside the 82-hectare Toyota Special Economic Zone. This was participated in by TMP team members, supplier representatives, and Grade 6 students from PSCES, all of whom helped in planting a total of 150 saplings.

In turn, at TMP's 10-hectare adopted forest inside the University of the Philippines Los Baños Makiling Botanic Gardens, members of TMP's dealer network planted 150


All-Toyota Green Wave Project tree planting activity


Federal Land M.O.V.E. initiative with Gawad Kalinga

saplings, while scholars from Toyota Motor Philippines School of Technology (TMP Tech) planted 200 more on another occasion.

Toyota will continue to strengthen the Green Wave Project in the Philippines by proactively engaging members of its value chain and its adopted communities to take part in more tree-planting activities.

Also in 2017, TMP presented its environmental programs to the delegates of the 3rd ASEAN Foundation Model ASEAN Meeting (AFMAM) 2017 during their tour at TMP's principal office in Santa Rosa City, Laguna. The visit was part of AFMAM's six-day program with the theme, *Anticipating Environmental Displacement of People in ASEAN due to Global Climate Change.*

Representatives from the ASEAN Foundation, League of Corporate Foundations (LCF), and 19 youth delegates from Vietnam, Cambodia, Brunei, Indonesia and the Philippines had an Eco-Tour inside TMP's facilities to know more about the company's environmental efforts. To commemorate the representatives' visit, a ceremonial tree-planting activity was held inside TMP's 10-hectare Toyota Forest.

Another important initiative of the TMPF in 2017 was the donation of a fire truck to Barangay Pulong Sta. Cruz in the city of Santa Rosa, Laguna. Through this donation, Toyota further strengthened the barangay's capability to respond to fire incidents in the community. This is on top of TMPF's assistance in controlling fires in the area by deploying TMP's fleet of fire trucks when needed.

FEDERAL LAND

Federal Land has always been committed to helping uplift the lives of Filipinos not only through its property projects but also through its continuous support of humanitarian activities for communities.

One such show of support was the company's co-sponsorship of a benefit concert for wartorn Marawi City, organized by the city of San Juan which featured some of the most legendary music icons in the country.

Dubbed *San Juan Para sa Marawi*, the concert featured Basil Valdez, Celeste Legaspi, and the Company, with Maestro Ryan Cayabyab, and was attended by hundreds of San Juan residents as well as friends of the city who readily shared their blessings and expressed their support.

Federal Land's heart for community involvement continues to be felt in activities such as the company's ongoing *Make Our Volunteerism Enrich (M.O.V.E.) Lives* initiative, Federal Land employees from different departments helped in seeing through the completion and turnover of 26 new homes for underprivileged families living in Pililla, Rizal as well as 60 new homes for indigent families in Las Piñas City, Calbayog City in Samar, and Del Carmen, Siargao in Surigao del Norte. This initiative was also in line with Federal Land's ongoing partnership with Gawad Kalinga. With this latest

Go Green Lancaster Tree Planting Campaign

PRO-FRIENDS participation in Gawad Kalinga's Bayani Challenge 2017

development, Federal Land has built 346 homes since partnering with GK in 2013.

More houses are being developed as Federal Land strives to meet its target of accomplishing a total of 100 houses in 2018.

PRO-FRIENDS

Creating communities, transforming lives has always been PRO-FRIENDS' mission since its inception. In this regard, the company has pursued corporate social responsibility efforts that aim to achieve this objective of creation and transformation.

While in the past couple of years, PRO-FRIENDS focused on helping the elderly and children with special needs; in 2017, PRO-FRIENDS' CSR initiatives were a balanced mix of programs and projects.

For instance, the property company's tree-planting initiatives, which PRO-FRIENDS has been conducting through the years in Lancaster New City, went into full gear in 2017 with the launch of *Go Green Lancaster*. The tree-planting campaign aims to continue and even strengthen what Lancaster New City has been doing in previous years. During the campaign's launch, 50 volunteers planted over 400 seedlings in specific areas of the township.

Since September 2013, 18,352 trees have been planted within the 1,600-hectare community. It has become home to 59 species of trees, 27 of which are native to the Philippines.

Another important project of PRO-FRIENDS in 2017 was its series of CSR caravans held in selected areas in the countryside. One such caravan was held in Iloilo City, stopping at the Tigum Elementary School where volunteers helped in teaching young students basic hygiene and distributed school supplies, hygiene kits, and goodie bags. The children of Tigum, around 135 in all, were also treated to a magic show sponsored by PRO-FRIENDS Iloilo.

A similar activity was held in Laguna, particularly in Barangay Timbao, Biñan, Laguna, where children were taught the importance of proper hygiene and were given kits that contain a toothbrush, toothpaste, liquid hand soap, and a towel. The children were also treated to food and games during the program.

Another important volunteering activity that PRO-FRIENDS threw its full support to was the *Bayani Challenge 2017* of Gawad Kalinga (GK). The Bayani Challenge is GK's biggest annual nationwide volunteerism event. In 2017, PRO-FRIENDS employees joined thousands of other volunteers who took part in refurbishing school buildings, painting houses, participating in river clean-up drives and tree planting activities in various barangays in Pililia, Rizal. PRO-FRIENDS and GK have been working together since 2003 to extend help and transform communities. In 2017, the two CSR partners focused on helping rural areas, starting with 3,600 families in Iloilo.

Corporate Social Responsibility

AXA PHILIPPINES

Through the years, AXA Philippines' CSR efforts have covered a broad range of projects, from youth sports clinics to safety awareness and disaster preparedness.

The focal point of the company's CSR efforts, however, is its international volunteering program known as AXA Hearts in Action. In line with this, AXA Philippines partnered with seven organizations for its volunteering activities in 2017. These are: SOS Village Manila Center, the Make-a-Wish Foundation, Hands-on Manila, Tahanang Walang Hagdanan, Gawad Kalinga, Manila Doctors Hospital, and the National Bookstore Foundation.

During the year, the company launched the *2020 Better Lives Partnership* initiative to commemorate Corporate Responsibility Week. The initiative was launched in line with AXA Philippines' renewed purpose of empowering people to lead better lives.

Another important project of AXA Philippines in 2017 was a basketball clinic held in partnership with the University of Makati. The clinic was attended by kids from different barangays in Makati City.

Also in partnership with the University of Makati, with the added support of the Philippine Red Cross, AXA Philippines held a disaster preparedness training session and safety race. The activity was part of the company's overall Safety Awareness Campaign and was attended by around 50 students and teachers of the University of Makati.

In line with the company's Financial Literacy Program, AXA Philippines trained 55 teachers from the University of Makati Higher Education system (grades 11 and 12) and Geronimo Santiago Elementary School on the basics of financial literacy. The training focused on savings, debt, and financial planning. The training also introduced the participants to Praxis financial gamification, simulating scenarios often encountered by teachers. The project was done in partnership with the Metrobank Foundation.

METRO PACIFIC FOUNDATION, INC.

The CSR initiatives of Metro Pacific Investments Corporation (MPIC) are pursued through the Metro Pacific Investments Foundation (MPIF) and through its subsidiaries, all aiming to make a positive impact on the environment, contribute to the field of education, and empower people, particularly the marginalized in society.

In 2017, Shore It Up (SIU) reached a milestone with the celebration of its tenth year as the environmental

MPI Foundation Shore it Up Campaign

MPI Foundation Junior Environmental Scouts

advocacy arm of MPIF. In just a decade since it was established, SIU has leveled up from being a simple beach and underwater cleanup drive to pursuing several sustainable programs for the environment, such as mangrove and tree planting, giant clam rearrangement, artificial reef restoration, environmental awareness for school children through the Junior Environmental Scouts (JES), and livelihood projects for coastal villagers.

MPIF also gathered its various SIU partners at the First Pacific Leadership Academy in Antipolo City in what was billed as "Confluence," a meeting of minds towards further learning and better collaboration. It also gave local government units a platform to present their agenda and ideas for sustainable development.

In 2017, MPIF, through SIU, paid special focus on the inherent natural underwater resources in the province of Misamis Oriental by involving coastal barangays in an SIU weekend project in Duka Reef, the town's 30-hectare marine fishery reserve. It also involved an eco-tourism learning session and the inauguration of 200 JES.

MPIC subsidiary the NLEX Corporation, in turn, launched a new road safety initiative dubbed "See Clearly, Drive Safely: NLEX-SCTEX Eye Care Program." This activity is in partnership with the Cardinal Santos Medical Center and aims to provide free comprehensive eye check-ups to public transport drivers.

Maynilad continued with its clean water advocacies in 2017. The company aided 3,425 disaster survivor families through the provision of essential water and water-access solutions. Moreover, through its "Lingkod Eskwela" program, Maynilad installed 71 drink-wash facilities which benefitted 106,500 students.

One Meralco Foundation's school electrification program also continued in 2017, successfully electrifying its 200th school since the project's inception.

Light Rail Manila Corporation (LRMC) reinforced its community and environmental engagement through the Live for the Rivers Movement Coalition in an effort to revive, rehabilitate, and revitalize Estero de Tripa de Gallina – Manila's longest creek. LRMC installed 16 2x2 vetiver pontoons and dispersed more than 200 Mabuhay Balls along ETG to absorb water pollutants and break down toxins and food waste in the creek.

Corporate Governance Report

GT Capital Holdings, Inc. ("GT Capital" or the "Corporation", and together with its subsidiaries, the "Group") aspires to obtain a solid track record in corporate governance in the Philippines and in the ASEAN Region. In pursuit of its goal and in order to maintain the trust and respect of its stakeholders, GT Capital gives primary importance to its policies and practices that implement and imbibe the spirit of the principles outlined in the SEC Revised Code of Corporate Governance, the G20/OECD Principles of Corporate Governance, Association of Southeast Asian Nations ("ASEAN") Corporate Governance Scorecard, and the Philippine Stock Exchange, Inc. ("PSE") Corporate Governance Guidelines.

GT Capital's efforts and commitment to raise its level of corporate governance has 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.

2017 AWARDS AND RECOGNITIONS

***Finance Asia* Asia's Best Companies 2017**
One of the Philippines'
Best Managed Companies - 8th
Best Investor Relations - 7th
Most Committed to Corporate Governance - 9th

As part of its ongoing improvement in corporate governance, GT Capital initiated the following best practices in 2017:

1. Use of professional search firms when seeking candidates for the board of directors;
2. Members of the Nominations Committee to be all independent directors,
3. Performance assessment of the President by the board;
4. Meeting of non-executive directors;
5. Orientation program for new directors;
6. Improvement of website for better access to disclosures and other documents;
7. Implementation of the Data Privacy Act; and
8. Board agenda to include reports of committees with critical issues.

2017 COMPLIANCE

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

As a PLC, GT Capital recognizes 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 Securities and Exchange Commission ("SEC"), the Philippine Stock Exchange ("PSE"), and the Philippine Dealing and Exchange Corporation as well as ensures the posting of the same onto GT Capital's website: www.gtcapital.com.ph.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

Good corporate governance practices are expected in all levels of the organization. In order to ensure good corporate governance, GT Capital established the following policies as part of its corporate governance framework as it continues to cultivate a culture of compliance and governance that is inculcated within the Corporation.

Code of Ethics

The Code of Ethics 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 Manual on Corporate Governance ("CG Manual"), Whistleblowing Policy, Code of Discipline of Employees, and the Policies and Procedures Manual of each department. These documents have been distributed to and are 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, monitors and ensures compliance with the aforementioned policies and if necessary, imposes 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 and Anti-corruption Programs

The Code of Discipline ensures that employees of GT Capital conduct themselves in a manner befitting their respective positions in the Company by always keeping in mind and practicing the general principles of professionalism, high ethical standards, discipline, integrity, and honesty. The Code of Discipline has been distributed to all employees of GT Capital and is also available on GT Capital's website. Bribery and offering or accepting anything of value for personal gain in the conduct of official business is considered a serious offense with a penalty of dismissal under the Code of Discipline. The HR and Administration Department is responsible for monitoring and implementing the Code of Discipline. There have been no major violations since its adoption in 2013.

Whistleblowing Policy

GT Capital's Whistleblowing Policy was adopted to further strengthen GT Capital's Corporate Governance framework. It ensures that GT Capital maintains the highest standards of transparency, probity and accountability.

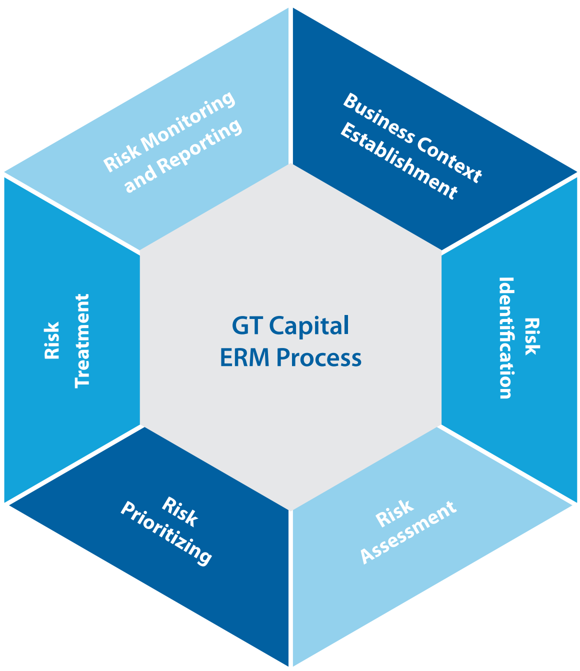
The Whistleblowing Policy strictly prohibits fraudulent practices and unethical conduct by any of its board members, officers and employees. It defines who is considered a whistleblower and the general guidelines and procedure to be followed if a whistleblower has a reasonable and good faith belief that GT Capital or any person connected with the Company has performed any act, or has failed to perform any act that is illegal, fraudulent and unethical. The Whistleblowing Policy provides for a confidentiality provision that strives to maintain the anonymity of the whistleblower without his or her explicit consent. It likewise provides for a non-retaliation policy which states that the Company may take disciplinary action against an officer or employee who has engaged in retaliatory 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 the company's exposure to financial losses, and strengthening of shareholders' 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 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.



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 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, monitoring, and establishment of next steps based on the key risks GT Capital faces.

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 and Senior Management, and are addressed accordingly.

Key Business Risks and Controls

In 2017, individual interviews and group workshops were conducted for the Annual ERM Reassessment. A total of 27 risks were identified, four of which were assessed as Key Risks using the agreed-upon Risk Ranking Criteria. Risk Treatment Action Plans were developed for each Key Risk. 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.

Market Risk
GT Capital component companies are engaged in various sectors namely banking, insurance, property development, automotive assembly and distribution, and infrastructure and utilities. GT Capital component companies may be adversely affected by market factors such as interest rates, foreign exchange rates, inflation, and other economic variables. Political policies and directions 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.

Regulatory Compliance Risk
GT Capital 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 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 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 monthly 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.

Other Risks
In addition to the four key risks above, there are 23 other risks which were identified by GT Capital management during the 2017 Enterprise Risk Management Annual Reassessment. Each risk has corresponding key risk indicators that are monitored on a quarterly 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 Risk Oversight Committee on a quarterly basis.

Policy on Conflicts of Interest

Under GT Capital's CG Manual, directors are required to conduct fair business transactions with the Corporation and ensure that his personal interest does not conflict with the interests of the Corporation. GT Capital's directors are thus prohibited from using their position to profit or gain benefits or advantages for themselves or their related interests, and are obliged to avoid situations which may compromise their impartiality. In instances when there is an actual or potential conflict of interest, the conflicted director is required to fully and immediately disclose such conflict of interest and abstain from participating in the Board discussion of that item on the agenda.

Policies on Insider Trading

Consistent with the Securities Regulation Code and other pertinent laws and issuances, GT Capital's policies ensures that its directors, officers, and employees keep secure and confidential all 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 and for up to two (2) full trading days after its disclosure to the investing public (the "Blackout Period"). 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 its principal stockholder (Grand Titan Capital Holdings, Inc.) to report any acquisition or disposal of GT Capital shares on the same day as 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 2017, 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 procurement policies of GT Capital ensure that risk exposure due to unreasonable and exorbitant spending is eliminated. 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 Bids and Awards Committee or the Executive Committee for extraordinary service engagements.

BOARD OF DIRECTORS AND MANAGEMENT

As the body responsible for fostering the long-term success of the Corporation and securing its sustained growth and competitiveness in a manner consistent with its fiduciary responsibility towards the Company and its stakeholders, GT Capital's Board sets the policies for the accomplishment of corporate objectives and provides an independent check on management. The Board is also primarily responsible for the governance of the Corporation and ensures that GT Capital is in compliance with the principles of good governance.

Board Composition

The Nominations Committee of GT Capital conducts an annual screening of GT Capital's Board and an annual election is conducted by GT Capital's stockholders. The Corporation availed of the Board Director Sourcing services of the Institute of Corporate Directors when searching for candidates for the Board.

As of December 31, 2017, three (3) members of GT Capital's Board are Independent Directors, meeting the required number of at least three (3) Independent Directors provided for under applicable rules and regulations of the SEC as well as the requirements of its CG Manual. GT Capital's CG Manual defines an Independent Director as a person who, apart from his fees and shareholdings, is independent of management and substantial shareholders. Additionally, Independent Directors are 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 publicly listed companies. The Company does not have directors, including Independent Directors, who serve on a total of more than five (5) boards of publicly listed companies.

The CG Manual requires the roles of the Chairman and the President to be separate, in order to foster an appropriate check and balance of powers, to increase accountability, and ensure the Board's capacity for decision-making separate and independent from Management. The Chairman of the Board ensures that meetings of the Board are in accordance with the By-Laws, supervises the preparation of the agenda, maintains qualitative and timely lines of communication between the Board and Management, listens to and addresses governance-related issues that may be raised by non-executive or Independent Directors and ensures that the Board exercises strong oversight over the Company and its Management. Arthur Vy Ty has served as Chairman of GT Capital since his election on May 11, 2016. Carmelo Maria Luza Bautista has served as President since GT Capital's listing in April 2012.

Duties and Responsibilities of the Board

The Board provides guidelines and insights on major investments and capital expenditures to ensure that the Company fulfills its corporate objectives in a manner consistent with its fiduciary responsibility to its stockholders and other stakeholders. It adopts a system of checks and balances and conducts a regular review of the effectiveness of the system to ensure the integrity of the decision-making and reporting processes at all times. The Board likewise ensures that its activities and decisions are within its authority under the Corporation's Amended Articles of Incorporation and By-Laws, and are in compliance with all applicable laws, regulations and business practices. The Board likewise formulates and implements policies and procedures to ensure the integrity and transparency of related party transactions between and among GT Capital and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors.

Board Attendance

The dates of the regular Board meetings of GT Capital are set before the beginning of the fiscal year. The quorum requirement for instances when important matters are to be discussed in 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, as far as practicable, the Board Secretariat ensures that two thirds (2/3) of all the directors are in attendance for each meeting. For the year 2017, the Board met six (6) times, the details of their attendance are provided below:

Name and Position	No. of Meetings Attended
George S.K. Ty *Group Chairman*	3/6 (50%)
Arthur Vy Ty *Chairman*	6/6 (100%)
Alfred Vy Ty *Co-Vice Chairman*	5/6 (83%)
Francisco C. Sebastian *Co-Vice Chairman*	6/6 (100%)
Carmelo Maria Luza Bautista *President and Director*	5/5 (100%)
David T. Go *Director*	6/6 (100%)
Roderico V. Puno *Director*	6/6 (100%)
Jaime Miguel G. Belmonte *Independent Director*	6/6 (100%)
Renato C. Valencia *Lead Independent Director; member as of May 10, 2017*	4/4 (100%)
Wilfredo A. Paras *Independent Director*	6/6 (100%)
Christopher P. Beshouri *Independent Director; no longer a member as of May 10, 2017*	2/2 (100%)
Peter B. Favila *Independent Director; no longer a member as of July 01, 2017*	2/4 (50%)

The non-executive directors of the company met separately at least once during the year without any executives present.

Director, Board, and Committee Self-Assessment

GT Capital adopted its Board, Committee and Individual Director's Self-Assessment Forms in order for the Corporation to annually evaluate the performance of its Board, Committee and individual directors and to assess the efficiency of its processes in relation to the Board and its committees. In addition, these forms aid the Corporation in identifying areas for improvement and determine the value and contribution of the Board and each individual director towards the growth and improvement of the Company.

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

Board Self-Assessment Criteria
• Enablers of Board and Committee Performance • Board Function • Board Practices • Executive Performance

Director Self-Assessment Criteria
• Foundational • Board and Committee Citizenship • Director Responsibilities • Vision, Goals and Strategies • Finances • Board Meetings • Overall Performance

Committee Self-Assessment Criteria
• Charter • Composition and Quality • Meetings • Duties and Responsibilities • Performance as a Member

The Self-Assessment forms are distributed to the directors, who accomplish and return the same within a set period of time. Some questions in the forms require a "yes" or "no" response, while others are answered based on a scale ranging from "strongly disagree" to "strongly agree". Directors also provide comments and suggestions to improve the Board's performance and provide their input on what areas they recommend GT Capital focus on in the following year. Results are tabulated by board secretariat and reported to the Board or the appropriate Committee.

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 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 and personal qualities. The Board rated the President on a scale of one (1) as the lowest to five (5) as the highest. A column was also provided for the Board's comments and suggestions, as well as a separate portion requesting input regarding the President's Development Needs.

Board Committees

The Board exercises authority over specific aspects of GT Capital's business through the various Board Committees. The Board Committees likewise aid the Board in complying with the principles of good corporate governance. Each Committee is governed by a Committee Charter under the Manual, which serves as a guide for each Committee in the performance of its functions. The CG Manual and Committee Charters are reviewed and amended annually to reflect corporate governance best practices adopted by the Corporation. The latest version of each Committee Charter may be downloaded from the GT Capital website.

Executive Committee

GT Capital's Executive Committee guides Management in the evaluation and discussion of the acts or courses of action to be taken prior to its endorsement to the Board, if required under the CG Manual and Amended By-Laws of GT Capital. The Executive Committee likewise exercises all the powers and authority of the Board when the Board is not in session or when it is impracticable to assemble the Board. The Executive shall report all its actions to the Board, which may be revised or altered, provided that no rights or acts of third parties shall be prejudiced.

Member	Position Held in Committee	Meetings Attended
Arthur Vy Ty	*Chairman (Non-executive Director)*	24/28
Alfred Vy Ty	*Vice-Chairman (Non-executive Director)*	21/28
Francisco C. Sebastian	*Member (Non-executive Director)*	25/28
Carmelo Maria Luza Bautista	*Member (Executive Director)*	28/28
Mary Vy Ty	*Adviser (Non-executive)*	25/28

Compensation Committee

The Compensation Committee is tasked to develop a policy on remuneration of directors and key officers of GT Capital and to ensure that their compensation 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)*	1/1
Alfred Vy Ty	*Member (Non-executive Director)*	1/1
Christopher P. Beshouri	*Member (Independent Director); no longer a member as of May 10, 2017*	1/1
Renato C. Valencia	*Member (Independent Director); member as of May 10, 2017*	0/0

Nominations Committee

The Nominations Committee is responsible for the evaluation of the qualifications, experience and areas of expertise of each individual nominated for election to the Board of GT Capital. The Nominations Committee is also tasked to ensure that a process is in place that identifies and develops highly qualified individuals to take on key Board and Board committee positions whenever vacancies occur. The Nominations Committee promotes a policy on diversity; and provided that all qualifications are met, ensures that in the nomination of candidates, no discrimination is made based on gender, age, ethnicity, nationality or background, whether social, cultural, political or religious.

In reviewing and evaluating the qualifications of candidates for nomination to the Board, the Nominations Committee considers the Corporation's vision, mission, corporate objectives, and strategic direction. The Nominations Committee also considers the skills and competencies of the currently serving directors, identifies the gaps in skills and searches for candidates to fill in these gaps. As a result, GT Capital's Board is comprised of individuals coming from various fields and with a wide range of experience in business, finance and law as well as expertise in the industries in which the GT Capital's component companies are involved in.

The Nominations Committee also reviews the qualifications of candidates for nomination to key positions in the Corporation which require appointment by the Board of Directors.

In order to fulfill its role, the Nominations Committee is guided primarily by the qualifications, disqualifications, and the policies contained in the CG Manual and its Charter, as well as applicable laws, rules and regulations. The Committee has the option to use an external search agency or external databases in identifying qualified candidates to the Board.

Member	Position Held in Committee	Meetings Attended
Renato C. Valencia	*Chairman (Independent Director); member as of May 10, 2017*	0/0
Wilfredo A. Paras	*Member (Independent Director)*	1/1
Peter B. Favila	*Member (Independent Director); no longer a member as of July 01, 2017*	1/1
Carmelo Maria Luza Bautista	*Member (Executive Director); no longer a member as of May 10, 2017*	1/1
Jaime Miguel G. Belmonte	*Member (Independent Director); member as of August 08, 2017*	0/0

As of May 10, 2017, the Nominations Committee is composed of a majority of Independent Directors.

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. The Audit Committee also oversees the Corporation's external and internal auditors and is responsible for the review of the audit and non-audit fees paid to external auditors.

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. Renato C. Valencia
Chairman, Risk Oversight Committee

Member	Position Held in Committee	Meetings Attended
Wilfredo A. Paras	*Chairman (Independent Director)*	4/4
Renato C. Valencia	*Member (Independent Director); member as of May 10, 2017*	2/2
Jaime Miguel G. Belmonte	*Member (Independent Director)*	3/3
Christopher P. Beshouri	*Member (Independent Director); no longer a member as of May 10, 2017*	1/2
David T. Go	*Member (Non-executive Director); no longer a member as of May 10, 2017*	2/2
Peter B. Favila	*Member (Independent Director); no longer a member as of July 01, 2017*	1/2
Pascual M. Garcia, III	*Adviser*	3/4

Risk Oversight Committee

The Risk Oversight Committee is responsible for institutionalizing and overseeing the Company'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 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
Renato C. Valencia	*Chairman (Independent Director); member as of August 08, 2017*	3/3
Christopher P. Beshouri	*Member (Independent Director); no longer a member as of May 10, 2017*	0/1
Wilfredo A. Paras	*Member (Independent Director)*	4/4
Roderico V. Puno	*Member (Non-executive Director); no longer a member as of May 10, 2017*	1/1
David T. Go	*Member (Non-executive Director); member since May 10, 2017*	2/3
Peter B. Favila	*Former Chairman (Independent Director); no longer a member as of July 01, 2017*	1/1

Corporate Governance and Related Party Transactions Committee

The Corporate Governance and Related Party Transactions Committee is tasked with ensuring the Board's effective and due observance of corporate governance principles and guidelines. The Committee is also responsible for assessing and endorsing to the Board of related party transactions with material significance.

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

Member	Position Held in Committee	Meetings Attended
Renato C. Valencia	*Chairman (Independent Director); member and Chairman as of May 10, 2017*	2/2
Wilfredo A. Paras	*Member (Independent Director)*	4/4
Jaime Miguel G. Belmonte	*Member (Independent Director)*	4/4
Christopher P. Beshouri	*Former Chairman (Independent Director); no longer a member as of May 10, 2017*	2/2

In 2017, there were no RPTs that can be classified as financial assistance to entities other than wholly-owned subsidiary companies of GT Capital. All RPTs are conducted fairly and at an arm's length basis. Further discussion on the RPTs 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. As Corporate Secretary, he plays a significant role in supporting the Board by working fairly and objectively with the Board, Management, stockholders and stakeholders and by contributing to the flow of information among each other. The Corporate Secretary likewise keeps himself abreast will relevant laws, rules and regulations and industry developments necessary for the performance of his duties and responsibilities in order to effectively advise the Board on significant issues as they arise. He ensures reasonable access to information that directors might need for their deliberation of the issues listed on the Board's agenda. This includes ensuring that members of the Board receive the requisite board materials at least five (5) business days in advance of the scheduled Board meeting.

Director and Executive Compensation

In order to attract and retain the services of the most qualified and competent directors and officers, GT Capital's Compensation Committee ensures that competitive compensation is offered. Annual compensation of directors and corporate officers of the Board are determined prior to the start of their term. Policies followed by the HR and Administration Department on compensation and benefits of employees are contained in its Policies and Procedures Manual, with a description of each benefit as well as the employees entitled to such benefits.

In 2017, GT Capital directors received aggregate remuneration as follows:

	Remuneration
Executive Directors	PhP 1.74 million
Non-Executive Directors (other than independent directors)	PhP 13.30 million
Independent Directors	PhP 7.79 million

Remuneration of directors (including Independent and Non-Executive Directors) consists of per diem 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 2017 is as follows:

	Remuneration Item	Amount
(a)	Salary	PhP 39.85 million
(b)	Bonuses	PhP 15.21 million
	Total	PhP 55.06 million

Orientation and Continuing Education Initiatives

In order to provide an understanding of GT Capital, new directors are oriented regarding GT Capital's core businesses. A budget is also in place for continuous professional education to ensure the continuous effective performance of their functions and to keep its directors abreast of relevant and latest developments. In 2017, directors of the Corporation attended various programs on corporate governance.

Name of Director/Officer	Date	Program
Arthur Vy Ty	October 6, 2017	Advanced Corporate Governance Training Program
Alfred Vy Ty	September 7, 2017	Corporate Governance Enhancement Session on Charting the Digital Age, its Risks and Strategies, through Governance, and a Responsive Corporate Culture
Francisco C. Sebastian	September 7, 2017	Corporate Governance Enhancement Session on Charting the Digital Age, its Risks and Strategies, through Governance, and a Responsive Corporate Culture
Roderico V. Puno	October 20, 2017	Advanced Corporate Governance Training Program
David T. Go	September 5, 2017	Corporate Governance Orientation Program
Jaime Miguel G. Belmonte	October 6, 2017	Advanced Corporate Governance Training Program
Carmelo Maria Luza Bautista	June 28, 2017	Midyear Business Economic Briefing
	October 19, 2017	Anti-Money Laundering, Corporate Governance & Data Privacy
Wilfredo A. Paras	June 20, 2017	Governance of Small and Medium Enterprises Training
Renato C. Valencia	October 20, 2017	Advanced Corporate Governance Training Program

Audit and Accounting

Internal Audit

The Internal Audit function of GT Capital is under the responsibility of its Chief Audit Executive (the "CAE"), Richel D. Mendoza[1]. At the start of the year, a risk-based audit plan is prepared and 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 also ensures that risk-based audit plans are prepared at the component company level. Progress of these plans and significant audit 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 and Audit Committee.

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.

In March 2018, independent auditing firm, KPMG, confirmed to Senior Management, Audit Committee and the Board of Directors that the Internal Audit Division "generally conforms" (the highest classification on conformity) to the requirements of the International Standards for Professional Practice of Internal Auditing (ISPPIA) and the Code of Ethics based on their external quality assessment review.

1 *Ms. Richel D. Mendoza was the CAE of GT Capital until March 01, 2018. She was replaced by Mr. Leo Paul C. Maagma effective April 16, 2018.*

Independent Public Accountants

Sycip, Gorres, Velayo & Company ("SGV") was the external auditor for the calendar year 2017. 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 partners were engaged by GT Capital since its listing in 2012.

Year	SGV partner engaged
2012	Aris C. Malantic
2013	Vicky Lee Salas
2014	Vicky Lee Salas
2015	Vicky Lee Salas
2016	Vicky Lee Salas
2017	Vicky Lee Salas

In compliance with the aforementioned SRC Rule, the signing partner for 2018 shall be subject to rotation.

The following table sets out the aggregate fees for audit and audit-related services, inclusive of out-of-pocket expenses and value-added-tax for each of the years ended December 31, 2016 and 2017 for professional services rendered by SGV to GT Capital, in million Php:

	2016	2017
Audit and Audit-Related Services	11.37	2.30
Non-Audit Services	0.04	0.04
Total	**11.41**	**2.34**

Audit services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and review of annual income tax returns. SGV also rendered audit-related professional services in 2016 relating to the Company's Perpetual Preferred Shares Offering amounting to Php 9.29 million. Non-audit services were also provided by SGV for validation of stockholders' votes during the Corporation's Annual Stockholder's Meeting. Tax consultancy services were secured from other entities.

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.

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 2017.

Ownership Structure

Stockholders holding more than 5% of outstanding shares

As of December 31, 2017, the following are the owners of GT Capital's common stock in excess of 5% of its total outstanding shares:

Record Owner	No. of Shares Held	Percentage (%)
Grand Titan Capital Holdings, Inc.	89,427,110	46.432%
PCD Nominee Corp. (Non-Filipino)	62,546,866	32.476%
PCD Nominee Corp. (Filipino)	40,018,397	20.778%

No director or officer has shareholdings in GT Capital amounting to 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 2017 are as follows:

Name	Nature of Relationship to GT Capital	Number of Shares Directly Owned (As of January 1, 2017)	Number of Shares Indirectly Owned (As of January 1, 2017)	Number of Shares Directly Owned (As of December 31, 2017)	Number of Shares Indirectly Owned (As of December 31, 2017)
Grand Titan Capital Holdings, Inc.	Principal Shareholder	89,427,110 (46.43%)	0 (0.0000%)	89,427,110 (46.43%)	18,296,685 (9.50%)
Dr. George S. K. Ty	Group Chairman	200,000 (0.104%)	0 (0.0000%)	200,000 (0.104%)	0 (0.0000%)
Arthur V. Ty	Chairman	100,000 (0.052%)	2,100 (0.0010%)	100,000 (0.052%)	2,100 (0.0010%)
Alfred V. Ty	Co-Vice Chairman	100,000 (0.052%)	2,100 (0.0010%)	100,000 (0.052%)	2,100 (0.0010%)
Francisco C. Sebastian	Co-Vice Chairman	100 (0.0000%)	20,000 (0.010%)	100 (0.0000%)	50,000 (0.026%)
Anjanette T. Dy Buncio	Treasurer	0 (0.0000%)	46,547 (0.024%)	0 (0.0000%)	46,547 (0.024%)
Carmelo Maria Luza Bautista	President and Executive Director	1000 (0.0005%)	12,000 (0.006%)	1,000 (0.0005%)	12,000 (0.006%)
Francisco H. Suarez, Jr.	Executive Vice President and Chief Finance Officer	0 (0.0000%)	5,000 (0.0025%)	0 (0.0000%)	5,000 (0.0025%)
Alesandra T. Ty	Assistant Treasurer	0 (0.0000%)	1,700 (0.0008%)	0 (0.0000%)	1,700 (0.0008%)
Roderico V. Puno	Non-Executive Director	1,000 (0.0005%)	0 (0.0000%)	1,000 (0.0005%)	0 (0.0000%)
Jaime Miguel G. Belmonte	Independent Director	1,000 (0.0005%)	0 (0.0000%)	1,000 (0.0005%)	0 (0.0000%)
Wilfredo A. Paras	Independent Director	1,000 (0.0005)	0 (0.0000%)	1,000 (0.0005%)	0 (0.0000%)
Renato C. Valencia	Lead Independent Director	1,000 (0.0005)	0 (0.0000)	1,000 (0.0005)	0 (0.0000)
Winston Andrew L. Peckson	First Vice President and Chief Risk Officer	0 (0.0000%)	271 (0.0000%)	0 (0.0000%)	271 (0.0000%)
David T. Go	Non-Executive Director	100 (0.0000%)	0 (0.0000%)	100 (0.0000%)	0 (0.0000%)
Renee Lynn Miciano-Atienza	Vice President and Head, Legal & Compliance	0 (0.0000%)	25 (0.0000%)	0 (0.0000%)	45 (0.0000%)
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%)	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%)
Reyna Rose P. Manon-Og	First Vice President and Controller	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Richel D. Mendoza	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%)

Stakeholder Relations

Employee Relations

Inculcated in all GT Capital employees is a culture of excellence and professionalism. GT Capital values the efforts and contributions of all employees, recognizing that these result in the overall 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

To promote good health of its employees, GT Capital 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, following its receipt in 2014 from the Department of Labor and Employment of a Certificate of 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 and Program;
2. Hepatitis B Workplace Policy and Program;
3. HIV AIDS Workplace Policy and Program; and
4. TB Workplace Policy and Programs.

To date, GT Capital continues to fully comply with the labor standards and occupational safety and health standards required by law.

Moreover, to better equip employees with basic and necessary skills in case of emergencies, GT Capital, in coordination with the Makati Fire Station and the GT Tower International building administration, conducts annual safety, fire, and earthquake drills as well as seminars on emergency response. The HR and Administration Department also distributed emergency survival bags to each employee for use in the event of an earthquake or similar calamities.

To promote the health, safety, and welfare of GT Capital employees, GT Capital organized activities such as the annual check-up, dental check-up and safety, fire and earthquake drill.

Below are the data relating to participation by employees in various activities arranged for their benefit in 2017:

Activity	Dependents
Annual Executive Check-up	3
Annual Check-up	17
Dental Check-up	5
Safety, fire, and earthquake drill	30
Emergency survival bags	33
Human Capital Development Initiatives	28 (average)
Metrobank Fiesta Fun Run	8
2017 PSE Bull Run	8

Training and Developmental Programs for Employees

Recognizing the need for continuing education and development of its employees, GT Capital's HR and Administration Department identifies programs and allocates a budget that allows employees to acquire and enhance technical and behavioral competencies. Both employees and Senior Management are likewise encouraged to attend programs which address any competency gaps and which 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 2017, 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.	February 6-7, 2017	JP Morgan Philippines Conference
	March 1-2, 2017	UBS CEO/CFO Conference
	March 25, 2017	Ateneo Business Forum
	April 11, 2017	Business World Economic Forum
	April 25-27, 2017	UBS Asean Conference in the USA
	October 4-6, 2017	6th Annual dbAccess Philippines Comference
	October 20, 2017	Advanced Corporate Governance Training
	November 16, 2017	ICD Ayala Corporate Governance Series
Jose B. Crisol, Jr.	January 3-4, 2017	DBS Vickers/First Metro Securities Pulse of Asia Conference
	January 31,2017	Leechiu Property Consultants Briefing on the Philippine Property Sector
	February 6-7, 2017	JP Morgan Philippine Conference
	February 22, 2017	Kapihan: The Art of Storytelling for Business Executives at UA&P
	February 23, 2017	Maybank ATR Kim Eng Seminar on Tax Reform for Acceleration and Inclusion (TRAIN) Act
	March 1-2, 2017	UBS CEO/CFO Philippines Forum
	March 10, 2017	Department of Finance Tax Reform Roadshow
	March 28, 2017	Ateneo Graduate School of Business Forum-"What are CFOs Talking About in 2017?"
	April 5, 2017	Papa Securities Investors Forum on Railway Projects
	July 5, 2017	First Metro Investment Corp. Midyear Economic & Capital Markets Briefing 2017
	September 15, 2017	Standard Chartered Economic Briefing for GT Capital
	September 22, 2017	First Metro Securities "First Access" Roundtable Conference 2017
	October 4-5, 2017	Deutsche Bank dbAccess Conference 2017
	October 11, 2017	AVCJ Philippines Private Equity Forum 2017
	November 23, 2017	University of Asia & the Pacific Economic Briefing for GT Capital
Winston Andrew L. Peckson	May 10, 2017	Distinguished Corporate Governance Speaker Series
	June 27, 2017	Asia CEO Forum
	September 26, 2017	2017 Corporate Governance Conference: Competing Against Risk
Susan E. Cornelio	February 22, 2017	Storytelling for Business – UA&P
	May 17, 2017	The Next 50 Years of the Philippine Economy and Governance – UA&P
	August 22-23, 2017	Managing the Millenials
Richel D. Mendoza	August 15-17, 2017	7 Habits of Highly Effective People
	September 6, 2017	Cyber Security, Training for Quality Assessment, General Membership Meeting
Elsie D. Paras	August 10, 2017	Distinguished Corporate Governance Speaker Series
	September 7, 2017	Key takeaways from 2nd Energy and Infra Summit
	October 3-4, 2017	4 Disciplines of Execution
	October 11, 2017	AVCJ Private Equity & Venture Forum Philippines 2017
	October 13, 2017	Breaking Barriers to Competitiveness in the ASEAN Financial Sector 49th FINEX Conference 2017
	October 19, 2017	Annual Seminar on Anti-Money Laundering, Corporate Governance & Data Privacy

Name of employee	Date	Program
Reyna Rose P. Manon-og	April 18-20, 2017	7 Habits of Highly Effective People
	2017-2018	UA&P Strategic Business Economic Program
	October 19, 2017	Annual Seminar on Anti-Money Laundering, Corporate Governance & Data Privacy
Renee Lynn Miciano-Atienza	May 11-12, 2017	Best Practices in Corporate Housekeeping
	August 10, 2017	Distinguished Corporate Governance Speaker Series
	August 24-25, 2017	Transition to Management
	October 19, 2017	Annual Seminar on Anti-Money Laundering, Corporate Governance & Data Privacy
	November 22, 2017	SEC-PSE Corporate Governance Forum

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 2017, GT Capital employees attended the following training programs:

PROGRAM
Developing Assertiveness
PFRS Update
7th Diploma Program in Corporate Finance
Compensation Management, Measurement & Analysis
Finance 101 Program
Best Practices in Corporate Housekeeping
11th Foundation Course of Paralegal Training
Leading without the Title
AIM Basic Management Program
Effective Communications for Human Relations
Business and Public Official Guide
Mergers and Acquisition Program
Project Management Essentials
Corporate Governance Conference Against Risk
SEC-PSE Corporate Governance Forum
2017 PSE Annual Disclosure Rules Seminar
Technical Writing Course
President Rodrigo Duterte's Government PPP
Integrated Cyber Defense Briefing
Content Security Awareness Briefing Force Point Data Leakage Prevention

Creditor Protection

The Policies and Procedures Manual of the Accounting and Financial Control Department outlines GT Capital's policies on creditor protection, which include policies on ensuring timely payment and compliance with loan covenants contained in loan agreements, to which GT Capital complies with. 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 on their behalf.

Sustainability Reporting

To carry out its commitment to creating value for its stakeholders, GT Capital takes a long-term and sustainable perspective in all of its business decisions. GT Capital believes that its strong economic performance should be complemented with being socially and environmentally sustainable, as well as implementing responsible business practices.

During the first quarter of 2018, GT Capital held a two-day Sustainability Kick-off Workshop for its senior officers and employees facilitated by the Center for Social Responsibility University of Asia and the Pacific. The workshop focused on equipping its attendees with in-depth knowledge on GRI Standards, which provide a common language for reporting organizations and stakeholders on the economic, environmental, and social impacts of reporting organizations. The workshop was followed by the formation of a technical working group within GT Capital which shall spearhead the creation of GT Capital's maiden Sustainability Report to be released in 2019.

Through the Sustainability Report, GT Capital aims to provide its stakeholders with globally comparable information affecting its triple bottom line. GT Capital likewise regards the endeavor as a risk management and a strategic initiative for the Corporation, as sustainability reporting may identify potential opportunities or trends or evaluate emerging risks, allowing GT Capital's Board of Directors and Management to take timely action.

With these efforts, GT Capital takes an important step towards its vision of becoming a major contributor to nation building, with the aspiration to continue making sustainable decisions beneficial to the present and future generations.

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

GT Capital monitors its subsidiaries regarding its policies on the welfare and safety of its end-customers as well as its initiatives regarding environmental sustainability and corporate social responsibility.

Toyota Motor Philippines Corporation

Toyota Motor Philippines Corporation (TMP) maintains an environmentally responsible value chain through the involvement of its suppliers, dealers and Team Members in partnership with communities and the government. Among the projects implemented in 2017 were the following:

1. Eco Fair, an exhibit highlighting TMP's environmental initiatives;
2. All Toyota Green Wave Project, a tree planting activity participated in by TMP's value chain where 500 trees were planted; and
3. Waste Management and Segregation Seminar at the Toyota-City of Santa Rosa-Gawad Kalinga Village, where 75 local residents were trained on proper waste disposal and segregation.

High environmental performance of dealers is ensured through the Dealer Environment Risk Assessment Program that paved the way for the ISO14001:2004 certification of 16 Dealerships to date. At the same time, to ensure that parts installed in vehicles are free of hazardous substances, suppliers are enjoined to strictly follow the Toyota Green Purchasing Guidelines.

Managing environmental impact is done through strict compliance with the requirements of the Department of Environment and Natural Resources, Laguna Lake Development Authority and other regional and local government agencies. To this end, TMP aims to update its existing environmental management system to the ISO14001:2015 standard within 2018.

All these activities are aligned with the Toyota Environmental Challenge 2050 where TMP commits to the elimination of CO_2 emissions, optimization of water usage, material recycling, and other goals by 2050.

TMP actively promotes its environmental initiatives during the Environment Month Celebration held every June. Activities such as tree planting, relays, slogan-making and poster-making contests, and an eco-science tour are designed to promote environmental awareness among the Team Members and the community.

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 achieve its mission, TMBC created the Environmental, Safety and Health (ESH) section and the Real Property and Development (RPD) section. The ESH section aims to protect and preserve the well-being of its team members, principals and clients, as well as the community to which it belongs, while the RPD section aims to ensure sustainable development through construction of eco-friendly and up-to-date facilities.

Furthermore, the ESH section envisions the achievement of dealer excellence through a green and safe environment while the RPD section envisions the construction of facilities that are eco-friendly and compliant with the standards set forth in the National Building Code. The vision of each section has been attained through various measures, such as:

1. Ensuring, through the ESH section, that the firm complies with all governing rules and regulations of local and national government related to the environment, safety and health. In line with this, the ESH section has a monitoring system to ensure monthly, quarterly and annual compliance per branch, which compliance is verified by TMP's DESH team.

2. In January 2016, the Toyota Dasmarinas branch was the first car dealership in the provincial category to secure an ISO 14001 Version 2004 accreditation. Likewise in June 2017, TMBC's Toyota Abad Santos branch was the first among NCR car dealers to secure ISO 14001 Version 2015 accreditation.

3. Construction of a nine (9) story building for its Toyota Manila Bay branch, which obtained LEED accreditation certification in October 2017. The building saves electricity by 10% and water consumption by 20% following the design standards of USGBCI LEED program.

4. Ensuring, through the RPD section, that all equipment installed in its new facilities are environmentally-friendly and in accordance with the National Building Code and relevant DENR policies, including the construction of self-maintained water treatment facilities. TMBC likewise aims to achieve zero water discharge in all its facilities.

5. Patronizing safety, through its ESH section, by commending team members who adhere to the safety rules and regulations at all times. These safety rules and regulations include programs such as the Caught in the Act program, Dealership inter-branch competition: Lowest Accident Rate, Hiyari Hatto incentive program, ESH day and Safety Circle, among others. Additionally, TMBC has an existing Business Continuity Plan and Emergency Response Team per branch.

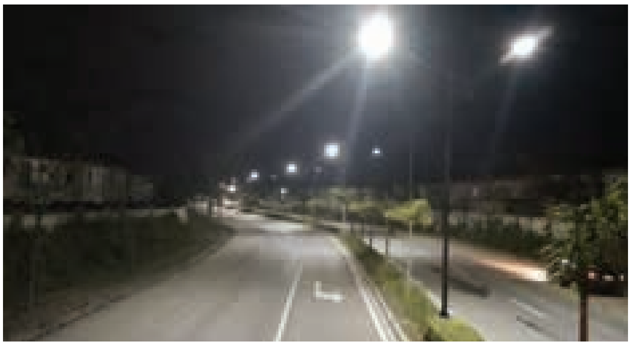
Through the combined efforts of the ESH section and TMBC's employees as well as with the support of its principals, each TMBC dealership has embedded safety, health and environmental awareness in its culture. Moving forward, TMBC shall continue to strive to exceed its current achievements in order to secure the future of the Company, its team members and the society where it belongs.

Property Company of Friends, Inc.
In its commitment to build homes and communities that transform lives, Property Company of Friends, Inc. ("PCFI") prioritizes the welfare of its customers and the environment. PCFI's practices of promoting customer protection and safety while maintaining an environmentally-friendly value chain exemplify the company's values and good corporate citizenship.

To ensure that buyers are properly educated with the purchases they are making, PCFI sets aside time to conduct mandatory counselling sessions with all buyers who reserve housing units, including buyers who may have been referred by external third party sales networks. PCFI discusses transaction details from pricing, payment schedules, documentary requirements, and financing options. The counselling session is also a venue for buyers to raise any potential questions they may have about their reservation.

Counselling Session at PCFI's Head Office

PCFI has started incorporating sustainable practices in its business. A solar street lighting system has been adopted in PCFI's flagship development, Lancaster New City ("LNC") where over 600 solar-powered light-emitting diode ("LED") lights have been installed across primary and secondary roads. Unlike traditional streetlamps, solar-powered LED lights simulate sunlight more closely and provide better visibility at night, which prevents road accidents and other unwanted events. PCFI also employs solar-powered work lights in its construction sites.



Solar-powered LED lighting and Road Markings in Lancaster New City, Cavite

To minimize waste and carbon footprint, PCFI is also working towards the implementation of a Zero Waste Management Program. In its construction sites, PCFI follows a disposal scheme where scrap materials are collected and sorted according to class (i.e. metals, glass, and plastic) in appropriate locations. Scrap items are then recycled or systematically bid out as deemed fit. Meanwhile, across PCFI villages, homeowners are encouraged to segregate their garbage into biodegradable, non-biodegradable, or hazardous waste which is then collected and processed in a Materials Recovery Facility (MRF). Non-biodegradable waste is further segregated and taken to a treatment facility before being dumped in a landfill while biodegradable items are processed into compost.

Materials Recovery Facility in Lancaster New City, Cavite

PCFI's communities are home to 72 different plant species and about half of these are indigenous to the area, such as molave, copper pod, kamagong, dita, ilang-ilang, banaba, and pink tabebuia. As of the end of 2017, a total of 26,302 trees form part of Lancaster New City's streetscapes, linear parks, and open spaces. PCFI implements tree care practices including pruning, pest and fertilizer management and installation of tree supports to ensure that all trees will survive, grow and reach their full potential. PCFI also boasts of its central nursery in Cavite which has produced more than 20,000 seedlings in 2017.

Central Nursery in Lancaster New City, Cavite

Lancaster New City celebrated its 10th anniversary in 2017 and launched "Go Green Lancaster", a tree-planting campaign which aims not only to promote greening activities within PCFI groups and employees but also involve the residents and homeowners in each community. The tree-planting campaign aims to continue and even strengthen what Lancaster New City has been doing for the longest time, raising awareness and encouraging each member of the PCFI community to give back to the environment. During the campaign launch, 50 volunteers planted over 400 seedlings in specific areas of the township.

Federal Land, Inc.

Federal Land, Inc. ("FLI") is committed to developing high quality real estate properties that are responsive to the needs of the diverse market. FLI keeps its clients' interests in mind in planning and developing its products, while keeping pace with current trends. FLI has built its brand based on the trust of its customers and stakeholders. FLI will continue to create and develop properties that will become quality homes and communities for people and businesses, while providing the best returns and value to its shareholders.

FLI also commits to continue complying with government regulations in developing real estate properties, keeping in mind its customers' welfare, as well as the environment where it does business in. Its sustainability and environmental policies are as follows:

In its relationships with stakeholders, FLI shall be an environmentally responsible neighbor in the communities where it operates and shall act promptly and responsibly to correct incidents or conditions that endanger the environment or the health and safety of the residents within its surrounding communities. In its operations, FLI shall ensure that its developments will comply with all applicable environmental laws and regulations and shall be conscious of conservation measures available within its property and community. It is FLI's policy to not dump wastes or apply highly toxic chemicals on any parcel of land whether owned or not and have ample distribution of greeneries in its developments. Policies on conducting regular water potability tests and institution of energy conservation projects are also in place.

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 GT Capital Group, in particular, Metrobank Foundation, Inc. ("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 GT Capital Group are discussed in the Corporate Social Responsibility section while specific activities of MFI and GTFI are discussed in the Component Company Highlights section of the Annual Report.

Shareholder Meetings and Dividend Policy

The Amended By-Laws of GT Capital provides for the second Wednesday of May of every year as the date of the Annual Stockholders' Meeting ("ASM"). The notice of ASM, including the details of each agenda item, is released through a disclosure to the Philippine Stock Exchange 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 ten (10) days prior to ASM. In accordance with the provisions of the 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 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 million Php)
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 Department aims to impart a thorough understanding of GT Capital's strategies in creating shareholder value.

The Investor Relations 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 annual stockholders' meeting, 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 Investor Relations Department through gtcap@gtcapital.com.ph. Correspondence may also be addressed to:

JOSE B. CRISOL, JR.
First Vice President
Head, Investor Relations and Corporate Communication
T: (632) 836 4500
E: jose.crisol@gtcapital.com.ph

DAVID LOUIS AUGUSTUS B. DE JESUS
Investor Relations Officer
T: (632) 836 4500
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Other stakeholder concerns may be sent to governance@gtcapital.com.ph.

The following is GT Capital's 2017 Investor Relations Calendar of Events:

Date	Event	Venue
3-4 January	DBS Vickers/First Metro Securities Pulse of Asia Conference	The Fullerton Hotel, Singapore
26 January	GT Capital Photoshoot for Annual Report 2016	GT Tower International, Makati
6-7 February	JP Morgan Philippines Conference	Shangri-La Hotel, Makati
1-2 March	UBS CEO/CFO Philippines Forum	Manila Peninsula, Makati
6 March	Open Access Day Conference	Manila Peninsula, Makati
28 March	Ateneo Graduate School of Business Forum – *"What are CFOs Talking About in 2017?"*	Ateneo Professional Schools, Rockwell, Makati
17-18 April	GT Capital non-deal roadshow in Singapore, hosted by UBS Securities Philippines	Singapore
19-20 April	GT Capital non-deal roadshow in Hong Kong, hosted by UBS Securities Philippines	Hong Kong
25-26 April	UBS Conference in San Francisco, CA, United States	San Francisco, CA, United States
27-28 April	UBS Conference in New York, NY, United States	New York, NY, United States
10 May	2017 Annual Stockholders' Meeting	Metrobank Plaza, Makati
16 May	First Quarter 2017 Analyst and Media Briefing	GT Tower International, Makati
17 May	Orientation of GT Capital Independent Director Mr. Renato C. Valencia	GT Tower International, Makati
11 August	First Half 2017 Analyst and Media Briefing	GT Tower International, Makati
14 August	GT Capital-Metrobank joint non-deal roadshow, hosted by Maybank ATR Kim Eng	Kuala Lumpur, Malaysia
15-16 August	GT Capital-Metrobank joint non-deal roadshow, hosted by Macquarie	Singapore
17 August	GT Capital-Metrobank joint non-deal roadshow, hosted by DBS & First Metro Securities	Hong Kong
18-19 August	UBS Philippines Corporate Access Conference in Hong Kong	Two International Finance Centre, Hong Kong
22-23 August	Nomura Securities Philippines Conference	Tokyo, Japan
15 September	Standard Chartered Economic Briefing to GT Capital	GT Tower International, Makati
22 September	First Metro Securities "First Access" Roundtable Conference 2017	Manila Peninsula, Makati
4-5 October	Deutsche Bank dbAccess Conference 2017	Manila Peninsula, Makati
30 October	GT Capital Website Launch	GT Tower International, Makati
10 November	Nine Months 2016 Analyst and Media Briefing	Lexus Manila, Bonifacio Global City, Taguig
23 November	University of Asia & the Pacific Economic Briefing for GT Capital	GT Tower International, Makati
29-30 November	GT Capital 2017 Strategic Planning Conference	Taal Vista Hotel, Tagaytay, Cavite
1 January – 31 December	103 One-on-one meetings with investors and research analysts	Metro Manila, Philippines
1 January – 31 December	20 Conference calls with investors and research analysts	GT Tower International, Makati
1 January – 31 December	5 Site visits to component companies	Lancaster New City, Cavite Toyota Makati dealership, Makati Grand Hyatt Manila, Bonifacio Global City, Taguig Vios Cup, Clark International Speedway, Clark, Pampanga

Board of Directors

From Left to Right: **DR. GEORGE S. K. TY** - Group Chairman, **ARTHUR V. TY** - Chairman, **FRANCISCO C. SEBASTIAN** - Co-Vice Chairman, **ALFRED V. TY** - Co-Vice Chairman, **CARMELO MARIA LUZA BAUTISTA** - President/Director, **DR. DAVID T. GO** - Director

From Left to Right: **RENATO C. VALENCIA** - Lead Independent Director, **JAIME MIGUEL G. BELMONTE** - Independent Director, **RODERICO V. PUNO** - Director, **MARY VY TY** - Adviser to the Board, **PASCUAL M. GARCIA, III** - Adviser to the Board, **GUILLERMO CO CHOA** - Adviser to the Board, **WILFREDO A. PARAS** - Independent Director

Board of Directors

DR. GEORGE S.K. TY

85 years old, Filipino, served as GT Capital's Chairman of the Board since its inception in July 2007 until July 11, 2012. He is the current Group Chairman of GT Capital. Dr. Ty is also the founder of Metropolitan Bank & Trust Company (MBT), a listed company, and served as its Chairman from 1975 until 2006 when he became Group Chairman of the Metrobank Group of Companies. Dr. Ty graduated from the University of Santo Tomas and received his Doctorate in Humanities, Honoris Causa from the same university. He is concurrently the Chairman of the Board of Trustees of Metrobank Foundation, Inc. (MBFI) and of the Board of Directors of Toyota Motor Philippines Corporation (TMP).

ARTHUR V. TY

51 years old, Filipino, was elected as GT Capital's Chairman 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 MBT, 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.; Vice Chairman and Director of Philippine Savings Bank (PSBank), a listed company; Vice Chairman of First Metro Investment Corporation (FMIC), and MBFI and Director of Philippine AXA Life Insurance Corporation (AXA Philippines) and Federal Land, Inc. (Fed Land). He earned his Bachelor of Science degree in Economics from the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York in 1991.

FRANCISCO C. SEBASTIAN

63 years old, Filipino, was elected one of the Corporation's Vice Chairmen in 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 FMIC, 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), Federal Land Inc. and Property Company of Friends, Inc. (PCFI), subsidiaries of the Corporation. 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

50 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 MBT and Vice Chairman of TMP. He graduated from the University of Southern California in 1989 with a degree in Business Administration. Some of his other current roles and positions include: Chairman, Lexus Manila; Chairman, Federal Land, Inc.; Chairman, Bonifacio Landmark Realty and Development Corporation; Chairman, PCFI; Chairman, Cathay International Resources Corp.; Vice-Chairman,

Toyota Motor Philippines School of Technology, Inc.; Vice Chairman, Federal Land Orix Corp.; Member of the Board of Trustees, MBFI; and Director of Metro Pacific Investment Corporation, a listed company.

CARMELO MARIA LUZA BAUTISTA

60 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the banking and financial services sector for 40 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Masters 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 is currently serving as Director of Vivant Corporation, a listed company, Chairman of Toyota Financial Services Philippines Corporation (TFSPH), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), Property Company of Friends, Inc. (PCFI), GT Capital Auto Dealership Holdings, Inc. (GTCAD) and Toyota Subic, Inc. (TSB). He is also an Adviser to the Board of Trustees of GT Foundation, Inc.

DR. DAVID T. GO

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

RENATO C. VALENCIA

76 years old, Filipino, Independent Director of GT Capital, is currently Chairman of iPeople Inc. and Independent Director of EEI Corporation, Anglo Philippine Holdings, Inc. and Vulcan Industrial and Mining, 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); Independent Director, Metropolitan Bank and Trust Company; Director, 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 and Development Authority (BCDA); Fort Bonifacio Development Corporation; Makati Stock Exchange; Chairman, Philippine Savings Bank; Board Adviser, Philippine Veterans Bank; Advisory Board Member, Philippines Coca-Cola System Council; and Board Member, Civil Aeronautics Board. He is a graduate of the Philippine Military Academy with a degree in B.S. Gen. Engineering, and also holds an MBA from the Asian Institute of Management.

JAIME MIGUEL G. BELMONTE

54 years old, Filipino, was elected as Independent Director of GT Capital on July 11, 2012. He is also the President and Chief Executive Officer of The Philippine Star (since 1998); President and Chief Executive Officer of BusinessWorld (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 Corp. 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 Cignal TV, Nation Broadcasting Corp. of the Philippines, and Hastings Holdings, Inc. He earned his undergraduate degree from the University of the Philippines-Diliman. Mr. Belmonte has no directorships in other listed companies aside from GT Capital.

RODERICO V. PUNO

55 years old, Filipino, has been a director of the Corporation since August 5, 2011 and is the Managing Partner of Puno & Puno Law Offices. He earned his Bachelor of Arts, Major in Political Science, from the Ateneo de Manila University in 1985, his Bachelor of Laws degree from the same university in 1989, and his Masters of Law from Northwestern University in Chicago. He is a widely recognized expert in energy law and also specializes in general corporate law, banking and project finance, real estate, utilities regulation, securities, and infrastructure. He is currently a Director of listed company LMG Chemicals Corp., Corporate Secretary of Atlas Consolidated and Mining and Development Corporation, a listed company, First Philippine Industrial Park and a member of the Board of Trustees of the Knowledge Channel Inc. He concurrently served as Vice-President - Head of Legal, General Counsel, and Corporate Secretary for First Generation Corporation, a listed company, and Vice President-Legal for First Philippine Holdings Corporation, a listed company.

MARY VY TY

77 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, MBT; Adviser, MBFI and Fed Land; Vice Chairman, Manila Medical Services, Inc.; Adviser, Horizon Land Development Corporation; Director, Grand Titan Capital Holdings, Inc.; and Chairman,

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

PASCUAL M. GARCIA III

64 years old, Filipino, was appointed as Board Adviser in May 2013. He is currently the President of Federal Land Inc. He also holds several other positions in other companies among which are: Vice Chairman, Property Company of Friends, Inc.; Vice Chairman, Cathay International Resources Corp.; Chairman, Omni Orient Management Corp.; Chairman, Metpark Commercial Estate Association, Inc.; President, Horizon Land Resources Development Corp.; Chairman, Central Realty & Development Corp.; Chairman, Crown Central Properties; President, Bonifacio Landmark Realty & Development Corp.; Chairman, Alveo-Federal Land Communities, Inc.; President, ST 6747 Resources Corp.; President, Sunshine Fort North Bonifacio Realty and Dev't. Corp.; Chairman, Magnificat Resources Corp.; President, Federal Land Orix Corp. and Chairman, Branchton Development Corp., Camarillo Development Corp., Firm Builders Realty Development Corp., Marcan Development Corp., Micara Land, Inc., and Williamton Holdings, Inc. Prior to joining Federal Land Inc., he served as the President and Director of PSBank from 2001 to 2013; Director of Toyota Financial Services Philippines Inc. from 2007 to 2017 and Director of Sumisho Finance Corp. from 2009 to 2016. Mr. Garcia earned his Bachelor's degree in Commerce, Major in Management, from the Ateneo de Zamboanga University.

GUILLERMO CO CHOA

59 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2016. He is currently the Vice-Chairman and President of PCFI. Mr. Choa earned his Bachelor's Degree in Commerce, Major in Marketing, from De La Salle University and his Master's Degree in Business Economics from the University of Asia and the Pacific.

WILFREDO A. PARAS

71 years old, Filipino, was elected as Independent Director of GT Capital on May 14, 2013. He currently holds various positions in Philippine corporations, such as: Independent Director of Philex Mining Corporation, a listed company, (2011-present); 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) Industrial Pharmacy degree from the University of the Philippines and a Masters 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

From Left to Right: **CARMELO MARIA LUZA BAUTISTA** - President / Director, **FRANCISCO H. SUAREZ, JR.** - EVP/ Chief Financial Officer, **ANJANETTE TY DY BUNCIO** - Treasurer, **ANTONIO V. VIRAY** - Corporate Secretary, **JOCELYN Y. KHO** - Assistant Corporate Secretary, **ALESANDRA T. TY** - Assistant Treasurer, **JOSE B. CRISOL, JR.** - FVP/ Head, Investor Relations and Corporate Communication

CARMELO MARIA LUZA BAUTISTA

60 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 40 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Masters 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 is currently serving as Director of Vivant Corporation, a listed company, Chairman of Toyota Financial Services Philippines Corporation (TFSPH), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), Property Company of Friends, Inc. (PCFI), GT Capital Auto Dealership Holdings, Inc. (GTCAD) and Toyota Subic, Inc. (TSB). He is also an Adviser to the Board of Trustees of GT Foundation, Inc.

FRANCISCO H. SUAREZ, JR.

58 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 GTCAD and the Corporate Secretary of TFSPH and TMBC. 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 the Company 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.

From Left to Right: **WINSTON ANDREW L. PECKSON** - FVP / Chief Risk Officer, **REYNA ROSE P. MANON-OG** - FVP/ Head, Accounting and Financial Control, **RICHEL D. MENDOZA*** VP/ Chief Audit Executive, **SUSAN E. CORNELIO** - VP/ Head, Human Resources and Administration, **ELSIE D. PARAS** - VP/ Deputy Chief Financial Officer, **RENEE LYNN MICIANO-ATIENZA** - VP/ Head, Legal and Compliance

He has also assumed various positions in MBT, 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.

ANJANETTE TY DY BUNCIO

49 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.; Adviser and Treasurer of Property Company of Friends, Inc.; Treasurer and Vice Chairman of Manila Medical Services Inc.; Corporate Secretary 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.

ANTONIO V. VIRAY

78 years old, Filipino, joined the Corporation as Assistant Corporate Secretary and became Corporate Secretary in 2009. Concurrently, he is the Corporate Secretary of Metropolitan Bank & Trust Co. (MBT) and Property Company of Friends, Inc. (PCFI). He was formerly Senior Vice-President, General Counsel, Assistant Corporate Secretary and Director of MBT. He was also Senior Vice-President & General Counsel of PSBank and Director of Solidbank. At present, he is also the Corporate Secretary of Global Treasure Holdings, Inc. and Grand Titan Capital Holdings, Inc. He is also Of Counsel of Feria Tantoco Daos Law Office. He obtained his Bachelor of Laws from the University of Santo Tomas and Master of Laws from Northwestern University in Chicago, U.S.A.

JOCELYN Y. KHO

63 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 MBT from 1978 to 2009. She concurrently holds the following positions: Assistant Corporate Secretary,

Senior Management

Grand Titan Capital Holdings, Inc.; Controller and Assistant Corporate Secretary, Global Treasure Holdings, Inc.; Director and Treasurer, Global Business Holdings, Inc.; Director, Senior Vice President, Federal Homes, Inc.; Director, Treasurer and Corporate Secretary of Crown Central Realty Corporation; Director of Cathay International Resources, Inc.; Ex-Com Member and Corporate Secretary of Fed Land; Chairman and President of MBTC Management Consultancy, Inc.; Director and Treasurer, Nove Ferum Holdings, Inc.; Director and Treasurer, Horizon Royale Holdings, Inc.; Director and Treasurer, Grand Estate Property Corporation; Chairman and President, Glam Holdings Corporation; Vice Chairman and President, Glam Realty Corporation; Treasurer, First Metro Insurance Brokers Corporation; Corporate Secretary, First Metro Insurance Agency, Inc.; Director and President, Harmony Property Holdings, Inc.; Director and President, Splendor Fortune Holdings, Inc.; Director and President, Splendor Realty Corporation; and Director and Vice President, Circa 2000 Homes, Inc. 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 MLQ University.

ALESANDRA T. TY

38 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; Director of ORIX Metro Leasing and Finance Corporation and Sumisho Motor Finance Corp.; Corporate Secretary and Corporate Treasurer of FMIC; Corporate Secretary of GT Foundation, Inc.; Director and Assistant Treasurer of Federal Homes, Inc.; and Executive Vice President of Grand Titan Capital Holdings, Inc.

JOSE B. CRISOL, JR.

51 years old, Filipino, serves as First Vice President and Head of the Investor Relations 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 IV at the Department of Trade and Industry (DTI), heading its Trade and Industry Information Center. He also served for a time, on a concurrent basis, as Head of DTI's Office of Operational Planning. His other past employment includes occupying various positions at The Philippine American Life Insurance Company and Merrill Lynch Philippines, Inc., among others. He holds a Bachelor of Science degree in Economics from the University of the Philippines in Diliman, and completed the Strategic Business Economics Program (SBEP) of the University of Asia and the Pacific. He finished his primary and secondary education at the Ateneo de Manila University.

WINSTON ANDREW L. PECKSON

66 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 ten years. Other previous positions held were: Vice President and Corporate Treasury Advisor of Bank of America – Manila Branch; CEO and Director of Danamon Finance Company (HK) Ltd. (DFCL); Manager for Corporate Banking of Lloyds Bank PLC – Hong Kong Branch; Vice President for Commercial Banking of Lloyds Bank PLC – Manila Offshore Branch; and Branch Banking Head of Far East Bank & Trust Company. He obtained his Bachelor of Arts Degree, Major in Psychology and Minor in Business Administration, from the Ateneo de Manila University and earned his Masters Degree in Business Management from the Asian Institute of Management.

REYNA ROSE P. MANON-OG

35 years old, Filipino, was appointed the Corporation's Controller in October 2011. She is a Certified Public Accountant and a cum laude graduate of Bicol University with a Bachelor of Science degree in Accountancy. 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.

RICHEL D. MENDOZA*

46 years old, Filipino, joined the Corporation on October 1, 2013 as its Chief Audit Executive (CAE). She was also appointed as the concurrent CAE of the Corporation's affordable homes property arm, Property Company of Friends, Inc. (PCFI) in March 2016 and was appointed as Internal Auditor of PCFI's wholly-owned financing company, Williamton Financing Corporation on August 30, 2016. She is currently the Second Vice Chairperson of the Board of Trustees and Vice President for Internal Affairs of the Institute of Internal Auditors (IIA) Philippines. She served as Board Director of IIA Philippines from 2004-2012 prior to her appointment as its Chief Operating Officer in 2012. Ms. Mendoza is a seasoned internal audit practitioner with 17 years of experience from listed company Roxas Holdings, Inc., serving as Senior Auditor in one of its subsidiaries, Central Azucarera Don Pedro, until she became the Group Internal Audit Head. She gained her audit background from SGV & Co. Ms. Mendoza has a Masters in Business Administration degree from De La Salle University Graduate School of Business and a Bachelor of Science degree in Business Administration Major in Accounting from the University of the East, Magna Cum Laude. Ms. Mendoza is a Certified Public Accountant, a Certified Internal Auditor (CIA), and an IIA Quality Assurance Validator, Trainer and CIA Reviewer. She completed the Diploma Program in Corporate Finance at the Ateneo Graduate School of Business – Center for Continuing Education. **Resigned effective March 01, 2018*

SUSAN E. CORNELIO

46 years old, Filipino, joined the Corporation on July 4, 2012 as the Head of the Human Resources Division. Prior to this, she served as Vice President and Head of the Compensation and Benefits Department of Sterling Bank of Asia. Before this, she was Assistant Vice President and Head of the Compensation and Benefits Department of United Coconut Planters Bank. Her other past employments include: MBT, ABN AMRO, Solidbank, and Citytrust, among others. She holds a Bachelor of Science degree in Accounting from the Sta. Isabel College and a Master Certificate in Human Resources from Cornell University's School of Industrial and Labor Relations.

She completed the Strategic Business Economics Program of the University of Asia and the Pacific.

ELSIE D. PARAS

45 years old, Filipino, serves as GT Capital's Vice President for Corporate Planning and Business Development and Deputy Chief Finance Officer. She was appointed to the position on January 5, 2015. Prior to joining the 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 LaSalle 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.

RENEE LYNN MICIANO-ATIENZA

35 years old, Filipino, is Vice President and Head of the Legal & Compliance Department of the Corporation. 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, GTCAD and TSI; Assistant Corporate Secretary, PCFI; Corporate Secretary, Micara Land, Inc., Marcan Development Corporation, Camarillo Development Corporation, Williamton Financing Corporation, Branchton Development Corporation, and Firm Builders Realty Development Corporation. 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 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.

GT Capital Group Management

From Left to Right: **GUILLERMO CO CHOA** - President, Property Company of Friends, Inc., **SATORU SUZUKI** - President, Toyota Motor Philippines Corporation, **FABIAN S. DEE** - President, Metropolitan Bank & Trust Company, **PASCUAL M. GARCIA III** - President, Federal Land, Inc., **RAHUL HORA** - President, AXA Philippines, **JOSE MA. K. LIM** - Chief Executive Officer, Metro Pacific Investments Corporation, **ANICETO M. SOBREPEÑA** - President, Metrobank Foundation, Inc.

GUILLERMO CO CHOA, 59 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2016. He is currently the Vice-Chairman and President of PCFI. Mr. Choa earned his Bachelor's Degree in Commerce, Major in Marketing, from De La Salle University and his Master's Degree in Business Economics from the University of Asia and the Pacific.

SATORU SUZUKI is currently the President of Toyota Motor Philippines (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.

FABIAN S. DEE is the President of Metropolitan Bank & 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. Mr. Dee has been the President of Metrobank since 2012, and concurrently he has held various positions including Chairman and Director of Metrobank Card Corporation since 2006, Chairman of Metro Remittance

Singapore PTE Ltd. since 2010, and Chairman of SMBC Metro Investment Corporation since 2014.

PASCUAL M. GARCIA III, 64 years old, Filipino, was appointed as Board Adviser in May 2013. He is currently the President of Federal Land, Inc. He also holds several other positions in other companies among which are: Vice Chairman, Property Company of Friends, Inc.; Vice Chairman, Cathay International Resources Corp.; Chairman, Omni Orient Management Corp.; Chairman, Metpark Commercial Estate Association, Inc.; President, Horizon Land Resources Development Corp.; Chairman, Central Realty & Development Corp.; Chairman, Crown Central Properties; President, Bonifacio Landmark Realty & Development Corp.; Chairman, Alveo-Federal Land Communities, Inc.; President, ST 6747 Resources Corp.; President, Sunshine Fort North Bonifacio Realty and Dev't. Corp.; Chairman, Magnificat Resources Corp.; President, Federal Land Orix Corp. and Chairman, Branchton Development Corp., Camarillo Development Corp., Firm Builders Realty Development Corp., Marcan Development Corp., Micara Land, Inc., and Williamton Holdings, Inc. Prior to joining Federal Land Inc., he served as the President and Director of PSBank from 2001 to 2013; Director of Toyota Financial Services Philippines Inc. from 2007 to 2017 and Director of Sumisho Finance Corp. from 2009 to 2016. Mr. Garcia earned his Bachelor's degree in Commerce, Major in Management, from the Ateneo de Zamboanga University.

RAHUL HORA is the President and CEO of AXA Philippines. He has over 21 years of work experience, including 4 years in the FMCG industry and more than 17 years in the insurance industry. Upon joining AXA Philippines, he worked as Chief Agency Officer beginning in 2009 and then a member of the Board of Directors in 2012. Then in 2015, he was appointed as the Chief Operating Officer wherein he led the organization towards being more customer-centric with key focus on digital transformation. Prior to working at AXA Philippines, he has served as the Regional Head of Distribution, 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 a notable experience starting in the Indian insurance industry, serving as 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 worked as a senior officer for various local and foreign banking institutions from 1988 to 1995. He was Director for Investment Banking of the First National Bank of Boston from 1994 to 1995, and prior to that, Vice President of Equitable Banking Corporation. In 1995, Mr. Lim joined Fort Bonifacio Development Corporation (FBDC) as Treasury Vice President and eventually was appointed Chief Finance Officer in 2000. In 2001, Mr. Lim assumed the position of Group Vice President and Chief Finance Officer of FBDC's parent company, Metro Pacific Corporation (MPC) on a concurrent basis. He was then elected President and CEO of MPC in June 2003. In 2006, MPC was reorganized into Metro Pacific Investments Corporation (MPIC), where he continues to serve as President and CEO. He is a founding member of the Shareholders Association of the Philippines and an active member in various business organizations. He was awarded by Corporate Governance Asia as the Best CEO for Investor Relations for five consecutive years from 2012-2016.

ANICETO M. SOBREPEÑA is the President of Metrobank Foundation, Inc. and Executive Vice President of Metropolitan Bank & 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 hired as Executive Director in 1998 and in 2006, was appointed President of the Metrobank Foundation, the corporate social responsibility arm of 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 Chairman and acting President 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.

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, 2017 and 2016 and for each of the three years in the period ended December 3 I, 20 I 7, 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 f om 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 of presentation upon completion of 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

[illegible]

SUBSCRIBED AND SWORN to before me on March 26, 2018 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.: 214
Page No.: 43
Book No.: 10
Series of 2018

(Original signed)

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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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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.

Finalization of purchase price allocation on investment in Metro Pacific Investments Corporation (MPIC)

In 2016, the Group acquired 15.55% of common shares of MPIC for a total consideration of ₱29.90 billion. The Group applied the equity method in accounting for this investment. PFRS requires the Group to recognize the acquisition at the fair value of the consideration. Any difference between the cost of the investment and the fair values of the assets acquired and liabilities assumed is recognized as goodwill. In 2016, the purchase price allocation was determined on a provisional basis. PFRS provides for a measurement period of one year from the date of acquisition wherein the acquirer may adjust provisional amounts.

The finalization of the purchase price allocation in 2017 is significant to our audit because it required significant amount of management judgment and estimation in determining the fair values of assets and liabilities, particularly, on the use of discount rates and financial projections for the valuation of service concession assets. Goodwill recognized within the investment in associate account amounted to ₱2.73 billion. The significant estimates used and disclosures in relation to the finalization of the purchase price allocation of MPIC are included in Notes 3 and 8 to the consolidated financial statements.

Audit Response

We reviewed the purchase price allocation performed by the Group. We assessed the competence, capabilities and objectivity of the external valuation specialists who prepared the valuations by considering their qualifications, experience and reporting responsibilities. We involved our internal specialists in evaluating the methodologies and assumptions used to determine the fair value of service concession assets. We reviewed the discount rates used by assessing whether the underlying parameters used represent current market assumptions of risks specific to the asset being valued. We tested forecasted cash flows by comparing projections with industry and historical data.

Revenue Recognition

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs account for 5.88% of total consolidated revenue and 4.69% of the total consolidated costs and expenses, respectively. The estimation of the total cost of the real estate project requires technical inputs by management's specialists (project development engineers). In addition, one of the criteria required to initiate revenue recognition is the collection of a certain percentage of buyer's payments of total selling price (buyer's equity). It is the reaching of this level of collection that management has assessed that it is probable that economic benefits will flow to the Group because of the buyers' continuing commitment with the sales agreement. 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

We obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We have discussed with the project development engineers to understand their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated to the supporting documents. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details. We likewise performed inquiries with the project development engineers for the revisions. 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. We traced the analysis to supporting documents.

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, 2017, the Group has goodwill and customer relationship intangible asset amounting to ₱8.77 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 discounted future cash flows forecasts, expected gross margins, discount rates and long-term growth rates. 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 future cash flows forecasts, expected gross margins, discount rates and long-term growth rates. 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 Acquisition of Additional Interest in an Associate

In 2017, the Group acquired additional common shares of Metropolitan Bank & Trust Company (MBTC) for a total consideration of ₱24.72 billion, increasing its ownership in MBTC from 26.47% to 36.09%.

The acquisition of additional interest in MBTC is significant to our audit as it is a major acquisition during the year and the amounts involved are material to the consolidated financial statements. PFRS requires that when an entity acquires additional interest in an associate, the increase in the investment must be notionally split between goodwill and the additional interest in the fair value of the net assets of the associate. The significant judgments and estimates used in determining the provisional fair value of the net assets and the disclosures in relation to the acquisition of additional interest in MBTC are included in Notes 3 and 8 to the consolidated financial statements.

Audit Response

We discussed with management the valuation methodologies and inputs used in the provisional purchase price allocation, and reviewed the share purchase agreement covering the acquisition. We also involved our internal specialists in the review of the valuation methodologies and key assumptions. We reviewed the discount rates used to value certain assets and liabilities by assessing whether the underlying parameters used represent current market assumptions of risks specific to the assets and liabilities being valued. We also assessed and validated the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

Accounting for Investments in Associates

The Group has effective ownership of 15.55% in MPIC and 36.09% in MBTC as of December 31, 2017. 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 ₱7.47 billion or 35.16% to the consolidated net income of the Group in 2017, and accounted for 58.03% and 36.53% of the consolidated total noncurrent assets and total assets, respectively, of the Group as of December 31, 2017.

The Group's share in MPIC's net income is significantly affected by MPIC's revenue on water and sewerage services. The recognition of water and sewerage service revenues involves processing large volumes of data from multiple locations. Different rates apply to different customers determined using the formula provided in the service concession agreement and regulated by the Metropolitan Waterworks and Sewerage System (MWSS) Regulatory Office. This matter is significant to our audit because water and sewerage service revenues depend on the completeness of data captured during monthly meter readings, which occur on different billing cut-off dates for different customers; the propriety of the application of rates to billable consumption; and the reliability of the systems involved in processing bills and recording revenues.

In addition, MPIC's goodwill, mainly arising from its acquisition of long term investments in water and tollways business, amounted to ₱21.0 billion and this is allocated to different CGUs. MPIC has also entered into several service concession agreements (SCAs) with the Philippine Government and/or its agencies or instrumentalities, of which ₱34.5 billion of these SCAs are not yet available for use. Under PFRS, MPIC is required to perform annual impairment test on the amount of goodwill and the SCAs not yet available for use. This matter is important to our audit because the assessment of impairment of goodwill and SCAs involves significant management judgment and estimation of its impact 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 the level of provisioning made on MBTC's loans and receivables. The determination of the allowance for credit losses is a key area of judgment as it requires the management to make assumptions about various factors that include the financial condition of the counterparty, estimated future cash flows from the loans and receivables and estimated net selling prices of the collateral. The use of different assumptions and provisioning methodologies could produce significantly different estimates of allowance for credit losses.

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 formulate, and compared them with the amounts reflected in the billing statements. Moreover, we involved our internal specialist in performing the aforementioned procedures on the automated aspects of this process.

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 impairment calculation process and performed tests of relevant controls. For allowance for credit losses calculated on an individual basis, we tested the individual impairment assessment for individually significant impaired loans and receivables. We selected samples of impaired loans and obtained an understanding of the borrower's business and financial capacity. This was done by inquiring on the latest developments about the borrower and checking the payment history of the borrower including payments made subsequent to yearend. We tested the assumptions underlying the impairment identification and quantification of the allowance for credit losses by assessing whether the forecasted cash flows are based on the latest developments about the borrower's financial condition and where applicable, agreeing the value of the collateral to the appraisal reports. We also checked the discount rate used and re-performed the impairment calculation. We also selected samples of not impaired significant loans and receivables and tested whether these are properly tagged as not impaired. For allowance for credit losses calculated on a collective basis, we tested the underlying models and the inputs to those models, such as historical loss rates and net flow rates. This was done by agreeing the details of the loan information used in the calculation of loss rates and net flow rates to MBTC's records and subsidiary ledgers, testing the delinquency age buckets of the loans and loan groupings and re-performing the calculation of the allowance for credit losses.

We obtained the relevant financial information of MPIC and MBTC and recomputed the Group's share in the net income of MPIC and MBTC for the year ended December 31, 2017.

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, 2017, 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, 2017 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 Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621273, January 9, 2018, Makati City

March 16, 2018

Consolidated Statements of Financial Position

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱20,155**	₱20,954
Short-term investments (Note 4)	**1,666**	1,598
Available-for-sale investments (Note 10)	**611**	1,284
Receivables (Note 5)	**24,374**	22,798
Inventories (Note 6)	**56,594**	52,060
Due from related parties (Note 27)	**166**	80
Prepayments and other current assets (Note 7)	**10,417**	6,992
Total Current Assets	**113,983**	105,766
Noncurrent Assets		
Available-for-sale investments (Note 10)	**2,103**	1,443
Receivables - net of current portion (Note 5)	**4,720**	7,141
Land held for future development (Note 6)	**18,278**	18,464
Investment properties (Note 9)	**17,392**	14,314
Investments and advances (Note 8)	**124,892**	94,828
Property and equipment (Note 11)	**11,671**	9,367
Goodwill and intangible assets (Note 13)	**13,012**	12,802
Deferred tax assets (Note 29)	**731**	540
Other noncurrent assets (Note 14)	**909**	781
Total Noncurrent Assets	**193,708**	159,680
	₱307,691	₱265,446

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 15)	**₱25,983**	₱21,177
Short-term debt (Note 16)	**6,033**	6,697
Current portion of long-term debt (Note 16)	**2,467**	1,581
Current portion of liabilities on purchased properties (Notes 20 and 27)	**582**	166
Customers' deposits (Note 18)	**4,941**	3,839
Dividends payable	**589**	589
Due to related parties (Note 27)	**189**	195
Income tax payable	**777**	202
Other current liabilities (Note 19)	**1,229**	638
Total Current Liabilities	**42,790**	35,084

(Forward)

	December 31	
	2017	2016
Noncurrent Liabilities		
Long-term debt – net of current portion (Note 16)	**₱57,021**	₱56,475
Bonds payable (Note 17)	**21,877**	21,848
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**3,152**	1,993
Pension liability (Note 28)	**1,399**	1,671
Deferred tax liabilities (Note 29)	**5,594**	5,052
Other noncurrent liabilities (Note 21)	**2,167**	2,085
Total Noncurrent Liabilities	**91,210**	89,124
	134,000	124,208
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock (Note 22)	**3,143**	2,960
Additional paid-in capital (Note 22)	**78,940**	57,437
Retained earnings – unappropriated (Note 22)	**48,582**	39,961
Retained earnings – appropriated (Note 22)	**19,000**	14,900
Other comprehensive loss (Note 22)	**(5,975)**	(2,775)
Other equity adjustments (Note 22)	**2,322**	2,322
	146,012	114,805
Non-controlling interests (Note 22)	**27,679**	26,433
Total Equity	**173,691**	141,238
	₱307,691	₱265,446

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2017	2016	2015
CONTINUING OPERATIONS			
REVENUE			
Automotive operations (Note 35)	**₱211,692**	₱177,709	₱120,802
Real estate sales (Note 35)	**14,092**	12,438	9,000
Equity in net income of associates and joint venture (Note 8)	**8,699**	6,366	5,616
Interest income (Note 23)	**2,085**	2,262	1,790
Rent income (Notes 9 and 30)	**940**	826	840
Sale of goods and services	**640**	620	547
Commission income	**56**	192	194
Gain on revaluation of previously held interest (Note 31)	**–**	125	–
Other income (Note 23)	**1,607**	1,586	1,160
	239,811	202,124	139,949
COSTS AND EXPENSES			
Cost of goods and services sold (Note 24)	**147,713**	122,060	74,941
Cost of goods manufactured and sold (Note 25)	**39,635**	33,792	27,838
General and administrative expenses (Note 26)	**12,899**	12,837	7,482
Cost of real estate sales (Note 6)	**10,035**	7,586	6,512
Interest expense (Notes 16 and 17)	**3,394**	3,326	2,164
Cost of rental (Note 30)	**360**	326	272
	214,036	179,927	119,209
INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	**25,775**	22,197	20,740
PROVISION FOR INCOME TAX (Note 29)	**4,524**	4,586	4,299
NET INCOME FROM CONTINUING OPERATIONS	**21,251**	17,611	16,441
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	**–**	4,916	4,500
NET INCOME	**₱21,251**	₱22,527	₱20,941
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Profit for the year from continuing operations	**₱14,182**	₱10,631	₱10,396
Profit for the year from discontinued operations	**–**	4,003	1,719
	14,182	14,634	12,115
Non-controlling interests			
Profit for the year from continuing operations	**7,069**	6,980	6,045
Profit for the year from discontinued operations	**–**	913	2,781
	7,069	7,893	8,826
	₱21,251	₱22,527	₱20,941
Basic/Diluted Earnings Per Share from Continuing Operations Attributable to Equity Holders of the Parent Company (Note 34)	**₱72.76**	₱60.39	₱59.64
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)	**₱72.76**	₱83.35	₱69.51

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2017	2016	2015
NET INCOME FROM CONTINUING OPERATIONS	**₱21,251**	₱17,611	₱16,441
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	**–**	4,916	4,500
NET INCOME	**21,251**	22,527	20,941
OTHER COMPREHENSIVE INCOME			
CONTINUING OPERATIONS			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments (Note 10)	**661**	1,065	414
Changes in cumulative translation adjustments	**(3)**	–	–
Changes in cash flow hedge reserves (Note 16)	**(27)**	–	–
Equity in other comprehensive income of associates and joint venture (Note 8):			
Changes in fair value of available-for-sale investments	**(2,142)**	(1,578)	(891)
Cash flow hedge reserve	**8**	8	4
Remeasurement on life insurance reserves	**(190)**	–	–
Translation adjustments	**(1,382)**	175	111
Other equity adjustments	**–**	(13)	–
	(3,075)	(343)	(362)
Items that may not be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans (Note 28)	**(54)**	(20)	260
Equity in remeasurement of defined benefit plans of associates (Note 8)	**(169)**	26	(404)
Income tax effect	**67**	(2)	43
	(156)	4	(101)
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	**(3,231)**	(339)	(463)
OTHER COMPREHENSIVE INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	**–**	19	(39)
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	**(3,231)**	(320)	(502)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱18,020**	₱22,207	₱20,439
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Total comprehensive income for the year from continuing operations	**₱10,982**	₱9,812	₱9,571
Total comprehensive income for the year from discontinued operations	**–**	4,004	1,729
	10,982	13,816	11,300
Non-controlling interests			
Total comprehensive income for the year from continuing operations	**7,038**	7,478	6,358
Total comprehensive income for the year from discontinued operations	**–**	913	2,781
	7,038	8,391	9,139
	₱18,020	₱22,207	₱20,439

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)	Attributable to Retained Earnings - Appropriated (Note 22)
Balance at January 1, 2017	**₱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	**₱3,143**	**₱78,940**	**₱–**	**₱19,000**
Balance at January 1, 2016	₱1,760	₱46,695	(₱6)	₱8,760
Issuance of capital stock	1,200	10,742	–	–
Effect of business combination (Notes 10 and 31)	–	–	–	–
Dividends declared (Note 22)	–	–	–	–
Acquisition of 28.32% of PCFI shares (Note 22)	–	–	–	–
Acquisition of 4.73% of GBPC shares (Note 12)	–	–	–	–
Appropriation during the period	–	–	–	15,500
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	(9,360)
Effect of asset disposal (CPAIC) (Note 12)	–	–	6	–
Effect of asset disposal (GBPC) (Note 12)	–	–	–	–
Total comprehensive income	–	–	–	–
Effect of PCFI's redemption of Pref B shares (Note 22)	–	–	–	–
Balance at December 31, 2016	₱2,960	₱57,437	₱–	₱14,900
Balance at January 1, 2015	₱1,743	₱46,695	(₱2)	₱6,000
Issuance of capital stock	17	–	–	–
Effect of business combination (Notes 10 and 31)	–	–	–	–
Dividends declared (Note 22)	–	–	–	–
Appropriation during the period	–	–	–	8,760
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	(6,000)
Acquisition of treasury shares	–	–	(4)	–
Return of deposits	–	–	–	–
Acquisition of non-controlling interest	–	–	–	–
Total comprehensive income	–	–	–	–
Balance at December 31, 2015	₱1,760	₱46,695	(₱6)	₱8,760

See accompanying Notes to Consolidated Financial Statements.

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
₱39,961	**(₱2,775)**	**₱2,322**	**₱114,805**	**₱26,433**	**₱141,238**
–	**–**	**–**	**21,686**	**–**	**21,686**
(1,461)	**–**	**–**	**(1,461)**	**(5,791)**	**(7,252)**
(19,000)	**–**	**–**	**–**	**–**	**–**
14,900	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**(1)**	**(1)**
14,182	**(3,200)**	**–**	**10,982**	**7,038**	**18,020**
₱48,582	**(₱5,975)**	**₱2,322**	**₱146,012**	**₱27,679**	**₱173,691**
₱33,264	(₱918)	₱576	₱90,131	₱46,401	₱136,532
–	–	–	11,942	–	11,942
(11)	11	–	–	687	687
(1,636)	–	–	(1,636)	(5,910)	(7,546)
–	–	1,746	1,746	(1,746)	–
–	–	–	–	(1,322)	(1,322)
(15,500)	–	–	–	–	–
9,360	–	–	–	–	–
(57)	56	–	5	–	5
(93)	(1,106)	–	(1,199)	(18,068)	(19,267)
14,634	(818)	–	13,816	8,391	22,207
–	–	–	–	(2,000)	(2,000)
₱39,961	(₱2,775)	₱2,322	₱114,805	₱26,433	₱141,238
₱24,432	(₱103)	₱582	₱79,347	₱26,595	₱105,942
–	–	–	17	–	17
–	–	–	–	16,996	16,996
(523)	–	–	(523)	(6,309)	(6,832)
(8,760)	–	–	–	–	–
6,000	–	–	–	–	–
–	–	–	(4)	–	(4)
–	–	–	–	(15)	(15)
–	–	(6)	(6)	(5)	(11)
12,115	(815)	–	11,300	9,139	20,439
₱33,264	₱(918)	₱576	₱90,131	₱46,401	₱136,532

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱25,775**	₱22,197	₱20,740
Income before income tax from discontinued operations (Note 12)	**–**	4,955	4,726
Income before income tax	**25,775**	27,152	25,466
Adjustments for:			
Equity in net income of associates and joint venture (Note 8)	**(8,699)**	(6,366)	(5,616)
Interest expense (Notes 12, 16 and 17)	**3,394**	4,106	3,932
Interest income (Notes 12 and 23)	**(2,085)**	(2,327)	(2,052)
Depreciation and amortization (Note 11)	**1,921**	2,717	3,414
Unrealized foreign exchange losses (Note 26)	**385**	468	89
Pension expense (Note 28)	**319**	349	454
Provisions (Note 26)	**134**	468	350
Gain on disposal of property and equipment (Notes 11 and 23)	**(23)**	(50)	(30)
Gain on sale of available-for-sale investments (Note 10)	**(15)**	–	(18)
Dividend income (Notes 12 and 23)	**(8)**	–	(49)
Gain on disposal of direct ownership in subsidiaries (Note 12)	**–**	(1,769)	–
Realization of previously deferred gain (Note 12)	**–**	(1,918)	–
Gain on remeasurement of previously held interest (Note 31)	**–**	(125)	–
Operating income before changes in working capital	**21,098**	22,705	25,940
Decrease (increase) in:			
Short-term investments	**(68)**	(36)	408
Receivables	**768**	1,055	(1,520)
Reinsurance assets	**–**	–	1,005
Inventories	**(6,376)**	(4,245)	(11,618)
Land held for future development (Note 6)	**(1,745)**	(2,842)	(831)
Due from related parties	**(86)**	290	137
Prepayments and other current assets	**(2,360)**	(1,802)	(1,511)
Increase (decrease) in:			
Accounts and other payables	**5,315**	3,420	1,510
Insurance contract liabilities	**–**	–	(613)
Customers' deposits	**1,102**	116	466
Due to related parties	**(35)**	–	(2)
Other current liabilities	**590**	870	(2,162)
Cash provided by operations	**18,203**	19,531	11,209
Dividends paid (Note 22)	**(7,252)**	(9,817)	(6,005)
Interest paid	**(3,432)**	(4,447)	(4,163)
Income tax paid	**(3,700)**	(5,456)	(4,216)
Interest received	**2,188**	2,324	1,993
Dividends received (Note 8)	**1,611**	1,018	918
Contributions to pension plan assets and benefits paid (Note 28)	**(641)**	(304)	(205)
Net cash provided by (used in) operating activities	**6,977**	2,849	(469)

(Forward)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of property and equipment and intangible assets (Note 11)	**₱117**	₱115	₱566
Sale of available-for-sale investments	**2,430**	–	271
Sale of subsidiaries (Note 12)	**–**	7,438	–
Disposal of investment property (Note 9)	**–**	86	140
Additions to:			
Investments in associates and joint venture (Note 8)	**(26,776)**	(33,767)	(8,833)
Investment properties (Note 9)	**(659)**	(649)	(485)
Property and equipment (Note 11)	**(3,475)**	(6,396)	(9,954)
Available-for-sale investments	**(1,742)**	(1,280)	(526)
Intangible assets (Note 13)	**(235)**	(196)	(29)
Acquisition of subsidiary, net of cash acquired (Note 31)	**(59)**	886	(6,902)
Decrease (increase) in other noncurrent assets	**(106)**	(170)	243
Net cash used in investing activities	**(30,505)**	(33,933)	(25,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan availments (Note 16)	**38,354**	46,648	57,830
Issuance of capital stock (Note 22)	**21,686**	11,942	17
Payment of loans payable	**(38,397)**	(41,384)	(21,911)
Increase (decrease) in:			
Due to related parties	**–**	21	
Liabilities on purchased properties	**1,563**	(623)	(730)
Other noncurrent liabilities	**(91)**	(117)	(162)
Non-controlling interests (Note 22)	**(1)**	(1,842)	76
Net cash provided by financing activities	**23,114**	14,645	35,120
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(385)**	(468)	(89)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(799)**	(16,907)	9,053
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**20,954**	37,861	29,702
CASH AND CASH EQUIVALENTS OF DISPOSAL GROUP AT END OF YEAR (Note 12)	**–**	–	(894)
CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF YEAR (Note 4)	**₱20,155**	₱20,954	₱37,861

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).

The ultimate parent of GT Capital Holdings, Inc. is Grand Titan Capital Holdings, Inc. (Grand Titan).

Group Activities

The Parent Company, Federal Land, Inc. (Fed Land) and Subsidiaries (Fed Land Group), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Property Company of Friends, Inc. (PCFI) and Subsidiaries (PCFI Group), Toyota Manila Bay Corp. (TMBC) and Subsidiary (TMBC Group) and GT Capital Auto Dealership Holdings, Inc. (GTCAD) and Subsidiary are collectively referred herein as the "Group". The Parent Company, the holding company of the Fed Land Group (real estate business), Toyota Group (automotive business), PCFI Group (real estate business), TMBC Group (automotive business) and GTCAD (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

The principal business interests of the Fed Land Group and PCFI Group are real estate development and leasing and selling properties and acting as a marketing agent for and in behalf of any real estate development company or companies. The Fed Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

Toyota Group is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of motor vehicles including vehicle parts, accessories and instruments.

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

The principal business interests of GTCAD are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any auto dealership or other corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust 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 available-for-sale (AFS) investments which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest 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).

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	
		2017	2016	**2017**	2016
Fed Land and Subsidiaries	Philippines	**100.00**	100.00	**100.00**	100.00
PCFI and Subsidiaries (Note 31)	-do-	**51.00**	51.00	**51.00**	51.00
Toyota and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00
TMBC and Subsidiaries (Note 31)	-do-	**58.10**	58.05	**58.10**	58.05
GTCAD and Subsidiary*	-do-	**100.00**	100.00	**100.00**	100.00

**GTCAD was incorporated on June 13, 2016 and has not started commercial business operations.*

Fed Land's Subsidiaries

	Percentages of Ownership	
	2017	2016
Horizon Land Property and Development Corp. (HLPDC)	**100.00**	100.00
Omni - Orient Management Corp. (Previously as Top Leader Property Management Corp.) (TLPMC)	**100.00**	100.00
Federal Land Orix Corporation (FLOC)*	**100.00**	100.00
Topsphere Realty Development Company Inc. (TRDCI)**	**100.00**	–
Central Realty and Development Corp. (CRDC)	**75.80**	75.80
Federal Brent Retail, Inc. (FBRI)	**51.66**	51.66

** On December 23, 2016, Fed Land acquired the 40% ownership in FLOC from Orix Risingsun Properties Incorporated (ORPI). As a result of the purchase, Fed Land gained control in FLOC and accounted for its investment as a subsidiary as of December 31, 2016.*

*** On December 12, 2016, the Board of Directors (BOD) of Fed Land approved the purchase of 3,000,000 preferred and 2,000,000 common shares of stocks in TRDCI, a wholly owned subsidiary of Solid Share Holding Philippines, Inc. The Deed of Absolute Sale was executed on February 10, 2017 when Fed Land also obtained control over TRDCI (Note 31).*

PCFI's Subsidiaries

	Percentages of Ownership	
	2017	2016
Micara Land, Inc.	**100.00**	100.00
Firm Builders Realty Development Corporation	**100.00**	100.00
Marcan Development Corporation (MDC)	**100.00**	100.00
Camarillo Development Corporation (CDC)*	**100.00**	100.00
Branchton Development Corporation (BDC)**	**100.00**	100.00
Williamton Financing Corporation (WFC)*** (Note 31)	**100.00**	100.00

** On March 31, 2016, CDC was incorporated and has not started commercial business operations.*

*** On June 14, 2016, BDC was incorporated and has not started commercial business operations.*

**** On June 23, 2016, PCFI acquired 100% of WFC from Maplecrest Group, Inc. (formerly known as Profriends Group, Inc.).*

Toyota's Subsidiaries

	Percentages of Ownership	
	2017	2016
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

** On June 24, 2015, TSRLI was incorporated and has started commercial business operations on August 17, 2017.*

*** On June 27, 2016, TLI was incorporated and has started commercial business operations on January 1, 2017.*

TMBC's Subsidiaries

	Percentages of Ownership	
	2017	2016
Oxfordshire Holdings, Inc. (OHI)	**100.00**	100.00
TMBC Insurance Agency Corporation (TIAC)*	**100.00**	100.00

** TIAC was incorporated on May 4, 2016.*

GTCAD's Subsidiary
GTCAD has 55% ownership in Toyota Subic, Inc. (TSB). TSB was incorporated on July 14, 2016 and has not started commercial business operations.

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's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations Involving Entities Under Common Control
A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Under the uniting of interest method, the acquirer accounts for the combination as follows:

- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PFRS;
- no amount is recognized as goodwill;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as 'Other equity adjustments' in the consolidated statement of changes in equity. Cash considerations transferred on acquisition of a subsidiary under common control are deducted in the 'Retained earnings' at the time of business combination.

When evaluating whether an acquisition has commercial substance, the Group considers the following factors, among others:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as NCI or other third parties; and
- whether or not the transaction is conducted at fair value.

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer elects whether to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed and included in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the consolidated financial statements of the Group at the acquisition date.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the consolidated statements of income. Any recognized changes in the value of its equity interest in the acquiree previously recognized in other comprehensive income are recognized by the Group in profit or loss, as if the previously held equity interest are disposed of.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in the consolidated statements of income or as changes to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one (1) year.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously held interest, if any, over the fair value of the net assets acquired.

If after reassessment, the fair value of the net assets acquired exceeds the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously held interest, if any, the difference is recognized immediately in the consolidated statements of income as 'Gain on bargain purchase'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in the consolidated statements of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Change in Ownership without Loss of Control
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies
The accounting policies adopted in preparation of the consolidated financial statements are consistent with those of the previous year except for the following new and amended PFRSs and Philippine Accounting Standards (PAS) which were adopted as of January 1, 2017.

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.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  This requires entities to provide disclosure about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes such as foreign exchange gains and losses. The Group has provided the required information in Note 38 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2017.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

The impact of the revised standards adopted effective January 1, 2017 has been reflected in the consolidated financial statements, as applicable.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell assets.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and financial liabilities includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2017 and 2016, the Group has no financial assets and financial liabilities at FVPL and HTM investments. The Group's financial instruments include loans and receivables, AFS investments and other financial liabilities.

Determination of fair value
The fair value for financial instruments traded in active markets as at the reporting date is based on their quoted market prices or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under 'Interest income' and 'Interest expense' accounts unless it qualifies for recognition as some other type of asset or liability. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to the accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', '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 FVPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS investments pertain to quoted and unquoted equity securities and other debt instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of income. Dividends on AFS equity instruments are recognized in the consolidated statement of income when the entity's right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the 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 FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash 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. 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.

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.

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 the acquisition cost of the land and those costs incurred for development and improvement of the properties.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

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.

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.

Franchise
Franchise fee is amortized over the franchise period which ranges from 3 to 5 years. Accumulated depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Software Costs
Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of 3 to 5 years.

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any. Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software.

Goodwill
Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of 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 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

Except for customer relationship, where an indication of impairment exists, the carrying amount of intangible assets with finite useful lives is assessed and written down immediately to its recoverable amount. Customer relationship is reviewed for impairment annually, similar with goodwill, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at 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.

Assets Held for Sale and Non-current Assets Held for Distribution to Equity Holders of the Parent and Disposal Group
The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

The Group classifies a disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. Such disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Assets held for sale are included under 'Prepayments and other current assets' in the consolidated statements of financial position. Assets and liabilities of disposal group classified as held-for-sale are presented separately in the consolidated statements of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The disposal group is excluded from the results of continuing operations and is presented as a single amount as 'Net income from 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 contract receivables.

Equity
The Group records common stock and preferred stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Capital stock
The Parent Company has issued common stock and preferred stock that are classified as equity. Incremental costs directly attributable to the issue of new common stock are shown in equity as a deduction, net of tax, from the proceeds. All other equity issuance costs are recognized as expense as incurred.

Where the Parent Company purchases its own common stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, and is included in equity attributable to the Parent Company's equity holders.

Additional paid-in capital
Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

Deposits for future stock subscriptions
Deposits for future stock subscriptions are recorded based on the amounts received from stockholders and amounts of advances to be converted to equity.

Retained earnings
The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividend on 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. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. In an acquisition without consideration involved, the difference between the share of the non-controlling interests in the net assets at book value before and after the acquisition is treated as transaction between equity owners.

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

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

Automotive operations
Revenue from automotive operations arises from sale of manufactured vehicles and trading of completely built-up vehicles and local and imported parts. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer (including certain "bill and hold" sales, wherein in the buyer takes title and accepts billing), usually on dispatch of goods.

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 Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage of completion (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 Fed Land's gasoline and food products, and are recognized when goods are delivered which is usually at the point of sale in stores. Cost of services are recognized when services are rendered.

Cost of goods manufactured 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.

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

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

Provision for product warranties
Provision for product warranties are recognized when sale of the related products are consummated. The best estimate of the provision is recorded based on three (3) year warranty coverage provided by the Group as part of the sold product. Reversals are made against provision for the expired portion.

Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease term. Variable rent is recognized as an income based on the terms of the lease contract.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specific asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and the date of renewal or extension period for scenario (b).

Operating leases

Operating leases represent those leases in which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Lease payments under an operating lease are recognized in the consolidated statement of income on a straight-line basis over the lease term.

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, 2018

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property mets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Amendments to PAS 28, *Investment in Associate and Joint Venture - Measuring an associate or joint venture at fair value (Part of Annual Improvements to PFRSs* 2014 - 2016 Cycle*)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. Further if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not applicable to the Group since it does not have share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The Group is assessing the impact of adopting the amendments.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

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

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting PFRS 15.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
  Philippine Interpretation IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Intepretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  Philippine Interpretation IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 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

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

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, *Business Combinations*. 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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.

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.

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:

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 (20.0%), 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, 2017 and 2016, the Group determined that it exercises significant influence over MPIC in which it holds a 15.55% ownership interest. Although the Group holds less than 20.0% of the ownership interest and voting rights in MPIC, the Group considers that it exercises significant influence through both its significant shareholding and its representation in MPIC's BOD.

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- stage of completion of the project.

Collectibility of the sales price
In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10.00% would demonstrate the buyer's commitment to pay.

Operating lease commitments – the Group as 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 real estate inventories and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property is held for sale in the ordinary course of business (real estate inventories) or which are held primarily to earn rental and capital appreciation and are not occupied substantially for use by, or in the operations of the Group (investment properties).

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Contingencies
The Group is currently involved in a few legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Allocation of costs and expenses
Costs and expenses are classified as exclusive and common. Exclusive costs such as raw materials and direct labor are charged directly to the product line. Common costs and expenses are allocated using sales value.

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

Revenue recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The estimation of the total cost of the real estate project requires technical inputs from project development engineers.

The carrying amount of installment contracts receivables is disclosed in Note 5. The Group recognized real estate sales in 2017, 2016 and 2015 amounting to ₱14.09 billion, ₱12.44 billion and ₱9.0 billion, respectively.

Estimating allowance for impairment losses
The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required such 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 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, software costs and franchise 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 franchise, and other noncurrent assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in and advances to associates and joint venture, property and equipment, software cost and franchise. 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 franchise, and other noncurrent assets are disclosed in Notes 7, 8, 9, 11, 13 and 14, respectively.

Estimating impairment of AFS investments
The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee company to provide dividends.

The carrying 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.

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 21.

Purchase price allocation of investment in MPIC
The Parent Company is required to perform a purchase price allocation for its investment in MPIC. 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 and deposits, and the valuation of these assets require estimates from management. These estimates include future cash flows forecasts and discount rates.

4. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and Cash Equivalents
This account consists of:

	2017	2016
Cash on hand	**₱38**	₱28
Cash in banks (Note 27)	**6,116**	15,186
Cash equivalents (Note 27)	**14,001**	5,740
	₱20,155	₱20,954

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates ranging from 0.10% to 3.75% in 2017, from 0.01% to 2.50% in 2016, and from 0.25% to 2.50% in 2015 (Note 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 3.00% in 2017, from 0.75% to 2.50% in 2016, and from 0.16% to 1.70% in 2015 (Note 27).

5. RECEIVABLES

This account consists of:

	2017	2016
Installment contracts receivables	₱16,825	₱19,293
Trade receivables	9,465	8,031
Loans receivable	962	643
Nontrade receivables	698	399
Accrued rent and commission income	347	378
Management fee receivables	246	182
Accrued interest receivable	49	152
Others	533	883
	29,125	29,961
Less: Allowance for credit losses	31	22
	₱29,094	₱29,939

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

	2017	2016
Current portion	₱24,374	₱22,798
Noncurrent portion	4,720	7,141
	₱29,094	₱29,939

Noncurrent receivables consist of:

	2017	2016
Installment contracts receivables	₱3,758	₱6,498
Loans receivable	962	643
	₱4,720	₱7,141

Installment Contracts Receivables

Installment contracts receivables pertain to receivables from the sale of residential and condominium units. Titles to the sold residential and condominium units are transferred to the buyers only upon full payment of the contract price.

The details of installment contracts receivables follow:

	2017	2016
Installment contracts receivables	₱17,910	₱20,152
Less: Unearned interest income	1,085	859
	16,825	19,293
Less: Noncurrent portion	3,758	6,498
Current portion	₱13,067	₱12,795

Installment contracts receivables are collected over a period of one to 10 years. The fair value upon initial recognition for Fed Land is derived using the discounted cash flow methodology using discount rates ranging from 8.00% to 12.00% in 2017, 2016 and 2015. PCFI's installment contracts receivables bear annual interest of up to 21.00% in 2017, 14.00% to 21.00% in 2016 and 18.00% to 21.00% in 2015, computed on the diminishing balance of the principal.

Movements in the unearned interest income in 2017 and 2016 follow:

	2017	2016
Balance at beginning of year	₱859	₱993
Additions	1,541	1,159
Accretion (Note 23)	(1,315)	(1,293)
Balance at end of year	₱1,085	₱859

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:

	2017	2016
Real estate	₱962	₱643

Loans receivable from Cathay International Resources Corp. (CIRC)

In 2012, Fed Land entered into a loan agreement with CIRC. Fed 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 loan will mature on the tenth year anniversary from the date of execution of the agreement. Fed 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 2017, 2016 and 2015 amounted to ₱8.52 million, ₱8.73 million, and ₱8.30 million, respectively.

On June 8, 2015, the Board of Fed Land approved the conversion of this receivable to equity in exchange for the common shares of CIRC. Fed 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, 2017 and 2016 amounted to ₱652.17 million and ₱643.04 million, respectively (Note 27).

Loans receivable from Multi Fortune Holdings, Inc. (MFHI)

In 2017, Fed Land entered into a loan agreement with MFHI. Fed 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.

Fed Land used discounted cash flow analyses to measure the fair value of the loan. As discussed in Note 2, 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 market, Fed Land recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability.

The 'Day 1' difference from this receivable amounting to ₱21.39 million was recorded under 'Other income' in the consolidated statements of income in 2017 (Note 23). Accretion of interest expense in 2017 amounted to ₱1.52 million. Nominal interest income earned in 2017 amounted to ₱8.36 million.

The outstanding balance of long term loans receivable from MFHI as of December 31, 2017 amounted to ₱309.87 million.

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 pertain to tenants' rentals and their share in utilities (electricity, water and liquefied petroleum gas) and other charges to customers and commission income pertains to commission earned from sale of real estate properties (Note 27).

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.

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, 2017		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year	₱–	₱22	₱22
Provision for credit losses (Note 26)	11	2	13
Write-off	(4)	–	(4)
Balance at end of year	₱7	₱24	₱31
Individual impairment	₱7	₱24	₱31
Collective impairment	–	–	–
	₱7	₱24	₱31
Gross amount of receivables individually impaired before deducting any impairment allowance	₱7	₱24	₱31

	December 31, 2016		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year	₱7	₱281	₱288
Provision for credit losses (Note 26)	16	5	21
Reversal (Note 26)	(23)	(4)	(27)
Effect of sale of a subsidiary (Note 12)	–	(260)	(260)
Balance at end of year	₱–	₱22	₱22
Individual impairment	₱–	₱22	₱22
Collective impairment	–	–	–
	₱–	₱22	₱22
Gross amount of receivables individually impaired before deducting any impairment allowance	₱–	₱22	₱22

6. INVENTORIES AND LAND HELD FOR FUTURE DEVELOPMENT

Inventories

This account consists of:

	2017	2016
At cost		
Real estate		
Land and improvements	**₱33,849**	₱34,323
Condominium units held for sale	**9,792**	5,582
Construction in progress	**4,852**	3,091
Materials and supplies	**1,137**	1,068
Gasoline retail and petroleum products (Note 24)	**10**	9
Food (Note 24)	**7**	1
Automotive		
Finished goods	**1,989**	5,754
Work-in-process	**14**	29
Raw materials in transit	**1,056**	217
	52,706	50,074
At NRV		
Automotive		
Spare parts	**3,888**	1,986
	3,888	1,986
	₱56,594	₱52,060

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

	2017			
	Land and improvements	**Condominium units held for sale**	**Construction in progress**	**Total**
Balance at beginning of the year	**₱34,323**	**₱5,582**	**₱3,091**	**₱42,996**
Effect of business combination	**–**	**321**	**–**	**321**
Construction and development costs incurred	**789**	**6,775**	**5,341**	**12,905**
Land acquired during the year	**2,323**	**–**	**–**	**2,323**
Borrowing costs capitalized	**241**	**136**	**1,031**	**1,408**
Cost of sales during the year	**(1,427)**	**(6,129)**	**(2,479)**	**(10,035)**
Transfers from construction in progress to condominium units for sale	**–**	**2,555**	**(2,555)**	**–**
Transfers to land held for future development	**(145)**	**–**	**–**	**(145)**
Transfers from land held for future development	**660**	**–**	**–**	**660**
Transfers to property and equipment (Note 11)	**(16)**	**–**	**–**	**(16)**
Transfers from (to) investment property (Note 9)	**5**	**(2,072)**	**(708)**	**(2,775)**
Transfers from land and improvements to condominium units held for sale	**(2,902)**	**2,902**	**–**	**–**
Reclassifications and others	**(2)**	**(278)**	**1,131**	**851**
Balance at end of the year	**₱33,849**	**₱9,792**	**₱4,852**	**₱48,493**

	2016			
	Land and improvements	Condominium units held for sale	Construction in progress	Total
Balance at beginning of the year	₱34,548	₱5,127	₱2,620	₱42,295
Construction and development costs incurred	1,110	5,371	3,801	10,282
Land acquired during the year	–	86	–	86
Borrowing costs capitalized	326	69	1,180	1,575
Cost of sales during the year	(2,143)	(4,264)	(1,179)	(7,586)
Transfers from construction in progress to condominium units for sale	–	972	(972)	–
Transfers to land held for future development	–	(265)	–	(265)
Transfers to investment property (Note 9)	(361)	(1,288)	(1,729)	(3,378)
Transfers from land and improvements to condominium units held for sale	(42)	42	–	–
Elimination of intragroup transactions	(36)	–	–	(36)
Reclassifications and others	921	(268)	(630)	23
Balance at end of the year	₱34,323	₱5,582	₱3,091	₱42,996

Fed Land's capitalized borrowing costs in its real estate inventories amounted to ₱1.17 billion and ₱970.37 million in 2017 and 2016, respectively, for loans specifically used to finance Fed Land's project construction with interest rates ranging from 2.58% to 6.27% and 2.55% to 6.27% in 2017 and 2016, respectively. Also, Fed Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱21.30 million and ₱17.79 million in 2017 and 2016, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.30% and 6.57% in 2017 and 2016, respectively.

PCFI's capitalized borrowing cost as part of real estate inventories amounted to ₱213.43 million and ₱587.04 million in 2017 and 2016, respectively. The capitalization rate used to determine the borrowings eligible for capitalization is 5.89% and 5.10% as of December 31, 2017 and 2016, respectively.

Inventories charged to operations follow:

	2017	2016	2015
Cost of real estate sales	**₱10,035**	₱7,586	₱6,512
Cost of goods and services sold (Note 24)	**147,691**	120,652	73,787
Cost of goods manufactured and sold (Note 25)	**39,635**	33,792	27,838
	₱197,361	₱162,030	₱108,137

Allowance for inventory write-down on power and automotive spare parts inventories follow:

	2017	2016
Beginning balance	**₱69**	₱98
Effect of sale of a subsidiary (Note 12)	**–**	(10)
Provision for inventory write-down	**23**	1
Write-off of scrap inventories	**(1)**	–
Reversal	**–**	(20)
	₱91	₱69

<u>Land Held for Future Development</u>
Land held for future development consist of properties of PCFI for future developments and is carried at cost.

The rollforward analysis of this account follow:

	2017	2016
Beginning of the year	**₱18,464**	₱15,357
Additions	**1,745**	2,842
Transfers from real estate inventories	**145**	265
Transfers to real estate inventories	**(660)**	–
Reclassifications	**(1,416)**	–
	₱18,278	₱18,464

Certain real estate inventories of PCFI with an aggregate carrying value of nil and ₱120.18 million as of December 31, 2017 and 2016, respectively, are mortgaged/pledged as security for loans payable to various local banks (Note 16).

7. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2017	2016
Advances to contractors and suppliers	₱2,732	₱2,526
Prepaid expenses	2,106	988
Input VAT	1,920	1,603
Deposit for land purchases	1,496	262
Creditable withholding taxes (CWT)	1,078	569
Ad-valorem tax	589	595
Advances to officers, employees, agents and brokers (Note 27)	387	391
Others	109	58
	₱10,417	₱6,992

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.

Prepaid expenses mainly include unamortized commission expense for pre-sold and incomplete real estate units and prepayments for supplies, taxes and licenses, rentals, insurance and other land acquisition related costs.

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.

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.

CWT are attributable to taxes withheld by third parties arising from service fees, real estate revenue, auto sales and rental income. The ad-valorem tax represents advance payments to the Bureau of Internal Revenue (BIR). This is applied against taxes on the manufacture and importation of vehicles which generally occurs within one year from the date the ad-valorem taxes are paid.

Advances to officers and employees amounting to ₱47.60 million and ₱45.07 million as of December 31, 2017 and 2016, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱11.45 million and ₱49.55 million as of December 31, 2017 and 2016, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subjected to liquidation within 30 days after the release of cash advance. Cash advances to brokers amounting to ₱327.45 million and ₱296.82 million as of December 31, 2017 and 2016, 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.

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.

8. INVESTMENTS AND ADVANCES

This account consists of:

	2017	2016
Investments in associates	₱114,187	₱86,617
Investments in joint ventures	10,599	8,211
Advances	106	–
	₱124,892	₱94,828

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

	2017	2016
Cost		
Balance at beginning of year	₱63,050	₱33,403
Acquisitions/additional investments during the year	24,739	33,211
Disposal of Group's indirect interest in a subsidiary (Note 12)	–	(3,564)
Balance at end of year	87,789	63,050
Accumulated equity in net income		
Balance at beginning of year	29,967	22,151
Equity in net income for the year	8,250	6,003
Realized gain on sale of subsidiaries (Note 12)	–	1,918
Elimination of advisory income from an associate	–	(105)
Balance at end of year	38,217	29,967
Dividends received		
Balance at beginning of year	(5,832)	(4,868)
Dividends received during the year	(1,597)	(964)
Balance at end of year	(7,429)	(5,832)
Accumulated equity in other comprehensive income		
Balance at beginning of year	(2,753)	(1,355)
Equity in net unrealized gain on AFS investments forthe year	(2,142)	(1,578)
Translation adjustments	(1,382)	175
Remeasurement on life insurance reserves	(190)	–
Net unrealized (gain) loss on remeasurements of defined benefit plans	(118)	18
Other equity adjustments	–	(13)
Balance at end of year	(6,585)	(2,753)
Effect of elimination of intragroup profit		
Balance at beginning of year	2,185	2,243
Elimination during the year	10	(58)
Balance at end of year	2,195	2,185
	₱114,187	₱86,617

The movements in the Group's investments in joint ventures follow:

	2017	2016
Cost		
Balance at beginning of year	₱6,527	₱7,330
Acquisitions/additional investments	1,931	556
Effect of step-up acquisition of FLOC and TMBC (Note 31)	–	(1,359)
Balance at end of year	8,458	6,527
Accumulated equity in net income		
Balance at beginning of year	1,672	1,950
Equity in net income for the year	449	468
Effect of step up acquisition of FLOC and TMBC (Note 31)	–	(746)
Balance at end of year	2,121	1,672
Dividends received		
Balance at beginning of year	–	(540)
Effect of step up acquisition of FLOC and TMBC (Note 31)	–	540
Balance at end of year	–	–
Accumulated equity in other comprehensive income		
Balance at beginning of year	12	(6)
Effect of step-up acquisition of FLOC and TMBC (Note 31)	–	11
Equity in net unrealized loss on remeasurements of defined benefit plans	–	(1)
Equity in cash flow hedge reserve	8	8
Balance at end of year	20	12
Effect of elimination of intragroup profit		
Balance at beginning of year	–	(43)
Reversal of previous year elimination	–	43
Balance at end of year	–	–
	₱10,599	₱8,211

Details regarding the Group's associates and joint venture follow:

	Nature of Business	Country of Incorporation	Effective Percentages of Ownership 2017	2016
Associates:				
MBTC	Banking	Philippines	**36.09**	26.47
MPIC	Infrastructure	-do-	**15.55**	15.55
Phil AXA	Insurance	-do-	**25.33**	25.33
Crown Central Properties Corporation (CCPC)	Real estate	-do-	**48.00**	48.00
Joint ventures:				
Bonifacio Landmark Realty and Development Corporation (BLRDC)	Real estate	-do-	**70.00**	70.00
Sunshine Fort North Bonifacio Realty and Development Corporation (Sunshine Fort)*	-do-	-do-	**60.00**	–
Alveo Federal Land Communities, Inc. (AFLCI)	-do-	-do-	**50.00**	50.00
ST 6747 Resources Corporation (STRC)	-do-	-do-	**50.00**	50.00
TFSPC	Financing	-do-	**40.00**	40.00
SMFC**	-do-	-do-	**20.00**	–

* *On July 3, 2017, Fed Land entered into a Joint Venture Agreement with NREMI Development Company (NRE) to incorporate a joint venture company, Sunshine Fort in which Fed Land held 60% equity interest.*

** *On August 11, 2017, the Parent Company acquired 4.0 million common shares, representing 20% ownership in SMFC from Philippine Savings Bank (PSBank) and PSBank Retirement Fund.*

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
2017					
MBTC	**February 22, 2017**	**₱1.00**	**₱3,180**	**March 9, 2017**	**March 23, 2017**
MPIC	**March 1, 2017**	**0.068**	**2,143**	**March 30, 2017**	**April 26, 2017**
MPIC	**August 4, 2017**	**0.0345**	**1,087**	**September 1, 2017**	**September 26, 2017**
Phil AXA	**November 24, 2017**	**100.00**	**1,000**	**November 24, 2017**	**December 15, 2017**
2016					
MBTC	March 16, 2016	₱1.00	₱3,180	April 1, 2016	April 8, 2016
MPIC	August 3, 2016	0.032	893	September 1, 2016	September 26, 2016

Investment in MBTC
On various dates in 2016, the Parent Company acquired an aggregate of 39.83 million shares of MBTC for a total consideration of ₱3.04 billion. This increased the Parent Company's ownership interest in MBTC from 25.22% to 26.47%. Based on the final purchase price allocation, the difference between the total consideration and the net assets amounting to ₱585.63 million was allocated to notional goodwill, and is included in the carrying amount of the 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%. As of December 31, 2017, the purchase price allocation relating to the Parent Company's acquisition of 9.62% ownership interest in MBTC has been prepared on a preliminary basis. The provisional fair value of the assets acquired and liabilities assumed as of date of acquisition is currently being finalized. 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 as follows: ₱1.44 billion for loans and receivables; ₱0.33 billion for investment properties; (₱0.35) billion for other assets; ₱0.41 billion for deposit liabilities; ₱0.18 billion for other liabilities; and the remaining balance of ₱4.62 billion for 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.

Investment in MPIC

On May 27, 2016, the Parent Company subscribed to 3.60 billion common shares of MPIC for a total subscription price of ₱21.96 billion. On the same day, the Parent Company entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with the Parent Company as the buyer and MPHI as the seller of 1.3 billion common shares of MPIC for a total consideration of ₱7.94 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.

Also, on May 27, 2016, the Parent Company and MPHI signed a Shareholders' agreement whereby the Parent Company is entitled to nominate at least two (2) out of fifteen (15) directors of MPIC. The Parent Company is also entitled to nominate one (1) out of three (3) members in each of the Audit Committee (AC), Risk Management Committee (RMC) and Governance Committee (GC) of MPIC.

The combination of the Parent Company's 15.55% ownership over MPIC, representation in the BOD, AC, RMC and GC of MPIC provides the Parent Company with the ability to exercise significant influence over the operating and financial policies of MPIC. Through its presence and participation at the BOD, AC, RMC and GC meetings, the Parent Company can influence the operating and financial policies of MPIC. Accordingly, the Parent Company accounted for its investment in MPIC as an associate using equity method of accounting.

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 as follows: ₱2.83 billion for investments and advances; ₱2.48 billion for service concession assets; ₱297.50 million for service concession fees payable; ₱334.05 million for long-term debt; and the remaining balance of ₱2.73 billion for goodwill.

Investment in BLRDC

On June 8, 2012, Fed Land and ORPI entered into a joint venture agreement for the creation of BLRDC, with Fed Land owning 70% and Orix owning 30% to develop three (3) main projects, namely (1) residential condominium project, (2) hotel/office building, and (3) operation of the hotel.

Fed Land does not exercise control at 70% of BLRDC, but instead exercises joint control because Fed Land and Orix have contractually agreed to share control over the economic activities of BLRDC.

Investment in Sunshine Fort

On July 3, 2017, the Fed Land entered into a Joint Venture Agreement with NREMI Development Company (NRE) to incorporate a joint venture company in which Fed Land held 60% equity interest. An initial investment amounting to ₱288.75 million was reflected as additions to the investment in associates and joint ventures in 2017.

Investment in AFLCI

On April 29, 2015, Fed Land and Alveo Land Corp. executed a joint venture agreement for the organization of a joint venture, 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 Fed Land to incorporate a joint venture company, STRC, in which Fed 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 Fed 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, Fed Land has fully paid its subscription to STRC. The percentage of ownership is retained as SMDC also invested an equivalent amount.

On September 26, 2017, Fed Land subscribed and paid in cash amounting to ₱31.25 million for the additional 31.25 million preferred shares in line with the increase in authorized capital stock of STRC. SMDC also invested an equivalent amount, thus, retaining its percentage of ownership in STRC.

Investment in TFSPC

On August 29, 2014, the Parent Company signed a Sale and Purchase Agreement with MBTC and PSBank, a majority owned subsidiary of MBTC, to purchase their respective shares in TFSPC representing 15.00% and 25.00%, respectively, of ownership interest for an aggregate consideration of ₱2.10 billion.

On February 21, 2017, the Parent Company remitted ₱480.00 million to TFSPC in response to the latter's equity call upon its stockholders.

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.

Investment in TMBC
On March 7, 2016, TMBC and Toyota Cubao, Inc. (TCI) merged, with TMBC as the surviving entity. The Group assessed that it has control over TMBC and accounted for its investment as investment in a subsidiary (Note 31).

Investment in FLOC
On December 23, 2016, Fed Land entered into a stock purchase agreement with ORPI acquiring the remaining 40% interest in FLOC for a consideration of ₱289.00 million. As a result of the purchase, Fed Land gained control in FLOC and accounted for its investment as investment in a subsidiary as of December 31, 2016 (Note 31).

Fair Value of Investment in Associates and Joint ventures
Phil AXA and CCPC as well as BLRDC, AFLCI, STRC, TFSPC, SMFC and Sunshine Fort are private companies and there are no quoted market prices available for their shares.

As of December 31, 2017 and 2016, the fair values of the Group's investment in PSE-listed entities follow (Note 32):

	2017	2016
MBTC	₱116,265	₱61,026
MPIC	33,467	32,536
	₱149,732	₱93,562

The following tables present the carrying values of the Group's material associates:

Investments in MBTC

	2017	2016
Consolidated Statements of Comprehensive Income		
Revenues	₱83,553	₱78,171
Expenses	54,982	51,494
Net income	21,270	20,316
Other comprehensive loss	(5,045)	(7,156)
Total comprehensive income	16,225	13,160
*Consolidated Statements of Financial Position**		
Total assets	2,080,292	1,876,009
Total liabilities	(1,876,202)	(1,670,456)
Net assets	204,090	205,553
Equity attributable to NCI	(9,535)	(9,551)
Other equity reserves	7,400	–
Net assets attributable to common shareholders of MBTC	201,955	196,002
GT Capital's ownership interest in MBTC	36.09%	26.47%
GT Capital's share in net assets of MBTC	72,886	51,882
Notional goodwill	5,205	586
Fair value and other adjustments	2,423	1,792
Elimination of intercompany transactions	(468)	(468)
	₱80,046	₱53,792

**MBTC does not present classified statements of financial position.*

Investments in MPIC

	2017	2016
Consolidated Statements of Comprehensive Income		
Revenues	₱93,515	₱72,715
Expenses	68,839	51,778
Net income	19,027	16,779
Other comprehensive income (loss)	(466)	1,468
Total comprehensive income	18,561	18,247
Consolidated Statements of Financial Position		
Current assets	₱74,945	₱31,800
Noncurrent assets	428,806	319,802
Current liabilities	(54,877)	(27,044)
Noncurrent liabilities	(233,195)	(136,477)
Net assets	215,679	188,081
Equity attributable to NCI	(54,435)	(36,049)
Net assets attributable to common shareholders of MPIC	161,244	152,032
GT Capital's ownership interest in MPIC	15.55%	15.55%
GT Capital's share in net assets of MPIC	25,073	23,641
Capitalized transaction cost	277	277
Notional goodwill	2,727	2,727
Fair value and other adjustments	4,289	4,708
	₱32,366	₱31,353

Investments in Phil AXA

	2017	2016
Consolidated Statements of Comprehensive Income		
Revenues	₱14,621	₱10,649
Expenses	11,334	9,943
Net income	2,473	586
Other comprehensive loss	(879)	(362)
Total comprehensive income	1,594	224
*Consolidated Statements of Financial Position**		
Total assets	123,425	68,007
Total liabilities	(116,397)	(63,915)
Net assets	7,028	4,092
GT Capital's ownerhip interest in Phil AXA	25.33%	25.33%
GT Capital's share in net assets of Phil AXA	1,780	1,037
Notional goodwill and fair value adjustments	(93)	355
	₱1,687	₱1,392

**Phil AXA does not present classified statements of financial position.*

The following table presents the carrying values of the Group's material joint venture:

	2017		2016	
	BLRDC	TFSPC*	BLRDC	TFSPC*
Selected Financial Information				
Cash and cash equivalents	₱231	₱1,100	₱312	₱523
Current financial liabilities	2,389		774	
Non-current financial liabilities	4,334		3,507	
Financial liabilities		64,776		50,550
Depreciation and amortization	20	35	3	26
Interest income	86	4,921	152	3,642
Interest expenses	89	2,060	–	1,493
Income tax expense	82	308	178	221

(Forward)

	2017		2016	
	BLRDC	**TFSPC***	BLRDC	TFSPC*
Statements of Comprehensive Income				
Revenues	**₱1,688**	**₱5,053**	₱1,565	₱3,680
Expenses	**1,450**	**4,057**	1,092	2,904
Net income	**157**	**688**	296	555
Other comprehensive income	**–**	**21**	–	30
Total comprehensive income	**157**	**709**	296	585
Statements of Financial Position				
Current assets	**3,833**		3,195	
Noncurrent assets	**9,612**		8,117	
Total assets	**13,445**	**71,724**	11,312	55,581
Current liabilities	**(2,715)**		(1,607)	
Noncurrent liabilities	**(4,508)**		(3,640)	
Total liabilities	**(7,223)**	**(64,874)**	(5,247)	(50,640)
Net assets	**6,222**	**6,850**	6,065	4,941
GT Capital's ownerhip interest	**70.00%**	**40.00%**	70.00%	40.00%
GT Capital's share in net assets	**4,355**	**2,740**	4,246	1,976
Notional goodwill and other adjustments	**240**	**894**	239	894
	₱4,595	**3,634**	₱4,485	₱2,870

**TFSPC does not present classified statements of financial position.*

The following table presents the aggregate financial information of the Group's other associate and joint ventures as of and for the years ended December 31, 2017 and 2016:

	2017		2016	
	Associate	**Joint ventures**	Associate	Joint ventures
Statements of Financial Position				
Current assets	**₱189**	**₱4,205**	₱201	₱1,668
Non-current assets	**40**	**4,139**	35	1,493
Current liabilities	**229**	**2,504**	236	1,430
Non-current liabilities	**39**	**60**	60	29
Statements of Comprehensive Income				
Revenues	**41**	**1,572**	31	273
Expenses	**27**	**1,148**	21	230
Net income	**15**	**293**	6	32
Other comprehensive income	**–**	**1**	–	–
Total comprehensive income	**15**	**294**	6	32

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, 2017 and 2016, 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, 2017 and 2016, accumulated equity in net earnings amounting to ₱32.91 billion and ₱25.81 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, 2017 and 2016, the Group has no share on commitments and contingencies of its associates and joint ventures.

Advances
In December 2017, Fed Land made a deposit in North Bonifacio Landmark Realty and Development, Inc. (NBLRDI) amounting to ₱105.61 million representing the paid-up capital of NBLRDI which is in the process of incorporation as of reporting date.

9. INVESTMENT PROPERTIES

The composition and rollforward analysis of this account follow:

	December 31, 2017			
	Land and Improvements	**Building and Improvements**	**Construction In Progress**	**Total**
Cost				
At January 1	₱6,861	₱5,424	₱2,901	₱15,186
Effect of business combination	484	–	–	484
Additions	184	265	210	659
Transfers to property and equipment (Note 11)	(1,067)	(421)	905	(583)
Transfers from (to) inventories (Note 6)	(5)	2,072	708	2,775
Reclassifications and others	648	252	(905)	(5)
At December 31	7,105	7,592	3,819	18,516
Accumulated Depreciation				
At January 1	10	862	–	872
Depreciation (Note 11)	4	270	–	274
Transfers to property and equipment (Note 11)	–	(22)	–	(22)
At December 31	14	1,110	–	1,124
Net Book Value at December 31	₱7,091	₱6,482	₱3,819	₱17,392

	December 31, 2016			
	Land and Improvements	Building and Improvements	Construction In Progress	Total
Cost				
At January 1	₱5,361	₱5,244	₱961	₱11,566
Additions	400	38	211	649
Disposals	(62)	(133)	–	(195)
Transfers from inventories (Note 6)	361	1,288	1,729	3,378
Reclassification and others	801	(1,013)	–	(212)
At December 31	6,861	5,424	2,901	15,186
Accumulated Depreciation				
At January 1	67	702	–	769
Depreciation (Note 11)	5	207	–	212
Disposals	(62)	(47)	–	(109)
At December 31	10	862	–	872
Net Book Value at December 31	₱6,851	₱4,562	₱2,901	₱14,314

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 ₱940.10 million, ₱826.59 million and ₱840.46 million in 2017, 2016 and 2015, respectively (Note 30).

Construction-in-progress pertains to the accumulated cost incurred for the development and redevelopment of Fed Land's malls.

The aggregate fair values of the Group's investment properties amounted to ₱36.55 billion and ₱30.20 billion as of December 31, 2017 and 2016, 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.

10. AVAILABLE-FOR-SALE INVESTMENTS

This account consists of:

	2017	2016
Current:		
Quoted (Note 27)	**₱611**	₱1,284
Noncurrent:		
Quoted	**1,622**	962
Unquoted	**481**	481
	2,103	1,443
	₱2,714	₱2,727

Quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date or use inputs other than quoted price that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Quoted AFS investments include investments in unit investment trust fund (UITF).

Unquoted AFS investments are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable valuation of arriving at a reliable fair value.

Unquoted AFS investments in Toyota Autoparts Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounted to ₱466.20 million as of December 31, 2017 and 2016. Also included in the balance are AFS investments of Fed Land and TMBC amounting to ₱9.94 million and ₱0.46 million, respectively, as of December 31, 2017 and 2016.

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

Movements in the net unrealized gain on AFS investments follow:

	2017		
	Attributable to Parent Company	**Non-controlling Interest**	**Total**
Balance at beginning of year	**₱186**	**₱293**	**₱479**
Net changes shown in other comprehensive income			
Changes in fair values of AFS investments	**640**	**6**	**646**
Realized gains	**15**	**–**	**15**
Balance at end of year	**₱841**	**₱299**	**₱1,140**

	2016		
	Attributable to Parent Company	Non-controlling Interest	Total
Balance at beginning of year	₱823	₱729	₱1,552
Net changes shown in other comprehensive income			
Changes in fair values of AFS investments	561	504	1,065
Effect of sale of a subsidiary (Note 12)	(1,198)	(941)	(2,139)
Balance at end of year	₱186	₱292	₱478

11. PROPERTY AND EQUIPMENT

The composition and rollforward analysis of this account follow :

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building
Cost					
At January 1	**₱541**	**₱722**	**₱304**	**₱981**	**₱2,759**
Additions	**164**	**237**	**15**	**798**	**19**
Transfers from inventories (Note 6)	**–**	**–**	**–**	**–**	**16**
Transfers from (to) investment properties (Note 9)	**–**	**36**	**–**	**83**	**–**
Disposals	**(88)**	**(38)**	**–**	**(41)**	**(8)**
Reclassifications and others	**(5)**	**(18)**	–	**22**	**–**
At December 31	**612**	**939**	**319**	**1,843**	**2,786**
Accumulated Depreciation and Amortization					
At January 1	**187**	**316**	**118**	**538**	**68**
Depreciation and amortization	**146**	**160**	**35**	**187**	**8**
Transfers from investment properties (Note 9)	**–**	**–**	**–**	**–**	**–**
Disposals	**(51)**	**(38)**	**–**	**(21)**	**(1)**
Reclassifications and others	**(1)**	**8**	**–**	**13**	**–**
At December 31	**281**	**446**	**153**	**717**	**75**
Net Book Value at December 31	**₱331**	**₱493**	**₱166**	**₱1,126**	**₱2,711**

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building
Cost					
At January 1	₱399	₱461	₱313	₱3,461	₱1,878
Effect of business combination (Note 31)	14	28	–	7	898
Effect of deconsolidation (Note 12)	(34)	(11)	(14)	(2,713)	(62)
Additions	314	253	5	220	45
Disposals	(150)	(6)	–	(1)	–
Reclassifications and others	(2)	(3)	–	7	–
At December 31	541	722	304	981	2,759
Accumulated Depreciation and Amortization					
At January 1	164	233	90	527	30
Effect of deconsolidation (Note 12)	(39)	(16)	(8)	(194)	(2)
Depreciation and amortization	145	113	36	210	40
Disposals	(86)	(6)	–	(1)	–
Reclassifications and others	3	(8)	–	(4)	–
At December 31	187	316	118	538	68
Net Book Value at December 31	₱354	₱406	₱186	₱443	₱2,691

2017

Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
₱–	₱–	₱2,343	₱–	₱3,950	₱778	₱12,378
–	–	343	–	376	1,523	3,475
–	–	–	–	–	–	16
–	–	1,369	–	–	(905)	583
–	–	–	–	(142)	–	(317)
–	–	(9)	–	(7)	(81)	(98)
–	–	4,046	–	4,177	1,315	16,037
–	–	343	–	1,441	–	3,011
–	–	250	–	737	–	1,523
–	–	22	–	–	–	22
–	–	–	–	(100)	–	(211)
–	–	(2)	–	3	–	21
–	–	613	–	2,081	–	4,366
₱–	₱–	₱3,433	₱–	₱2,096	₱1,315	₱11,671

2016

Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
₱14,368	₱11,653	₱6,767	₱3,170	₱7,630	₱10,306	₱60,406
–	–	301	–	–	42	1,290
(14,744)	(11,655)	(5,062)	(3,177)	(6,096)	(10,701)	(54,269)
2	–	289	–	2,731	2,537	6,396
–	–	–	–	(281)	–	(438)
374	2	48	7	(34)	(1,406)	(1,007)
–	–	2,343	–	3,950	778	12,378
4,433	580	678	423	1,276	–	8,434
(5,010)	(617)	(543)	(475)	(248)	–	(7,152)
577	37	208	51	841	–	2,258
–	–	–	–	(281)	–	(374)
–	–	–	1	(147)	–	(155)
–	–	343	–	1,441	–	3,011
₱–	₱–	₱2,000	₱–	₱2,509	₱778	₱9,367

Construction-in-progress as of December 31, 2017 pertains to TMBC and GTCAD's building construction and Toyota group's machineries and building improvements which are all expected to be completed in 2018.

In 2016, property and equipment pertaining to GBPC's Group were deconsolidated due to the disposal of GBPC (Note 12).

Gain on disposal of property and equipment amounted to ₱23.09 million, ₱49.60 million and ₱29.61 million in 2017, 2016 and 2015, respectively (Note 23).

Fully depreciated buildings and land improvements and other property and equipment with cost of ₱3.41 billion and ₱2.05 billion as of December 31, 2017 and 2016, respectively, are still being used in the Group's operations.

Details of depreciation and amortization follow:

	2017	2016	2015
Continuing operations			
Property and equipment	**₱1,523**	₱1,433	₱926
Intangible assets (Note 13)	**124**	55	17
Investment properties (Note 9)	**274**	212	192
	1,921	1,700	1,135
Depreciation and amortization attributable to discontinued operations			
Property and equipment	**–**	825	1,816
Intangible assets (Note 13)	**–**	192	463
	–	1,017	2,279
	₱1,921	₱2,717	₱3,414

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

	2017	2016	2015
Consolidated Statements of Income			
Cost of goods manufactured	**₱809**	₱889	₱571
Cost of rental (Note 30)	**240**	200	183
Cost of goods and services	**61**	40	37
General and administrative expenses (Note 26)	**655**	495	344
Attributable to disposal group classified as held-for-sale (Note 12)	–	–	20
Attributable to discontinued operations (Note 12)	**–**	1,017	2,259
	1,765	2,641	3,414
Consolidated Statements of Financial Position			
Real estate inventories	**156**	76	–
	₱1,921	₱2,717	₱3,414

12. DISPOSAL OF ASSETS

Sale of Investment in GBPC
On May 26, 2016, the Parent Company acquired FMIC's 4.73% direct equity stake in GBPC for a total consideration of ₱3.26 billion. This increased the Parent Company's direct ownership in GBPC from 51.27% to 56.00%. Subsequently, on May 27, 2016, the Parent Company sold its entire 56.00% investment in GBPC to Beacon Powergen Holdings, Inc. (Beacon) for a total consideration of ₱22.06 billion. Immediately after the sale, the Parent Company relinquished control over GBPC and GBPC ceased to be a subsidiary of the Parent Company effective May 31, 2016. Accordingly, GBPC was deconsolidated from the consolidated financial statements of the Group at that date.

The assets and liabilities of GBPC derecognized as of May 31, 2016 are as follows:

Assets	
Cash and cash equivalents	₱13,136
Short-term investments	300
Receivables	3,591
Inventories	1,523
Prepayments and other current assets	1,988
Available-for-sale securities	674
Property and equipment	47,117
Goodwill and intangible assets	7,105
Deferred tax assets	463
Other noncurrent assets	237
	76,134
Liabilities	
Accounts and other payables	₱5,200
Customer's deposits	1
Income tax payable	3
Other current liabilities	74
Pension liabilities	675
Long-term debt	37,200
Deferred tax liabilities	970
Other noncurrent liabilities	251
	44,374
Net assets	₱31,760

Remeasurement losses on defined benefit plan of GBPC amounting to ₱92.49 million were reclassified to retained earnings.

The aggregate consideration received consists of:

Cash received	₱22,058
Non-controlling interest	17,127
	₱39,185

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* requires income and expenses from discontinued operations 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 statement of income.

The results of operations of GBPC included in the consolidated financial statements are presented below:

	2016	2015
Net fees	₱6,840	₱18,391
Interest income	65	183
Sale of goods and services	32	89
Other income	17	644
Revenue	6,954	19,307
Power plant operation and maintenance expenses	3,273	9,477
General and administrative expenses	1,474	3,402
Interest expense	780	1,768
Cost and expenses	5,527	14,647
Income before income tax	1,427	4,660
Provision for income tax	34	210
Net income	1,393	4,450
Gain on disposal of direct ownership	1,596	–
Realization of previously deferred gain	1,840	–
Total Net Income from Discontinued Operations from GBPC	₱4,829	₱4,450

With the loss of control over GBPC, the Parent Company realized its share in the gain on sale amounting to ₱1.84 billion arising from the sale of GBPC shares by FMIC to Orix P&E Philippines Corporation (Orix) and Meralco Powergen Corporation previously deferred in 2013.

The total gain on the sale of GBPC amounted to ₱3.44 billion, comprising ₱1.60 billion gain on sale of direct ownership and realization of the above previously deferred gain of ₱1.84 billion.

The net cash inflow arising from the deconsolidation of GBPC follows:

Cash proceeds from the sale of 56% of GBPC	₱22,058
Purchase price and related costs to increase stake in GBPC to 56%	(3,586)
Cash and cash equivalents deconsolidated	(13,136)
	₱5,336

On June 30, 2016, Orix exercised its tag-along rights in relation to its holdings of GBPC shares and sold its 22.00% ownership stake in GBPC to the Parent Company for a total consideration of ₱8.67 billion. On the same day, the Parent Company sold the same shares to a third party for the same amount of consideration.

Sale of Investment in Charter Ping An Insurance Company (CPAIC)
On November 5, 2015, the Parent Company signed an agreement to sell 100.00% of CPAIC to AXA Philippines for ₱2.30 billion, subject to closing conditions that are usual and customary (Note 27).

On April 4, 2016, the Parent Company completed the sale of CPAIC for a final consideration of ₱2.10 billion. This transaction resulted in a gain representing the excess of the cash consideration received over the carrying value of the non-current asset held-for-sale amounting to ₱172.89 million and such gain is included in 'Net income from discontinued operations'. Following the sale, the assets, liabilities and reserve of disposal group classified as held-for-sale were derecognized.

Remeasurement losses from defined benefit plan amounting to ₱57.10 million were reclassified to retained earnings.

In the consolidated statements of income, income and expenses from disposal group are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of income.

The results of operation of CPAIC included in the 'Net income from discontinued operations' are presented below:

	2016	2015
Net premiums earned	₱389	₱1,996
Interest income	–	79
Commission income	42	159
Finance and other income	32	110
Revenue	463	2,344
Net insurance benefits and claims	287	1,122
General and administrative expenses	335	1,155
Interest expense	–	1
Cost and expenses	622	2,278
Income (loss) before income tax	(159)	66
Provision for income tax	5	16
Net income (loss)	(164)	50
Gain on disposal of direct ownership	173	–
Realization of previously deferred gain	78	–
Total Net Income from Discontinued Operations from CPAIC	₱87	₱50

The total gain on the sale of CPAIC amounted to ₱251.11 million, comprising ₱172.89 million gain on sale of direct ownership and the realization of the above previously deferred gain of ₱78.22 million.

The net cash flows directly associated with the disposal group are as follows:

	2016	2015
The net cash flows directly associated with disposal group:		
Operating	₱2,392	₱5,751
Investing	(1,886)	(6,964)
Financing	(1,956)	771
Net cash outflow	(₱1,450)	(₱442)

The earnings per share attributable to equity holders of the Parent Company from disposal group for the years ended December 31, 2016 and 2015 were computed as follows (amounts in millions except for earnings per share):

	2016	2015
Net income attributable to equity holders of the Parent Company from disposal group	₱4,003	₱1,719
Weighted average number of shares	174	174
	₱23.01	₱9.88

13. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

	2017	2016
Goodwill (Note 31)	**₱8,767**	₱8,679
Customer relationship	**3,883**	3,883
Software costs – net	**360**	238
Franchise – net	**2**	2
	₱13,012	₱12,802

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:

	2017				
	Toyota	**TRDCI**	**PCFI**	**TMBC**	**Total**
Balances at beginning of year	**₱5,597**	**₱–**	**₱2,841**	**₱241**	**₱8,679**
Additions through business combinations (Note 31)	**–**	**88**	**–**	**–**	**88**
Balances at end of year	**₱5,597**	**₱88**	**₱2,841**	**₱241**	**₱8,767**

	2016					
	Toyota	THC	TCI	PCFI	TMBC	Total
Balances at beginning of year	₱5,597	₱24	₱5	₱2,841	₱–	₱8,467
Effect of sale of a subsidiary*	–	(24)	–	–	–	(24)
Effect of merger (Note 31)	–	–	(5)	–	5	–
Additions through business combinations (Note 31)	–	–	–	–	236	236
Balances at end of year	₱5,597	₱–	₱–	₱2,841	₱241	₱8,679

**THC is a wholly-owned subsidiary of GBPC*

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 12.68% in 2017 and 11.52% in 2016. Cash flows beyond the three-year period are extrapolated using a steady growth rate of 3.52% in 2017 and 2.66% in 2016. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2017 and 2016. 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
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 9.41% in 2017 and 8.27% in 2016. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 2.0% in 2017 and 3.0% in 2016. The carrying value of goodwill amounted to ₱2.84 billion as of December 31, 2017 and 2016. No impairment loss was recognized on the goodwill arising from the acquisition of PCFI (Note 31).

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 12.40% in 2017 and 10.55% in 2016. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.52% in 2017 and 2.66% in 2016. The carrying value of goodwill amounted to ₱241.06 million as of December 31, 2017 and 2016. No impairment loss was recognized on the goodwill arising from the acquisition of TMBC (Note 31).

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, using the same projected cash flows, impairment will be recognized when either of the following is applied:

- Pre-tax discount rate is greater than 12.61%;
- Discounted free cash flows to equity decreased by more than 35.00%; or
- Growth rate is less than 3.10%.

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 15.83% and 11.52% in 2017 and 2016, respectively. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 3.52% in 2017 and 2.66% in 2016. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2017 and 2016. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The VIU calculations for the customer relationship are most sensitive to the following assumptions:
- Attrition rate – Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- Earnings before interest and taxes (EBIT) margin on key customers – A 6.85% 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.

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:

	2017	2016
Cost		
Balance at beginning of year	₱372	₱186
Additions	234	196
Effect of sale of a subsidiary (Note 12)	–	(45)
Reclassifications	–	35
	606	372
Accumulated Amortization		
Balance at beginning of year	134	71
Amortization (Note 11)	124	54
Attributable to discontinued operations	–	1
Disposal/reclassification	(12)	35
Effect of sale of a subsidiary (Note 12)	–	(27)
	246	134
Net Book Value	₱360	₱238

Franchise
Franchise fee pertains to the Fed Land Group's operating rights for its fast food stores with estimated useful lives of three to five years.

In 2017, Fed Land acquired additional franchise amounting to ₱0.87 million.

The amortization of the franchise fee amounting to ₱0.28 million, ₱0.46 million and ₱0.26 million in 2017, 2016 and 2015, 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):

	2017	2016	2015
Software cost	₱124	₱54	₱17
Franchise	–	1	–
Attributable to discontinued operations (Note 12)	–	192	463
	₱124	₱247	₱480

14. OTHER NONCURRENT ASSETS

This account consists of:

	2017	2016
Rental and other deposits	₱662	₱519
Escrow fund	134	132
Deferred input VAT	48	69
Retirement asset (Note 28)	7	2
Others	58	59
	₱909	₱781

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:

	2017	2016
Trade payables	₱14,289	₱5,119
Accrued expenses	4,080	3,352
Deferred output tax	1,497	1,111
Telegraphic transfers and drafts and acceptances payable	1,152	6,903
Accrued commissions	1,037	759
Retentions payable	671	281
Customer advances	611	625
Nontrade payables	535	329
Payable for customer's refund	457	360
Accrued interest payable	365	487
Royalty payable	344	312
Due to landowners	50	483
Provision for other expenses	–	327
Others	895	729
	₱25,983	₱21,177

The details of trade payables are as follows:

	2017	2016
Automotive	₱11,903	₱3,418
Real estate	2,383	1,695
Others	3	6
	₱14,289	₱5,119

Trade payables of automotive pertain to the purchase of raw materials, spare parts and vehicles which are noninterest-bearing and are normally settled on one 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:

	2017	2016
Dealers' incentives, supports and promotions	₱2,261	₱1,993
Employee benefits	625	625
Office supplies	122	9
Utilities and services	113	87
Taxes	105	90
Payable to contractors	104	126
Freight, handling and transportation	98	96
Outsourced services	48	–
Repairs and maintenance	34	36
Rent	31	6
Regulatory fees and charges	3	22
Professional fees	1	1
Others	535	261
	₱4,080	₱3,352

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

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 commissions are settled within one (1) year.

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

Customer advances pertain to payments received from buyers for the processing of transfer of units upon turnover.

Payable for customer's refund account represents deposit from buyers subject for refund and are normally settled within one year.

Accrued interest payables are normally settled within a 15 to 60 day term.

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.

Provision for other expenses pertains to liabilities with uncertain amount or timing of actual disbursement. These include regulatory fees, management incentives and other charges which payment is probable and the amount is estimable as of reporting date. The management reassesses their estimates on an annual basis to determine the reasonableness of provision. Disclosure of information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* are not provided because of reasons permitted under paragraph 92 of PAS 37. Accordingly, general descriptions are provided.

Others include refunds from cancelled sales from Fed Land and other government-related payables which are non-interest bearing and are normally settled within one 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 consist of:

2017

	Interest rates	Short-term debt	Long-term debt: Corporate notes	Long-term debt: Loans payable	Subtotal	Total
Parent Company	**2.60% - 5.93%**	**₱–**	**₱–**	**₱25,000**	**₱25,000**	**₱25,000**
Fed Land Group	**2.80% - 6.27%**	**1,243**	**4,900**	**17,945**	**22,845**	**24,088**
PCFI Group	**3.13% - 6.00%**	**1,250**	**–**	**10,474**	**10,474**	**11,724**
TMPC Group	**2.55% - 4.20%**	**2,710**	**–**	**246**	**246**	**2,956**
TMBC Group	**2.60% - 5.94%**	**830**	**–**	**1,100**	**1,100**	**1,930**
		6,033	**4,900**	**54,765**	**59,665**	**65,698**
Less: Deferred financing cost		**–**	**–**	**177**	**177**	**177**
		6,033	**4,900**	**54,588**	**59,488**	**65,521**
Less: Current portion of long-term debt		**–**	**25**	**2,442**	**2,467**	**2,467**
		₱6,033	**₱4,875**	**₱52,146**	**₱57,021**	**₱63,054**

2016

	Interest Rates	Short-term debt	Long-term debt: Corporate notes	Long-term debt: Loans payable	Subtotal	Total
Parent Company	2.60% - 5.93%	₱3,000	₱–	₱25,000	₱25,000	₱28,000
Fed Land Group	2.55% - 6.27%	1,222	4,925	14,081	19,006	20,228
PCFI Group	3.50% - 7.18%	–	–	12,489	12,489	12,489
TMPC Group	2.55% - 4.20%	1,890	–	245	245	2,135
TMBC Group	2.60% - 5.94%	585	–	1,500	1,500	2,085
		6,697	4,925	53,315	58,240	64,937
Less: Deferred financing cost		–	–	184	184	184
		6,697	4,925	53,131	58,056	64,753
Less: Current portion of long-term debt		–	25	1,556	1,581	1,581
		₱6,697	₱4,900	₱51,575	₱56,475	₱63,172

Short-term Debt

Parent Company Short -Term Loans

In 2016, the Parent Company obtained unsecured short-term loans with various non-affiliated banks with aggregate principal amount of ₱19.00 billion to finance acquisitions with annual fixed interest rates ranging from 2.60% to 3.00%. Of the ₱19.00 billion short-term loans, ₱16.00 billion were paid in 2016.

As of December 31, 2016, outstanding short-term loans payable amounted to ₱3.00 billion and bear interest rates of 2.60% for ₱1.50 billion and 3.00% for ₱1.50 billion. In 2017, these short-term loans payable were fully settled.

Fed Land Group Short -Term Loans

These are unsecured short-term borrowings over 60 to 180 day terms obtained from affiliated and non-affiliated local banks for Fed Land Group's working capital requirements with interest rates ranging from 2.80% to 4.00%, 2.55% to 4.00%, 3.00% to 4.00% in 2017, 2016 and 2015, respectively.

PCFI Group Short -Term Loans

In December 2017, PCFI obtained two (2) unsecured working capital loans from a non-affiliated bank amounting to ₱250.00 million each. The promissory notes bear 3.95% fixed interest rate payable in monthly arrears while the principal amount shall be payable in lump sum on maturity dates.

On October 24, 2017 and December 12, 2017, the PCFI obtained two (2) unsecured 90-day promissory notes from a non-affiliated bank amounting to ₱500.00 million and ₱250.00 million, respectively. This will be used for working capital requirements. The promissory notes bear 3.125% fixed interest rate payable in monthly arrears while the principal amount shall be payable in lump sum on maturity dates.

Toyota Group Short -Term Loans

These are unsecured short-term loans obtained from various non-affiliated local banks for Toyota Group's working capital requirements with terms of one year or less and bear annual fixed interest rates ranging from 2.55% to 3.00% in 2017 and 2.55% to 2.90% in 2016 and 2015.

TMBC Short -Term Loans

These are unsecured short-term borrowings ranging from 30 to 90 days obtained from affiliated and non-affiliated local banks to finance the working capital requirements with interest rates of 2.50% to 2.75% in 2017 and 2.60% in 2016.

Interest expense charged to operations from the above-mentioned short-term loans amounted to ₱145.39 million and ₱355.71 million in 2017 and 2016, respectively. Interest expense capitalized amounted to ₱20.51 million and ₱33.72 million in 2017 and 2016, respectively.

Fed Land - Corporate Notes

On July 5, 2013, the Group issued ₱4.00 billion notes with 5.57% interest per annum maturing on July 5, 2020 and an additional ₱1.00 billion notes with 6.27% interest per annum maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2017 and 2016, outstanding balance amounted to ₱4.90 billion and ₱4.92 billion, respectively. As of December 31, 2017 and 2016, the current portion amounting to ₱25.00 million is presented as a current liability.

The agreements covering the above-mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization. As of December 31, 2017 and 2016, the Group has complied with the loan covenants.

Interest expense charged to operations amounted to nil in 2017, 2016 and 2015. Interest expense capitalized amounted to ₱289.73 million, ₱222.62 million and ₱288.85 million in 2017, 2016 and 2015, respectively.

Long-term Loans

Parent Company Long -Term Loans

In 2015, the Parent Company obtained long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 5.05% to 5.93%, with various terms ranging from 10 to 13 years and maturity dates ranging from 2025 to 2028. As of December 31, 2017 and 2016, the carrying value of these long-term loans payable amounted to ₱24.90 billion and ₱24.89 billion, respectively.

As of December 31, 2017 and 2016, the movement of the deferred financing cost is as follows:

	2017	2016
Balances at beginning of year	₱112	₱121
Amortization	(9)	(9)
Balances at end of year	₱103	₱112

Total interest expense incurred on these long-term loans payable in 2017, 2016 and 2015 amounted to ₱1.39 billion (including amortization of deferred financing cost of ₱9.43 million), ₱1.41 billion (including amortization of deferred financing cost of ₱8.99 million) and ₱0.57 billion (including amortization of deferred financing cost of ₱4.00 million), respectively.

Fed Land Long-Term Loans

Non-affiliated loans

On December 22, 2014, Fed Land obtained unsecured loans from various non-affiliated banks amounting to ₱6.60 billion. The loan will be paid as follows: ₱2.00 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 payment starting at the end of 5th year and 60.00% on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion payable at 40% quarterly payment at the end of 5th year to 9th year and 60.00% on maturity date with fixed interest rate of 5.05% per annum.

In 2015 to 2017, the Fed Land Group obtained long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱4.85 billion. Said loans bear fixed interest rates ranging from 5.00% to 6.07%, various terms ranging from 5 to 10 years and maturity dates ranging from 2020 to 2026.

As of December 31, 2017 and 2016, the carrying value of these non-affiliated long-term loans payable amounted to ₱11.45 billion and ₱10.84 billion, respectively, net of unamortized deferred financing cost.

Affiliated loans (Note 27)

On August 25, 2011, Fed Land obtained both partially secured and fully secured peso-denominated loans with an aggregate amount of ₱2.00 billion from an affiliated bank with interest at prevailing market rate ranging from 3.75% to 4.00% with spread of 85-100 basis points, payable in lump sum after five (5) years or on August 25, 2016. MBTC is an associate of the Parent Company. These loans are secured by Phil Exim Guarantee under Mortgage Participation Certificate. The loans were fully paid on August 25, 2016.

On August 25, 2016, Fed Land obtained a 5-year loan from an affiliated bank with a principal amount of ₱2.00 billion and interest rate of 2.80% and will mature on August 25, 2021.

On various dates in 2016, the Fed Land Group obtained long-term loans from an affiliated bank with an aggregate principal amount of ₱1.24 billion. The loans bear interest rates of 2.55% to 2.60%, with terms of five (5) years and maturity date of 2021.

On various dates in 2017, the Fed Land Group obtained various unsecured loans from an affiliated bank totaling ₱3.26 billion. Said loans bear interest rates of 2.60% to 2.90% and will be payable in 2021 and 2022. The loan proceeds were used to finance the real estate projects.

As of December 31, 2017 and 2016, the carrying value of these affiliated long-term loans payable amounted to ₱6.47 billion and ₱3.22 billion, respectively, net of unamortized deferred financing cost.

As of December 31, 2017 and 2016, the movement of the deferred financing cost is as follows:

	2017	2016
Balances at beginning of year	₱18	₱–
Additions	18	18
Amortization	(10)	–
Balances at end of year	₱26	₱18

Interest expense charged to operations amounted to nil, ₱4.12 million and nil in 2017, 2016 and 2015, respectively. Interest expense capitalized from the above-mentioned loans payable amounted to ₱774.17 million, ₱784.83 million and ₱535.90 million, in 2017, 2016 and 2015, 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 notes are payable quarterly and bear fixed rate of 7.18% plus 5% gross receipts tax are secured by various real estate properties (Note 6). The notes were paid in full on January 26, 2017.

In 2013, PCFI also issued ₱2.00 billion five-year fixed rate notes to a non-affiliated bank, of which ₱500.00 million, ₱750.00 million and ₱750.00 million were drawn on January, March and May 2013, respectively. The principal amount of these loans shall be payable in 16 quarterly installments commencing on 5th quarter from the initial drawdown date of January 18, 2013 and bear fixed rate of 6.23%. The loan was used to finance working capital for land development, house construction and land acquisition. The notes were pre-terminated on August 25, 2016.

On July 1, 2015, PCFI entered into a three-year 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 requirement. 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 as of December 31, 2015 and ₱2.00 billion was drawn as of December 31, 2016. The loan availment bears 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 loan pursuant to the loan facility were used for working capital expenditures. As of December 31, 2017 and 2016, the outstanding balance of the note amounted to ₱4.56 billion and ₱5.97 billion, respectively.

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 notes are payable quarterly and bear fixed rate of 6.00%. As of December 31, 2017 and 2016, the outstanding balance of the note amounted to ₱1.45 billion and ₱2.99 billion, respectively.

Affiliated Loans (Note 27)

In March 2011, PCFI entered into a Notes Facility Agreement with an affiliated bank whereby PCFI issued ₱1.50 billion 5-year fixed rate corporate notes to finance their general corporate operations including land banking. The note is payable in 20 quarterly installment commencing on March 2, 2011 with interest rate based on the latest Philippine Dealing System Treasury - Fixing Rate (PDST-F) plus 2.50% plus gross receipts tax. The note was paid in full on March 2, 2016.

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 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. As of December 31, 2017 and 2016, the outstanding balance of the note amounted to ₱1.50 billion for both years.

On June 22, 2017, WFC entered into a US Dollar denominated loan agreement with an affiliated bank. On the same day, WFC also entered into a cross-currency swap (CCS) agreement with an 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 ₱26.78 million. As of December 31, 2017, the negative fair value of the currency swap amounting to ₱47.07 million is included in 'Derivative liabilities' under 'Other noncurrent liabilities' (Note 21).

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, 2017 and 2016, the movement of the deferred financing cost is as follows:

	2017	2016
Balances at beginning of year	**₱47**	₱41
Additions	**15**	25
Amortization	**(19)**	(19)
Balances at end of year	**₱43**	₱47

Total interest expense incurred in 2017, 2016 and 2015 from the aforementioned loans payable amounted to ₱415.13 million, ₱913.75 million and ₱840.13 million, respectively. Interest expense capitalized as part of real estate inventories amounted to ₱293.76 million and ₱587.04 million in 2017 and 2016, 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, 2017 and 2016.

Loans Payable - TMPC Group
As of December 31, 2017 and 2016, this account consists of unsecured long-term debt of the following entities:

	2017	2016
TAPI	₱79	₱79
Other entities	167	166
	₱246	₱245

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 (Note 27).

The other long-term unsecured interest-bearing loans 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 in 2017, 2016 and 2015.

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 building, 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 ₱392.70 million and ₱392.68 million as of December 31, 2017 and 2016, respectively.

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, 2017 and 2016, TMBC has complied with the required financial ratios.

As of December 31, 2017 and 2016, the movement of the deferred financing cost is as follows:

	2017	2016
Balances at beginning of year	₱7	₱–
Additions	–	7
Amortization	(3)	–
Balances at end of year	₱4	₱7

Interest expense on long-term loans payable amounted to ₱34.60 million and ₱16.58 million in 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the carrying value of long-term loans payable amounted to ₱1.10 billion and ₱1.49 billion, respectively.

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

Entity	**Financial Ratio**	**Required Ratio**
TMBC	CR	1:1
TMBC	DER	4:1
TMBC	DSR	1.2x
Fed Land - Corporate Notes	DER	2:1
Parent Company - Long-term loans	DER	2.3:1
PCFI	DSR	1.5x
PCFI	DER	2:1
PCFI	CR	1.75:1

As of December 31, 2017 and 2016, the Group has complied with the foregoing financial ratios.

17. BONDS PAYABLE

			Carrying Value	
Maturity Dates	Interest rate	Par Value	**2017**	2016
₱10.0 billion Bonds				
February 27, 2020	4.8371%	₱3,900	**₱3,886**	₱3,880
February 27, 2023	5.0937%	6,100	**6,062**	6,056
		10,000	**9,948**	9,936
₱12.0 billion Bonds				
November 7, 2019	4.7106%	3,000	**2,988**	2,982
August 7, 2021	5.1965%	5,000	**4,971**	4,964
August 7, 2024	5.6250%	4,000	**3,970**	3,966
		12,000	**11,929**	11,912
Balances at end of year		₱22,000	**₱21,877**	₱21,848

<u>₱10.00 billion GT Capital bonds due 2020 and 2023</u>
On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year bonds due on February 27, 2020 and February 27, 2023, respectively, with an interest rate of 4.84% and 5.09%, respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. 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.

<u>₱12.00 billion GT Capital bonds due 2019, 2021 and 2024</u>
On July 24, 2014, the Parent Company issued ₱12.00 billion 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 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.

As of December 31, 2017 and 2016, the movement of the deferred financing cost is as follows:

	2017	2016
Balances at beginning of year	₱152	₱179
Amortization	(29)	(27)
Balances at end of year	₱123	₱152

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, 2017 and 2016, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2017, 2016 and 2015 amounted to ₱1.15 billion (including amortization of deferred financing cost of ₱28.98 million), ₱1.15 billion (including amortization of deferred financing cost of ₱27.51 million), and ₱1.15 billion (including amortization of deferred financing cost of ₱26.11 million), respectively.

18. CUSTOMERS' DEPOSITS

The Group requires buyers of condominium and residential units to pay a minimum percentage of the total selling price before it enters into a sale transaction. In relation to this, the customers' deposits represent payment from buyers which have not reached the minimum required percentage. When the revenue recognition criteria are met, sales are recognized and these deposits and down payments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the repossessed value of deposit less charges and penalties incurred will be refunded to the buyer.

This account also includes excess of collections over the recognized receivables based on percentage of completion.

As of December 31, 2017 and 2016, the balance of this account amounted to ₱4.94 billion and ₱3.84 billion, respectively (Note 27).

19. OTHER CURRENT LIABILITIES

This account consists of:

	2017	2016
VAT payable	₱644	₱253
Withholding taxes payable	544	360
Others	41	25
	₱1,229	₱638

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

Liabilities on purchased properties are payables to various real estate property sellers. Under the terms of the agreements executed by Fed Land covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to Fed Land only upon full payment of the real estate loans.

In 2017, Fed Land entered into a contract with Kabayan Realty Corporation (KRC) to acquire certain land for ₱2.26 billion. Upon execution of the contract, Fed 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, 2017 amounted to ₱1.66 billion.

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. The outstanding balance as of December 31, 2017 amounted to ₱67.37 million.

In 2012, Fed Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in 13 years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2017 and 2016 amounted to ₱2.00 billion and ₱2.16 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.73 billion and ₱2.16 billion as of December 31, 2017 and 2016, respectively (Note 27).

21. OTHER NONCURRENT LIABILITIES

This account consists of:

	2017	2016
Retentions payable - noncurrent portion	₱917	₱805
Provisions	740	974
Refundable and other deposits	455	297
Derivative liabilities (Note 16)	47	–
Finance lease obligation - net	8	9
	₱2,167	₱2,085

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.

Provisions consist of:

	2017	2016
Claims and assessments	₱522	₱775
Product warranties	218	199
	₱740	₱974

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.

22. EQUITY

Capital Stock and Additional Paid-in Capital
As of December 31, 2017 and 2016, the paid-up capital consists of the following (amounts in millions, except for number of shares):

	Shares		Amount	
	2017	2016	2017	2016
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	192,596,685	174,300,000	1,926	1,743
Additional paid-in capital			78,940	57,437
			₱82,083	₱60,397

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, 2017 and 2016, the total number of stockholders of common shares of the Parent Company is 72 and 73, respectively.

Retained Earnings
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.

On December 15, 2016, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱15.50 billion to be earmarked for the following:

Project Name	Timeline	Amount
Strategic investment in Financial Services	2017	₱13.90 billion
Dividends on Perpetual Preferred Shares	2017	0.60 billion
Dividends on Common Shares	2017	0.50 billion
Capital Call from TFSPC	2017	0.50 billion
		₱15.50 billion

Appropriation of retained earnings amounting to ₱14.90 billion and ₱0.60 billion were reversed in 2017 and 2016, respectively, upon completion of the purpose of appropriation.

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

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

Subsequent to the completion of Tranches 2 and 3 of the PCFI acquisition, the said appropriation was reversed in July 2016.

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 21, 2017	₱0.00377	₱0.66	April 4, 2017	April 20, 2017
March 10, 2016	0.00377	0.66	April 8, 2016	May 4, 2016
Perpetual Preferred Shares				
Series A				
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
December 15, 2016	11.5748	56.01	January 3, 2017	January 27, 2017
December 15, 2016	11.5748	56.01	March 30, 2017	April 27, 2017
December 15, 2016	11.5748	56.01	July 3, 2017	July 27, 2017
December 15, 2016	11.5748	56.01	October 3, 2017	October 27, 2017
Series B				
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
December 15, 2016	12.7373	91.21	January 3, 2017	January 27, 2017
December 15, 2016	12.7373	91.21	March 30, 2017	April 27, 2017
December 15, 2016	12.7373	91.21	July 3, 2017	July 27, 2017
December 15, 2016	12.7373	91.21	October 3, 2017	October 27, 2017

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 21, 2017	₱5.00	₱871.50	April 4, 2017	April 20, 2017
March 10, 2016	6.00	1,045.80	April 8, 2016	May 4, 2016
March 13, 2015	3.00	522.90	April 17, 2015	May 4, 2015

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, 2017 and 2016.

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

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

	Date of declaration	Class of stock	Total amount (in millions)	Record date	Payment date
Fed Land	December 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
	December 12, 2016	Preferred Shares-A	240.00	December 12, 2016	February 28, 2017
	December 12, 2016	Preferred Shares-B	272.58	December 12, 2016	February 28, 2017
	February 22, 2016	Common	94.00	December 31, 2015	March 31, 2016
	December 7, 2015	Preferred Shares-A	240.00	December 31, 2015	January 15, 2016
	December 7, 2015	Preferred Shares-B	249.24	December 31, 2015	January 15, 2016
PCFI	December 13, 2016	Preferred Shares-A	1,334.64	June 29, 2016	December 15, 2016
Toyota	May 23, 2017	Common	11,573.15	December 31, 2016	May 2017
	May 4, 2016	Common	9,890.73	December 31, 2015	May 2016
	May 13, 2015	Common	7,025.38	December 31, 2014	May 2015

Other comprehensive income
Other comprehensive income consists of the following, net of applicable income taxes:

	2017	2016	2015
Net unrealized gain on available-for-sale investments	**₱841**	₱186	₱823
Net unrealized loss on remeasurement of retirement plan	**(236)**	(221)	(305)
Cash flow hedge reserve (Note 16)	**(14)**	–	–
Cumulative translation adjustments	**(2)**	–	–
Equity in other comprehensive income of associates:			
Equity in net unrealized loss on AFS investments	**(4,689)**	(2,547)	(969)
Equity in net unrealized loss on remeasurement of retirement plan	**(987)**	(869)	(898)
Equity in cumulative translation adjustments	**(705)**	677	502
Equity in remeasurement on life insurance reserves	**(190)**	–	–
Equity in cash flow hedge reserves	**20**	12	4
Equity in other equity adjustments of associates	**(13)**	(13)	–
Reserve of disposal group classified as held-for-sale	**–**	–	(75)
	(₱5,975)	(₱2,775)	(₱918)

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.

TCI
In June 2015, the Parent Company acquired 2,705,295 shares of TCI for a total consideration of ₱13.50 million, resulting in 53.80% ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱7.12 million.

Non-controlling interests
The following table presents the rollforward of non-controlling interests:

	2017	2016	2015
Beginning balance	**₱26,433**	₱46,401	₱26,595
Share of non-controlling interest shareholders on:			
Net income	**7,069**	7,893	8,826
Other comprehensive income	**(31)**	498	313
Cash dividends paid to non-controlling interest shareholders	**(5,791)**	(5,910)	(6,309)
Acquisition of additional interests in a subsidiary	**(1)**	(1,746)	–
Preferred shares redemption of a subsidiary	**–**	(2,000)	–
Sale of direct interest in a subsidiary (Note 12)	**–**	(19,390)	–
Effect of business combination (Note 31)	**–**	687	16,996
Acquisition of non-controlling interests in consolidated subsidiaries	**–**	–	(5)
Return of deposits	**–**	–	(15)
	₱27,679	₱26,433	₱46,401

Financial Information of Subsidiaries
The financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interests held by non-controlling interests

	Nature of	**Direct Ownership**		**Effective Ownership**	
	Business	**2017**	2016	**2017**	2016
TMPC	Motor	**49.00**	49.00	**49.00**	49.00
PCFI	Real Estate	**49.00**	49.00	**49.00**	49.00

Carrying value of material non-controlling interests

	2017	2016
PCFI	₱14,157	₱13,967
TMPC	12,278	11,390

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

	2017	2016
TMPC	₱6,712	₱6,030
PCFI	176	814
GBPC	–	913

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2017 and 2016:

	2017		2016	
	TMPC	PCFI	TMPC	PCFI
Statement of Financial Position				
Current assets	₱34,436	22,829	₱29,226	₱21,391
Non-current assets	7,723	16,057	6,778	18,884
Current liabilities	20,936	7,425	16,059	6,034
Non-current liabilities	2,074	8,265	2,452	11,658
Dividends paid to non-controlling interests	5,776	–	4,858	1,032
Statement of Comprehensive Income				
Revenues	186,282	6,941	156,693	4,126
Expenses	169,051	6,370	140,761	3,767
Net income	13,431	723	12,130	233
Total comprehensive income	13,334	751	12,165	213
Statement of Cash Flows				
Net cash provided by operating activities	16,945	1,275	12,164	2,597
Net cash used in investing activities	(2,065)	(2,098)	(2,865)	(3,183)
Net cash provided by (used in) financing activities	(10,922)	(745)	(9,605)	2,235

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 2017 and 2016.

The Parent Company considers total equity as its capital amounting to ₱105.27 billion and ₱78.28 billion as of December 31, 2017 and 2016, 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:

	2017	2016	2015
Interest income on:			
Installment contract receivables (Note 5)	₱1,723	₱1,721	₱1,462
Short-term investments (Note 4)	316	26	20
Cash and cash equivalents (Note 4)	4	373	268
Receivables	–	119	–
Others	42	23	40
	₱2,085	₱2,262	₱1,790

Interest income on installment contract receivables consist of accretion of unamortized discount of Fed Land and interest income from collections of Fed Land and PCFI. Accretion of unamortized discount amounted to ₱1.32 billion in 2017 and ₱1.29 billion in 2016 and 2015. Interest income from collections amounted to ₱0.41 billion, ₱0.43 billion and ₱0.17 billion in 2017, 2016 and 2015, respectively.

Other Income
This account consists of:

	2017	2016	2015
Ancillary income	**₱769**	₱665	₱306
Real estate forfeitures, charges and penalties	**201**	235	266
Subscription income	**95**	–	–
Management fee (Note 27)	**76**	234	64
Gain on disposal of property and equipment (Note 11)	**23**	50	30
Dividend income	**8**	–	14
Gain on asset swap	**–**	–	337
Others	**435**	402	143
	₱1,607	₱1,586	₱1,160

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 Fed Land and PCFI in the administration of different projects related to the joint venture (Note 27).

Gain on asset swap came from the deed of exchange entered into by Fed Land with Bases Conversion Development Authority (BCDA) in 2015 wherein Fed Land transferred to BCDA its road access lot in exchange of BCDA's two parcels of land which was valued at ₱0.10 million per square meter.

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

24. COST OF GOODS AND SERVICES SOLD

Cost of goods and services sold consists of:

	2017	2016	2015
Beginning inventory			
Automotive	**₱6,861**	₱1,891	₱2,293
Gasoline, retail and petroleum products	**9**	7	6
Food	**1**	1	1
	6,871	1,899	2,300
Add: Net purchases	**145,571**	125,624	73,386
Total inventories available for sale	**152,442**	127,523	75,686
Less: Ending inventory (Note 6)			
Automotive	**4,734**	6,861	1,891
Gasoline, retail and petroleum products	**10**	9	7
Food	**7**	1	1
Subtotal (Note 6)	**147,691**	120,652	73,787
Cost adjustments	**(202)**	764	712
Internal and other transfers	**(368)**	(82)	(357)
Direct labor	**365**	38	27
Overhead (Note 30)	**227**	688	772
	₱147,713	₱122,060	₱74,941

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:

	2017	2016	2015
Raw materials, beginning	₱1,329	₱1,382	₱885
Purchases	35,350	29,486	25,184
Total materials available for production	36,679	30,868	26,069
Less: Raw materials, end	1,423	1,329	1,382
Raw materials placed in process	35,256	29,539	24,687
Direct labor	400	372	329
Manufacturing overhead	4,084	3,876	2,901
Total cost of goods placed in process	39,740	33,787	27,917
Work-in-process, beginning	13	68	43
Total Cost of goods in process	39,753	33,855	27,960
Less: Work-in-process, ending	12	13	68
Total cost of goods manufactured	39,741	33,842	27,892
Finished goods, beginning	66	63	21
Total goods available for sale/transfer	39,807	33,905	27,913
Less: Finished goods, ending	19	66	63
Other transfers	153	47	12
	₱39,635	₱33,792	₱27,838

26. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	2017	2016	2015
Salaries, wages and employee benefits (Notes 27 and 28)	₱3,347	₱2,866	₱1,920
Advertising and promotions	1,915	1,838	1,313
Taxes and licenses	1,608	2,010	991
Commissions	1,536	1,394	725
Delivery and handling	709	586	427
Depreciation and amortization (Note 11)	655	495	344
Light, water and other utilities	496	420	352
Office supplies	418	244	138
Outside services	388	223	70
Unrealized foreign exchange losses	385	468	89
Repairs and maintenance	311	258	108
Professional fees	236	429	133
Transportation and travel	232	183	132
Rent (Note 30)	159	149	74
Provision of product warranties	121	121	119
Communications	82	93	45
Entertainment, amusement and recreation	72	89	65
Administrative and management fees	59	55	16
Insurance	44	40	27
Provision for (recoveries from) credit losses (Note 5)	13	(6)	95
Royalty and service fees	11	13	10
Donation	3	–	–
Provisions for other expenses	–	353	136
Others	99	516	153
	₱12,899	₱12,837	₱7,482

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.

As of December 31, 2017 and 2016, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The following table shows the related party transactions included in the consolidated financial statements.

	December 31, 2017		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Significant investor			
Rent income	₱1		Lease of office space
Associates			
Cash and cash equivalents	881	₱9,367	Due and demandable; fixed rate; 0.38% to 3.50%; 14 days to 35 days
Short-term investments	16	597	Various; fixed rate; 0.01%; 181 days
Vehicle receivables (Note 5)		226	Non-interest bearing, unsecured, no impairment; 30 days
Commission receivable		11	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable		22	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing expenses		33	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables		3	Non-interest bearing; due and demandable; Unsecured; no impairment
Available-for-sale investments (Note 10)		611	Investment in unit investment trust fund invested in money market placements sponsored by the trust department of an associate
Due from related parties		11	Non-interest bearing; due and demandable; Unsecured; no impairment
Other noncurrent assets	1	46	Unsecured; Fixed; 2.00%; 1261 days
Property and equipment		26	Purchased of properties
Loans payable (Note 16)	6,264	11,000	2.55% to 5. 29% interest rate
Other payables		159	Non-interest bearing; due and demandable; Unsecured
Due to related parties		17	Non-interest bearing; due and demandable; Unsecured
Interest income	26		Various; fixed rate
Rent income	124		Lease of office space
Dividend income	1,597		Dividend income from associates
Interest expense	139		Various; fixed rate
Gain on sale of AFS investments (Note 10)	15		Realized gain on UITF

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2017		
Joint ventures			
Cash and cash equivalents	₱3	₱7	Savings, current and time deposits accounts earning annual interest rate ranging from 0.38% to 1.75%
Commission receivable		74	Non-interest bearing; due and demandable; Unsecured; no impairment
Financing receivables		268	Non-interest bearing; Unsecured; no impairment; 30 days
Rent receivable		5	Non-interest bearing; due and demandable; Unsecured; no impairment
Management fee receivable		37	Non-interest bearing; due and demandable; Unsecured; no impairment
Due from related parties	100	100	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables		20	Non-interest bearing; due and demandable; Unsecured; no impairment
Investment and advances	1,656	1,656	Initial/additional investment in joint ventures
Other payables		23	Non-interest bearing; due and demandable; Unsecured
Commission income	33		Commission fee received from selling or marketing the real estare units
Management fee income (Note 23)	37		Service fee in the administration of different project related to the JV
Rent income	49		Lease of office space
Interest income	7		Interest income from cash and cash equivalents
Other related parties			
Cash and cash equivalents	19	1,003	Due and demandable, unsecured, no impairment; Fixed; 2.70%; 29 days
Financing receivables		160	Non-interest bearing, unsecured, no impairment; 30days
Service receivables		50	Non-interest bearing, unsecured, no impairment; 30days
Vehicle receivables		198	Non-interest bearing, unsecured, no impairment; 30days
Management receivables		182	Due and demandable
Commission receivable		5	Non-interest bearing; due and demandable; Unsecured; no impairment
Interest receivable		30	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing expenses		2	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable		14	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables		16	Non-interest bearing; due and demandable; Unsecured; no impairment
Prepaid expenses and others		1	Car plan insurance and directors and officers liability insurance premium
Long-term loans receivable (Note 5)		652	With interest of 3.15%; payable in 2022; Unsecured; no impairment
Investments and advances (Note 8)	25,120	25,120	Additional investment in MBTC and initial investment in a joint venture
Due from related parties		55	Non-interest bearing; due and demandable; Unsecured; no impairment
Advances		9	Due and demandable
Property and equipment		101	Purchased of properties
Insurance premium payable		181	Non-interest bearing, unsecured; 90days

(Forward)

Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
	December 31, 2017		
Other payables		₱37	Non-interest bearing; due and demandable; Unsecured
Due to related parties		172	Non-interest bearing; due and demandable; Unsecured
Loans payable (Note 16)	₱3	79	Unsecured; 4.20% interest rate
Liabilities on purchased properties (Note 20)	1,575	3,734	With 3.00% interest; payable annually until 2026; unsecured
Bonds payable		20	GT Capital bonds held by a subsidiary of an associate
Commission income	9		Commission fee received from selling or marketing the real estate units
Interest income	102		Interest income from cash and cash equivalents
Rent income	74		Lease of office space
Interest expense	44		Various; fixed rate
Insurance expense	2		Car plan insurance and directors and officers liability insurance paid to a subsidiary of an associate

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2016		
Associates			
Cash and cash equivalents	₱2,173	₱13,468	Savings, current and time deposits accounts earning annual interest rate ranging from 0.1% to 2.5%
Short-term investments	14	1,310	Within one (1) year, interest rates ranging from 0.1% to 3.0%
Commission receivable		11	Non-interest-bearing; unsecured; no impairment
Rent receivables		12	Non-interest-bearing; unsecured; no impairment
Vehicle receivables		345	Non-interest-bearing; unsecured; no impairment
Due from related parties		21	Non-interest-bearing; unsecured; no impairment
Receivables from sharing of expenses	30	27	Non-interest-bearing; unsecured; no impairment
Other receivables		6	Non-interest-bearing; unsecured; no impairment
Available-for-sale investments (Note 10)	1,284	1,284	Investment in UITF
Investments and advances (Note 8)	32,934	32,934	Initial investment in MPIC and additional investment in MBTC
Investments and advances (Note 8)	241	241	Advisory fees of FMIC
Other noncurrent assets		47	Unsecured; no impairment
Accounts and other payables	6	10	Within one (1) year, non-interest-bearing
Customers' deposits		18	Refundable deposits
Due to related parties		20	Non-interest bearing; due and demandable; Unsecured, no impairment
Loans payable	128	5,901	With interest ranging from 2.55% to 5.29%; Unsecured, no impairment
Vehicle & service sales	263	65	Sale of transportation equipment
Commission income	2		Commission fee received from selling or marketing the real estate units
Interest income	60		Interest from bank deposits with an associate at 0.38% to 2.5% per annum
Management fee income (Note 23)	3		Services related to administering the different projects of the group
Rent income	67		
Dividend income	964		Dividend income from associate
Gain on sale of AFS investments (Note 10)	16		Realized gain on UITF

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2016		
Joint ventures			
Cash and cash equivalents		₱44	Savings, current and time deposits accounts earning annual interest rate ranging from 0.38% to 1.75%
Management fee receivables		39	Unsecured; no impairment
Commission receivable		74	Unsecured; no impairment
Financing receivables		251	Unsecured; no impairment
Other receivables		6	Unsecured; no impairment
Investments and advances (Note 8)	₱556	556	Initial/additional investment in joint ventures
Management fee income (Note 23)	39		
Rent income	33		Lease of office space
Commission income	115		
Vehicle & service sales	81		
Other related parties			
Cash and cash equivalents	457	5,198	Savings, current and time deposits accounts earning annual interest rate ranging from 0.25% to 2.5%
Commission receivable		15	Non-interest-bearing; unsecured; no impairment
Trade receivables	7,890	691	Non-interest-bearing; unsecured; no impairment
Rent receivables		1	Non-interest-bearing; unsecured; no impairment
Vehicle receivables		169	Non-interest-bearing; unsecured; no impairment
Nontrade receivables	3	5	Receivable arising from reimbursable expenses and other nontrade transactions
Receivables from sharing of expenses	7	6	Non-interest-bearing; unsecured; no impairment
Prepaid expenses and others	1	3	Unsecured; no impairment
Due from related parties		59	Non-interest-bearing; unsecured; no impairment
Financing receivables		70	Unsecured; no impairment
Other receivables		436	Non-interest-bearing; unsecured; no impairment
Loans receivables		643	With interest of 3.15%; payable in 2022; unsecured
Accounts and other payables	110,625	7,054	Non-interest-bearing; unsecured; no impairment
Customers' deposits		22	Non-interest-bearing; unsecured; no impairment
Due to related parties		175	Non-interest-bearing; unsecured; no impairment
Royalty payable	83	7	Non-interest-bearing; unsecured; no impairment
Loans payable	3	79	5 years, with interest of 4.20%
Liabilities on purchased properties (Note 20)		2,159	With 3.00% interest; payable annually until 2026; unsecured
Bonds payable	20	20	GT Capital bonds held by a subsidiary of an associate
Additional paid-in capital	25	25	Underwriting selling,and management fee
Vehicle & service sales	536	149	
Interest income	259		Interest from promissory note with subsidiary of an associate
Commission income	23		
Rent income	40		
Insurance expense	5		
Interest expense	102		
Advisory fee	178		Advisory fee paid to FMIC for acquisitions of the Parent Company

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.

Available-for-sale investments
In 2016, the Parent Company invested in UITF products of MBTC. As of December 31, 2017 and 2016, the Parent Company's investment in UITF amounted to ₱0.61 billion and ₱1.28 billion, respectively (Note 10).

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, Fed Land entered into a loan agreement with CIRC. Fed 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, 2017 and 2016 amounted to ₱652.17 million and ₱643.04 million, respectively (Note 5).

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 2.50% to 5.13%, 2.55% to 5.29% and 3.75% to 6.20% per annum for 2017, 2016 and 2015, respectively.

Management fee
Management fee amounting to ₱37.48 million, ₱41.76 million and ₱52.76 million in 2017, 2016 and 2015, respectively, pertains to the income received from a joint venture of Fed Land with BLRDC and STRC (Note 23).

Lease agreements
Fed Land entered into operating lease agreements for the use of office spaces in GT Tower International Building. The terms of lease 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 ₱130.34 million, ₱179.47 million and ₱195.25 million in 2017, 2016 and 2015, respectively (Note 30).

Disposal of assets
On May 26, 2016, the Parent Company acquired 4.73% direct equity stake in GBPC for a total consideration of ₱3.26 billion from FMIC, a subsidiary of MBTC. This increased the Parent Company's direct ownership in GBPC from 51.27% to 56.00%. On May 27, 2016, the Parent Company sold its entire 56.00% investment in GBPC to Beacon for a total consideration of ₱22.06 billion. Beacon is a 100%-owned subsidiary of Beacon Electric Asset Holdings, Inc. (Beacon Electric). MPIC owns 75% of Beacon Electric (Note 12).

On November 5, 2015, the Parent Company signed an agreement to sell 100.00% of CPAIC to AXA Philippines for ₱2.30 billion, subject to closing conditions that are usual and customary. On April 4, 2016, the Parent Company completed the sale of CPAIC for a final consideration of ₱2.10 billion (Note 12).

Compensation of key management personnel for the years ended December 31, 2017, 2016 and 2015 follow:

	2017	2016	2015
Short-term employee benefits	**₱643**	₱606	₱590
Post-employment benefits	**81**	59	102
	₱724	₱665	₱692

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, 2017 and 2016 amounted to ₱2.04 billion and ₱1.51 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, 2017 and 2016 (in absolute amounts):

	December 31, 2017		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Associate			
Savings deposit		**₱34,361**	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		**379,851,411**	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		**80,083,375**	Unsecured with no impairment
Investment in UITF		**8,591,147**	Unsecured with no impairment
Interest income	**₱5,198,953**		Income earned from savings and time deposit
Gain on sale of shares	**430,978**		Income from sale of shares
Gain on sale of UITF	**368,493**		Income from sale of UITF

	December 31, 2016		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Associate			
Savings deposit		₱73,792	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		99,134,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Money market		4,007,832	
Investment in equity securities		8,349,000	Unsecured with no impairment
Investment in UITF		7,603,581	Unsecured with no impairment
Interest income	₱323,091		Income earned from savings and time deposit
Gain on sale of shares	230,060		Income from sale of shares
Gain on sale of UITF	115,820		Income from sale of UITF
Mark-to-market gain	484,811		Gain from mark-to-market of shares
Parent			
Investment in equity securities		7,366,000	Unsecured with no impairment
Gain on sale of shares	281,865		Income from sale of shares

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

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

		Net benefit cost			
	January 1, 2017	**Current service cost**	**Net interest**	**Past service cost**	**Subtotal**
Present value of defined benefit obligation	**₱3,183**	**₱238**	**₱158**	**₱–**	**₱396**
Fair value of plan assets	**(1,514)**	**–**	**(77)**	**–**	**(77)**
Net defined benefit liability	**₱1,669**	**₱238**	**₱81**	**₱–**	**₱319**

					Net benefit cost			
	January 1, 2016	Effect of business combination (Note 31)	Effect of sale of a subsidiary (Note 12)	Balance after business combination	Current service cost	Net interest	Past service cost	Subtotal
Present value of defined benefit obligation	₱3,523	₱88	(₱771)	₱2,840	₱214	₱187	₱6	₱407
Fair value of plan assets	(1,309)	(21)	96	(1,234)	–	(58)	–	(58)
Net defined benefit liability	₱2,214	₱67	(₱675)	₱1,606	₱214	₱129	₱6	₱349

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:

		2017		
		Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2017**	**3.00%**	**7.00% to 9.00%**	**4.69% to 6.69%**
Automotive	**-do-**	**4.00%**	**5.00% to 7.00%**	**5.28% to 6.05%**
Financial	**-do-**	**3.50%**	**8.00%**	**5.74%**

		2016		
		Actuarial Assumptions		
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2016	3.50%	8.00%	5.31%
Automotive	-do-	4.25 to 8.00%	5.00% to 7.00%	5.21% to 5.86%
Financial	-do-	3.50%	7.00%	5.53%

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:

	2017	2016
Retirement asset (Note 14)	**(₱7)**	(₱2)
Retirement liability	**1,399**	1,671
Net retirement liability	**₱1,392**	₱1,669

2017

	Remeasurements in other comprehensive income						
Benefits paid	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2017**
(₱84)	**₱–**	**₱41**	**₱3**	**(₱106)**	**(₱62)**	**₱–**	**₱3,433**
71	**107**	**–**	**–**	**–**	**107**	**(628)**	**(2,041)**
(₱13)	**₱107**	**₱41**	**₱3**	**(₱106)**	**₱45**	**(₱628)**	**₱1,392**

2016

	Remeasurements in other comprehensive income						
Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2016
(₱79)	₱–	₱96	(₱13)	(₱68)	₱15	₱–	₱3,183
76	3	–	–	–	3	(301)	(1,514)
(₱3)	₱3	₱96	(₱13)	(₱68)	₱18	(₱301)	₱1,669

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:

	2017	2016
Cash and cash equivalents	₱334	₱46
Investment in government securities	1,181	966
Investment in equity securities	362	258
Investment in debt and other securities	112	86
Receivables	22	125
Investment in mutual funds	33	21
Others	(1)	15
Liabilities	(2)	(3)
	₱2,041	₱1,514

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:

		2017	2016
	Possible Fluctuations	Increase (Decrease)	Increase (Decrease)
Discount rates	+1%	(₱244)	(₱202)
	-1%	276	232
Future salary increase rate	+1%	290	244
	-1%	(260)	(216)

The Group expects to contribute ₱405.44 million to its defined benefit pension plan in 2018.

The average duration of the defined benefit retirement liability at the end of the reporting period is 16.02 years for the Group.

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

Less than 1 year	₱292
More than 1 year to 5 years	1,248
More than 5 years to 10 years	2,431
More than 10 years to 15 years	2,093
More than 15 years to 20 years	1,721
More than 20 years	7,005

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

29. INCOME TAXES

Provision for income tax account consists of:

	2017	2016	2015
Current	₱4,209	₱4,377	₱4,241
Deferred	248	126	(5)
Final	67	83	63
	₱4,524	₱4,586	₱4,299

The components of the Group's deferred taxes as of December 31, 2017 and 2016 are as follows:

Net deferred tax asset:

	2017	2016
Deferred tax asset on:		
Retirement benefit obligation	₱505	₱439
Deferred gross profit	114	2
Accrued expenses	77	32
Warranties payable and other provisions	66	60
Allowance for inventory obsolescence	25	20
Unamortized past service cost from pension obligation	24	–
Allowance for impairment losses	22	9
NOLCO	7	–
Unrealized foreign exchange gain	40	–
Accrued dealers' incentives, support and promotions	–	18
Others	14	2
	894	582
Deferred tax liability on:		
Capitalized custom duties	28	23
Unearned gross profit on ending inventories	11	–
Unearned gross profit on real estate sales	5	–
Unrealized foreign exchange gain	–	13
Capitalized borrowing cost and guarantee fees	–	3
Deferred financing cost	–	2
Others	119	1
	163	42
Net deferred tax asset	₱731	₱540

Net deferred tax liability:

	2017	2016
Deferred tax asset on:		
Unrealized gain on sale of land	₱725	₱718
Excess of cost over fair value of investment property	107	108
Prepaid commission	79	89
Unearned income	52	34
Retirement benefit obligation	48	109
Accrued expenses	32	194
Interest expense on Day 1 loss	20	18
Unearned gross profit on ending inventories	13	24
Allowance for probable losses	6	5
NOLCO	–	68
Fair value adjustment on acquisition	–	15
Others	6	10
	1,088	1,392
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent Company	5,133	5,437
Capitalized borrowing cost and guarantee fees	933	768
Excess of book basis over tax basis of deferred gross profit	255	112
Fair value adjustment on acquisition - by subsidiaries	219	–
Unamortized discount on long-term payable	83	33
Lease differential	20	15
Deferred financing costs – bonds	17	–
Accrued income	13	–
Retirement asset	2	1
Others	7	78
	6,682	6,444
Net deferred tax liability	₱5,594	₱5,052

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
2017	₱2,891	₱–	₱2,891	₱2020
2016	3,149	(101)	3,048	2019
2015	1,882	(100)	1,782	2018
2014	1,002	(1,002)	–	2017
	₱8,924	(₱1,203)	₱7,721	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2016	₱2	₱–	₱2	2019

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:

	2017	2016	2015
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	**(0.18)**	(0.06)	(0.36)
Nondeductible interest and other expenses	**0.85**	1.05	0.71
Change in unrecognized deferred tax assets	**3.97**	5.05	3.38
Nontaxable income	**(10.27)**	(17.28)	(9.11)
Operating income within ITH	**(7.10)**	(1.99)	(6.32)
Others	**0.28**	0.26	(0.53)
Effective income tax rates	**17.55%**	17.03%	17.77%
Continuing operations	**17.55%**	16.89%	16.88%
Disposal group	**–**	0.14%	0.89%
	17.55%	17.03%	17.77%

Board of Investments (BOI) Incentives

Fed Land

The BOI issued a Certificate of Registration 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 Certificates of Registration (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.

TMP

TMP 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, TMP shall be entitled to Income Tax Holiday (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, TMP 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 TMP's enrollment of its locally-produced vehicle model to the CARS Program on June 27, 2016. Under the terms of registration, TMP shall be entitled to Fixed Investment Support and Production Volume Incentive 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 Fed Land Group's mall and gasoline station and lease of parking spaces with terms ranging from one (1) to 10 years. Rent expense included under 'General and administrative expenses' amounted to ₱158.78 million, ₱149.49 million and ₱73.80 million in 2017, 2016 and 2015, 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 ₱22.12 million, ₱23.66 million and ₱20.57 million in 2017, 2016 and 2015, respectively (Note 24).

As of December 31, 2017 and 2016, the future minimum rental payments are as follows:

	2017	2016
Within one year	₱118	₱103
After one year but not more than five years	478	261
More than five years	42	263
	₱638	₱627

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 ₱940.10 million, ₱826.59 million and ₱840.46 million, in 2017, 2016 and 2015, respectively (Note 9). The cost of rental services amounting ₱360.43 million, ₱326.35 million and ₱271.61 million in 2017, 2016 and 2015, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses.

As of December 31, 2017 and 2016, the future minimum rental receipts from these lease commitments are as follows:

	2017	2016
Within one year	₱676	₱586
After one year but not more than five years	1,066	1,118
More than five years	521	534
	₱2,263	₱2,238

31. BUSINESS COMBINATIONS AND DISPOSALS

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	₱433
Current liabilities	(847)
Noncurrent assets	486
Noncurrent liabilities	(100)
Fair value of net liabilities assumed	(28)
Consideration paid in cash	60
Goodwill (Note 13)	**₱88**

The gross contractual amount of receivables acquired amounted to ₱44.60 million. The goodwill of ₱0.09 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 ₱16.35 million and ₱27.86 million, respectively, to the Group for the year ended December 31, 2017.

Acquisition of TMBC

On March 7, 2016, the SEC approved the merger of TMBC and TCI, with TMBC as the surviving corporation and TCI as the absorbed corporation. The merger resulted in GT Capital owning 58.05% of the merged corporation. Pursuant to the merger, GT Capital has majority representation in the BOD and the Executive Committee (ExCom) of TMBC. Management has assessed that it has the ability to direct the relevant activities of TMBC that most significantly affect its returns based on its majority representation in the BOD and the ExCom. As a result, the Group obtained control over TMBC and the financial statements of TMBC were consolidated in the financial statements of the Parent Company.

The consideration given to obtain control over TMBC was the carrying value of existing TCI shares exchanged for new TMBC shares. The transaction was accounted for as a business combination using the purchase method. The Parent Company's previously held interest was remeasured at fair value and a gain from remeasurement amounting to ₱73.76 million was recognized.

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

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

Assets	
Cash and cash equivalents	₱177
Receivables	906
Inventories	467
Prepayments and other current assets	35
Property and equipment	1,290
Deferred tax assets	39
Other noncurrent assets	22
	2,936
Liabilities	
Accounts and other payables	526
Loans payable	810
Customer's deposits	32
Income tax payable	22
Other current liabilities	18
Deferred tax liabilities	198
Pension liabilities	67
	1,673
Net assets	₱1,263

The gross contractual amount of receivables acquired amounted to ₱913.06 million.

The aggregate consideration transferred consists of:

Proportionate share of non-controlling interests	₱530
Fair value of previously held interest in TMBC	969
	₱1,499

The business combination resulted in goodwill computed as follows:

Total consideration transferred	₱1,499
Less: Fair values of identifiable net assets	1,263
Goodwill (Note 13)	₱236

The goodwill of ₱236.06 million comprises the value of expected synergies arising from the acquisition of the dealership business. Goodwill is allocated entirely to the operations of TMBC, and none of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, TMBC contributed gross revenues and net income attributable to equity holders of the Parent Company amounting to ₱21.35 billion and ₱0.16 billion, respectively, for the year ended December 31, 2016. If the business combination with TMBC took place at the beginning of the year, total revenues and net income attributable to equity holder of the Parent Company from TMBC for the year ended December 31, 2016 would have been ₱24.30 billion and ₱0.17 billion, respectively.

Acquisition of FLOC
On December 23, 2016, Fed Land acquired 40.00% ownership in FLOC from ORPI amounting to ₱289.00 million in exchange for the 220,000,000 common shares of ORPI. As a result of the purchase, Fed Land gained control in FLOC and accounted for its investment as an investment in subsidiary as of December 31, 2016. Fed Land recognized a gain on revaluation of previously held interest amounting to ₱51.06 million. The goodwill recognized from the acquisition amounted to to ₱9.14 million.

Acquisition of WFC
On June 23, 2016, PCFI purchased 1,409,995 common shares and 2,499,996 preferred shares of WFC for a total consideration of ₱49.56 million. Subsequently, in various dates in June 2016, PCFI entered into a Subscription Agreement with WFC for the subscription of a total 200,000,000 common shares of WFC for ₱2.00 billion. The net assets of WFC are short-term financial instruments. The carrying values of the net assets of WFC approximate their fair values due to the short-term maturities of these financial instruments.

Acquisition of PCFI
On August 6, 2015, the Parent Company, Profriends Group Inc. (PGI) and PCFI entered into a Master Subscription Agreement (the Agreement). Subject to the terms of the Agreement, the Parent Company agreed to subscribe to PCFI's series A preferred shares representing 51.00% of all issued and outstanding capital stock over a three (3) year term ending on the third year from the execution of the Agreement.

The Parent Company finalized the acquisition of the initial 22.68% of PCFI for ₱7.24 billion on August 20, 2015, upon fulfillment of all Tranche 1 closing conditions. This includes the execution of an irrevocable proxy in favor of the Parent Company, covering 51.00% of the total issued and outstanding capital stock of PCFI ("the Irrevocable Proxy") by PGI, the selling shareholder. The Irrevocable Proxy gives the Parent Company the ability to direct the relevant activities of PCFI that will affect the amount of returns that the Parent Company will receive from its investment in PCFI. The Parent Company assessed that it has control over PCFI by virtue of the Irrevocable Proxy and payment for the 22.68% equity interest and accounted for PCFI as a subsidiary.

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

As permitted under the standards, the Group finalized its purchase price allocation of PCFI to consider additional information in 2016. The final purchase price allocation was retroactively adjusted in the 2016 financial statements. The effects of the retrospective adjustment is detailed below:

- Decrease in receivables by ₱865.25 million.
- Decrease in inventories by ₱13.76 billion.
- Decrease in accounts and other payables by ₱277.65 million.
- Decrease in long-term debt by ₱5.36 million.
- Decrease in net deferred tax liabilities by ₱4.30 billion.
- Decrease in unappropriated retained earnings by ₱4.11 million.
- Decrease in NCI by ₱7.31 billion.

The above adjustments resulted in the net increase in goodwill by ₱2.73 billion. Accordingly, the consolidated statement of financial position and consolidated statement of income for the year ended December 31, 2015 have been restated to reflect the results of the final purchase price allocation. Cost of real estate sales increased by ₱25.90 million and provision for income tax decreased by ₱7.77 million. Net income attributable to equity holders of the Parent Company decreased by ₱4.11 million and net income attributable to NCI decreased by ₱14.02 million.

The final allocation of the identifiable assets and liabilities of PCFI as of acquisition date are as follows:

Assets	
Cash and cash equivalents	₱338
Short-term investments	962
Receivables	13,078
Inventories	23,147
Due from related parties	337
Prepayments and other current assets	1,120
Available-for-sale investments	2
Property and equipment	715
Intangible assets	13
Investment properties	2,390
Deferred tax assets	80
Other noncurrent assets	212
	42,394
Liabilities	
Accounts and other payables	1,992
Customer's deposits	676
Loans payable – current	7,725
Other current liabilities	1,944
Income tax payable	125
Loans payable – Noncurrent	5,408
Deferred tax liabilities on fair value increment	3,019
Pension liabilities	110
	20,999
Net assets	₱21,395

The gross contractual amount of receivables acquired amounted to ₱11.02 billion.

The aggregate consideration transferred consists of:

Cash consideration	₱7,240
Proportionate share of non-controlling interests	16,996
	₱24,236

The business combination resulted in goodwill computed as follows:

Total consideration transferred		₱24,236
Fair value of identifiable net assets	₱24,414	
Less: Deferred tax liabilities on fair value adjustments	(3,019)	21,395
Goodwill (Note 13)		₱2,841

The goodwill arising from acquisition consists largely of the synergies expected from having PCFI within the Group. Goodwill arising from the acquisition of PCFI Group is allocated entirely to the operations of PCFI. None of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, PCFI Group has contributed gross revenues of ₱2.95 billion and net income attributable to equity holders of the Parent Company amounting to ₱286.73 million to the Group for the year ended December 31, 2015. If the business combination with PCFI had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company from PCFI for the year ended December 31, 2015 would have been ₱7.05 billion and ₱458.63 million, respectively.

32. FAIR VALUE MEASUREMENT

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and Other current assets (short-term cash investments)
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities 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 3.24% to 12.00% and 2.16% to 12.00% as of December 31, 2017 and 2016, 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 both December 31, 2017 and 2016.

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

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

AFS investments - quoted
Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date or use inputs other than quoted price that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Quoted AFS investment includes 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.

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

Loans payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term portion of loans payable with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using applicable interest rates for similar types of loans as of reporting date. The interest rates used ranged from 2.55% to 5.94% and 2.55% to 7.18% for the year ended December 31, 2017 and 2016, 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.

			2017		
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:					
Financial Assets					
AFS investments:					
Quoted equity securities	**₱2,233**	**₱1,622**	**₱611**	**₱–**	**₱2,233**
	₱2,233	**₱1,622**	**₱611**	**₱–**	**₱2,233**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	**₱16,825**	**₱–**	**₱–**	**₱20,135**	**₱20,135**
Loans receivables	**962**	**–**	**–**	**1,077**	**1,077**
Non-financial Assets					
Investment in listed associates	**112,412**	**149,732**	**–**	**–**	**149,732**
Investment properties	**17,392**	**–**	**–**	**36,549**	**36,549**
	147,591	**149,732**	**–**	**57,761**	**207,493**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	**₱3,734**	**₱–**	**₱–**	**₱3,608**	**₱3,608**
Loans payable	**65,521**	**–**	**–**	**66,104**	**66,104**
Bonds payable	**21,877**	**21,801**	**–**	**–**	**21,801**
	₱91,132	**₱21,801**	**₱–**	**₱69,712**	**₱91,513**

			2016		
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
AFS investments:					
Quoted equity securities	₱2,246	₱104	₱2,142	₱–	₱2,246
	₱2,246	₱104	₱2,142	₱–	₱2,246
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	₱19,293	₱–	₱–	₱21,734	₱21,734
Loans receivables	643	–	–	610	610
Non-financial Assets					
Investment in listed associates	85,145	93,562	–	–	93,562
Investment properties	14,314	–	–	30,199	30,199
	119,395	93,562	–	52,543	146,105
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	2,159	–	–	2,582	2,582
Loans payable	64,753	–	–	67,112	67,112
Bonds payable	21,848	22,382	–	–	22,382
	₱88,760	₱22,382	₱–	₱69,694	₱92,076

As of December 31, 2017 and 2016, other than AFS investments, no transfers were made among the three levels in the fair value hierarchy.

In 2017, portion of AFS quoted equity securities amounting to ₱1.50 billion was transferred from Level 2 to Level 1. The prices of these securities are quoted in an active market.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison.

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

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

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

Valuation Techniques

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

Significant Unobservable Inputs

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

33. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

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

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

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

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

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

Credit Risk

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

Financial assets comprise cash and cash equivalents, short-term investments, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

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

As of December 31, 2017 and 2016, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium and residential units collateral is greater than the carrying value of the installment contracts receivable.

a. *Credit quality per class of financial assets*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2017						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents* (Note 4)	**₱20,117**	**₱–**	**₱–**	**₱20,117**	**₱–**	**₱–**	**₱20,117**
Short-term investments (Note 4)	**1,666**	–	–	**1,666**	–	–	**1,666**
Receivables (Note 5)							
Installment contracts receivable	**14,539**	**1,308**	**435**	**16,282**	**535**	**8**	**16,825**
Trade receivables	**7,002**	–	**1**	**7,003**	**2,458**	**4**	**9,465**
Loans receivable	**962**	–	–	**962**	–	–	**962**
Nontrade receivables	**500**	**95**	**31**	**626**	**67**	**5**	**698**
Accrued rent and commission income	**315**	**1**	–	**316**	**4**	**27**	**347**
Management fee receivables	**246**	–	–	**246**	–	–	**246**
Accrued interest receivable	**49**	–	–	**49**	–	–	**49**
Others	**487**	–	–	**487**	**40**	**6**	**533**
Due from related parties (Note 27)	**166**	–	–	**166**	–	–	**166**
	₱46,049	**₱1,404**	**₱467**	**₱47,920**	**₱3,104**	**₱50**	**₱51,074**

**Excludes cash on hand amounting to ₱37.88 million.*

	December 31, 2016						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents* (Note 4)	₱20,926	₱–	₱–	₱20,926	₱–	₱–	₱20,926
Short-term investments (Note 4)	1,598	–	–	1,598	–	–	1,598
Receivables (Note 5)							
Installment contracts receivable	16,184	1,783	465	18,432	860	1	19,293
Trade receivables	6,321	51	96	6,468	1,563	–	8,031
Loans receivable	643	–	–	643	–	–	643
Nontrade receivables	207	108	44	359	27	13	399
Accrued rent and commission income	318	15	2	335	17	26	378
Management fee receivables	182	–	–	182	–	–	182
Accrued interest receivable	152	–	–	152	–	–	152
Dividends receivable	5	–	–	5	–	–	5
Others	813	–	–	813	64	1	878
Due from related parties (Note 27)	80	–	–	80	–	–	80
	₱47,429	₱1,957	₱607	₱49,993	₱2,531	₱41	₱52,565

**Excludes cash on hand amounting to ₱28.03 million.*

As of December 31, 2017 and 2016, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows :

	December 31, 2017								
	Neither Past Due nor Individually Impaired	**Past Due but not Individually Impaired**						**Individually Impaired**	**Total**
		<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**		
Cash and cash equivalents* (Note 4)	**₱20,117**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱20,117**
Short-term investments (Note 4)	**1,666**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,666**
Receivables (Note 5)									
Installment contracts receivable	**16,282**	**118**	**102**	**130**	**50**	**135**	**535**	**8**	**16,825**
Trade receivable	**7,003**	**966**	**814**	**251**	**310**	**117**	**2,458**	**4**	**9,465**
Loans receivable	**962**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**962**
Non-trade receivable	**626**	**25**	**18**	**2**	**3**	**19**	**67**	**5**	**698**
Accrued rent and commission income	**316**	**1**	**1**	**1**	**1**	**–**	**4**	**27**	**347**
Management fee receivables	**246**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**246**
Accrued interest receivable	**49**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49**
Others	**487**	**–**	**–**	**–**	**–**	**40**	**40**	**6**	**533**
Due from related parties (Note 27)	**166**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**166**
	₱47,920	**₱1,110**	**₱935**	**₱384**	**₱364**	**₱311**	**₱3,104**	**₱50**	**₱51,074**

**Excludes cash on hand amounting to ₱37.88 million*

	December 31, 2016								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents* (Note 4)	₱20,926	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱20,926
Short-term investments (Note 4)	1,598	–	–	–	–	–	–	–	1,598
Receivables (Note 5)									
Installment contracts receivable	18,432	259	253	131	50	167	860	1	19,293
Trade receivable	6,468	514	518	232	226	73	1,563	–	8,031
Loans receivable	643	–	–	–	–	–	–	–	643
Non-trade receivable	359	6	9	4	7	1	27	13	399
Accrued rent and commission income	335	1	–	16	–	–	17	26	378
Management fee receivables	182	–	–	–	–	–	–	–	182
Accrued interest receivable	152	–	–	–	–	–	–	–	152
Dividend receivable	5	–	–	–	–	–	–	–	5
Others	813	14	3	3	3	41	64	1	878
Due from related parties (Note 27)	80	–	–	–	–	–	–	–	80
	₱49,993	₱794	₱783	₱386	₱286	₱282	₱2,531	₱41	₱52,565

**Excludes cash on hand amounting to ₱28.03 million*

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2017			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	**₱20,117**	**₱–**	**₱–**	**₱20,117**
Short-term investments (Note 4)	**1,666**	**–**	**–**	**1,666**
Receivables (Note 5)				
Installment contracts receivables	**15,929**	**7,875**	**587**	**24,391**
Trade receivables	**9,465**	**–**	**–**	**9,465**
Loans receivable	**159**	**1,161**	**–**	**1,320**
Nontrade receivable	**698**	**–**	**–**	**698**
Accrued rent and commissions income	**347**	**–**	**–**	**347**
Management fee receivables	**246**	**–**	**–**	**246**
Accrued interest receivable	**49**	**–**	**–**	**49**
Others	**533**	**–**	**–**	**533**
Due from related parties	**166**	**–**	**–**	**166**
Total undiscounted financial assets	**₱49,375**	**₱9,036**	**₱587**	**₱58,998**
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	**₱14,289**	**₱–**	**₱–**	**₱14,289**
Accrued expenses	**4,080**	**–**	**–**	**4,080**
Retentions payable	**671**	**917**	**–**	**1,588**
Telegraphic transfers and drafts and acceptances payable	**1,152**	**–**	**–**	**1,152**
Accrued commissions	**1,037**	**–**	**–**	**1,037**
Accrued interest payable	**365**	**–**	**–**	**365**
Royalty payable	**344**	**–**	**–**	**344**
Nontrade payables**	**210**	**–**	**–**	**210**
Due to landowners	**50**	**–**	**–**	**50**
Others	**1,396**	**–**	**–**	**1,396**
Dividends payable	**589**	**–**	**–**	**589**
Loans payable (Note 16)	**11,603**	**23,077**	**52,394**	**87,074**
Bonds payable (Note 17)	**1,126**	**15,058**	**10,510**	**26,694**
Due to related parties	**189**	**–**	**–**	**189**
Liabilities on purchased properties (Note 20)	**750**	**2,748**	**875**	**4,373**
Derivative liabilities (Note 21)	**47**	**–**	**–**	**47**
Total undiscounted financial liabilities	**₱37,898**	**₱41,800**	**₱63,779**	**₱143,477**
Liquidity Gap	**₱11,477**	**(₱32,764)**	**(₱63,192)**	**(₱84,479)**

**Excludes cash on hand amounting to ₱37.88 million.*

***Pertains to payable to building contractors amounting to ₱210.00 million.*

	December 31, 2016			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	₱20,926	₱–	₱–	₱20,926
Short-term investments (Note 4)	1,598	–	–	1,598
Receivables (Note 5)		–	–	
Installment contracts receivables	14,476	10,866	1,487	26,829
Trade receivables	8,031	–	–	8,031
Loans receivable	110	89	727	926
Nontrade receivable	399	–	–	399
Accrued rent and commissions income	378	–	–	378
Accrued interest receivable	152	–	–	152
Management fee receivables	182	–	–	182
Others	883	–	–	883
Due from related parties	80	–	–	80
Total undiscounted financial assets	₱47,215	₱10,955	₱2,214	₱60,384
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	₱5,119	₱–	₱–	₱5,119
Telegraphic transfers and drafts and acceptances payable	6,903	–	–	6,903
Accrued expenses	3,352	–	–	3,352
Retentions payable	281	805	–	1,086
Accrued commissions	759	–	–	759
Accrued interest payable	487	–	–	487
Due to landowners	483	–	–	483
Nontrade payables	329	–	–	329
Royalty payable	312	–	–	312
Others	399	–	–	399
Dividends payable	589	–	–	589
Loans payable (Note 16)	11,270	25,552	46,517	83,339
Bonds payable (Note 17)	1,126	15,681	11,064	27,871
Due to related parties	195	–	–	195
Liabilities on purchased properties (Note 20)	231	873	1,478	2,582
Total undiscounted financial liabilities	₱31,835	₱42,911	₱59,059	₱133,805
Liquidity Gap	₱15,380	(₱31,956)	(₱56,845)	(₱73,421)

**Excludes cash on hand amounting to ₱28.03 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 Group's foreign currency-denominated financial instruments are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US$142.63 million and JP¥15.62 million as of December 31, 2017 and US$0.31 million and JP¥22.90 million as of December 31, 2016. Short-term investments denominated in foreign currency amounted to US$32.21 million and JP¥120.00 million as of December 31, 2017 and US$30.82 million and JP¥100.00 million as of December 31, 2016. Receivables denominated in foreign currency amounted to US$0.46 million and US$13.96 million as of December 31, 2017 and December 31, 2016, respectively. Accounts and other payables denominated in foreign currency amounted to US$179.85 million and JP¥14.27 million as of December 31, 2017 and US$138.38 million and JP¥53.19 million as of December 31, 2016. Loans payables denominated in foreign currency amounted to 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 ₱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 and ₱49.77 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.43 to JP¥1.00 as at December 31, 2016.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2017 and 2016. 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
2017	**US$**	**₱1.74**	**(₱78)**
		(1.74)	**78**
	JP¥	**0.0002**	–
		(0.0002)	–
2016	US$	₱1.79	(₱117)
		(1.79)	117
	JP¥	0.0003	–
		(0.0003)	–
2015	US$	₱1.96	(₱137)
		(1.96)	137
	JP¥	0.0011	–
		(0.0011)	–

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 rate for the past three (3) years.

Interest rate risk
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

	Increase (decrease) in income before tax		
Reasonably Possible Changes in Interest Rates	**2017**	2016	2015
100 basis points (bps)	**₱–**	₱–	(₱115)
100 bps	**–**	–	115

As of December 31, 2017 and 2016, the Group has no financial instruments subject to floating interest rates.

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

Equity price risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2017	**Increase by 24.73%**	**₱373**
	Decrease by 24.73%	**(373)**
2016	Increase by 28.85%	248
	Decrease by 28.85%	(248)
2015	Increase by 14.45%	₱278
	Decrease by 14.45%	(278)

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, 2017, 2016 and 2015 were computed as follows (amounts in million, except earnings per share):

	2017	2016	2015
Net income attributable to equity holders of the Parent Company from continuing operations	**₱14,182**	₱10,631	₱10,396
Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(590)**	(105)	–
	13,592	10,526	10,396
Weighted average number of shares	**187**	174	174
	₱72.76	₱60.39	₱59.64

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2017, 2016 and 2015 were computed as follows:

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	**₱14,182**	₱14,634	₱12,115
Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(590)**	(105)	–
	13,592	14,529	12,115
Weighted average number of shares	**187**	174	174
	₱72.76	₱83.35	₱69.51

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 is 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
- Power is engaged mainly in the generation and distribution of electricity and was disposed in 2016.

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, 2017, 2016 and 2015:

		December 31, 2017				
	Real Estate	**Financial Institution**	**Automotive Operations**	**Infrastructure**	**Others**	**Total**
Revenue	**₱14,092**	**₱–**	**₱211,692**	**₱–**	**₱–**	**₱225,784**
Other income	**2,169**	–	**1,068**	–	**6**	**3,243**
Equity in net income of associates and joint venture	**160**	**6,979**	–	**1,560**	–	**8,699**
	16,421	**6,979**	**212,760**	**1,560**	**6**	**237,726**
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	**10,035**	–	–	–	–	**10,035**
General and administrative expenses	**4,369**	–	**8,262**	–	**268**	**12,899**
	15,319	–	**195,055**	–	**268**	**210,642**
Earnings before interest and taxes	**1,102**	**6,979**	**17,705**	**1,560**	**(262)**	**27,084**
Depreciation and amortization	**476**	–	**1,283**	–	**6**	**1,765**
EBITDA	**1,578**	**6,979**	**18,988**	**1,560**	**(256)**	**28,849**
Interest income	**1,742**	–	**320**	–	**23**	**2,085**
Interest expense	**(595)**	–	**(189)**	–	**(2,610)**	**(3,394)**
Depreciation and amortization	**(476)**	–	**(1,283)**	–	**(6)**	**(1,765)**
Pretax income	**2,249**	**6,979**	**17,836**	**1,560**	**(2,849)**	**25,775**
Provision for income tax	**(544)**	–	**(3,975)**	–	**(5)**	**(4,524)**
Net income	**₱1,705**	**₱6,979**	**₱13,861**	**₱1,560**	**(₱2,854)**	**₱21,251**
Segment assets	**₱125,480**	**₱85,771**	**₱61,835**	**₱32,365**	**₱2,240**	**₱307,691**
Segment liabilities	**₱57,244**	**₱–**	**₱29,178**	**₱–**	**₱47,578**	**₱134,000**

		December 31, 2016					
	Real Estate	Financial Institution	Automotive Operations	Power	Infrastructure	Others	Total
Revenue	₱12,438	₱–	₱177,709	₱–	₱–	₱–	₱190,147
Other income	2,372	–	887	–	–	90	3,349
Equity in net income of associates and joint venture	240	5,001	9	–	1,116	–	6,366
	15,050	5,001	178,605	–	1,116	90	199,862
Cost of goods and services sold	499	–	121,561	–	–	–	122,060
Cost of goods manufactured and sold	–	–	33,792	–	–	–	33,792
Cost of rental	326	–	–	–	–	–	326
Cost of real estate sales	7,586	–	–	–	–	–	7,586
General and administrative expenses	4,515	–	7,140	–	–	1,182	12,837
	12,926	–	162,493	–	–	1,182	176,601
Earnings before interest and taxes	2,124	5,001	16,112	–	1,116	(1,092)	23,261
Depreciation and amortization	373	–	1,245	–	–	6	1,624
EBITDA	2,497	5,001	17,357	–	1,116	(1,086)	24,885
Interest income	1,743	–	337	–	–	182	2,262
Interest expense	(433)	–	(159)	–	–	(2,734)	(3,326)
Depreciation and amortization	(373)	–	(1,245)	–	–	(6)	(1,624)
Pretax income	3,434	5,001	16,290	–	1,116	(3,644)	22,197
Provision for income tax	(669)	6	(3,909)	–	–	(14)	(4,586)
Net income	₱2,765	₱5,007	₱12,381	₱–	₱1,116	(₱3,658)	₱17,611
Net income from discontinued operations	₱–	₱87	₱–	₱4,829	₱–	₱–	₱4,916
Segment assets	113,472	55,921	49,052	858	31,353	14,790	₱265,446
Segment liabilities	₱47,555	₱–	₱22,032	₱–	₱–	₱54,621	₱124,208

	December 31, 2015					
	Real Estate	Financial Institution	Automotive Operations	Power	Others	Total
Revenue	₱9,000	₱–	₱120,802	₱–	₱–	₱129,802
Other income	2,339	–	401	–	1	2,741
Equity in net income of associates and joint venture	438	5,095	83	–	–	5,616
	11,777	5,095	121,286	–	1	138,159
Cost of goods and services sold	481	–	74,460	–	–	74,941
Cost of goods manufactured and sold	–	–	27,838	–	–	27,838
Cost of rental	272	–	–	–	–	272
Cost of real estate sales	6,512	–	–	–	–	6,512
General and administrative expenses	2,296	–	4,997	–	189	7,482
	9,561	–	107,295	–	189	117,045
Earnings before interest and taxes	2,216	5,095	13,991	–	(188)	21,114
Depreciation and amortization	250	–	880	–	5	1,135
EBITDA	2,466	5,095	14,871	–	(183)	22,249
Interest income	1,477	–	279	–	34	1,790
Interest expense	(242)	1	(119)	–	(1,804)	(2,164)
Depreciation and amortization	(250)	–	(880)	–	(5)	(1,135)
Pretax income	3,451	5,096	14,151	–	(1,958)	20,740
Provision for income tax	(497)	–	(3,771)	–	(31)	(4,299)
Net income	₱2,954	₱5,096	₱10,380	₱–	(₱1,989)	₱16,441
Net income from discontinued operations	₱–	₱50	₱–	₱4,450	₱–	₱4,500
Segment assets	₱111,881	₱62,573	₱43,746	₱76,561	₱9,605	₱304,366
Segment liabilities	₱51,732	₱6,444	₱18,421	₱42,531	₱48,706	₱167,834

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:

	2017	2016	2015
Domestic	**₱231,855**	₱194,229	₱130,522
Foreign	**7,956**	7,895	9,427
	₱239,811	₱202,124	₱139,949

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 Fed 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 ₱2.01 billion and ₱1.39 billion as of December 31, 2017 and 2016, respectively.

37. EVENTS AFTER THE REPORTING DATE

On January 29, 2018, the Parent Company paid the quarterly cash dividends amounting to ₱56.01 million or ₱11.57475 per share in favor of GT Capital's perpetual preferred series A stockholders as of record date January 3, 2018.

On January 29, 2018, the Parent Company paid the quarterly cash dividends amounting to ₱91.21 million or ₱12.73725 per share in favor of GT Capital's perpetual preferred series B stockholders as of record date January 3, 2018.

On March 16, 2018, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting to ₱577.79 million or Three Pesos (₱3.00) per share in favor of GT Capital's common stockholders of record as of April 4, 2018, payable on or before April 13, 2018.

On March 16, 2018, the BOD of the Parent Company approved the declaration of a regular cash dividend in favor of its Voting Preferred stockholders at a dividend rate of 3.77%, the three (3)-year PDST-R2 rate on issue date (April 13, 2015), with record date on April 4, 2018 and payment date on April 13, 2018.

On March 16, 2018, the BOD of the Parent Company approved the declaration of a 3.5% stock dividend in favor of GT Capital's stockholders of common stock, subject to shareholder's approval.

38. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2017	2016	2015
Transfers between investment property and inventories (Note 6)	₱2,775	₱3,378	₱98
Transfer between inventories and land held for future development (Note 6)	(515)	265	29
Borrowing cost capitalized to inventories (Note 6)	1,408	1,575	990
Fair value of previously held interest	–	969	–
Gain on asset swap	–	–	337
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 (Note 31):			
Assets			
Cash and cash equivalents	1	177	338
Short-term investments	–	–	962
Receivables	44	906	13,078
Inventories	321	467	23,147
Due from related parties	–	–	337
Prepayments and other current assets	67	35	1,120
Available-for-sale investments	–	–	2
Property and equipment	–	1,290	715
Investment properties	484	–	–
Deferred tax assets	–	39	–
Intangible assets	–	22	13
Other noncurrent assets	2	–	–
Liabilities			
Accounts and other payables	28	526	2,871
Customer's deposits	–	32	676
Loans payable – current	789	810	13,139
Due to related parties	30	–	–
Other current liabilities	–	18	125
Income tax payable	–	22	–
Loans payable – Noncurrent	–	–	110
Deferred tax liabilities on fair value increment	94	198	7,313
Pension liabilities	–	67	110
Other noncurrent liabilities	6	–	–
Net assets deconsolidated due to sale of subsidiary (Note 12)			
Assets			
Cash and cash equivalents	–	13,136	–
Short-term investments	–	300	–
Receivables	–	3,591	–
Inventories	–	1,523	–
Prepayments and other current assets	–	1,988	–
Available-for-sale securities	–	674	–
Property and equipment	–	47,117	–
Goodwill and intangible assets	–	7,105	–
Deferred tax assets	–	463	–
Other noncurrent assets	–	237	–

(Forward)

	2017	2016	2015
Liabilities			
Accounts and other payables	₱–	₱5,200	₱–
Customer's deposits	–	1	–
Income tax payable	–	3	–
Other current liabilities	–	74	–
Pension liabilities	–	675	–
Long-term debt	–	37,200	–
Deferred tax liabilities	–	970	–
Other noncurrent liabilities	–	251	–

The following are the changes in liabilities in 2017 arising from financing activities including both cash and non-cash changes:

	Balance at beginning of year	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	Balance at end of year
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 16, 2018.

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