GT CAPITAL
HOLDINGS INCORPORATED

BUILDING ON NEW OPPORTUNITIES

2018 ANNUAL REPORT

GT CAPITAL
HOLDINGS INCORPORATED

BUILDING ON NEW OPPORTUNITIES

2018 ANNUAL REPORT

As Viable New Opportunities Remain Available in the Philippines,

GT Capital Holdings, Inc. and its component companies continue to build on their tradition of excellence and leadership in key underpenetrated sectors. The GT Capital Group achieves this through developing robust strategic partnerships with best-of-class global brands. The Group's presence in five key sectors of the Philippine economy—banking, automotive assembly, importation, and distribution, property development, infrastructure and utilities, and life and general insurance—allows it to offer and provide the best products and services to the Filipino. The conglomerate fulfills this through its strategic direction: first, by enhancing synergies and cross-selling opportunities across its various component companies, second, by extending the value chain of its existing sectors, and third, by expanding into new sectors. GT Capital not only builds value for its shareholders, clients, and employees, but also, through its sustainability efforts and corporate social responsibility (CSR) activities, is helping build a stronger and more prosperous nation.

Metrobank

36.4% GT CAPITAL-OWNED

PHP 22.0 BILLION

2018 NET INCOME

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

TOYOTA

51.0% GT CAPITAL-OWNED

PHP 8.0 BILLION

2018 NET INCOME

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

FEDERAL LAND
GT Capital Holdings

100% GT CAPITAL-OWNED

PHP 2.4 BILLION*

2018 NET INCOME

*Combined Federal Land and PRO-FRIENDS

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

AXA

25.3% GT CAPITAL-OWNED

PHP 3.1 BILLION

2018 NET INCOME

AXA Philippines is one of the largest insurance companies in the Philippines based on total net premium income, and is a pioneer in the bancassurance industry. The company is the innovator behind and the market leader in variable unit-linked life insurance products that offer clients new possibilities to secure their financial future and expand 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. The company also offers general insurance products and services.

METRO PACIFIC INVESTMENTS

15.6% GT CAPITAL-OWNED

PHP 15.1 BILLION

2018 CORE NET INCOME

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

2018 GT Capital Milestones

JAN
GT Capital participates in Metrobank's Php60 billion stock rights offer, helping the Bank support its loan growth and its acquisition of an increased stake in Metrobank Card Corporation

MAY
GT Capital declares cash and stock dividends at its Annual Stockholders' Meeting

JUL
GT Capital invests JPY23.3 billion (Php11 billion) in Toyota Motor Corporation of Japan

JUL
The Institute of Corporate Directors recognizes GT Capital as one of the Philippines' Top Performing Companies based on the ASEAN Corporate Governance Scorecard (ACGS)

JUL
GT Capital avails of its first Samurai term loan facility worth JPY23.3 billion

AUG
Toyota Motor Philippines celebrates its 30th anniversary with Philippine President His Excellency Rodrigo R. Duterte and Toyota Global President Akio Toyoda

ASIA'S OUTSTANDING COMPANIES POLL 2018 ASIAMONEY

SEP
Asiamoney Magazine recognizes GT Capital as one of the Philippines' Outstanding Companies in its 2018 Asia's Outstanding Companies Poll

TOYOTA 17TH CONSECUTIVE TRIPLE CROWN

DEC
Toyota Motor Philippines receives its 17th consecutive Triple Crown Award for nationwide dominance in passenger car, commercial vehicle, and overall unit sales

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

AXA, S.A. (FRANCE)

Primarily engaged in providing life insurance coverage, as well as property and casualty insurance. Asset management is another service that the group offers, which includes employee benefit plans, medical plans, and investment advice. The bulk of AXA's customers are in Europe, the Mediterranean, and Latin America, whereas other customers come from North America, Asia, and the United Kingdom. The organization's roots can be traced to the time when Claude Bebear decided to join the Ancienner Mutuelle insurance company – France's oldest insurance company – in Rouen, France in 1958.

MITSUI & CO. LTD. (JAPAN)

One of the most diversified and comprehensive trading, investment, and 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, IT, finance and new businesses, and transportation logistics.

METRO PACIFIC INVESTMENTS CORPORATION

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

TOYOTA FINANCIAL SERVICES CORPORATION (JAPAN)

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

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

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

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

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

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

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

Our Vision

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

Our Mission

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

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

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

Our 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 our corporate culture, which has earned for us the trust and confidence of our clients, investors, and business partners.

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

Respect
We take a special regard for the individual, for their empowerment, and for the diversity of opinions, resulting in a more balanced view of our business proposition, open to different perspectives, constantly challenging assumptions and revisiting previously set ways, within the framework of a shared vision and a shared corporate culture, with the end objective of constant improvement.

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

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

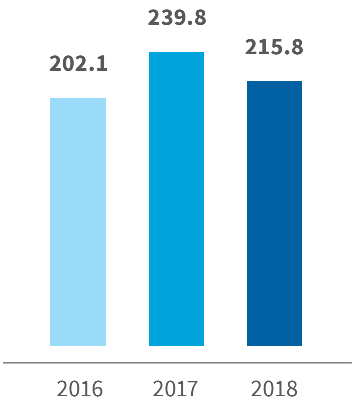
GT Capital's maiden Sustainability Report *can be found on page **92** after the GT Capital Group Management Section.*

Contents

CONSOLIDATED FINANCIAL HIGHLIGHTS

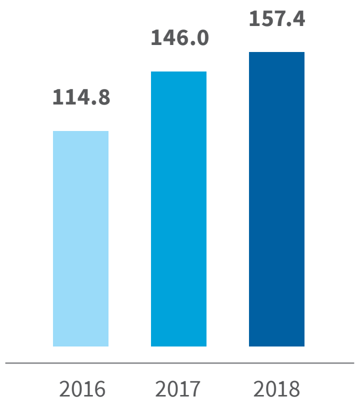
TOTAL REVENUES

(in Billion Php)



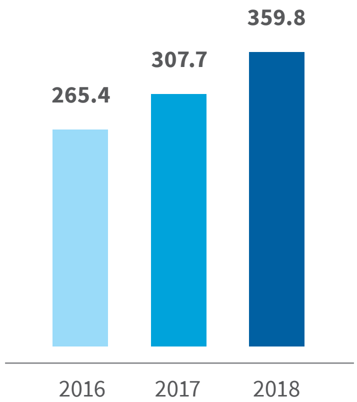
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

(in Billion Php)



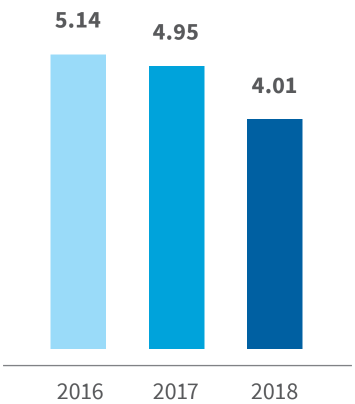
TOTAL ASSETS

(in Billion Php)



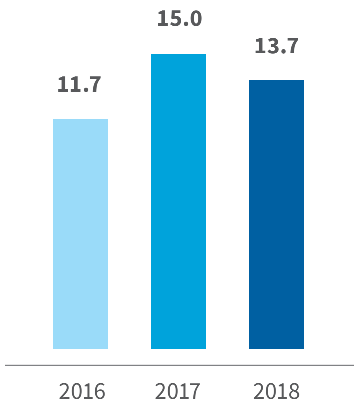
RETURN ON AVERAGE ASSETS

(in %)



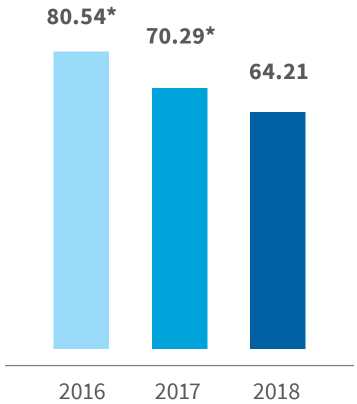
CORE NET INCOME ATTRIBUTABLE TO PARENT

(in Billion Php)



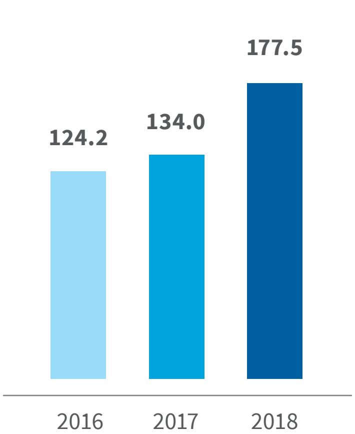
EARNINGS PER SHARE*

(in Php)



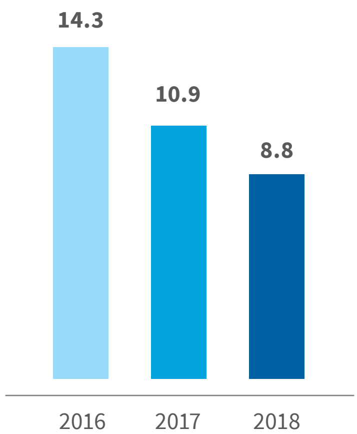
TOTAL LIABILITIES

(in Billion Php)



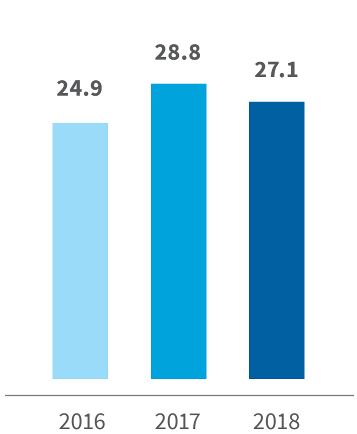
RETURN ON AVERAGE EQUITY

(in %)



EBITDA

(in Billion Php)



**Restated to show the effect of stock dividends distributed in 2018*

	Audited 2018	(As Restated) 2017	Audited 2016
Consolidated Net Income Attributable to Parent (in Billion Php)	**13.4**	14.2	10.6
Core Net Income Attributable to Parent (in Billion Php)	**13.7**	15.0	11.7
Total Revenues (in Billion Php)	**215.8**	239.8	202.1
EBIT (in Billion Php)	**24.8**	27.1	28.9
EBITDA (in Billion Php)	**27.1**	28.8	24.9
EBITDA Margin	**13%**	12%	12%
Total Assets (in Billion Php)	**359.8**	307.7	265.4
Total Liabilities (in Billion Php)	**177.5**	134.0	124.2
Total Equity (in Billion Php)	**182.3**	173.7	141.2
Total Equity Attributable to Equity Holders (in Billion Php)	**157.4**	146.0	114.8
Earnings per share* (in Php)	**64.21**	70.29*	80.54*
Book Value of Common Shares** (in Php)	**731.96**	698.57	592.86
Current Ratio	**2.46**	3.09	3.01
D/E Ratio	**0.72**	0.52	0.63
ROAA***	**4.01%**	4.95%	5.14%
ROAE****	**8.8%**	10.9%	14.3%

**Restated to show the effect of stock dividends distributed in 2018*
***Equity attributable to GT Capital's common stockholders divided by issued and outstanding common shares*
****Consolidated Net Income attributable to Equity Holders divided by Total Assets*
*****Core Net Income attributable to GT Capital's common stockholders divided by the average equity. Equity is defined as the sum of equity attributable to GT Capital's common stockholders at the beginning and at the end of the year, divided by 2*

Chairman's Message and President's Report

The year 2018 presented challenges for Philippine business. Rising interest rates and commodity prices brought about higher inflation and consequently, dampened consumer confidence. Despite all these, the Philippines maintained a GDP growth rate of 6.2% in 2018, still the highest among major ASEAN economies. Overseas Filipino remittances of USD32.2 billion, business process outsourcing (BPO) revenues of USD22.3 billion, and infrastructure spending worth USD15.3 billion, helped sustain the country's economic expansion.

These headwinds affected the automotive industry. As a result of a higher base due to front-loaded demand in 2017, industry unit sales decreased by 15%, impacting local automotive manufacturers and dealers.

The softness in the automotive sector affected GT Capital's overall performance as the conglomerate booked core net income of Php13.7 billion in 2018, from Php15.0 billion in 2017. Total revenues reached Php215.8 billion in 2018, from Php239.8 billion in 2017.

On the other hand, net income growth in GT Capital's associate businesses, namely Metropolitan Bank and Trust Company (Metrobank), AXA Philippines, Metro Pacific Investments Corporation (MPIC), and Toyota Financial Services Philippines (TFS), contributed positively to the conglomerate's performance in 2018.

"The resilience of GT Capital and its component companies allowed the conglomerate to meet the year's challenges. As we look forward to the future with thoughtful optimism, we remain confident in our Group's ability to build on the new opportunities that 2019 and the years to come will bring."

BANKING
Metrobank posted a consolidated net income of Php22.0 billion, an increase of 21% from the Php18.2 billion posted in 2017.

The Bank's total resources reached an all-time high of Php2.2 trillion, while total deposits grew to Php1.6 trillion. Meanwhile, CASA ratio stood firm at 62% during the year. In 2018, Metrobank issued Php8.68 billion worth of Long-Term Negotiable Certificates of Deposit (LTNCDs) and Php28 billion in Fixed-Rate Peso Bonds.

As of end-2018, Metrobank had a network of over 950 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 over 2,350 automated teller machines (ATMs) placed in strategic locations nationwide by year-end.

AUTOMOTIVE
Despite the general slowdown of the automotive industry in 2018, Toyota Motor Philippines Corporation (TMP) maintained its industry-leading status, posting a consolidated net income of Php8.0 billion and total revenues of Php159.2 billion for the year. In its 30th year of operations in 2018, TMP remained the country's dominant automotive company with a share of 38%, selling a total of 153,004 units.

For the 17th consecutive year, TMP earned the industry's Triple Crown award in 2018, registering the highest number of units sold of passenger cars, commercial vehicles, and overall sales. Also during the year, TMP launched three new models, namely, the introduction of the compact SUV Rush in May, the all-new Vios, the best-selling passenger car in the country, in July, and Toyota's premier executive car, the Camry, in December.

PROPERTY DEVELOPMENT
GT Capital's property companies—Federal Land Inc. (Federal Land) and Property Company of Friends, Inc. (PRO-FRIENDS)—posted gains in major areas of operation on a combined consolidated basis in 2018, reflecting the continued strength of the property sector.

The two property developers posted combined consolidated revenues of Php23.8 billion in 2018, a noteworthy 30% increase from Php18.2 billion the previous year. Consolidated real estate sales, in turn, grew by 30% to Php20.1 billion for the year from Php15.4 billion in 2017. The two property developers reported a combined 13% growth in consolidated net income to Php2.4 billion in 2018 from Php2.1 billion the previous year.

INSURANCE
AXA Philippines' total life insurance sales expressed in Annualized Premium Equivalent (APE) grew by 13% from Php6.3 billion in 2017 to Php7.1 billion in 2018. The increase in APE was driven by the growth in Regular Premium and Single Premium of 17% and 4%, respectively.

AXA Philippines' consolidated life and non-life net income amounted to Php3.1 billion. For life insurance, net income grew by 16% to Php2.7 billion in 2018 from Php2.4 billion the previous year.

INFRASTRUCTURE AND UTILITIES
MPIC sustained its growth in key areas of operations in 2018 as core net income grew by 7% for the year, from Php14.1 billion in 2017 to Php15.1 billion.

The increase in core income was mainly due to an expansion in Metro Pacific's power portfolio following further an increase in its effective shareholding in Manila Electric Company (MERALCO) and Global Business Power Corporation.

2018 GT CAPITAL NET INCOME CONTRIBUTION

MPIC's power business contributed Php10.8 billion to core net income for the year, an increase of 15% from Php9.4 billion in 2017. The toll roads business contributed Php4.4 billion to core income in 2018, a hike of 13% from Php3.9 billion the previous year. MPIC's water business, in turn, accounted for Php3.8 billion, up by 2% from the previous year, while the hospital business contributed Php771 million, up by 13% from the previous year's Php685 million.

MOVING FORWARD, BUILDING ON NEW OPPORTUNITIES

The resilience of GT Capital and its component companies allowed the conglomerate to meet the year's challenges. As we look forward to the future with thoughtful optimism, we remain confident in our Group's ability to build on the new opportunities that 2019 and the years to come will bring.

As in previous years, Metrobank will maintain its expansion efforts by searching for areas that remain financially underserved. The Bank will continue to look for more and better ways to serve its valued clients through its products and services and improved customer service.

TMP, in turn, will sustain its drive to remain the Philippines' automotive market leader by enhancing its lineup of vehicles and expanding its dealer network to reach more customers nationwide. All of these are meant to ensure that the company continues to lead in vehicle sales and service delivery.

GT Capital's property development companies will continue to synergize to come up with comprehensive lines of real estate products that will address their respective markets' wants and needs.

For its part, AXA Philippines will sustain its standing as one of the leading players in the insurance industry. With the support of its bancassurance partners Metrobank and Philippine Savings Bank (PSBank), AXA Philippines is poised to maintain this position this year and in the years to come.

GT CAPITAL 2018 SUSTAINABILITY REPORT

GT Capital will release its initial Sustainability Report based on Global Reporting Initiative (GRI)™ standards. This Report can be found as a separate section in this Annual Report, after the GT Capital Group Management section, which ends on page **91**. It contains the parent holding company's sustainability initiatives as well as features from two of its component companies, Metrobank and TMP.

As we prepare for the years ahead, we express our gratitude for the unwavering support and valuable contributions of our principals, directors, management, and staff. We would also like to thank our shareholders, without whom, all our achievements would not have been possible. In return, we remain true to our conviction to deliver greater value in the coming years.

ARTHUR V. TY
Chairman

CARMELO MARIA LUZA BAUTISTA
President

Banking

Metrobank

+21%
NET INCOME GROWTH

The year 2018 saw Metropolitan Bank and Trust Company (Metrobank) posting record growth in key areas of operations. The Bank registered a hefty 21% net income growth for the year, expanding to Php22.0 billion from the Php18.2 billion posted in 2017.

Total resources reached an all-time high of Php2.2 trillion. Total deposits grew to Php1.6 trillion, a growth of 2% from Php1.5 trillion the previous year, while the Bank's current account and savings account (CASA) ratio stood firm at 62%, much like in the previous year. Additional sources of funds came from the issuance of Php8.68-billion Long-Term Negotiable Certificates of Deposit (LTNCDs) in October and the Php28-billion Fixed Rate Peso Bonds in November and December.

Metrobank's total loans grew by 10% to Php1.4 trillion by year-end on the back of an 11% growth in commercial loans, particularly led by the Bank's top corporate accounts, the middle market, and SME accounts. The Bank's loan portfolio accounted for 62% of total assets for the year.

Net interest income grew by 12% to Php68.8 billion in 2018 from Php61.4 billion the previous year. This accounts for 74% of the Bank's total revenues of Php92.6 billion. Net interest margin expanded to 3.82%, still the highest among peer banks.

Non-interest income grew to Php23.8 billion. The major growth drivers in this area are service fees and commissions and income from trust operations which, combined, went up by 13% to Php14.0 billion. Fee-based income was fueled by steady customer-driven flows and trade-related commissions. Net trading and FX gains contributed Php2.8 billion, while other non-interest income added Php7.0 billion.

Metrobank's asset quality remained healthy and better than the industry average. The Bank's non-performing loans (NPL) ratio was pegged at 1.2%, while NPL cover increased to 105%. Overall credit cost was kept well within the company's guidance of 50 to 60 basis points for the full year. The Bank reported provisions for credit and impairment losses of Php7.8 billion, which is already based on PFRS 9 adopted at the beginning of the year.

The Metrobank Group ended the year with 957 branches and a network of 2,372 automated teller machines (ATMs) in strategic locations nationwide.

As in previous years, Metrobank continued its banner performance in 2018, effectively hitting financial and operational targets for the year.

AWARDS WON BY METROBANK IN 2018

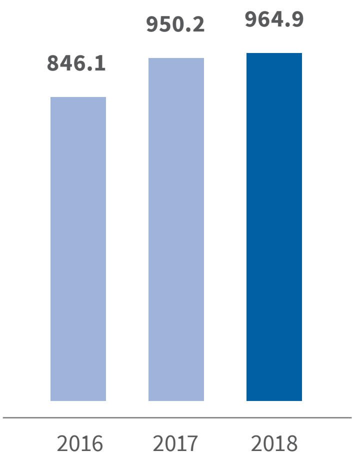
The Asian Banker Transaction Awards 2018
- Best Trade Finance Bank in the Philippines
- Best Foreign Exchange Bank in the Philippines
- Best Transaction Bank in the Philippines

The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2018
- Best Service Providers - Supply Chain - Rising Star 2018

PDS Annual Awards 2018
- Cesar EA Virata Award for Best Securities House (Bank Category)
- Top Dealing Participant for Corporate Securities
- Top Fixed Income Dealing Participant
- Top Brokering Participant for Retail Transactions
- Most Active Bank in FX Spot Matching
- Top 5 Spot Foreign Exchange Dealer
- Top 5 Fixed Income Brokering Participant
- Top 5 Fixed Income Cash Settlement for Banks
- Top 5 PDDTS-PvP Participant
- Special Citation: Pilot Issuance of Bank-Issued Bond and Commercial Paper Program

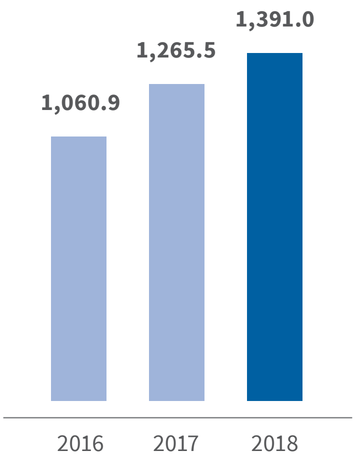
CASA DEPOSITS

(in Billion Php) **CAGR +7%**



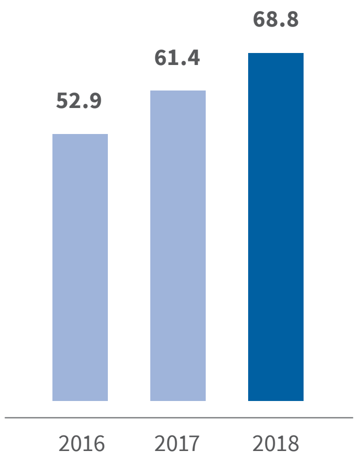
NET LOAN PORTFOLIO

(in Billion Php) **CAGR +15%**



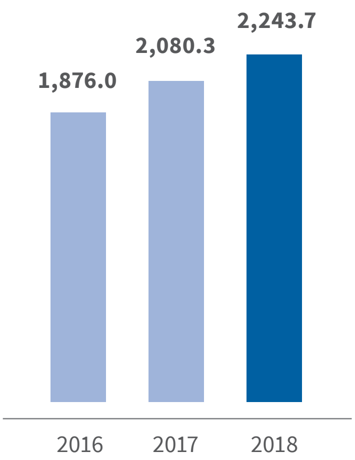
NET INTEREST INCOME

(in Billion Php) **CAGR +14%**



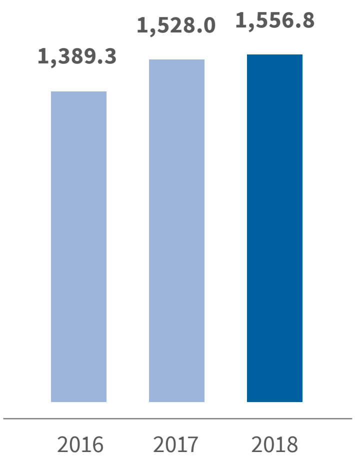
TOTAL ASSETS

(in Billion Php) **CAGR +9%**



TOTAL DEPOSITS

(in Billion Php) **CAGR +6%**



ATMs NATIONWIDE

The Asset Benchmark Research Awards 2018

- Top Sellside in Corporate Bonds (Rank 1)
- Top Sellside in Government Bonds (Rank 3)
- Top Investment House (Rank 3)
- Best Individual - Trading (Ranks 3&4)
- Best Individual - Sales (Ranks 2,4 & 5)

Fund Managers Association of the Philippines (FMAP) 2018

- Best Fixed Income House (Rank 2)
- Best Fixed Income Trader Local Currency (Rank 2)
- Best Fixed Income Trader Foreign Currency (Rank 2)
- Best Fixed Income Salesperson (Rank 2)

The Bureau of Treasury GSED Market Maker

Institute of Corporate Directors Corporate Governance Awards 2018

The Legal 500 GC Powerlist: Southeast Asia Teams 2018

Bloomberg First Corporate Bond to List in Bloomberg FIQ Trading 2018

All-New Vios launched in July 2018;
TMP's official entry to the CARS Program

Automotive Assembly, Importation, and Distribution

TOYOTA

17TH CONSECUTIVE TRIPLE CROWN

NO. 1
in passenger car, commercial vehicle, and overall unit sales

Toyota Motor Philippines Corporation (TMP) is the leading automotive company in the country today and has been such for over three decades. TMP has the widest vehicle line-up in the country with various Toyota models distributed across its nationwide dealer network, including Lexus Manila, Inc.

Not only is the Toyota brand renowned all over the world for the quality, durability, and reliability of its vehicles, the company's after-sales service has been regarded as one of the best in the world.

The year 2018 was challenging for the automotive industry as demand slowed down due to the implementation of the new auto excise tax law, the suspension of the issuance of new franchises to transport network vehicle services (TNVS), higher than expected inflation rates, and lower consumer confidence.

ALFRED V. TY
Chairman*
Toyota Motor Philippines

SATORU SUZUKI
President
Toyota Motor Philippines

**to be appointed during TMP's Annual Stockholders' Meeting in May 2019*

Despite these challenges, TMP marked its 30th year of serving the Philippine automotive sector as the market leader with a share of 38.2%, selling a total of 153,004 retail vehicle unit sales, still the highest in the industry for the year.

TMP's consistently strong sales performance through the years, complemented by the aggressive sales and marketing efforts of its dealers, has been pushing TMP to the top of the industry sales rankings every year and 2018 was no exception.

For the 17th consecutive year, TMP earned the Triple Crown award in 2018, registering the highest number of units sold in three different categories—passenger car, commercial vehicle, and overall sales.

For the year, TMP registered a consolidated net income of Php8.0 billion while total revenues came in at Php159.2 billion for the year.

TMP launched three models in 2018—the all-new Rush, which led the subcompact SUV segment, the all-new Vios, the country's best-selling vehicle, and the all-new Camry, Toyota's premier executive car.

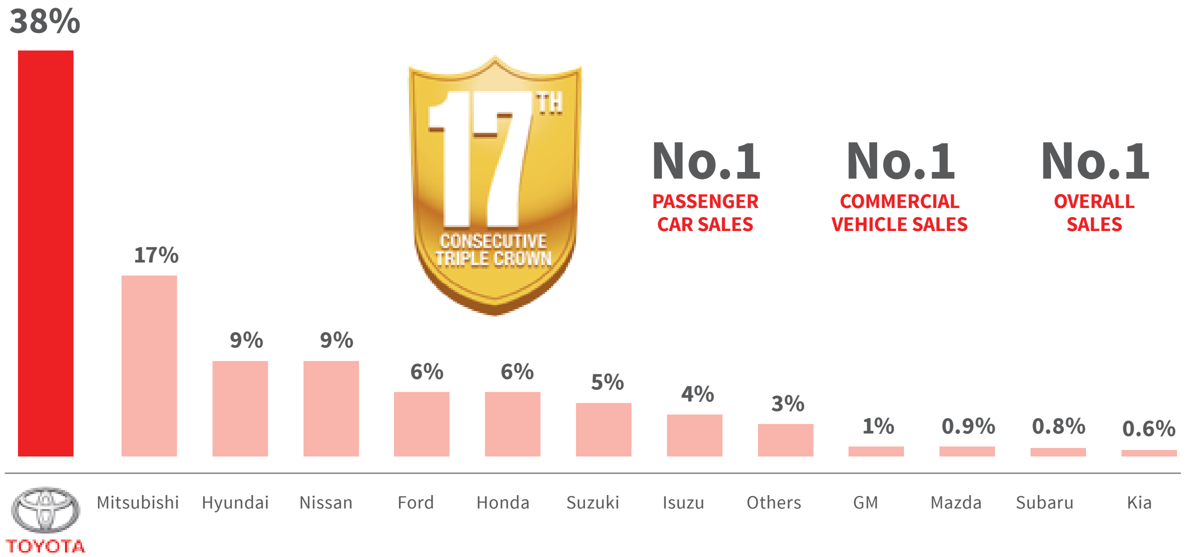
With 25,740 units sold in 2018, the Vios regained its crown as the best-selling vehicle in the country, dislodging Toyota's own Fortuner, the leader in 2017. The Vios also continued to be the country's best-selling subcompact passenger car in 2018, its 16th year as the frontrunner in this category.

The Fortuner, on the other hand, remained the SUV segment leader in 2018, with 23,082 units sold for the year.

Launch of the All-New Vios

OVERALL MARKET SHARE

As of December 2018 YTD



TMP GLOBAL RANKINGS

2018
Top 9

2017
Top 9

2016
Top 10

2018 GLOBAL TOYOTA UNIT SALES RANKINGS

	Market	Unit Sales
1	United States	2,426,795
2	Japan	1,564,309
3	China	1,474,543
4	Indonesia	357,390
5	Thailand	315,113
6	Canada	231,646
7	Australia	225,880
8	Brazil	202,843
9	**Philippines**	**153,004**
10	India	150,289
11	Saudi Arabia	137,804
12	Russia	133,777
13	South Africa	130,397
14	United Kingdom	124,843
15	Taiwan	123,675
16	Mexico	108,761
17	France	106,136
18	Argentina	94,110
19	Italy	90,517
20	Germany	85,860

NEW MODEL LAUNCHES IN 2018

Rush

Introduced May 2018

VIOS

July 2018

THE ALL-NEW CAMRY

December 2018


Original equipment manufacturing (OEM) partner for TMP's participation in the CARS program

In the multi-purpose vehicle (MPV) segment, the locally assembled Innova continued to be the best-selling vehicle in the category. The Innova has been the most popular MPV in the country since its entry into the market in 2005.

Toyota vehicles comprise some of the best selling vehicles in the country in 2018, with the Vios and the Fortuner getting the top two spots. Other top-selling Toyota models during the year include the Wigo, the Hilux, the Innova, and the Hiace.

TMP added six dealers to its auto dealership network during the year, bringing the total number of dealers to 69 nationwide by end-2018. These are Toyota Silang in Cavite; Toyota Calapan City in Oriental Mindoro, Toyota Valencia in Bukidnon, Toyota San Jose Del Monte in Bulacan, Toyota Subic in Olongapo City, Zambales, and Toyota Tuguegarao in Cagayan.

TMP also inaugurated a new Vehicle Logistics Center inside the Toyota Special Economic Zone in Santa Rosa, Laguna. The new 12.8-hectare logistics center, which was built at a cost of Php465 million, is expected to substantially increase TMP's vehicle stockyard capacity, as well as improve car carrier operations for the company's dealer network.

In its continuing efforts to strengthen its partnership with the government and contribute to the resurgence of the country's automotive industry, TMP started local production in 2018 of the all-new Vios, its participating model in a landmark government program known as the Comprehensive Automotive Resurgence Strategy (CARS).

The CARS program aims to revitalize the automotive manufacturing industry through initiatives that pursue strategic investments, technology transfer, manpower skills upgrades, and employment generation. For its part, TMP invested a total of Php5.53 billion to bring in new in-house and out-house manufacturing capabilities.

Despite the challenges of 2018, TMP was able to end the year as the undisputed leader in the local automotive industry. The company's resilience amid fluctuations in the global and local automotive markets is anchored on the superior quality of its vehicles, the excellence of its after-sales service, and the top-notch customer service that the company provides. These brand attributes will carry TMP into the future.

Mitsukoshi Mall at Sunshine Fort, Bonifacio

Property development

Federal Land
GT Capital Holdings

+30%*
REVENUE GROWTH

**Combined Federal Land and PRO-FRIENDS*

The property market continued to be a bright spot in the Philippine economy in 2018. Property prices continued to appreciate, with sustained demand, and consistent growth.

GT Capital's property companies—Federal Land Inc. (Federal Land) and Property Company of Friends, Inc. (PRO-FRIENDS)—reflected the industry's growth by registering combined gains in major areas of operation.

The property companies turned in consolidated revenues of Php23.8 billion in 2018, for a 30% increase from Php18.2 billion the previous year. Federal Land accounted for 56% of total revenues while PRO-FRIENDS accounted for the balance.

Consolidated real estate sales increased by 30% to Php20.1 billion for the year from Php15.4 billion in 2017. Booked sales of Federal Land reached Php10.6 billion, while PRO-FRIENDS achieved real estate sales of Php9.5 billion.

The two property developers reported a combined 13% growth in consolidated net income to Php2.4 billion in 2018 from Php2.1 billion the previous year. Federal Land's net income amounted to Php1.2 billion, while PRO-FRIENDS also booked a net income of Php1.2 billion.

Consolidated assets of the property companies grew to Php124.4 billion by end-2018, a growth of 8% from the Php115.7-billion asset level in 2017.

In 2018, Federal Land launched eight projects. Five of these are vertical residential condominium projects: Palm Beach West-Baler in Metro Park, Macapagal Boulevard, Pasay City; Peninsula Garden Midtown Homes-Mimosa in Paco, Manila; Quantum Residences-Aqua in Taft Avenue, Pasay City; Four Season Riviera-Peony in Binondo, Manila; and Valencia Hills-Tower E on N. Domingo St. in Quezon City. One is a horizontal development: Florida Sun Estates-Orlando in General Trias, Cavite.

Federal Land also launched two joint venture projects during the year, both located in Grand Central Park, Bonifacio Global City, Taguig. These are the second tower of Grand Hyatt Gold Residences (South Tower), a joint venture project with ORIX Corporation of Japan, and the first tower of The Seasons Residences (Haru), a joint venture with Nomura Real Estate Development Co. Ltd. and Isetan Mitsukoshi Holdings, Ltd.

PRO-FRIENDS, on the other hand, opened new retail outlets, such as Shopwise, HealthWealth (Medical Clinics and Diagnostics) and Turks in Lancaster New City (LNC), the affordable property developer's flagship project. MC Home Depot will also open a branch in LNC in 2019. As of December 31, 2018, there are 64 commercial and retail outlets in LNC.

The Philippine real estate sector is seen to remain resilient in 2019, and thus GT Capital's property business is poised to continue its growth momentum throughout the year and beyond.

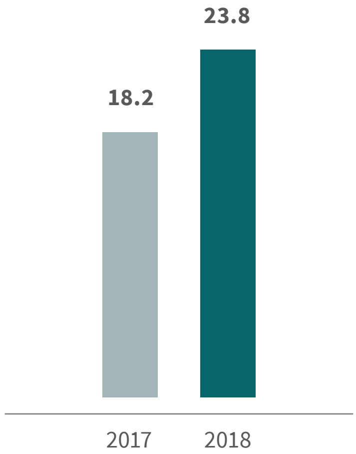

The Estate Makati on Ayala Avenue


Sunshine Fort in Bonifacio Global City

CONSOLIDATED PROPERTY FINANCIAL HIGHLIGHTS*

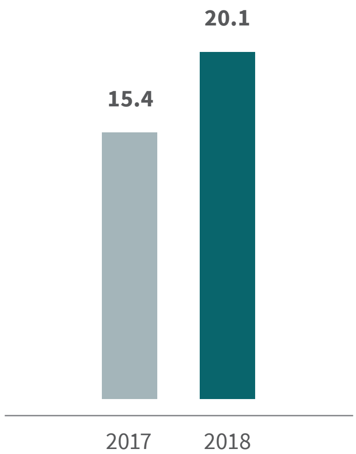
TOTAL REVENUES

(in Billion Php) **+30%**



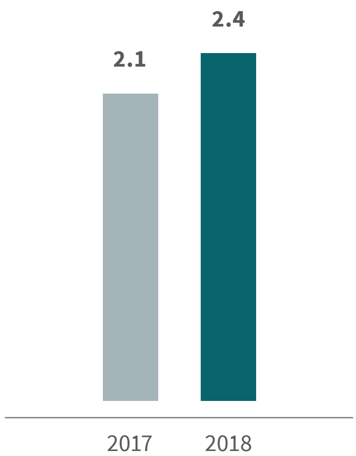
REAL ESTATE SALES

(in Billion Php) **+30%**



NET INCOME

(in Billion Php) **+13%**



**Combined Federal Land and PRO-FRIENDS*

Life and General Insurance

+16%*

NET INCOME GROWTH

**Life Insurance sector growth*

Over a year after AXA Philippines had launched its first-ever global brand campaign, the insurance company continued to perform creditably in 2018. The "Live the Life You Choose" campaign not only saw the global brand's strategy evolving into one that empowers its customers to live a better life through prevention, protection, and care, it also helped create a greater awareness of the brand here in the Philippines. In 2018, the company also launched the ONE AXA brand campaign: "For All that You Value, Choose AXA", further strengthening AXA's value proposition and aligning with its goal to become a financial one-stop shop for its clients, offering not just life insurance, health plans, and savings and investments products, but also general insurance products.

New business from the life insurance segment of AXA Philippines stated in Annualized Premium Equivalent (APE) grew by 13.2% from Php6.3 billion in 2017 to Php7.1 billion in 2018. The increase in APE was driven by the growth in Regular Premium and Single Premium of 16.5% and 3.7%, respectively.

The reported sales mix of life insurance premium income stood at 50% for Single Premium; 46% for Regular Premium and 4% for Group Premium in 2018 from the previous 54%, 42%, and 4% in 2017. In turn, bancassurance accounted for 72% of premium revenues while sales agencies accounted for 28%.

AXA Philippines' consolidated life and general insurance net income amounted to Php3.1 billion in 2018. This includes the Php6.6 million net income of Charter Ping An Insurance Corporation (CPAIC), AXA Philippines' non-life insurance unit. For AXA Philippines' life sector business, net income grew by 16.4% to Php2.7 billion in 2018 from Php2.4 billion the previous year.

The growth in net income was mainly driven by the 33.7% improvement in the life insurance sector's premium margins, equivalent to Php8.2 billion, and an increase in asset management fees by 16.1% to reach Php1.8 billion.

Much like in previous years, the expansion program of AXA Philippines was in full swing in 2018, opening seven new agency branches in strategic locations across the country. The new branches are in La Union, Greenhills, Fairview, Vigan, Daet, Malolos and Marikina. These bring AXA's Philippine agency network to over 40 branches, housing more than 5,200 Exclusive Agents. For Bancassurance, AXA's Advisory Corners can now be seen in all of Metrobank and PSBank's over 950 branches nationwide with a little over 1,000 Financial Executives.

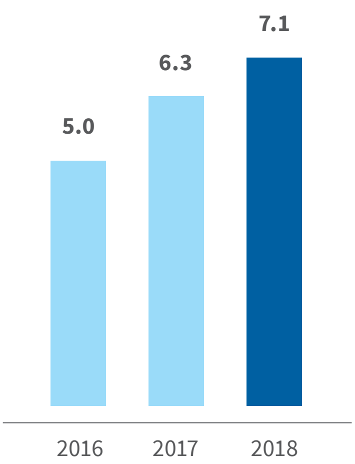
In October of 2018, ONE AXA Service Center opened in Wellington, Binondo. This is the first branch that can manage both life and general insurance policy transactions under one brand and one roof; it is indeed a one-stop shop for all AXA products and services for distributor and customer convenience. As of 2018, 2,062 agents and 170 financial executives are now licensed to sell both life and general insurance products.

Aside from these exciting new expansion initiatives, AXA Philippines launched its newest product offering, Asset Master, which allows

ONE AXA campaign advertisement

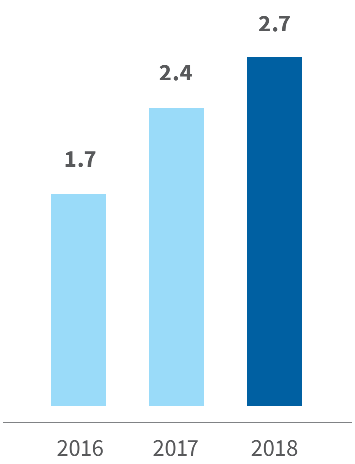
ANNUALIZED PREMIUM EQUIVALENT

(in Billion Php) **CAGR +20%**



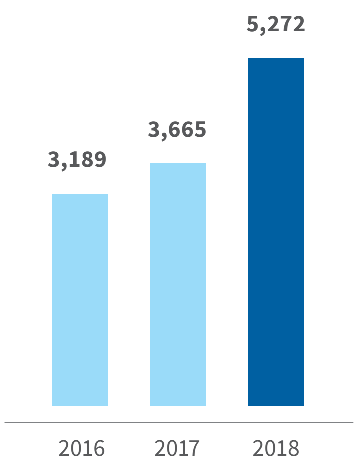
NET INCOME - LIFE INSURANCE

(in Billion Php) **CAGR +26%**



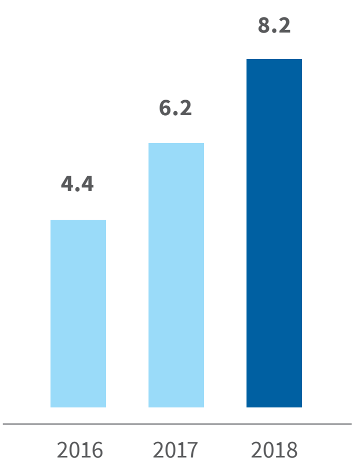
EXCLUSIVE FINANCIAL ADVISORS

CAGR +29%



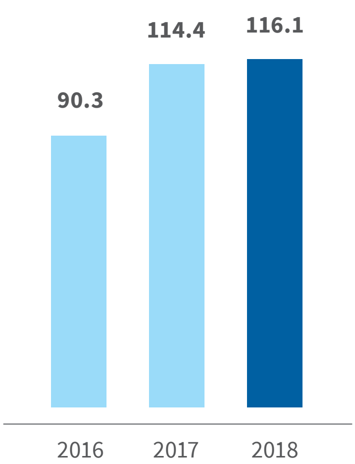
PREMIUM MARGIN

(in Billion Php) **CAGR +37%**



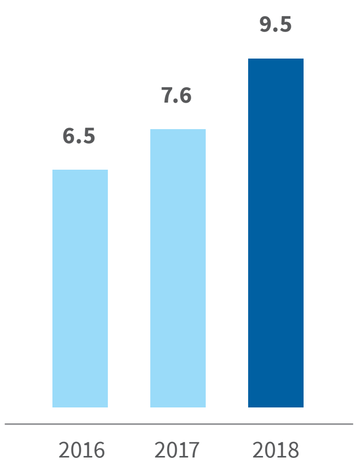
TOTAL ASSETS - LIFE INSURANCE

(in Billion Php) **CAGR +13%**



TOTAL EQUITY

(in Billion Php) **CAGR +21%**



investors to build a lasting financial legacy for their loved ones by accessing a wide range of investment opportunities in different markets across the globe.

Asset Master is a one-time-payment, investment-linked insurance plan designed to help customers create a diversified portfolio of peso and dollar funds managed by AXA's own global team of expert fund managers.

Reinforcing AXA's ambition to become a partner and not just a payer to its clients, the company introduced a Teleconsultation feature for new and existing Health customers in partnership with My Pocket Doctor, giving customers access to doctor consultations via phone anytime, anywhere.

The company also inaugurated in 2018 the AXA Academy in Makati City, a state-of-the-art training facility for AXA agents and employees. The 1,000-square-meter AXA Academy can handle up to eight simultaneous running sessions with a maximum capacity of over 300 participants in total. The Academy has six training rooms of various sizes which can be reconfigured for theater- or classroom-style requirements, two group meeting rooms, a reception and focus area, a trainer area, and a hallway lounge, among other amenities. The versatile facility can also be used for events and other special functions.

AXA Philippines also launched e-Policy, an electronic policy feature that allows clients to access a copy of their insurance policies anytime and anywhere online on any device via the MyAXA App. The new service is available to clients with policies issued on December 18, 2017 or later. The e-Policy is generated two days after the policy is issued, unlike regular policies that take a few weeks and clients can easily save, print copies and share with beneficiaries.

In line with providing the best customer experience for its general insurance clients, AXA Philippines has also organized quick response teams for major typhoons to improve turn around time for claims.

The company also introduced the Financial Needs Analysis (FNA) platform to its distributors, customers, and prospective clients. FNA, which is both an application and a service, enables agents to engage with their clients more easily.

All these efforts towards its distributors and customers would not be possible without AXA Philippines' talented pool of employees. Hence, in 2018, as part of its Employer Branding project, AXA

AXA wins SIlver at the Efma-Accenture Awards for MyAXA Café

AXA Philippines President Rahul Hora named an ACES Outstanding Leader for 2018

welcomed fresh, talented graduates from the top three universities with the launch of its first-ever Management Trainee Program.

Testament to AXA Philippines' excellent performance in 2018, the company was cited by several award-giving bodies during the year. Notably, the global AXA brand was hailed as the top insurance brand worldwide for the 10th consecutive year by global brand consultancy firm Interbrand. The firm recognized the AXA Group for its commitment to creating value while earning the confidence of its customers every day through innovation and engagement with the world, which is faithful to the original ambition that led it to become the world's leading insurance brand.

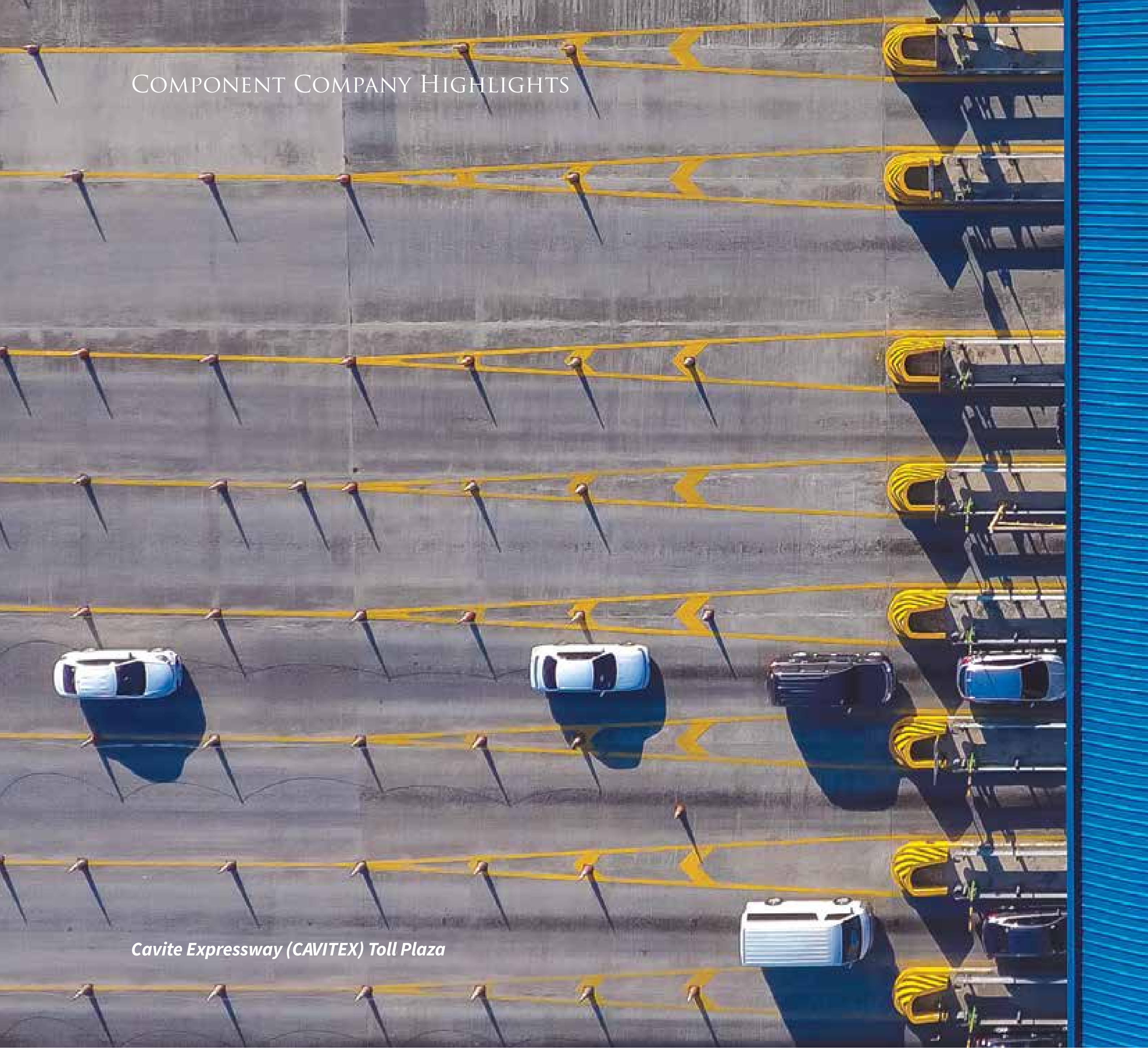
AXA Philippines was also recognized at the 2018 Efma-Accenture Innovation in Insurance Awards, which honors the most innovative projects, initiatives, and ideas in insurance around the world. The company was given a Silver award for MyAXA Café, an online insight community that provides secure, ongoing, and real-time feedback from customers. MyAXA Café was chosen out of 300 entries from around the globe and was shortlisted in the final nine entries before winning Silver.

MyAXA Café also received the Visionary Award from Vision Critical, an international firm that provides continuous customer intelligence to aid companies in assessing their customers.

AXA Philippines also won big at the 16th Philippine Quill Awards, taking home a total of seven awards in three categories.

Meanwhile, AXA Philippines Chief Executive Officer Rahul Hora was named one of the Outstanding Leaders in Asia at the prestigious Asia Corporate Excellence and Sustainability Awards (ACES) 2018. Mr. Hora was recognized for his excellent business acumen, professionalism, and entrepreneurial skills. AXA Philippines' unprecedented growth was attributed to his strong leadership.

The year 2018 was truly noteworthy for AXA Philippines, as the company successfully lived up to the enhanced global AXA brand of excellence by sustaining the momentum of growth it has built over the past few years. More than anything else, AXA Philippines was able to empower its customers to live the life they choose in 2018 and will do so in the years to come.



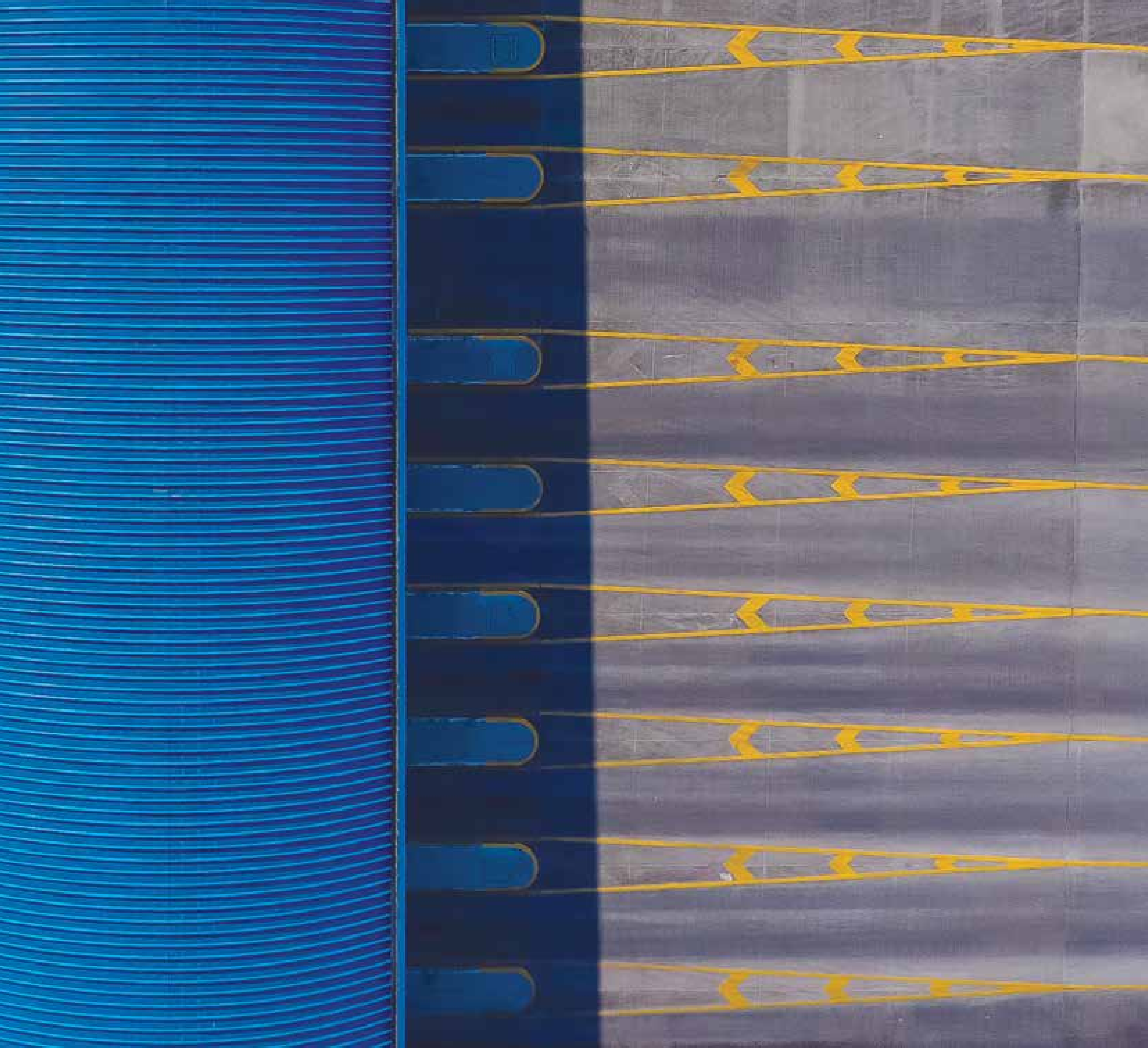
Cavite Expressway (CAVITEX) Toll Plaza

Infrastructure and Utilities

METRO PACIFIC INVESTMENTS

+10%

OPERATING INCOME GROWTH



GT Capital holds a 15.6% stake in Metro Pacific Investments Corporation (MPIC), a publicly-listed investment and management company whose business is focused on infrastructure.

MPIC has holdings in Manila Electric Company (MERALCO), Global Business Power Corp., Maynilad Water Services Inc. (Maynilad), MetroPac Water Investments Corporation, Metro Pacific Tollways Corporation (MPTC), Metro Pacific Hospital Holdings Inc., Light Rail Manila Corporation, and MetroPac Movers Inc.

GT Capital is the second-largest investor in MPIC and together, they have created a strategic partnership between two dynamic and forward-looking conglomerates.

In 2018, MPIC continued on its growth track in key areas of operations. Net income attributable to equity holders increased by 7% from Php13.2 billion in 2017 to Php14.1 billion in 2018.

MPIC's own core income grew by 7% in 2018, from Php14.1 billion in 2017 to Php15.1 billion—excluding non-recurring income or expenses. This increase was primarily due to an expanded power portfolio following further investment in Beacon Electric Asset Holdings Inc. in 2017; thereby increasing its effective shareholdings in MERALCO and Global Business Power Corporation.

MPIC's power business contributed Php10.8 billion to core net income for the year, an increase of 15% from Php9.4 billion in 2017.

A surge in the tollway business arising from strong traffic growth on all domestic roads held by MPTC also contributed to the increase in MPIC's core income. The contribution of MPTC to the mother company's core income amounted to Php4.4 billion in 2018, an increase of 13% from Php3.9 billion the previous year.

MPIC's water business in 2018 accounted for Php3.8 billion of MPIC's total core net income, up by 2% from the previous year on the back of steady volume growth coupled with inflation-linked tariff increase.

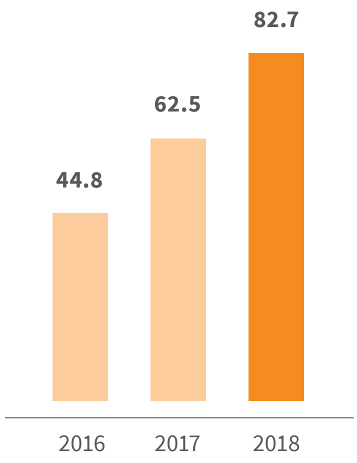
The Hospital Group, in turn, contributed Php771 million to the mother company's core income for 2018, up by 13% from the previous year's Php685 million, as the new hospitals acquired in the last two years have been performing creditably.

From all indications, the year 2018 was truly a banner year for MPIC as, amid challenges, its diverse businesses saw investment plans and projects come to fruition.

MERALCO substation

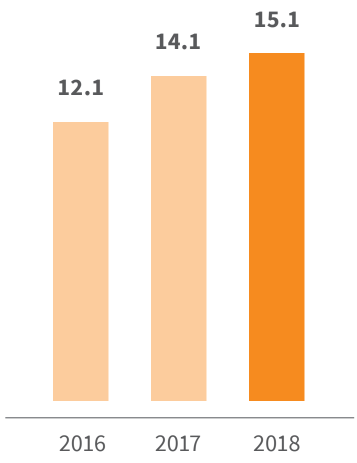
OPERATING REVENUES

(in Billion Php) **CAGR +36%**



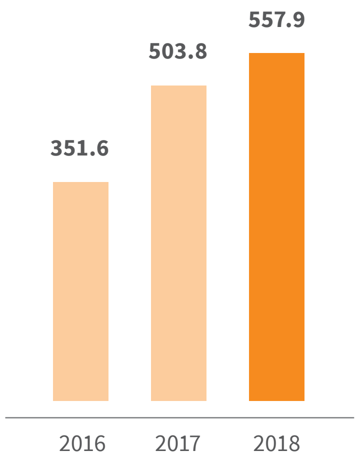
CORE INCOME

(in Billion Php) **CAGR +12%**



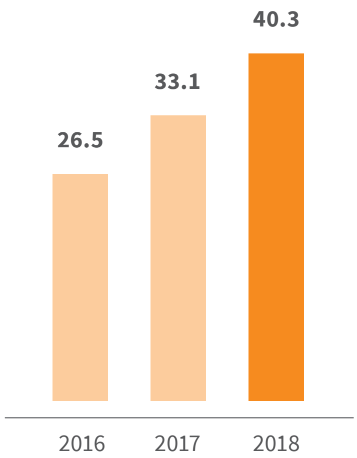
TOTAL ASSETS

(in Billion Php) **CAGR +26%**



GROSS PROFIT

(in Billion Php) **CAGR +23%**

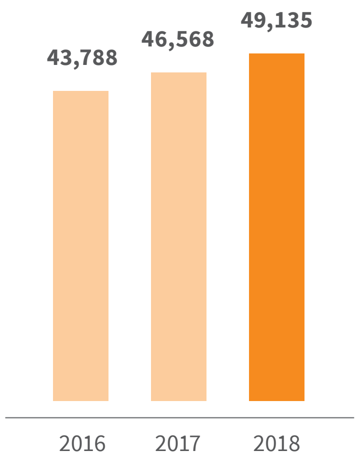


WATER - BILLED VOLUME

(in Millions of liters per day) **CAGR +3%**

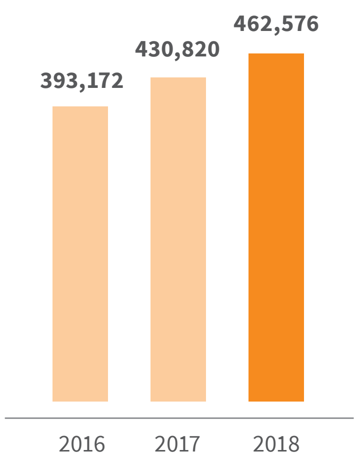
POWER - ENERGY SALES

(in gigawatt-hours or GWh) **CAGR +6%**



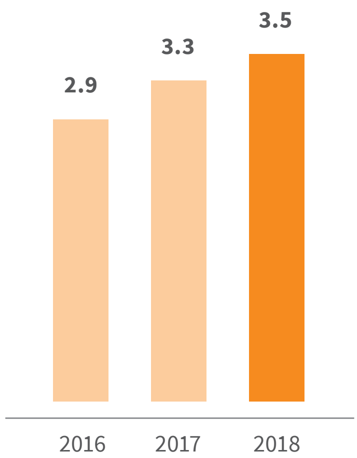
TOLL ROADS - AVERAGE DAILY VEHICLE ENTRIES

(Philippines) **CAGR +8%**



HOSPITALS - NUMBER OF PATIENTS SERVED

(in Millions) **CAGR +11%**



LRT Line 1

Metrobank Foundation Outstanding Filipinos 2018

Metrobank Foundation
Excel. Engage. Empower.

PHP 20.0 MILLION
WORTH OF GRANTS IN 2018 AWARDED TO 36 ORGANIZATIONS IN 2018

665
METROBANK FOUNDATION OUTSTANDING FILIPINOS RECOGNIZED SINCE 1985

Metrobank Excellence in Art and Design (MADE) Awards

Metrobank Anniversary Grants Turnover 2018

Metrobank Foundation Scholars

The Metrobank Foundation's mission to strengthen the Filipino spirit and improve the general well-being of the Filipino nation has never been more pronounced than in 2018, as the Foundation pursued advocacy projects with a continued resolve to make a difference in people's lives.

METROBANK FOUNDATION OUTSTANDING FILIPINOS

Metrobank Foundation Outstanding Filipinos is the Foundation's flagship excellence recognition program that honors and empowers unsung heroes – men and women who have selflessly contributed to the betterment of society.

Guided by Dr. George S.K. Ty's philanthropic vision, realized through the theme "Beyond Excellence," the annual program pays tribute to teachers, soldiers, and police officers whose dedication quietly holds the foundations of society together and supports their vocation to make a greater impact in society.

In 2018, the Metrobank Foundation once again conferred the award on 10 outstanding Filipinos—four teachers, three soldiers, and three police officers—for their devotion to duty and commitment to excellence.

The Outstanding Teachers recognized by the Foundation are Mary Jane Ramo of Tonggo Elementary School in Tudela, Misamis Occidental; Dr. Alma Janagap of Pavia National High School in Pavia, Iloilo; Dr. Aimee Marie Gragasin of Philippine Science High School - Cagayan Valley Campus in Bayombong, Nueva Vizcaya; and Dr. Carla Dimalanta of the University of the Philippines in Diliman, Quezon City.

Metrobank Foundation also awarded the following Outstanding Soldiers: Lieutenant Colonel Francis Señoron of the Philippine Army; Lieutenant Colonel Danilo Facundo of the Philippine Navy (Marines); and Lieutenant Colonel Thomas Ryan Seguin of the Philippine Air Force.

Also recognized by the Foundation were these Outstanding Police Officers: Senior Police Officer 1 Aida Awitin of Davao Occidental Police Provincial Office in Malita, Davao Occidental; Police Senior Inspector Dennis Ebsolo of the Villanueva Municipal Police Station in Villanueva, Misamis Oriental; and Police Senior Superintendent Pascual Muñoz, Jr. based in Camp Crame in Quezon City.

The 10 awardees for 2018 join the roster of 665 Outstanding Filipinos—364 teachers, 157 soldiers, and 144 police officers—honored by the Metrobank Foundation since 1985.

METROBANK ART & DESIGN EXCELLENCE

Metrobank Art & Design Excellence (MADE) is the Foundation's venue for up-and-coming artists to showcase their talent and push their work into greater creative fields. Since its inception in 1984, MADE has become a platform for discovery and dialogue among emerging and established artists, blurring the distinctions among diverse cultures, contemporaries, and disciplines.

In 2018, MADE once again celebrated Filipino artistry and opened the doors for painters and sculptors to enter and discover new artistic realms. With the theme "Discover," MADE challenged artists nationwide to look at the world with fresh eyes and discover the beauty in things mundane and oft-overlooked.

The year saw the Foundation awarding four painters and one sculptor. After the awarding ceremony, the Foundation opened an exhibit that featured the works of over 100 artists recognized as semi-finalists.

Metrobank-MTAP-DepEd Math Challenge 2018

The event also included a selling exhibition entitled "Voyage of the Senses" which featured masterpieces of the MADE-Network of Winners (MADE-NOW), the organization of past MADE awardees. Part of the proceeds will fund Project HeART, a pay-it-forward project to benefit marginalized sectors of society.

METROBANK FOUNDATION EDUCATION PROGRAMS

Dr. George S.K. Ty always believed that funding education is an important investment into the nation's future. This was why the Metrobank Foundation has always pursued education programs that do exactly that, such as the Metrobank-MTAP-DepEd Math Challenge (MMC), the Metrobank Scholarship Program (MSP), the National Teachers' Month (NTM) celebration, and professorial lectures in different subject areas.

The National Teachers Month marked in 2018 its 10th year of valorizing Filipino teachers. Started in 2008 in partnership with the Department of Education, the NTM has become a multi-sectoral movement that engages sectors that work closely with teachers. The movement grew through the years, eventually becoming the nationwide celebration that it is known today.

On its 10th year in 2018, the NTM Coordinating Council—composed of more than 110 organizations from the government, academe, private sector, and non-government institutions—launched 10 Acts of Gratitude, a collective of 10 major activities that aim to further the advocacy of honoring the country's best teachers.

The Metrobank-MTAP-DepEd Math Challenge, in turn, is an annual mathematics competition aimed at raising the competitiveness of elementary and high school students. It is considered the most widely-participated math competition in the country in the grade school and high school level. In 2018, MMC attracted 574,823 students to the nationwide elimination rounds. Of this number, 48 students representing 30 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 special savings accounts with the Metrobank Fun Savers Club.

Another pillar of the Foundation's advocacy is its support for the education of financially challenged but academically outstanding students through its various scholarship programs. In 2018, the Foundation's scholarship initiatives were able to help 33 scholars from 7 universities and colleges in across the country to earn undergraduate degrees and prepare them to be contributing

Manila Doctors Hospital wins 2018 Outstanding Hospital Award from the Philippine Hospital Association

members of the country's workforce and provide for themselves and their families.

METROBANK FOUNDATION PROFESSORIAL CHAIRS

The Foundation's Professorial Chair Lectures are done in partnership with government and academic institutions and aim to strengthen key professions in the areas of law, health, public service, and governance.

The Metrobank Foundation Professorial Chair for Public Service and Governance is a joint undertaking between the Metrobank Foundation and the Ateneo de Manila University. In 2018, Ayala Corporation chair and CEO Jaime Augusto Zobel de Ayala held the Public Service and Governance professorial chair as a corporate champion of innovative healthcare solutions.

Metrobank Foundation also partnered with the Philippine Judicial Academy (PhilJA) for the Metrobank Foundation Professorial Chair Lecture in Law, with the aim of promoting excellence in the judiciary through the delivery of timely and comprehensive discourses by seasoned legal practitioners.

The Professorial Chair Lecture in Liberty and Prosperity is a joint undertaking between Metrobank Foundation and the Foundation of Liberty and Prosperity (FLP) which seeks to champion the twin judicial philosophies of Ret. Chief Justice Artemio Panganiban—safeguarding liberty and nurturing people's prosperity under the rule of law.

HERITAGE EDUCATION AS AN ADVOCACY

As new discoveries in the country's culture and heritage surface, there grows a sense of urgency to address problems in miseducation and mistreatments that have affected the state of our heritage today. This is the belief that drove the Metrobank Foundation to establish its new Culture and Heritage Education Program, which aims to support the development of cultural identity as a source of social empowerment.

Under this program, the Foundation launched the Panoramic Endeavors lecture series which aim to highlight exceptional efforts of dynamic individuals in the art and design community. Around 400 professional architects, students, and art enthusiasts participated in the two-day lecture which saw the exchange of knowledge and solutions towards a more equitable Philippine art scene.

GRANTS THAT MAKE A DIFFERENCE

The Metrobank Foundation's Grants Program has always been a major part of its overall advocacy to make a difference in people's lives. In 2018, the program continued to forge more partnerships with like-minded organizations that share in the mission of raising the quality of life for the underserved sectors in society.

The Grants Program gives assistance to organizations whose projects for the marginalized sectors are in line with the attainment of the United Nations' Sustainable Development Goals. The program's priority thrusts are health, education, arts, and livelihood, or, simply, HEAL.

During its anniversary celebration in September, Metrobank—through the Metrobank Foundation, the GT Foundation, and the Ty family foundation—turned over Php20 million worth of financial assistance to 36 organizations.

HEALTHCARE THROUGH MANILA DOCTORS HOSPITAL

In 2018, Manila Doctors Hospital, Metrobank Foundation's healthcare arm, sustained its array of social services to indigent patients through subsidized surgical procedures, medical missions, and other health-related interventions in adopted communities. In 2018, a total of 262 patients benefited from the in-house surgical programs of the Hospital. In addition, a total of 20,981 patients were served under its outpatient care services and 1,487 patients assisted through inpatient services.

Manila Doctors Hospital (MDH) was awarded the 2018 Outstanding Hospital Award (Level 3-Private) by the Philippine Hospital Association (PHA) during the 69th PHA Annual National Convention in November. As one of the most coveted awards in the healthcare industry, the PHA recognized Manila Doctors Hospital's overall commitment to healthcare excellence, especially in corporate social responsibility, governance, ISO accreditation, among others.

In the same ceremonies, MDH was also recognized in the Top 10 of the 2018 DOH Star Awards (Level III Category), jointly by the Department of Health and PHA. The awards recognize hospitals' best practices in the delivery of safe and quality health service towards achieving universal health care. MDH was the lone tertiary-level private hospital to be awarded with two prestigious recognitions in the said event.

METROBANK FOUNDATION'S AWARDS IN 2018

A testament to its commitment to uphold excellence in business communication and public relations, the Metrobank Foundation took home a record 19 trophies in both the Anvil and Quill Awards in 2018.

The Foundation received 10 awards—four Gold Anvils and five Silver Anvils—including a Hall of Fame award and a finalist title for the Grand Anvil at the 53rd Anvil Awards held in March of 2018. The annual Anvil Awards is the national benchmark for business communication excellence organized by the Public Relations Society of the Philippines.

In addition, the Foundation received nine awards—six Awards of Excellence and three Awards of Merit—including a finalist title for Company of the Year during the 16th Philippine Quill Awards held in July. The Quill Awards is organized by the International Association of Business Communicators-Philippines.

As of end-2018, the Metrobank Foundation has received a total of 77 Anvil Awards and 57 Philippine Quill trophies.

The year 2018 has been truly rewarding for the Metrobank Foundation. The Foundation will continue with its projects in the years to come while further strengthening its advocacy programs to contribute to the enhancement of people's lives.

Bags of Blessing 2018


GT Capital Vice Chairman Alfred V. Ty, GT Capital President Carmelo Maria Luza Bautista, and others distribute Bags of Blessing


Typhoon Ompong Relief Operations


Plan International Memorandum of Agreement Signing



GT Foundation, Inc.

Since its inception in 2009, the GT Foundation, Inc. (GTFI), the foundation of the Ty family, implements strategic development programs that empower communities, primarily in the sectors of education, health, and disaster response. In 2018, GTFI continued to support interventions that contribute towards sustainable progress.

BAGS OF BLESSING

GTFI, in collaboration with Metrobank Foundation, Inc. (MBFI), held the annual Bags of Blessing initiative, with a total of Php 10.0 million worth of food packages distributed to 10,000 underprivileged families in 21 locations nationwide. This series of gift-giving activities during the Chinese New Year carry out the Metrobank Group and GT Capital Holdings' tradition of sharing blessings to the less fortunate. The activity kicked off last February 16 at Lancaster New City in Cavite.

CALAMITY ASSISTANCE

In 2018, GTFI sustained its responsive approach to aid survivors of natural calamities through relief and rehabilitation efforts. To address immediate needs of families affected by typhoon Ompong, GTFI donated Php 5.0 million. A total of 13, 299 families and individuals were given aid through relief operations and rehabilitation efforts held in coordination with the network of Metrobank branches in northern Luzon, Alagang Kapatid Foundation, Operation Blessing, the Archdiocese of Tuguegarao, Caritas Manila, and the Philippine National Red Cross.

Tebow Cure Philippines Memorandum of Agreement signing

Salamin sa Maliwanag na Bukas eye screening program

HEALTH

In line with GTFI's vision to become one of the leading healthcare advocates in the country, support for community-based programs that are focused on providing access to quality healthcare for the underprivileged, reached significant milestones in 2018.

In 2018, GT Foundation pledged a support to Tebow Cure Philippines, a non-profit specialty hospital that caters to underprivileged individuals with physical deformities. Ninety life-changing surgical operations of patients from Tebow Cure were subsidized by GTFI.

GTFI also sustained its eye screening missions to cater to public school children and indigent adults and elderly through its *Salamin sa Maliwanag na Bukas* program. In partnership with Metrobank Purple Hearts Club-South Luzon 2 Chapter and Gintong Puso ng mga Carerubins, a total of 700 public school children from San Gabriel Elementary II School (GMA, Cavite), Maguyam Elementary School (Silang, Cavite), and Carmona Elementary School (Carmona, Cavite) underwent eye screening tests, 300 of whom received prescription glasses.

The partnership with TOPSOLDIERS, on the other hand, enabled the distribution of 1,200 reading glasses to community elders of Barangay Cauyan in Pototan, Iloilo and Barangay Eastside in Isabela City, Basilan. JCI Manila also reached out to community elders of Barangay Pinagbilaran in Baliuag, Bulacan and Barangay Sta. Rita in Concepcion, Tarlac.

After the successful turnover of disaster-resilient barangay health stations equipped with birthing facilities in the municipalities of Mercedes and Guiuan in Eastern Samar and Palo, Leyte in 2015, GTFI pledged additional barangay health stations with birthing facilities to be constructed in Tarangnan, Samar; Upi, Maguindanao; and Datu Odin Sinsuat, Maguindanao. By partnering with Plan International, training for local health workers on nutrition, infant feeding, basic emergency obstetrics and newborn care will also be organized.

Lastly, in support of maternal healthcare, two maternity waiting homes were also inaugurated in Arakan, Cotabato and Alabel, Saranggani in partnership with Save the Children Philippines. Expectant mothers from far-flung communities can now benefit from these safe and comfortable waiting homes.

TMP Tech GTFI STEP Scholars

EDUCATION

GTFI, in 2018, sustained its scholarship grants to financially-challenged but academically-deserving students. Through the Scholarships for Technical-vocational Education Program (STEP), GTFI supports scholars of some of the best technical-vocational education and training schools in the country with industry tie-ups for guaranteed employment. These schools include the Toyota Motor Philippines School of Technology, Don Bosco Technical Institute, Punlaan School, and DualTech Training Center Foundation. STEP focuses on equipping students with practical knowledge and skills with a simple but direct objective of providing them gainful employment upon graduation. Courses range from Hospitality and Culinary Arts to Automotive Servicing. Out of the existing GTFI-supported scholars from these schools, 55 graduated in 2018. Fifty (50) additional scholarship slots for Dualtech Training Center Foundation and 16 for Punlaan School were also awarded in the same year.

GTFI's support for college students enrolled under Science, Technology, Engineering, and Math (STEM) courses also gained grounds in 2018. Out of the existing scholars, 8 from Manila Tytana Colleges and one from the University of San Carlos finished their undergraduate courses. Five (5) were Latin honorees: three magna cum laude and two cum laude awardees.

GTFI, in 2018, further bolstered its support for college students by adding 30 more scholarship slots (10 each) for Manila Tytana Colleges, University of San Carlos, and the University of the Philippines-Diliman.

Another milestone for GTFI's thrust in education also took place in 2018. Established in 2001 by Metrobank Foundation, in partnership with the Federation of Filipino-Chinese Chambers of Commerce and Industry (FFCCCII), Share a Gift of Education (SAGE) is a brainchild of the late Dr. Ty which aims to provide educational assistance to qualified members of the Filipino-Chinese families. To launch SAGE III, a MOA signing between GTFI and FFCCCII was held in September. Through a Php 15.0 million fund, SAGE III will support 100 students from 33 Filipino-Chinese schools nationwide which include 15 schools in the National Capital Region, five (5) in Region 6, three (3) in Region 5, two (2) each for Regions 8 and 11 and one (1) each for Regions 1, 3, 4A, 7, 12 and CARAGA.

CORPORATE SOCIAL RESPONSIBILITY

GT CAPITAL HOLDINGS, INC.

In 2018, GT Capital expanded its corporate social responsibility (CSR) thrust into four key programs: a year-round nourishment program for children, participation in the Metrobank Foundation's Bags of Blessing event, organizing a dental mission for families, and involvement in Brigada Eskwela initiatives.

Nourishment Program for Children

Once again, GT Capital reaffirmed its year-long initiative to supplement the nutritional and spiritual needs of children at Our Lady Queen of Peace Parish in Espeleta, Bacoor, Cavite. What began as a one-time event to bring Christmas fun and games to children was since expanded into a weekly program that nourishes young bodies and souls. Including contributions from its employees, GT Capital donated Php391,815.45 for the program. With 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 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, providing close to 600 loot bags, filled with gifts such as shoes, food packs, and school supplies, to the 150 to 180 children served by the program.

Gift Giving during Nourishment Program for Children

GT Capital Christmas Party for Children

Bags of Blessing

To celebrate Chinese New Year, GT Capital participated in Metrobank Foundation's annual Bags of Blessing program, a series of gift-giving activities for deserving indigent families throughout the country. Over 500 families received rice, snack foods, milk, canned goods, and cooking necessities through the program. Assisted by members of the Armed Forces of the Philippines, Philippine National Police, and local government units, volunteers from GT Capital and the Metrobank Group helped repack and distribute gift bags during the event.

Dental Mission

To supplement its nourishment initiative in Our Lady Queen of Peace Parish in Espeleta, Bacoor, Cavite, GT Capital volunteers organized a dental mission for the families of feeding program beneficiaries. Over 150 children and their parents availed of free dental services. Fifteen dentists from the Quezon City Dental Chapter of the Philippine Dental Association offered their time and effort to help ensure the children and their families maintain healthy teeth and gums.

Brigada Eskwela

In preparation for the opening of public school classes in late May, volunteers from GT Capital helped clean and repaint classrooms in San Rafael Palma Elementary School in San Andres Bukid, Manila. By participating in this initiative, GT Capital volunteers, in cooperation with the Metrobank Foundation and Manila Doctors Hospital, contributed to the nationwide Brigada Eskwela (National Schools Maintenance Week) effort organized by the Philippine Department of Education.

TOYOTA

TOYOTA MOTOR PHILIPPINES FOUNDATION

TMP's leadership in the auto industry is complemented by the company's unceasing efforts at corporate social responsibility (CSR). In 2018, TMP was cited by the Society of Philippine Motoring Journalists (SPMJ) during their Driven to Serve Awards for three of the company's CSR initiatives.

Given recognition were the Toyota Adopt-A-Forest Program, the Toyota Medical and Dental Outreach

GT Capital Dental Mission

TMP CO_2 Fair

Program, and Pasiglahin ang Estudyanteng Pinoy Feeding Program. These projects were done through the Toyota Motor Philippines Foundation, TMP's arm for corporate social responsibility projects, particularly in the fields of education, health, environment, and community service.

Environment

For 2018, TMPF's CSR thrust was mainly in the area of environment protection and conservation. To strengthen environmental awareness among its various stakeholders, TMP conducted a CO_2 Fair for its team members and the other members of the company's value chain. The fair aimed to share best practices in achieving zero CO_2 emissions in production plant processes. A project during the fair is the ABC Management Activity, which aims to reduce energy consumption of machines used in the company's offices and manufacturing lines by ensuring that only necessary equipment is in operation at any given time.

Since 2015, TMP has already reduced a total amount of 625,000 kilowatt-hours, worth an estimated Php5.0 million, from its energy consumption because of this activity.

TMP also showcased its Solar Farm Project, which will serve as a renewable source of energy for its manufacturing and office operations. TMP's one-megawatt Solar Farm was completed and inaugurated in 2018 and is expected to save up to 12.8 kg CO_2 per unit produced.

The new facility is part of TMP's major initiatives to minimize its carbon footprint and help mitigate the effects of climate change, based on the global Toyota Environmental Challenge (TEC) 2050—Toyota's guide to achieving zero environmental impact in all aspects of its operations.

Moreover, in an effort to involve its entire value chain in preserving natural resources for a sustainable future, TMP conducted seminars to raise environmental consciousness and encourage active participation in environment conservation. To this end, TMP held an Eco-Driving Seminar to teach its employees and

TMP Solar Farm Project

TMP Inaugurates Solar Farm at its Santa Rosa, Laguna Facility other stakeholders ways to save fuel and decrease carbon emissions while driving. In addition, TMP also conducted an Energy Saving Seminar to increase awareness on how to conserve energy at home.

Another important initiative from TMPF in 2018 was its Adopt-a-River Project, in partnership with the Save Silang-Santa Rosa River Foundation, Santa Rosa City local government, and the Laguna Lake Development Authority (LLDA). Under the project, TMP actively collaborated with its program partners to adopt a portion of the Silang-Santa Rosa River near the TMP facility in Santa Rosa, Laguna.

TMPF also spearheaded during the year the Mercury Sequestration on Fluorescent Light Bulbs project, which will utilize TMP's existing equipment designed to capture the mercury content in busted fluorescent lights.

Moreover, to help Conservation International (CI) Philippines' projects in Verde Island Passage, TMP donated a brand-new Toyota Hilux pickup truck. Verde Island Passage, the body of water separating the islands of Luzon and Mindoro, is one of the richest marine biodiversity sites in the world.

Another highlight of TMP's environmental protection initiatives in 2018 is its coastal clean-up and mangrove-planting project on the coast of Lian, Batangas. The company gathered volunteers among its employees, dealers, and suppliers to participate in the activity.

Medical Outreach

TMPF held a Medical-Surgical Outreach Program for the constituents of Santa Rosa City, in collaboration with the local government and Makati Medical Center (MMC). The surgical mission was held at the Santa Rosa Community Hospital in Santa Rosa City, Laguna and served patients with various medical conditions. The patients underwent surgery performed by medical volunteers from MMC.

In addition, TMPF also donated one dialysis machine to the Santa Rosa Community Hospital Dialysis Center.

TMP and LLDA MOA Signing

Education

In the field of education, TMPF continued to support of its adopted school, Pulong Sta. Cruz Elementary School in Santa Rosa, Laguna, in 2018. The Foundation awarded the top five graduates of the school with gift certificates and tokens. TMP also supports the school through sponsorship of various education interventions and health services.

In addition, Marco Polo Plaza Cebu, Federal Land's premier hotel destination in the Visayas, hosted a charity run in support of the Emergency Rescue Unit Foundation (ERUF), a non-profit organization dedicated to provide paramedic assistance propelled by the spirit of volunteerism. More than 1,000 fun run enthusiasts, families and pet owners participated in the run for a cause.

FEDERAL LAND

Federal Land's commitment to uplift the lives of Filipinos goes beyond its property projects through its support of social outreach initiatives in the communities it serves.

During the year, Federal Land employees assisted in relief operations for victims of southwest monsoon rains brought about by Typhoon Karding (international name: Yagi). Over 10,000 relief bags containing canned goods and cooking necessities were distributed to 5,000 families who were beneficiaries of the program.

AXA PHILIPPINES

AXA Philippines' CSR initiatives have always been about supporting the communities it serves. In 2018, the company sustained its AXA Hearts in Action program which helps empower communities to live better lives as well as foster awareness of environmental protection and sustainability while promoting community interaction.

During the year, AXA employees visited a community of indigenous people in San Felipe, Zambales to help rehabilitate the area by planting over 1,000 seedlings in the

Typhoon Karding (Yagi) relief operations

AXA Hearts Zambales Tree Planting Program area. The volunteers also conducted art and reading activities with the youth of the Yangil tribe with the help of MAD Travel, a social enterprise that works for and with marginalized and indigenous communities in the Philippines to create fun, authentic, and meaningful travel experiences through sustainable social tourism. The volunteers were, in turn, taught archery by the tribal elders.

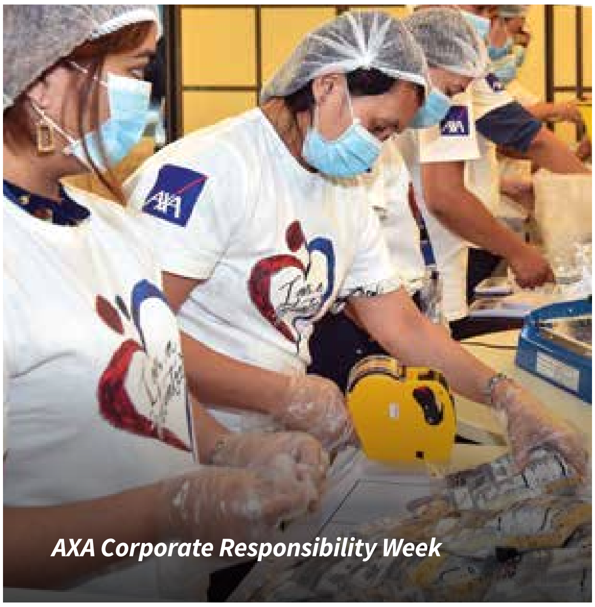
During its annual Corporate Responsibility Week, a global AXA initiative, close to 450 AXA Philippines employees gathered to contribute their time and skills as volunteers to different CSR projects. With the theme CR Week in Action, the week-long celebration allowed AXA Philippines to touch over 2,000 lives by partnering with several non-government organizations and foundations with advocacies that focus on health, education, and environment protection.

For their part, AXA Philippines volunteers packed meals good for six months for Aeta mothers and their families in Porac, Pampanga. They also packed food good for three months for students of Napo Elementary School in Cebu. The volunteers also distributed candles and mosquito traps for the mothers of Trece Martires in Cavite.

Other initiatives held during the CSR week in partnership with various NGOs were a blood-letting drive, first aid and financial literacy training for mothers and children in Cebu, a run-for-a-cause event, the donation of books to the library of Napo Elementary School, and the distribution of Project Aral Kits from National Book Store to underprivileged students.

In partnership with the University of Makati and the Philippine Red Cross-Rizal Chapter, AXA Philippines held a safety awareness workshop aimed at teaching participants to respond to emergencies and mitigate their impact. The workshop was attended by 40 student-athletes and teacher-coaches from the university and discussed topics ranging from disaster preparedness to first aid, CPR, and road safety.

AXA Philippines also teamed up with the Metrobank Foundation to help public school teachers improve their understanding of



AXA Corporate Responsibility Week

AXA Safety Awareness Workshop

financial wellness, thus empowering them to lead better lives. The program, entitled Financial Literary for Teachers, was based on AXA's existing program called, "What's Your Game Plan?", which helps people understand their current and future financial needs and helps them prepare for unforeseen setbacks.

METRO PACIFIC INVESTMENTS FOUNDATION

METRO PACIFIC FOUNDATION, INC.

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

Environment and Economic Empowerment

After celebrating its 10th anniversary in 2017, MPIF's environment advocacy program Shore It Up! (SIU) carried on with its pursuit of sustainable environmental programs in 2018. In the first half of the year, SIU set out to mitigate coral degradation, restore and protect coral reefs, and sustain the country's marine ecosystem with the installation of a Coral Restoration Field laboratory in Barangay Solo, Mabini, Batangas.

SIU achieved a great deal in terms of environmental conservation, covering an increasing amount of areas yearly. In 2018, SIU continued with their efforts, including a simultaneous coastal and marine clean-up across various municipalities, the establishment of Mangrove Propagation and Information Centers, mangrove planting activities, and other initiatives that were not only able to physically clean up the environment, but also provide livelihood opportunities for the members of their partner communities and increase their knowledge and responsibility regarding the benefits of environmental conservation.

Education

MPIF's advocacy for education is anchored in its support for Mano Amiga through scholarships that open more opportunities


Shore It Up!

SIU Junior Environmental Scouts

for children who would otherwise have no access to quality education.

The MPIF Annual Excellence Fund provides 30 deserving students with access to excellent primary and secondary education at Mano Amiga. This scholarship program covers per-pupil operational expenses of the school, as well as miscellaneous fees and expenses on student enrichment activities.

As part of the yearly outreach programs, Mano Amiga students were treated to several short classes on sports, singing, dancing, and cooking. These helped with their holistic growth and encouraged them to excel beyond academics. They learned to build self-confidence, imbibe positive values, and develop their skills and talents.

Their teachers also benefited from this effort through trainings that allowed them to hone their abilities to further the cause of quality education and equip their students with the necessary means to maximize their potential.

Tulong Kapatid

As a joint effort of the whole MVP group, Tulong Kapatid was established to assist Filipinos affected by natural and man-made exigencies by synergizing the resources, network, and expertise of the different member companies.

In 2018, Tulong Kapatid, in partnership with Alagang Kapatid and Latter Day Saints Charities, distributed over 2,000 school kits for use of marginalized students in several schools in Siargao. Surigao del Norte.

Tulong Kapatid

MPIF Mano Amiga Scholars

Corporate Governance

GT Capital Holdings, Inc. (“GT Capital” or the “Corporation”, and together with its subsidiaries, the “Group”) aims to achieve a solid track record in corporate governance in the Philippines and in the Association of Southeast Asian Nations (“ASEAN”) Region. In pursuit of its goal and in order to maintain the trust and respect of its stakeholders, GT Capital gives utmost 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, 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.

As part of its ongoing improvement in corporate governance, GT Capital initiated the following best practices in 2018:

1. Engagement of a third-party assessor to evaluate GT Capital’s officers and employees to assume more challenging roles in the Corporation pursuant to the Corporation’s succession planning initiative;
2. Establishment of a mentorship program for junior officers in relation to the Corporation’s succession planning initiative;
3. Launch of Sustainability Reporting initiative and holding of Sustainability Workshop for GT Capital officers, employees, and representatives from subsidiaries and affiliates;
4. Creation of Technical Working Group on Sustainability Reporting that met regularly to discuss the Corporation’s Sustainability Report Initiative;
5. Conduct of a stakeholder consultation process pursuant to GT Capital’s Sustainability Reporting Initiative;

2018 AWARDS AND RECOGNITIONS

One of the Philippines’ Top Performing Companies based on the ASEAN Corporate Governance Scorecard (ACGS)

Asiamoney’s One of the Philippines’ Outstanding Companies

6. Improvement of President's Assessment Form and Director, Board and Committee Self-Assessment Forms;

7. Establishment of materiality threshold for related party transactions;

8. Ensuring compliance with the Data Privacy Act including registration of its data processing systems and creation of a Data Privacy Manual based on the results of the Privacy Impact Assessment; and

9. Inclusion in the board agenda of reports of committees with critical issues.

2018 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 acknowledges its duty and responsibility to provide timely and accurate information to the investing public. To this end, GT Capital strictly complies with all reportorial and disclosure requirements imposed by regulatory agencies such as the Securities and Exchange Commission ("SEC"), the Philippine Stock Exchange ("PSE"), and the Philippine Dealing and Exchange Corporation. GT Capital likewise ensures the posting of all reportorial and disclosure requirements onto GT Capital's official website: **www.gtcapital.com.ph.**

Corporate Governance Policies and Practices

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

Manual on Corporate Governance

GT Capital adopted a Manual on Corporate Governance ("CG Manual") to institutionalize the principles of good corporate governance in the entire Corporation. This is in line with the belief of its Board, Management, employees and shareholders that corporate governance is a necessary component of what constitutes sound strategic business management. As such, every effort necessary is undertaken to create awareness of the CG Manual within the Corporation and ensure compliance with the same. The charters of the Corporation's committees are attached as annexes to the CG Manual, and these are reviewed annually and if necessary, amended to reflect corporate governance best practices adopted by the Corporation.

Code of Ethics

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

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

GT Capital's HR and Administration Department, in coordination with the relevant heads of other departments, is tasked with implementing and ensuring compliance with the provisions of the Code of Ethics as well as the policies and codes implementing the Code of Ethics. Its responsibilities include, among others, ensuring that the contents of the Code are communicated to all existing and new officers and employees. This is done by providing officers and employees with a copy of GT Capital's employee handbook, requiring each officer and employee to sign annually a "Code of Conduct Acknowledgment Form", and conducting an annual orientation on the Corporation's policies. Its activities also include investigating reported violations of the Code and, if necessary, imposing the appropriate disciplinary action. In addition, each department is audited by GT Capital's Internal Audit Department to further verify observance of the relevant policies.

Code of Discipline and Anti-corruption Programs

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

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

The HR and Administration Department is responsible for monitoring and implementing the Code of Discipline. It regularly conducts seminars for its employees, including an onboarding seminar for new employees, tackling the policies and procedures of GT Capital including the Corporation's Code of Discipline and Anti-Corruption Program. Since its adoption in 2013, there have been no major violations of the Code of Discipline.

Whistleblowing Policy

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

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

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

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

Reports by stakeholders, including employees, may be submitted by e-mail to governance@gtcapital.com.ph or directly in writing to the Chief Audit Executive ("CAE"). The CAE may then investigate the report, appoint an investigating officer, create a special Task Force (internal or outsourced) to investigate the matter independently, or elevate the report to the Discipline, Ethics, and Values Committee composed of the CAE and the respective heads of the Human Resources 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 boosting shareholder confidence. GT Capital seeks to maintain an effective risk management process, designed to meet the requirements of generally accepted good corporate governance.

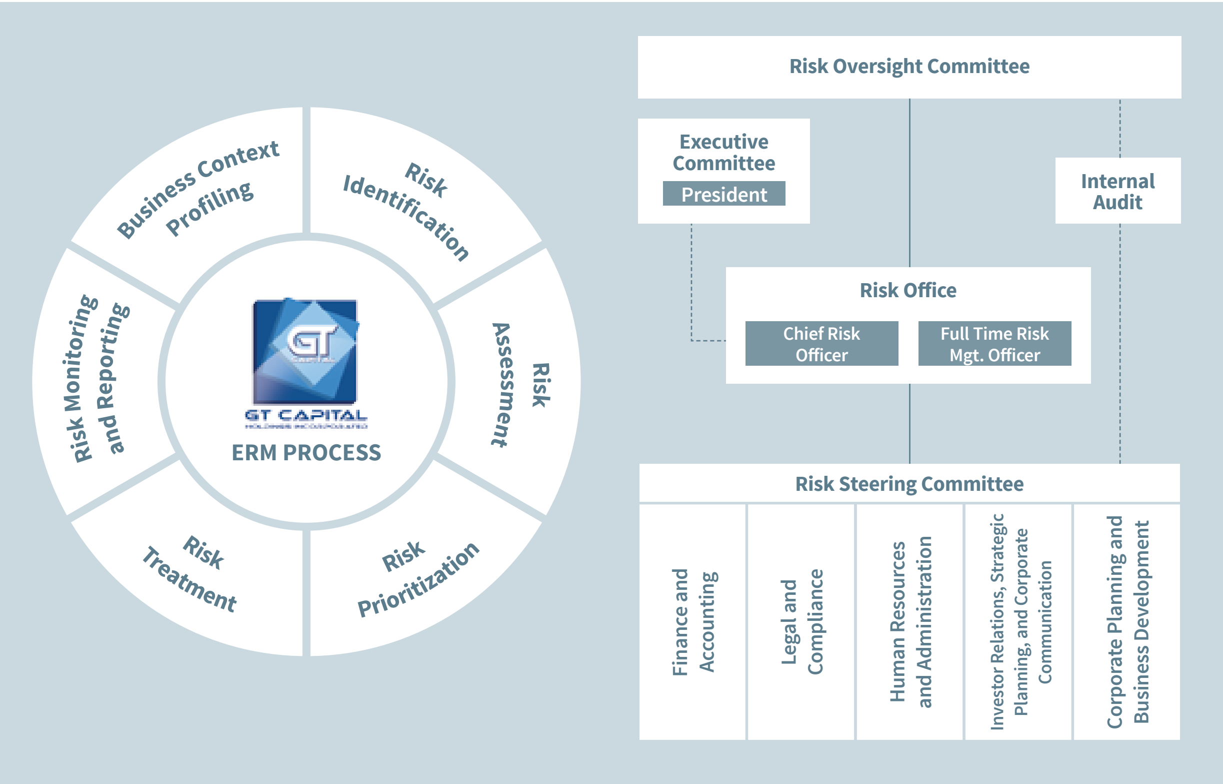
The goal of the enterprise risk management process is to apply a consistent methodology to identify, assess and manage business risks across GT Capital. GT Capital undertakes an annual assessment of its risks using a methodology aligned with global risk management standards - ISO31000 and COSO Framework.

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, and monitoring of key risks, and the establishment of countermeasures based on the key risks as identified by the Committee.

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

Key Business Risks and Controls

In 2018, individual interviews and group workshops were conducted for the Annual ERM Reassessment. A total of 31 risks were identified and assessed 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 ongoing basis that the risks are effectively managed. Key Risks for GT Capital and component companies include market risk, operational risk, regulatory compliance risk, financial reporting risk, and portfolio management risk.

Market Risk

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

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

Operational Risk

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

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

Regulatory Compliance Risk

GT Capital 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 periodic basis to monitor and review the performance of the portfolio and accordingly recommends the adjustment of business strategies to the Executive Committee and the Board.

Environmental and Social Risk

GT Capital component companies are exposed to non-financial risks such as environmental and social impacts in the conduct of its operations. Environmental risks may be brought about by non-compliance with relevant laws and regulations and contribution of climate change. Social risk primarily arises from the component companies' interaction with its stakeholders such as employees, suppliers, customers and other participants in the value chain.

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

Other Risks

In addition to the key risks discussed above, there are other risks which were identified by GT Capital management during the 2018 Enterprise Risk Management Annual Reassessment. Each risk has corresponding key risk indicators that are monitored on a periodic basis and serve as an early warning signal for GT Capital, in case an emerging risk was to transpire. These indicators are reported to the Board of Directors, through the Risk Oversight Committee on a quarterly basis.

Policy on Conflicts of Interest

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

As part of its evaluation of nominees for directorship, the CG Manual provides that the Nominations Committee should consider possible conflicts of interest.

Policies on Insider Trading

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

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

In 2018, 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 Human Resources and Administration Policies and Procedures Manual outlines the procurement policies of GT Capital, which ensures that risk exposure due to unreasonable and exorbitant spending is eliminated.

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

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

Board of Directors and Management

GT Capital's Board of Directors is primarily responsible for the governance of the Corporation and ensures its compliance with the principles of good governance by providing an independent check on management. By setting policies for the accomplishment of GT Capital's corporate objectives, the Board of Directors fosters the long-term success, sustained growth and competitiveness of the Corporation in a manner consistent with its fiduciary responsibility towards both the Corporation and its stakeholders.

Board Composition

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

As of May 09, 2018, four (4) members of GT Capital's Board are Independent Directors. In addition to having all the qualifications and none of the disqualifications as embodied in relevant SEC regulations and in the by-laws of the Corporation, an Independent Director is a person who, apart from his fees and shareholdings, is independent of management and substantial shareholders, and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

GT Capital's CG Manual provides that no director shall simultaneously hold more than five (5) board seats in publicly listed companies, while an executive director shall not serve on more than two (2) boards of publicly listed companies outside the group. No director of the Corporation serves on more than five (5) boards of publicly listed companies, and no executive director serves on more than two (2) boards of listed companies outside of the group.

The roles of the Chairman and the President are separate, to ensure an appropriate balance of power, increase accountability, and improve the Board's capacity for making decisions separately and independently from Management. Among others, the Chairman ensures that meetings of the Board are in accordance with the By-laws, listens and addresses governance-related issues that may be raised by non-executive or Independent Directors and ensures that the Board exercises strong oversight over the Corporation and its Management. On the other hand, the President, among other responsibilities, plans, develops, and implements the Corporation's policies and goals, interfaces with the Chairman to revise objectives and plans in accordance with current conditions, and communicates clearly and directly with employees concerning performance expectations, productivity, and accountability. 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 duties and responsibilities of the Board, which meets at least six (6) times during the year, include implementing a process for the selection of directors who can contribute independent judgment to the formulation of sound corporate strategies and policies; providing guidelines and insights on major investments and capital expenditures; ensuring the Corporation's compliance with all relevant laws, regulations and best business practices; establishing and maintain an Investor Relations Program to keep stockholders apprised of important developments; identifying the stakeholders in the community and formulating a clear policy of communication with them; adopting a system of check and balance with the Board; identifying key risks and performance indicators and monitor the same; formulating and implementing policies and procedures that would ensure the integrity and transparency of related party transactions; establishing and maintaining an alternative dispute resolution system in GT Capital; constituting committees it deems necessary to assist it in the performance of its functions; and performing such other duties and responsibilities as may be required under the relevant rules and regulations.

Board Attendance

To ensure attendance of directors, the dates of the six (6) regular Board meetings of GT Capital are set before the beginning of the fiscal year to coincide with the Annual Stockholders' meeting on the second Wednesday of May and with the financial reports and disclosures during the year (March, June, August, November and December). The quorum requirement for instances when important matters are to be discussed 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, the Board Secretariat endeavors to ensure the attendance of at least two thirds (2/3) of all the directors for each meeting, regardless of the agenda. For the year 2018, the Board met eight (8) times, as provided below:

Name	No. of Meetings Attended
George S.K. Ty - *Group Chairman; no longer a member as of May 09, 2018*	1/2 (50%)
Arthur V. Ty - *Chairman*	7/8 (87.5%)
Alfred V. Ty - *Co-Vice Chairman*	6/8 (75%)
Francisco C. Sebastian - *Co-Vice Chairman*	7/8 (87.5%)
Carmelo Maria Luza Bautista - *President and Director*	7/7 (100%)
David T. Go - *Director*	7/8 (87.5%)
Pascual M. Garcia III - *Director; member as of May 09, 2018*	6/6 (100%)
Regis V. Puno - *Director; member as of May 09, 2018*	6/6 (100%)
Roderico V. Puno - *Director; no longer a member as of May 09, 2018*	1/2 (50%)
Jaime Miguel G. Belmonte - *Independent Director*	8/8 (100%)
Renato C. Valencia - *Lead Independent Director*	8/8 (100%)
Wilfredo A. Paras - *Independent Director*	8/8 (100%)
Rene J. Buenaventura - *Independent Director; member as of May 09, 2018*	6/6 (100%)

The non-executive directors of the company met separately at least once during the year without any executives present. During this meeting, the director, board, and committee self-assessments were distributed, and the President's assessment was discussed.

Director, Board, and Committee Self-Assessment

The Board, Committee and Individual Director's Self-Assessment Forms were adopted as a tool for the Corporation to evaluate the performance of its Board, Committees and individual directors and to assess the efficiency of its processes. These enable Board and Management to identify areas for improvement and determine the value and contribution of the Board and each individual director towards the growth and improvement of the Corporation. The Self-Assessment forms are distributed annually and tabulated by Board secretariat so that results may be reported to and acted upon by the Board, Management, and/or appropriate committee, as necessary.

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

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

Director Self-Assessment Criteria
• Foundational • Board 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

Questions may be answered with a "yes" or "no" response or on a scale ranging from "strongly disagree" to "strongly agree", and comments and suggestions are solicited on recommended areas of focus and on how to improve the Corporation's performance. The 2018 Board Self-Assessment Form was modified to include a portion on Strengths, Weaknesses, Opportunities and Threats Analysis of the Corporation from the perspective of each Director.

Performance Assessment of the 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, personal qualities, transparency/effective communication, and integrity. The Board rated the President on a scale of one (1) as the lowest to five (5) as the highest. The Assessment also includes a portion on the President's development needs where the directors can identify the President's strengths, suggest key result areas for the coming year, and suggest areas for the President's personal development for the coming year.

Board Committees

The Board exercises authority over specific aspects of GT Capital's business through its Committees, which aids in complying with the principles of good corporate governance. Each Committee is governed by its own Charter, which serves as a guide on its composition, frequency of meetings and exercise of its powers, duties and responsibilities. The latest version of each Committee Charter may be downloaded from the GT Capital website.

Executive Committee

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

Member	Meetings Attended
Arthur V. Ty - *Chairman* *(Non-executive Director)*	27/29
Alfred V. Ty - *Vice-Chairman* *(Non-executive Director)*	26/29
Francisco C. Sebastian - *Member* *(Non-executive Director)*	27/29
Carmelo Maria Luza Bautista - *Member* *(Executive Director)*	29/29
Mary Vy Ty - *Adviser (Non-executive)*	25/29

Compensation Committee

The Compensation Committee is tasked to implement formal and transparent policies and procedures to ensure that compensation of directors and key officers of GT Capital is consistent with the Corporation's culture, strategy, long-term interests and the business environment in which it operates.

Member	Meetings Attended
Jaime Miguel G. Belmonte - *Chairman* *(Independent Director)*	1/1
Alfred V. Ty - *Member* *(Non-executive Director)*	1/1
Renato C. Valencia - *Member* *(Lead Independent Director)*	1/1

Nominations Committee

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

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

As of May 09, 2018, the Nominations Committee is composed of a majority of Independent Directors.

Member	Meetings Attended
Renato C. Valencia - *Chairman* *(Lead Independent Director)*	3/3
Wilfredo A. Paras - *Member* *(Independent Director)*	3/3
Jaime Miguel G. Belmonte - *Member* *(Independent Director); no longer a member as of May 09, 2018*	2/2
Rene J. Buenaventura - *Member* *(Independent Director); member as of May 09, 2018*	1/1
Carmelo Maria Luza Bautista - *Adviser* *(Executive Director)*	1/1

Audit Committee

The Audit Committee exercises oversight responsibility over the financial reporting process, system of internal control, audit process, and the monitoring of compliance with applicable laws, rules, and regulations. It oversees the Corporation's external and internal auditors and is reviews 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	Meetings Attended
Wilfredo A. Paras - *Chairman (Independent Director)*	5/5
Renato C. Valencia - *Member (Independent Director)*	5/5
Jaime Miguel G. Belmonte - *Member (Independent Director); no longer a member as of May 09, 2018*	2/2
Rene J. Buenaventura - *Member (Independent Director); member as of May 09, 2018*	3/3
Regis V. Puno - *Member (Non-executive director); member as of May 09, 2018*	2/3
Pascual M. Garcia, III - *Member (Non-executive director); Adviser until May 8, 2018 and Member as of May 09, 2018*	3/5

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

Risk Oversight Committee

The Risk Oversight Committee ("ROC") is responsible for ensuring the creation and implementation of a robust and effective system of identifying, assessing, monitoring, and managing all material and relevant risks to the Company and its shareholders. GT Capital's ROC is also 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	Meetings Attended
Rene J. Buenaventura - *Chairman (Independent Director); member as of May 09, 2018*	3/3
Renato C. Valencia - *Member (Lead Independent Director)*	4/4
Wilfredo A. Paras - *Member (Independent Director)*	4/4
David T. Go - *Member (Non-executive Director)*	3/4

Corporate Governance and Related Party Transactions Committee

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

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

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

Member	Meetings Attended
Renato C. Valencia - *Chairman (Lead Independent Director)*	6/6
Wilfredo A. Paras - *Member (Independent Director)*	6/6
Jaime Miguel G. Belmonte - *Member (Independent Director)*	6/6
Anjanette Ty Dy Buncio - *Adviser; as of May 09, 2018*	3/3

In 2018, all RPTs were 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, and plays a significant role in supporting the Board by ensuring the efficient flow of information among the Board, Management, stockholders and stakeholders. He ensures that directors have reasonable access to any information they might need to deliberate on all matters on the Board's agenda and receive the requisite board materials at least five (5) business days before all scheduled Board meetings.

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

Director and Executive Compensation

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

In 2018, GT Capital directors received aggregate remuneration as follows:

	Remuneration
Executive Directors	PhP 2.00 million
Non-Executive Directors *(other than independent directors)*	PhP 19.46 million
Independent Directors	PhP 8.47 million

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

The aggregate remuneration paid to the five most highly compensated members of GT Capital's Senior Management in 2018 is as follows:

Remuneration Item		Amount
(a)	Salary	PhP 49.13 million
(b)	Bonuses	PhP 20.47 million
Total		**PhP 69.60 million**

Orientation and Continuing Education Initiatives for Directors

The Corporation's CG Manual requires incumbent and newly-elected directors to attend a seminar on corporate governance. New directors of GT Capital are oriented regarding GT Capital's core businesses in order to provide the director with a better understanding of the Group. A budget is also in place for continuous professional education of all directors, to ensure the continuous effective performance of their functions and to keep them updated on relevant and latest developments. In 2018, directors of the Corporation attended on the following programs on corporate governance.

Name of Director/Officer	Program / Date held
Arthur V. Ty	*Digital Trade-Offs, Anti-Money Laundering Act and Environmental, Social and Governance -* ***October 19, 2018***
Alfred V. Ty	*Digital Trade-Offs, Anti-Money Laundering Act and Environmental, Social and Governance -* ***October 19, 2018***
Francisco C. Sebastian	*Advanced Corporate Governance Training Program -* ***July 25, 2018***
Carmelo Maria Luza Bautista	*Seminar on Corporate Governance and Related Matters -* ***February 02, 2018***
	Advanced Corporate Governance Training Program - ***Human Rights Seminar***
Renato C. Valencia	*Advanced Corporate Governance Training Program -* ***July 25, 2018***
Jaime Miguel G. Belmonte	*Advanced Corporate Governance Training Program -* ***July 25, 2018***
Wilfredo A. Paras	*Distinguished Corporate Governance Speaker Series -* ***September 11, 2018***
Rene J. Buenaventura	*Advanced Corporate Governance Training Program -* ***July 25, 2018***
David T. Go	*Seminar on Corporate Governance and Related Matters -* ***February 02, 2018***
Pascual M. Garcia III	*Advanced Corporate Governance Training Program -* ***July 25, 2018***
Regis V. Puno	*Digital Trade-Offs, Anti-Money Laundering Act and Environmental, Social and Governance -* ***October 19, 2018***

Audit and Accounting

Internal Audit

The Internal Audit function of GT Capital is under the responsibility of its Chief Audit Executive (the "CAE"), Leo Paul C. Maagma[1]. Prior to 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 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.

Independent Public Accountants

Sycip, Gorres, Velayo & Company ("SGV") was the external auditor for the calendar year 2018. 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. In compliance with this rule, the signing partner was subject to rotation in 2018. The following SGV partners were engaged by GT Capital since its listing in 2012.

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

The following table sets out the aggregate fees for audit and audit-related services rendered by SGV to GT Capital, inclusive of out-of-pocket expenses and value-added-tax for each of the years ended December 31, 2017 and 2018:

	2017	2018
Audit and Audit-Related Services	2.30	2.21
Non-Audit Services	0.04	0.32
Total	2.34	2.53

Audit services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and review of annual income tax returns. Non-audit services were also provided by SGV & Co. for validation of stockholders' votes during Stockholders' Meeting. Tax consultancy services were also secured for the purchase of Toyota Motor Corporation shares.

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.

[1] Mr. Leo Paul C. Maagma has been the CAE of GT Capital since April 16, 2018, replacing Richel D. Mendoza.

Appointment of Independent Party

There was no appointment of an independent party to evaluate the fairness of any transaction price in relation to any mergers, acquisitions, and/or takeovers which require stockholders' approval. For the year 2018, GT Capital was not involved in any mergers, acquisitions and/or takeovers which required stockholders' approval.

Financial Reporting

GT Capital's financial statements comply with Philippine Accounting Standards and Philippine Financial Reporting Standards and are submitted and disclosed in compliance with the applicable laws, rules and regulations. GT Capital did not revise its financial statements in 2018.

Ownership Structure

Stockholders holding more than 5% of outstanding shares

As of December 31, 2018, 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.	111,494,128	55.932%
PCD Nominee Corp. (Non-Filipino)	61,696,894	30.951%
PCD Nominee Corp. (Filipino)	25,512,240	12.799%

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 2018 are as follows:

Name	Nature of Relationship to GT Capital	Number of Shares Directly Owned (As of January 1, 2018)	Number of Shares Indirectly Owned (As of January 1, 2018)	Number of Shares Directly Owned (As of December 31, 2018)	Number of Shares Indirectly Owned (As of December 31, 2018)
Grand Titan Capital Holdings, Inc.	Principal Shareholder	89,427,110 (46.43%)	18,296,685 (9.50%)	111,494,128 (55.932)	0 (0.0000%)
Arthur V. Ty	Chairman	100,000 (0.052%)	2,100 (0.0010%)	103,500 (0.052%)	12,174 (0.006%)
Alfred V. Ty	Co-Vice Chairman	100,000 (0.052%)	2,100 (0.0010%)	103,500 (0.052%)	12,174 (0.006%)
Francisco C. Sebastian	Co-Vice Chairman	100 (0.0000%)	50,000 (0.026%)	104 (0.0000%)	93,150 (0.047%)
Anjanette Ty Dy Buncio	Treasurer	0 (0.0000%)	46,547 (0.024%)	0 (0.0000%)	50,504 (0.025%)
Carmelo Maria Luza Bautista	President and Executive Director	1,000 (0.0005%)	12,000 (0.006%)	1,035 (0.0005%)	12,420 (0.006%)
Alesandra T. Ty	Assistant Treasurer	0 (0.0000%)	1,700 (0.0008%)	0 (0.0000%)	17,865 (0.009%)
Francisco H. Suarez, Jr.	Executive Vice President and Chief Finance Officer	0 (0.0000%)	5,000 (0.0025%)	0 (0.0000%)	5,175 (0.0025%)
Renato C. Valencia	Lead Independent Director	1,000 (0.0005%)	0 (0.0000%)	1,035 (0.0005%)	0 (0.0000)
Jaime Miguel G. Belmonte	Independent Director	1,000 (0.0005%)	0 (0.0000%)	1,035 (0.0005%)	0 (0.0000%)
Wilfredo A. Paras	Independent Director	1,000 (0.0005)	0 (0.0000%)	1,035 (0.0005%)	0 (0.0000%)
Farrah Lyra Q. De Ala (Appointed on November 13, 2018)	Assistant Vice President	0 (0.0000%) (As of date of appointment)	287 (0.0000%) (As of date of appointment)	0 (0.0000%)	287 (0.0000%)

Name	Nature of Relationship to GT Capital	Number of Shares Directly Owned (As of January 1, 2018)	Number of Shares Indirectly Owned (As of January 1, 2018)	Number of Shares Directly Owned (As of December 31, 2018)	Number of Shares Indirectly Owned (As of December 31, 2018)
Winston Andrew L. Peckson	First Vice President and Chief Risk Officer	0 (0.0000%)	271 (0.0000%)	0 (0.0000%)	281 (0.0000%)
Reyna Rose P. Manon-Og	First Vice President and Controller	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	204 (0.0000%)
David T. Go	Non-Executive Director	100 (0.0000%)	0 (0.0000%)	104 (0.0000%)	0 (0.0000%)
Rene J. Buenaventura (Appointed on May 09, 2018)	Independent Director	100 (0.000%) (As of date of appointment)	0 (0.0000%) (As of date of appointment)	104 (0.0000%)	0 (0.0000%)
Pascual M. Garcia III (Appointed on May 09, 2018)	Non-Executive Director	100 (0.000%) (As of date of appointment)	0 (0.0000%) (As of date of appointment)	104 (0.0000%)	0 (0.0000%)
Regis V. Puno (Appointed on May 09, 2018)	Non-Executive Director	100 (0.000%) (As of date of appointment)	0 (0.0000%) (As of date of appointment)	104 (0.0000%)	0 (0.0000%)
Renee Lynn Miciano-Atienza	Vice President and Head, Legal & Compliance	0 (0.0000%)	45 (0.0000%)	0 (0.0000%)	47 (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%)
Antonio P. A. Zara III (Appointed on August 30, 2018)	Senior Vice President	0 (0.0000%) (As of date of appointment	0 (0.0000%) (As of date of appointment)	0 (0.0000%)	0 (0.0000%)
Jose B. Crisol, Jr.	First Vice President and Head, Investor Relations, Strategic Planning, and Corporate Communication	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)	0 (0.0000%)
Leo Paul C. Maagma (Appointed on March 16, 2018)	Vice President and Chief Audit Executive	0 (0.0000%) (As of date of appointment)	0 (0.0000%) (As of date of appointment)	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 recognizes and values the efforts and contributions of all employees, recognizing that these contribute to the over-all success of the Corporation. Policies on employee health, safety, welfare, discipline and training are stated in the Employee Handbook, which is provided to all employees of GT Capital upon hiring.

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

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

1. Drug-free Workplace Policy & Program;

2. Hepatitis B Workplace Policy & Program;

3. HIV AIDS Workplace Policy & Program; and

4. TB Workplace Policy & Programs.

To date, GT Capital continues to fully comply with labor, occupational safety and health standards required by law. It also promotes health, safety and welfare of employees with activities such as annual medical and dental check-ups, as well as safety, fire, and earthquake drills.

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

Employees participated in the following activities in the year 2018:

Activity	Employees
Annual Executive Check-up	2
Annual Check-up	22
Dental Check-up	4
Safety, fire, and earthquake drill	29
Emergency grab bags	36
Human Capital Development Initiatives	24 (average)
2017 PSE Bull Run	10
Flu Vaccination	5

Training and Developmental Programs for Employees

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

In 2018, the following training programs were attended by GT Capital's Senior Management and other employees:

Senior Management Training

Name of employee	Date	Program
Francisco H. Suarez, Jr.	January 10-12, 2018	DBS Vickers/FirstMetroSec Pulse of Asia Conference in Singapore
	January 22-23, 2018	JP Morgan Philippines Conference
	May 18, 2018	BusinessWorld Economic Forum 2018: Disruptor or Disrupted?
	February 28, 2018 to March 1, 2018	UBS Conference
	July 25, 2018	Advanced Corporate Governance Training Program
	August 27-29, 2018	Macquarie Capital Securities Philippines ASEAN Conference - Singapore
	August 30-31, 2018	UBS Securities Philippines Roadshow in Hong Kong
	October 3-4, 2018	Deutsche Bank dbAccess Philippines Conference 2018
Jose B. Crisol, Jr.	January 10-12, 2018	DBS Vickers/FirstMetroSec Pulse of Asia Conference in Singapore
	January 22-23, 2018	JP Morgan Philippines Conference
	February 28, 2018 to March 1, 2018	UBS Philippines CEO/CFO Forum Conference
	May 18, 2018	BusinessWorld Economic Forum 2018: Disruptor or Disrupted?
	July 19-21, 2018	First International Mentoring Conference
	July 25, 2018	Advanced Corporate Governance Training Program
	August 27-29, 2018	Macquarie Capital Securities Philippines ASEAN Conference - Singapore
	August 30-31, 2018	UBS Securities Philippines Roadshow in Hong Kong
	October 3-4, 2018	Deutsche Bank dbAccess Philippines Conference 2018
	December 11, 2018	Human Rights Seminar
Winston Andrew L. Peckson	May 18, 2018	BusinessWorld Economic Forum 2018: Disruptor or Disrupted?
	June 5, 2018	Distinguished Corporate Governance
	July 25, 2018	Advanced Corporate Governance Training Program
Reyna Rose P. Manon-Og	January 25, 2018	Regulators Forum 2018
	July 25, 2018	Advanced Corporate Governance Training Program
	May 18, 2018	BusinessWorld Economic Forum 2018: Disruptor or Disrupted?
	December 7, 2018	Executive Presence and Leadership Branding Seminar
	2017-2018	UA&P Strategic Business Economic Program
Susan E. Cornelio	April 11-12, 2018	Career Advancement Planning Advancement
	May 18, 2018	BusinessWorld Economic Forum 2018: Disruptor or Disrupted?
	May 23, 2018	Asia HR Summit 2018
	June 19-20, 2018	1st HR Compliance and Conference
	July 19-21, 2018	First International Mentoring Conference
	July 25, 2018	Advanced Corporate Governance Training Program
	September 11, 2018	Distinguished Corporate Governance Speaker Series
	December 7, 2018	Executive Presence and Leadership Branding Seminar
	December 11, 2018	Human Rights Seminar
Elsie D. Paras	May 18, 2018	BusinessWorld Economic Forum 2018: Disruptor or Disrupted?
	July 25, 2018	Advanced Corporate Governance Training Program
	December 7, 2018	Executive Presence and Leadership Branding Seminar
	December 11, 2018	Human Rights Seminar
Leo Paul C. Maagma	May 18, 2018	BusinessWorld Economic Forum 2018: Disruptor or Disrupted?
	July 25, 2018	Advanced Corporate Governance Training Program
	December 7, 2018	Executive Presence and Leadership Branding Seminar
	December 11, 2018	Human Rights Seminar
Renee Lynn Miciano-Atienza	March 12, 2018	Cryptocurrency "The Truth and the Myths"
	July 18, 2018	ASEAN Corporate Governance Scorecard Version 2 Workshop
	July 25, 2018	Advanced Corporate Governance Training Program
	September 26, 2018	Understanding Federalism and its Implications
	2018-2019	UA&P Strategic Business Economic Program
Farrah Lyra Q. De Ala	January 25, 2018	Regulators Forum 2018
	August 14, 2018	Retirement Plans PAS 19R
	August 28, 2018	Strengthening Internal Control
	August 31, 2018	Ethical Decision Making
	September 28, 2018	People Management
	December 7, 2018	Executive Presence and Leadership Branding Seminar
	December 11, 2018	Human Rights Seminar

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 2018, GT Capital employees attended the following training programs:

Program
Transition to Management
Professional Presence and Excellence
Business Valuation Seminar
2018 Midyear Economic Briefing
Distinguished Corporate Governance
5th SEC-PSE Corporate Governance Forum
Best Practices in Corporate Housekeeping
ASEAN Corporate Governance Scorecard Version 2 Workshop
Mandatory Continuing Legal Education (MCLE) 7th Lecture Series
Mandatory Continuing Legal Education (MCLE) 14th Lecture Series
Understanding Federalism and its Implications
Effective Communications and Human Relations
Chartered Financial Analyst Review Class
Regulators Forum 2018
Effective and Assertive Workshop Communication
Time Management
Master of Business Administration (MBA) Program
Retirement Plans and PAS 19R
PFRS 9, 15 and 16
Business Taxation; VAT and Percentage Taxes
Mastering Withholding Tax
CISCO 2
Safe-T Cyber Security Round Table
Data Management Compliance and Cybersecurity
1st HR Compliance and Conference
How to Optimize Talent Data for the Business
CISCO 3
7 Habits of Highly Effective People
Executive Presence and Leadership Branding Seminar
Human Rights Seminar

Succession Planning

Pursuant to GT Capital's succession planning policy, in March 2018 GT Capital engaged a third party assessor to evaluate its officers and employees to assume more challenging roles in the Corporation. The assessment focused on the competence and effectiveness of each individual's performance in 2017.

Creditor Protection

The Policies and Procedures Manual of the Accounting and Financial Control Department outlines GT Capital's policies on creditor protection, which ensure timely payment and compliance with loan covenants, such as the maintenance of various financial ratios. These policies were applied in the review of GT Capital's loan agreements in 2018. The prospectus of each of GT Capital's existing corporate fixed rate bonds also includes provisions for the protection of bondholders, including the appointment of a trustee bank to act in their behalf. In addition, GT Capital's loan agreements include provisions on the disclosure of information to lenders, including the Corporation's financial statements.

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

Sustainability Reporting

In this annual report, GT Capital presents its maiden Sustainability Report (see page 92) with information for the reporting period January 1 to December 31, 2018, adopting the Global Reporting Initiative ("GRI") Standards, an internationally recognized framework for sustainability.

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

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

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

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

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

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

Toyota Motor Philippines Corporation

Toyota Motor Philippines Corporation ("TMP"), together with its stakeholders in the value chain – suppliers, dealers and Team Members in partnership with communities and the government, continuously exert efforts to contribute to the attainment of the Toyota Environmental Challenge (TEC) 2050 goals. Among the projects implemented in 2018 were the following:

1. Installation of TMP's 1-Megawatt Solar Array Facility – comprised of 2,640 pieces photovoltaic ("PV") panels with 22 units of Huawei Inverters, a project under Joint Crediting Mechanism ("JCM") which aims to lessen CO2 emissions by around 790 tons CO2;
2. Car Donation Project - Toyota Motor Corporation ("TMC") through TMP donated a brand new Hilux to Conservation International ("CI") Philippines to support its conservation efforts related to Verde Island Passage, which is known as the "Center of the Center of Marine Shorefish Biodiversity in the World"; and
3. All-Toyota Green Wave Project, year-round mangrove/tree planting and river/coastal clean-up activity participated in by TMP's value chain where 875 trees were planted and 190 kg of waste was collected.

High environmental performance and sustainable practices of dealers are ensured through Dealer Environment Risk Assessment Program ("DERAP") that paved the way for the ISO14001:2015 certification of 20 Dealerships to date. Also, as part of greening the supply chain, suppliers are enjoined to strictly follow the Toyota Green Purchasing Guidelines which promote activities related to ISO 14001 Certification, CO2 emission and water consumption reduction, recycling, SoC-free chemicals management and CSR activities.

To achieve the established objectives concerning environmental protection, strict compliance with the requirements of the Department of Environment and Natural Resources, Laguna Lake Development Authority and other regional and local government agencies is ensured. Recently, TMP has also been re-certified with the 2015 version of ISO14001 standard by AJA Registrars.

TMP actively promotes environmental awareness among its value chain through the celebration of Toyota Global Environment Month held every June. As part of the celebration, TMP launched CO2 Fair, ECO Ride/Prius Test Drive, Energy and Fuel Saving Seminar, Tree Planting, River Clean-Up, Toyota – Barangay ECO Science Tour ("BEST"), and Slogan Making and Social Media Contest.

As regards workplace safety and health programs, TMP's occupational safety and health policies and programs cover not only its team members, contractual employees and services providers. It is also responsible for all visitors, customers and other personnel entering its premises, ensuring everyone will be free from harm and ill effects of an accident or illness.

TMP provides the appropriate safety education for all to ensure that everyone is aware of safety rules and is equipped with the correct safety mindset that will make them recognize hazards in the workplace and understand the various risks associated with it. This ability is called internally in TMP as "Kiken Yochi" ("KY") or the ability to predict a dangerous situation.

TMP implements a work permit system, confirmation of workers certification to perform hazardous jobs, daily safety patrol, monthly safety patrol with Top Management, lock out, tag-out and try out, safety audits and inspection of tools and equipment to manage the risks brought by the hazards in the workplace.

Regular monitoring of the quality of TMP's work environment through work environment measurement was established to ensure that a safe and healthful workplace is provided for all personnel inside TMP.

The newly constructed Toyota Activity Center ("TAC") provides the appropriate facilities needed by Team Members to maintain a sound physical and mental well-being. Team Members can play their favorite sports in our basketball, volleyball and badminton courts and a mini football field. Exercise areas, weight lifting stations, darts, billiards, a function hall are some of the amenities that can be found inside the TAC. TMP has also established fitness programs spearheaded by gym and exercise experts to guide Team Members in their effort to stay fit and healthy.

Toyota Manila Bay Corporation

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

To address all stakeholders' welfare, health and safety, TMBC provides:

a. Safe and secure facility which is compliant to Department of Labor and Employment ("DOLE") and National Building Code standards such as, among others, the availability of lactation room, customer lounge, CCTV cameras, 24/7 security and housekeeping team, fire protection system, exhaust blowers, fresh air fans, and pressurization blower.

b. To save on water consumption, most of TMBC's facilities operate a zero-discharge water treatment facility where recycled water are being used for flushing of water closets.

c. Variable Refrigerant Volume ("VRF") are also being used as air-condition system to precisely regulate temperature within the building and is proven to be energy efficient.

Policies rolled-out to ensure that the above were met, are:

1. Energy conservation program
2. ISO 14001-2015 for TAS and TDM and on-going application for TMB, TMK and TCI which is set to be accomplished sometime in June 2019.
3. 5S patrol
4. Accreditation policy where TMBC can only engage with the accredited suppliers/vendors. Accreditation process requires compliance to all legal and policies of both LGU and NGU.
5. The human resources team also launches activities through Purple Heart's club that will support

communities where the dealerships are located, such as, among others;

a. Brigada Eskwela

b. Donation of Used Oil

c. Blood donation

d. Paru-paru festival in Dasmarinas, Cavite City

6. TMBC, through Environment Safety and Health section, conducts annual facility audit of the transporter/treater of used oil and filters. This is to ensure that the third-party vendor complies to LLDA and DENRS implementing rules and regulations.

Property Company of Friends, Inc.

With the foundation for greater sustainability in place, Property Company of Friends, Inc. ("PRO-FRIENDS") increased awareness for and support from its stakeholders in practices that promote care for the environment and the underprivileged.

PRO-FRIENDS recognizes that the growing population and continuous development of its flagship project, Lancaster New City requires awareness of environmental care among homeowners and LNC stakeholders. With the assistance of the Culture Development Group, an organic unit within the PRO-FRIENDS organization, the LNC Ecology Club for homeowners was formed in 2018. The Club actively mobilized linkages in the community – students and teachers at St. Edward School, homeowners, members of Parish of the Holy Family - to conduct sessions on urban gardening, waste segregation, and eco-bricking, among others, that residents can practice in their respective backyards. Lancaster New City Cavite now has over 31,000 trees after over 5,000 seedlings were planted in 2018. Its nursery also was a source of seedlings for the company's other projects in Cavite and Iloilo.

Opportunities to serve the underprivileged sectors was given to PRO-FRIENDS employees who participated in feeding and wellness programs in barangays surrounding PRO-FRIENDS' projects, visits to home care facilities for the sick, children with special needs and the elderly, and sending help to victims of calamities in the provinces. A total of 750 children and elders from 37 barangays benefited from company-initiated activities for 2018 with 150 employees volunteering their personal time.

Federal Land, Inc.

Federal Land, Inc.'s ("FLI") programs and practices that support the safety, health and welfare of its customers are guided by its core values. Each of these programs and practices are reviewed regularly to ensure that they continue to remain relevant and beneficial.

In the design and operations of every project FLI consciously looks to provide systems infrastructure, amenities, facilities and services to provide all of the elements necessary for our customers' well-being. These include all technical safety aspects such as structural systems, fire protection, air quality and noise abatement. FLI also looks to provide services such as repairs and maintenance, insurance, security and sanitation. Furthermore, FLI finds opportunities to provide amenities for health and wellness as well as support facilities such as convenience shops, healthcare, banking and other services where possible.

In support of these programs FLI maintains a feedback system with customers to either validate the provision of services, or identify gaps in their delivery.

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

- Clear accreditation processes for new suppliers and contractors.
- Transparent procurement policies overseen by FLI's Bidding Committee.
- Fair evaluations and ratings done on a regular basis to review and ensure the performance of our suppliers/contractors to standards.

In ensuring that the value chain is environment-friendly and constantly promoting sustainable development, FLI designs, develops and delivers projects that promote energy and natural resource conservation. Our efforts include:

1. Compliance with the Philippine Green Building Code and local city regulations from design to construction.
2. Projects are designed to allow rain water recycling for use in the irrigation of landscaped gardens in the projects.
3. Strategic usage of "low e-glass", LED lighting and passive cooling to promote energy efficiency.
4. Promotion of the "5S" among its employees in its offices, and implementation of paper recycling within the company, as well as the selling of scrap materials that have generated an income amounting to PhP 19.8M (corporate and joint ventures) from 207 hauling truck trips or an average of 17 trips/month.

Finally, on the interaction with communities, FLI supports the GT-Group effort on "giving back". FLI supports socio-civic and charitable programs through its main Corporate Social Responsibility arm; "FLI M.O.V.E. Lives", an employee volunteer program. Federal Land also conducts community outreach activities during calamities, it collaborates with and supports affiliate companies with their own CSR programs, such as the "Bag of Blessings" and M.A.D.E. (Metrobank Arts and Design Excellence) of the Metrobank Foundation; GT Capital Foundation; and sponsorships of community-based events.

With its commitment to continuously serve as a good corporate citizen, Federal Land always takes an active stance in the development of programs to strengthen its relationships with its customers, business partners, suppliers/contractors, the local and national government, its employees and affiliate companies, and the local communities we operate in.

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.

In 2018, GT Capital established the Purple Hearts' Club as its corporate social responsibility arm. It aims to train and develop employees to become socially responsible leaders and is tasked with developing and implementing the corporate social responsibility programs of the Corporation.

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 five (5) business 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 millions)
2018	3.00	577.79
2017	5.00	871.50
2016	6.00	1,045.80
2015	3.00	522.90
2014	3.00	522.90
2013	3.00	522.90
2012	3.00	500.86

Other Stakeholder and Investor Relations

GT Capital recognizes and values its fiduciary duty towards its investors. Crucial to the establishment and maintenance of the trust and confidence of its investors is transparency in systems and communications. GT Capital's Investor Relations Division aims to impart a thorough understanding of GT Capital's strategies in creating shareholder value.

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

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

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

DAVID LOUIS B. DE JESUS
Investor Relations and Strategic Planning Officer
T: (+632) 836 4500
E: david.dejesus@gtcapital.com.ph

BRUCE RICARDO O. LOPEZ, CFA
Investor Relations Officer
T: (+632) 836 4500
E: bruce.lopez@gtcapital.com.ph

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

The following is GT Capital's 2018 Investor Relations Calendar of Events:

Date	Event	Venue
10-12 January	DBS Vickers/First Metro Securities Pulse of Asia Conference	The Fullerton Hotel, Singapore
22-23 January	JP Morgan Philippines Conference	Shangri-La Hotel Makati
4 February	GT Capital Photoshoot for Annual Report 2017	GT Tower Penthouse
28 February- 01 March	UBS CEO/CFO Philippines Forum	Manila Peninsula, Makati
03 April	Full Year 2018 Briefing	Grand Hyatt Manila, Bonifacio Global City, Taguig
09 May	2018 Annual Stockholders' Meeting	Metrobank Plaza, Makati
18 May	Sponsorship of BusinessWorld ASEAN Regional Forum	Grand Hyatt Manila, Bonifacio Global City, Taguig
25 July	2018 GT Capital In-House Corporate Governance Seminar	GT Tower International, Makati
15 August	First Half 2018 Analyst and Media Briefing	GT Tower International, Makati
16 August	Group Conference Call with International Institutional Investors	GT Tower International, Makati
27-29 August	Macquarie ASEAN Conference	Fullerton Hotel, Singapore
30-31 August	GT Capital non-deal roadshow, hosted by UBS Securities Philippines	Various locations, Hong Kong SAR, People's Republic of China
11-25 September	Synergy Interviews with Component Company Senior Executives	Various locations, Metro Manila
3-4 October	Deutsche Bank dbAccess Conference 2018	Manila Peninsula, Makati
9 October	Sponsorship of Institute of Corporate Directors Sustainability and Corporate Governance Conference 2018	Dusit Thani Hotel, Makati
9 November	GT20 Presidential Forum	Grand Hyatt Manila, Bonifacio Global City, Taguig
9 November	Nine Months 2018 Analyst and Media Briefing	Grand Hyatt Manila, Bonifacio Global City, Taguig
16 November	Company Orientation of GT Capital Independent Director Rene J. Buenaventura	GT Tower International, Makati
21 November	Economic Briefing with Cielito Habito, PhD, Ateneo de Manila University	GT Tower International, Makati
19-28 November	Strategic Planning Week 2018	GT Tower International, Makati
27-28 November	GT Capital 2018 Strategic Planning Plenary Conference	GT Tower Int'l, Makati (Day 1) Tagaytay, Cavite (Day 2)
1 January – 31 December	45 One-on-one meetings with investors and research analysts	Metro Manila, Philippines
1 January – 31 December	42 Conference calls with investors and research analysts	GT Tower International, Makati
1 January – 31 December	7 Total conference and roadshows participated in; met 113 institutions and 158 individuals	Metro Manila, Philippines
1 January – 31 December	8 Site visits to component companies	Lancaster New City, Cavite Toyota Manila Bay dealership, Metro Park, Bay Area, Pasay Toyota Dasmarinas dealership, Dasmarinas, Cavite Toyota Global City dealership, Bonifacio Global City Toyota Makati dealership, Makati Grand Hyatt Manila, Bonifacio Global City, Taguig

JP Morgan Philippines Conference 2018

Full-Year 2017 Results Briefing held in April 2018

GT Capital 2018 Annual Stockholders Meeting

First Half 2018 Results Briefing

Macquarie ASEAN Conference in Singapore

Nine Months 2018 Results Briefing

Corporate Objectives and Non-Financial Indicators

BANKING

CORPORATE OBJECTIVES

- Merger of Metrobank Card Corporation into Metrobank in 2019

NON-FINANCIAL INDICATORS

- Over 950 branches
- Over 2,350 ATMs
- 35 international offices

AUTOMOTIVE ASSEMBLY, IMPORTATION, AND DISTRIBUTION

CORPORATE OBJECTIVES

- Launch of new versions of the Hiace
- Increase dealership network to 72 by year-end

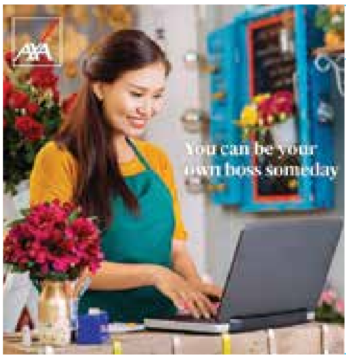
NON-FINANCIAL INDICATORS

- 153,004 unit sales
- 69 dealers in 2018
- New model launches in 2018: Rush, Vios, Camry
- Number 1 market share (38%) in passenger car, commercial vehicle, and overall retail unit sales

PROPERTY DEVELOPMENT

NON-FINANCIAL INDICATORS

- 8 project launches in 2018
- Started construction of i-Met



INSURANCE

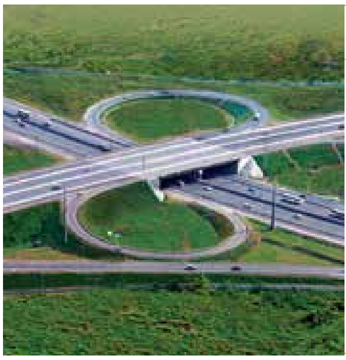
CORPORATE OBJECTIVES

- 6,500 agents by 2019
- Positive sales growth and introduction of new single and regular premium insurance products

NON-FINANCIAL INDICATORS

Life Insurance
- 36 branches
- Over 4,000 financial advisers

Non-life Insurance
- 22 branches
- Over 2,000 agents
- Present in over 950 Metrobank and PSBank branches



INFRASTRUCTURE AND UTILITIES

CORPORATE OBJECTIVES

- Toll Roads: Completion of North Luzon Expressway-Harbor Link in 2019
- Water: Realize organic growth potential of 268 million liters per day in 2019

NON-FINANCIAL INDICATORS

- 4,822 gigawatt hours of power sold
- 462,576 average daily vehicle toll road entries in the Philippines
- 527 million cubic meters of billed water volume
- 3.5 million hospital patients served

Board of Directors

From Left to Right: **Mary Vy Ty** - Board Adviser, **Renato C. Valencia** - Lead Independent Director, **Rene J. Buenaventura** - Independent Director, **Regis V. Puno** - Director, **Carmelo Maria Luza Bautista** - Director and President, **Francisco C. Sebastian** - Co-Vice Chairman, **Arthur V. Ty** - Chairman, **Alfred V. Ty** - Co-Vice Chairman, **Dr. David T. Go** - Director, **Pascual M. Garcia III** - Director, **Jaime Miguel G. Belmonte** - Independent Director, **Wilfredo A. Paras** - Independent Director, and **Guillermo Co Choa** - Board Adviser

Mary Vy Ty, 78 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2014. Prior to this, she served as the Corporation's Treasurer since its incorporation in 2007. Mrs. Ty has more than 50 years of experience in banking and general business. She currently holds the following positions: Assistant to the Group Chairman, Metropolitan Bank and Trust Company (Metrobank); Adviser, Metrobank Foundation Inc. and Federal Land, Inc.; Adviser, Manila Medical Services, Inc.; Adviser, Horizon Land Development Corporation; Director and Chairperson, Horizon Royale Holdings, Inc.; Director, Grand Titan Capital Holdings, Inc.; Director and Chairperson, Ausan Resources Corporation; Director and Chairperson, Grand Estate Property Corporation; Director and Chairperson, Inter-Par Philippines Resources Corporation; and Chairperson, Philippine Securities Corporation, Tytana Corporation, and Federal Homes, Inc. Previously, Mrs. Ty held the position of Director for First Metro Investment Corporation. She earned her collegiate degree from the University of Santo Tomas.

Renato C. Valencia, 77 years old, Filipino, is Lead Independent Director of GT Capital and currently Chairman of iPeople Inc. and Independent Director of EEI Corporation, and Anglo Philippine Holdings, Inc. His past positions include the following: President/CEO, Social Security System (SSS); Chairman/CEO, Union Bank of the Philippines; President/CEO, Roxas Holdings, Inc.; Vice Chairman/Director, San Miguel Corporation (SMC); 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 Development Academy (BCDA); Fort Bonifacio Development Corporation; Makati Stock Exchange; Chairman, Philippine Savings Bank (PSBank); 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.

Rene J. Buenaventura, 63 years old, Filipino, is an Independent Director of GT Capital Holdings, Inc. He is also the Vice Chairman of Equicom Manila Holdings, Inc., a holding company for businesses engaged in healthcare, banking and finance, and information technology. Prior to his appointment to GT Capital's Board, he also held the following positions: Independent Director of UBS Philippines, Inc., Independent Director of AIG Insurance Philippines Inc. and Independent Director of Lorenzo Shipping Corporation. He is likewise a Director and Member of the Executive Committee of Maxicare Healthcare Corporation, Vice Chairman of Algo Leasing and Finance Corporation, and President of Cliveden Management Corporation. Mr. Buenaventura is a Certified Public Accountant and graduated Summa Cum Laude for Bachelor of Arts, Major in Behavioral Sciences and Bachelor of Science in Commerce, Major in Accounting at De La Salle University in the Philippines. He also earned his Master in Business Administration from the same university.

Regis V. Puno, 60 years old, Filipino, assumed the role of Director and Member of the Audit Committee of GT Capital in 2018. He is currently Special Legal Counsel of the Metrobank Group and an Of Counsel of Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW). Atty. Puno was former Senior Partner of the Puno & Puno Law Offices and has been a practicing lawyer for over 30 years. He was a former

Undersecretary of the Department of Justice. Atty. Puno has a Master of Laws Degree from the Georgetown University Law Center, Washington D.C., U.S.A. He obtained his Bachelor of Laws Degree from the Ateneo de Manila University where he graduated with honors, and has a Bachelor's degree, Major in Economics, from the University of the Philippines. He is also a Director of Lepanto Consolidated Mining Co.; LMG Chemicals Corporation; The Rockwell Leisure Club; and the Philippine Committee Chairman of the Alumni Admission Program (AAP), Georgetown University, U.S.A.

Carmelo Maria Luza Bautista, 61 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation 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 41 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 Chairman of Toyota Financial Services Philippines Corporation (TFSPH), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), Toyota Manila Bay Corporation (TMBC), 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. and an Independent Director of Vivant Corporation, a listed company.

Francisco C. Sebastian, 64 years old, Filipino, co-Vice Chairman of GT Capital since May 2016. Prior to assuming this post, he was Chairman of GT Capital since June 2014, when he was first elected to the board. He joined the Metrobank Group in 1997 as President of First Metro Investment Corporation, the investment arm of Metrobank, a post he held for 14 years until he became its Chairman in 2011. Mr. Sebastian concurrently serves as Vice Chairman of Metrobank since 2006. He is also a director of Metro Pacific Investments Corporation (MPIC), and Federal Land, Inc. He worked in Hong Kong for 20 years from 1977, initially as an investment banker in Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984, until he joined the Metrobank Group, he owned and managed his own business services and financial advisory firm in Hong Kong. He earned his Bachelor of Arts in Economics (Honors) from the Ateneo de Manila University and graduated Magna Cum Laude in 1975.

Arthur V. Ty, 52 years old, Filipino, was elected as Chairman of GT Capital Holdings, Inc. in May 2016. Prior to this, he was the Corporation's Vice Chairman since its inception in 2007 before assuming the Chairmanship in 2012 up to June 2014. He was the President of Metropolitan Bank and Trust Company (Metrobank), a listed company, from 2006 to 2012 and was appointed as its Chairman in April 2012. He also serves as the Chairman of Metropolitan Bank (China) Ltd., Inc. and Metrobank Foundation, Inc.; Vice Chairman and Director of Philippine Savings Bank (PSBank), a listed company; Vice Chairman of First Metro Investment Corporation (FMIC), and AXA Philippines. He is also a Director of Federal Land, Inc. He earned his Bachelor of Science degree in Economics from the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York in 1991.

Alfred V. Ty, 51 years old, Filipino, has been a Vice Chairman of the Corporation since February 14, 2012 and has served as a Director of the Corporation since 2007. He is also a Director of Metropolitan Bank and Trust Company (Metrobank) and Vice Chairman of Toyota Motor Philippines Corporation (TMP). He graduated from the University of Southern California in 1989 with a degree in Business Administration, after which he lived in Japan for two years. Some of his other current roles and positions include: Chairman, Lexus Manila; Chairman, Federal Land, Inc.; Chairman, Bonifacio Landmark Realty and Development Corporation; Chairman, Property Company of Friends, Inc.; Chairman, Cathay International Resources Corp.; Vice Chairman, Toyota Motor School of Technology, Inc.; Vice Chairman, Federal Land Orix Corp.; Member of the Board of Trustees, Metrobank Foundation, Inc.; and Vice Chairman of Metro Pacific Investments Corporation, a listed company.

Dr. David T. Go, 65 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 Toyota Motor Philippines. 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 Logistics, Inc., GT Capital Auto Dealership Holdings, Inc., and Toyota Subic Inc.; Director of Lexus Manila. Dr. Go has no directorships in other listed companies aside from GT Capital.

Pascual M. Garcia III, 65 years old, Filipino, was appointed as a Director of GT Capital in May 2018. 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, Sunshine Fort North Bonifacio Realty and Dev’t. Corp.; President, North Bonifacio Landmark

Realty and Dev't. Inc.; Chairman, Topsphere Realty Dev't. Co. Inc.; Chairman, Magnificat Resources Corp.; President, Federal Land Orix Corp. and Director, ST 6747 Resources Corp. 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.

Jaime Miguel G. Belmonte, 55 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 Business World (since 2015); President and Publisher of Pilipino Star Ngayon (since 1994) and PM-Pang Masa (since 2003); President of Pilipino Star Printing Company (since 1994); President of Nation Broadcasting 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.

Wilfredo A. Paras, 72 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.

Guillermo Co Choa, 60 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2016. He is currently the Vice-Chairman and President of Property Company of Friends, Inc. Mr. Choa earned his Bachelor's Degree in Commerce, Major in Marketing, from De La Salle University and his Masters Degree in Business Economics from the University of Asia and the Pacific.

Senior Management

Elsie D. Paras, 46 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 La Salle MENA in Dubai. Her other employments include: Business Development Manager for Commercial Centers of Robinsons Land Corporation and Project Development Manager at Ayala Land, Inc. for middle-income housing among others. She attained her Masters in Business Management, Major in Finance from the Asian Institute of Management in 2001. She was also a participant in the International Exchange Student Program of HEC School of Management of France. Prior to her MBM, she worked for six years in equity research and investment banking. She graduated with honors from the University of the Philippines with a Bachelor of Science degree in Business Economics.

Susan E. Cornelio, 47 years old, Filipino, joined the Corporation on July 4, 2012 as the Head of Human Resources and Administration. Prior to this, she served as Vice President/ Head of Compensation and Benefits of Sterling Bank of Asia and as Assistant Vice President/Head of Compensation and Benefits of United Coconut Planters Bank. She has had other HR stints from the following institutions: Metrobank, ABN AMRO Offshore Banking, Solidbank, and Citytrust. She holds a Bachelor of Science in Commerce major in Accounting from the Sta. Isabel College and a Master Certificate in Human Resources and International HR Practices from Cornell University's School of Industrial and Labor Relations. She recently obtained a Master in Business Economics from the University of Asia and the Pacific

From Left to Right: **Elsie D. Paras** - VP - Deputy CFO, **Susan E. Cornelio** - VP - Head of Human Resources and Administration, **Winston Andrew L. Peckson** - FVP - Chief Risk Officer, **Anjanette Ty Dy Buncio** - Treasurer, **Carmelo Maria Luza Bautista** - President/ Director, **Francisco H. Suarez, Jr.** - EVP - Chief Financial Officer, **Alesandra T. Ty** - Assistant Treasurer, **Reyna Rose P. Manon-og** - FVP - Controller and Head of Accounting and Financial Control, **Antonio V. Viray** - Corporate Secretary, **Jocelyn Y. Kho** - Assistant Corporate Secretary, **Jose B. Crisol, Jr.** - FVP - Head of Investor Relations, Strategic Planning, and Corporate Communication, **Antonio P.A. Zara III** - SVP - General Manager of GT Capital Auto Dealership Holdings, Inc., **Leo Paul C. Maagma** - VP - Chief Audit Executive, and **Renee Lynn Miciano-Atienza** - VP - Head of Legal and Compliance

Winston Andrew L. Peckson, 67 years old, Filipino, serves as First Vice President and Chief Risk Officer of GT Capital. He was appointed to the position in February 2016. Mr. Peckson brings to the Corporation over 40 years of experience in banking. Concurrent to his position, he is a Director of the First Metro Philippine Equity Exchange Traded Fund, Inc. and a Fellow of the Institute of Corporate Directors. Before joining GT Capital, he served as a Consultant for the Treasury and Investment Banking Group of FMIC. Prior to his stint with FMIC, he was the Head of Treasury Marketing of Philippine National Bank. Before this, he was also Vice President and General Manager of ABN AMRO Bank NV's Manila Offshore Branch, a position he held for 10 years. Other previous positions he held were: Vice President and Corporate Treasury Advisor of Bank of America – Manila Branch; CEO and Director of Danamon Finance Company (HK) Ltd. (DFCL); Manager for Corporate Banking of Lloyds Bank PLC – Hong Kong Branch; Vice President for Commercial Banking of Lloyds Bank PLC – Manila Offshore Branch; and Branch Banking Head of Far East Bank & Trust Company. He obtained his Bachelor of Arts Degree, Major in Psychology and Minor in Business Administration, from the Ateneo de Manila University and earned his Masters Degree in Business Management from the Asian Institute of Management.

Anjanette Ty Dy Buncio, 50 years old, Filipino, was appointed as GT Capital's Treasurer in May 2015. Prior to this, she served as the Corporation's Assistant Treasurer since 2007. She holds several other positions in other companies among which are: Vice Chairman and Director of Metrobank Card Corporation; Director, Treasurer, and Senior Vice President of Federal Land, Inc.; Director and Treasurer of Property Company of Friends, Inc.; Director, Treasurer, and Vice Chairman of Manila Medical Services Inc.; Senior Vice President of Metrobank Foundation Inc.; Vice President of GT Foundation Inc.; and Executive Vice President and Corporate Secretary of Pro Oil Corporation. She graduated from the International Christian University in Tokyo, Japan with a Bachelor of Social Science Degree in Economics.

Carmelo Maria Luza Bautista, 61 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation 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 41 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 Chairman of Toyota Financial Services Philippines Corporation (TFSPH), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), Toyota Manila Bay Corporation (TMBC), 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. and an Independent Director of Vivant Corporation, a listed company.

Francisco H. Suarez Jr., 59 years old, Filipino, serves as GT Capital's Executive Vice President and Chief Financial Officer (CFO). He was appointed to the position on February 16, 2012. He is also a Director and the Treasurer of GT Capital Auto Dealership Holdings, Inc. and Toyota Subic Bay and the Corporate Secretary of Toyota Financial Services Philippines and Toyota Manila Bay Corp. Over his tenure, he has successfully supervised over the launch of the Corporation's initial public offering, a top-up private placement, two retail bond issuances, bilateral fixed rate term loans and two series of perpetual preferred shares. Mr. Suarez brings to GT Capital over 35 years of solid and extensive experience in investment banking and financial management. Prior to joining GT Capital, he was the CFO of three subsidiaries of the ATR KimEng Group. For a time, he also served as Executive Director of ATR KimEng Capital Partners, Inc. Before this, he was appointed as the CFO of PSI Technologies, Inc., and, prior to that, of SPi Technologies, Inc. Previously, he was a Director for Corporate Finance at Asian Alliance Investment Corp. He has also assumed various positions in Metrobank, International Corporate Bank, Far East Bank and Trust Company, and the National Economic Development Authority. Mr. Suarez graduated from De La Salle University with a Bachelor of Science degree in Applied Economics and is a candidate for the Master in Business Administration degree at the Ateneo de Manila University.

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

Reyna Rose P. Manon-og, 36 years old, Filipino, was appointed the Corporation's controller in October 2011. Before joining the Corporation, she was the Assistant Vice President and Head of the Financial Accounting Department of United Coconut Planters Bank. Prior to this, she was a Director in SGV & Co. where she gained seven years of experience in external audit. She is a Certified Public Accountant and a cum laude graduate of Bicol University with a Bachelor of Science degree in Accountancy. She recently completed the Strategic Business Economics Program of the University of Asia and the Pacific.

Antonio V. Viray, 79 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 and Trust Company (Metrobank) and Property Company of Friends, Inc. (PCFI). He was formerly Senior Vice-President, General Counsel, Assistant Corporate Secretary, and Director of Metrobank. He was also Senior Vice-President and 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 Sto. Tomas and Master of Laws from Northwestern University in Chicago, U.S.A.

Jocelyn Y. Kho – 64 years old, Filipino, has served as the Corporation's Assistant Corporate Secretary since June 2011 and formerly the Corporation's Controller until 2010. She served as Vice President under the Office of the Assistant to the Group Chairman of Metrobank from 1978 to 2009. She concurrently holds the following positions: Assistant Corporate Secretary, Grand Titan Capital Holdings, Inc.; Controller and Assistant Corporate Secretary, Global Treasure Holdings, Inc.; Director and Treasurer, Global Business Holdings, Inc. and Circa 2000 Homes, Inc.; Director and Senior Vice President, Federal Homes, Inc.; Director, Treasurer, and Corporate Secretary of Crown Central Realty Corporation; Director of Cathay International Resources, Inc.; Corporate Secretary and Ex-Com Member of Federal Land, Inc. ; President of MBTC Management Consultancy, Inc.; Director and Treasurer, Nove Ferum Holdings, Inc.; Director and Treasurer, Horizon Royale Holdings, Inc.; Chairman, Glam Holdings Corporation; President, Glam Realty Corporation; Chairman and President, The Metropolitan Park, Inc.; Director and President, Harmony Property Holdings, Inc.; Splendor Fortune Holdings, Inc.; and Splendor Realty Corporation. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975, and is a candidate for the Master of Science Degree in Taxation from MLQ University.

Jose B. Crisol, Jr., 52 years old, Filipino, serves as First Vice President and Head of the Investor Relations, Strategic Planning, and Corporate Communication Department of GT Capital. He was appointed to the position on July 26, 2012. Before joining the Corporation, he was the Assistant Vice President for Investor Relations of SM Investments Corporation (SM). Prior to working with SM, he was a Director at the Department of Trade and Industry (DTI), heading its Trade and Industry Information Center. He also served for a time, on a concurrent basis, as Head of DTI's Office of Operational Planning. His other past employment includes occupying various positions at The Philippine American Life Insurance Company and Merrill Lynch Philippines, Inc., among others. He holds a Master in Business Economics degree from the University of Asia and the Pacific, and a Bachelor of Science degree in Economics from the University of the Philippines - Diliman. He completed his primary and secondary education at the Ateneo de Manila University.

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

Leo Paul C. Maagma, 47 years old, Filipino, was appointed the Chief Audit Executive of GT Capital Holdings, Inc. in April 2018. With over 24 years of extensive work experience—more than 19 years in audit and five years in accounting, accounts receivables, treasury, and payroll—Mr. Maagma began his career in an external auditing firm, then spent five years in a manufacturing foods business, and nearly 15 years in a business engaged in the distribution of health care products. He spent eight of his nearly two decades in audit work at the regional and country head offices of two multinational companies, Zuellig Pharma Corporation (Zuellig) and Unilever Bestfoods (Unilever). Before joining GT Capital, for 14½ years, Mr. Maagma served in various capacities at Zuellig—Internal Audit Manager from 2012 to 2018, Accounts Receivable Manager from 2010 to 2012, Corporate Internal Audit Manager from 2007 to 2010, and Internal Audit Manager from 2003 to 2007. At Zuellig, he was chiefly responsible for the Philippine subsidiary's internal audit function, while assisting in regional risk–based internal audits for the Zuellig Pharma Group across 12 countries in the Asia-Pacific region. Prior to his time at Zuellig, Mr. Maagma held several positions at Unilever from 1998 to 2003: Regional Information Systems Audit Supervisor, Category Accounting Manager, and Treasury Manager. Previously, he performed other supervisory roles in audit in Empire East Land Holdings, Inc. and Ernst and Young, International. Mr. Maagma earned his Master's Degree in Business Administration (MBA) at the Asian Institute of Management (AIM). Aside from this, he is a Certified Public Accountant (CPA), Chartered Business Administrator (CBA), and a certified Information Security Management Systems (ISMS) Internal Auditor. He graduated from the University of Santo Tomas (UST) with a Bachelor of Science degree in Commerce, major in Accountancy.

Renee Lynn Miciano-Atienza, 36 years old, Filipino, is Vice President and Head of the Legal & Compliance Department of GT Capital. She was appointed to her position on May 11, 2016 and has been with GT Capital since August 2012. She concurrently holds the following positions: Director, GT Capital Auto Dealership Holdings, Inc.; Assistant Corporate Secretary, Property Company of Friends, Inc.; 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

Fabian S. Dee
President
Metropolitan Bank and Trust Company

Satoru Suzuki
President
Toyota Motor Philippines Corporation

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.

Fabian S. Dee is the President of Metropolitan Bank and Trust Company (Metrobank), the country's premier universal bank, recognized by financial experts as the Best Bank and the Strongest Bank in the Philippines today. He is a seasoned banker with about 30 years of experience in treasury, corporate banking, and retail banking. Mr. Dee joined the Metrobank Group in 2000 to lead the Bank's largest business center, then he moved to Corporate Banking to reinforce Metrobank's stronghold among the large conglomerates and middle market accounts. In 2006, he was appointed National Branch Banking Sector Head, successfully improving the Bank's footprint in the retail business. 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 from 2014 to 2017.

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

Pascual M. Garcia III is currently the President of Federal Land, Inc. and was appointed as Director of GT Capital in May 2018. He also holds several other positions in other companies among which are: Vice Chairman, 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, Sunshine Fort North Bonifacio Realty and Dev't. Corp.; President, North Bonifacio Landmark Realty and Dev't. Inc.; Chairman, Topsphere Realty Dev't. Co. Inc.; Chairman, Magnificat Resources Corp.; President, Federal Land Orix Corp. and Director, ST 6747 Resources Corp. 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. His accomplished work experience spans 21 years, including four years in the FMCG industry and more than 17 years in insurance. Upon joining AXA Philippines, he led part of the sales team as Chief Agency Officer beginning 2009 and then also served as a member of the Board of Directors in 2012. In 2015, he was appointed Chief Operating Officer and led the organization towards being a more customer-centric company, with key focus on digital transformation. Prior to working at AXA Philippines, he has served as the Regional Head of Distribution in AXA Asia Life based in Hong Kong; and the Senior Vice President and Head of Sales Development of ICICI Prudential Life Insurance Co. Ltd. He also has notable experience starting in the Indian insurance industry, serving as the Sales Manager of ICICI Prudential in Delhi, right from its inception, and later becoming a member of its Senior Management team as ICICI expanded. He earned his undergraduate degree from St. Stephens College in Delhi University, after which he attended the Centre of Management Development and received his Masters Degree in Marketing.

Jose Ma. K. Lim is the incumbent President and Chief Executive Officer of Metro Pacific Investments Corporation.

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

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

Aniceto M. Sobrepeña is the President of Metrobank Foundation, Inc. and Executive Vice President of Metropolitan Bank and Trust Company (Metrobank). After serving the national government for 22 ½ years in the National Economic and Development Authority and the Office of the President in Malacañang, Mr. Sobrepeña was appointed as Executive Director in 1995 and in 2006, was elected President of the Metrobank Foundation, the corporate social responsibility arm of the Metrobank Group of Companies. Mr. Sobrepeña has expertly steered MBFI to new and greater heights of institutional achievements in the public affairs and human development area.

Under his stewardship, the Foundation has emerged as one of the country's most dynamic philanthropic organizations and most awarded corporate foundations. Concurrently, Mr. Sobrepeña also serves as 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.

Sustainability Report 2018

About This Report

Our 2018 Sustainability Report details GT Capital Holdings Inc.'s sustainability performance in terms of the economic, environmental, and social impacts across the company's operations. This report covers the reporting period January 1 to December 31, 2018 and discusses GT Capital performance at the parent company level, unless otherwise stated (102-46). This report has been prepared in accordance with Global Reporting Initiative (GRI) Standards: Core Option.

Sustainability reporting specialists from the University of Asia and the Pacific oriented GT Capital on the GRI framework and guided the company in the required stakeholder consultations needed to generate the report. Our company was given recommendations that require organization-wide actions, which we look forward to implementing in the succeeding months.

This Sustainability Report is printed on Magno 150gsm, a PEFC Credit material and FSC Mix Credit material certified product made from European mills. By optimizing the use of natural resources, this product achieves environmental sustainability while keeping the highest quality.

Message from the President

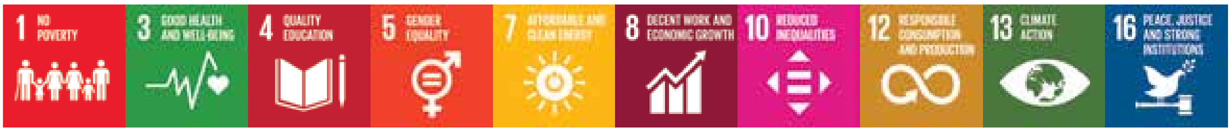
Dear Fellow GT Capital Stakeholder,

Clearly, the private sector performs a crucial role in alleviating the country's manifold challenges, such as mobility and transportation gaps, underserved demand in housing, and low levels of life and general insurance coverage, just to name a few. As a publicly listed conglomerate invested in key sectors of the Philippine economy, our company, GT Capital Holdings, Inc. (GT Capital) clearly commits to its social responsibility of providing solutions to those aforementioned challenges. In fact, an integral part of GT Capital's vision is to contribute to nation-building by generating a sustainable social value, hand-in-hand with our financial and economic undertakings. To better enable us to achieve this objective, we have, over the decades, established strategic long-term partnerships with global best-of-class brands that are recognized experts in their respective lines of business.

Together with our strategic partners, we endeavor to provide the country with durable vehicles through Toyota Motor Philippines Corporation, secure financial products and services through the Metrobank Group, quality homes through Federal Land, Inc., reliable infrastructure via Metro Pacific Investments Corporation, and trustworthy insurance protection with AXA Philippines. These ventures form our core businesses, which operate in underpenetrated sectors, are dominant in their respective markets, and benefit from group-wide synergies. Furthermore, GT Capital's access to capital markets enables it to financially support these component companies in order for them to further expand and grow. Consequently, they are better positioned to contribute in no small measure to the improvement of people's lives.

Our commitment to improve society started when our late Chairman Emeritus, Dr. George S.K. Ty, founded Metropolitan Bank & Trust Company (Metrobank) in 1962. Metrobank has since evolved to be one of the largest banks in the Philippines with a strong network abroad. Through Metrobank, we have provided numerous small and medium-sized enterprises (SMEs) access to capital, including those located in agricultural areas, which in turn contributed to inclusive economic growth. This noble commitment extends to other GT Capital component companies as well. For instance, Toyota Motor Philippines (TMP) has introduced affordable car models acquired by transport network vehicle scheme (TNVS) drivers and operators, when the innovative service was first introduced in the Philippines. This helped in generating additional income for TNVS drivers, operators, and their families.

Similarly, we realized the need to provide more homes in Metro Manila and nearby areas. Through Federal Land, we built condominium towers and master-planned communities in strategic locations inside the National Capital Region. We then partnered with Property Company of Friends, which developed Lancaster New City, a vast, budding satellite city in the province of Cavite to provide affordable, secure homes for thousands of Filipinos. Our equity investment in Metro Pacific further supports our



vision of nation-building by providing our stakeholders access to basic services such as clean water, reliable power, tollways, railways, and hospitals, in consonance with the government's thrust to significantly enhance the country's infrastructure landscape.

As we continue to grow our businesses, we acknowledge that our economic, environmental, and social impacts grow alongside them. Our impacts affect all of our stakeholders, which include our host communities, customers, shareholders, employees, suppliers, and business partners. We also know that our businesses cannot thrive without a sustainable environment and society. With these, we embarked on our sustainability journey and this inspired and convinced us to craft our first report, using the Global Reporting Initiative (GRI) standards. The essence of this journey supports the United Nations' Sustainable Development Goals (UN SDGs). We have analyzed the risks and opportunities to our businesses that may arise from the 17 UN SDGs. Based on our study, we have determined that, initially, 10 out of the 17 SDGs are aligned with our businesses.

While there are several areas where we contribute to the UN SDGs, one of our most significant contributions is our investment in various industries that increase productivity and generate more jobs that result in national prosperity. At present, we are looking at the possibilities on how GT Capital and our component companies may expand our contributions to the specific targets of these UN SDGs.

As we harness the energy and contribute to the capacity of the private sector to spearhead change, we keep in mind the legacy that Dr. George S.K. Ty set upon us – that there should be a synergistic approach when it comes to our investments and initiatives, which means that not one undertaking operates separately in a silo, but rather all of them must cooperate and work together to achieve success. That is our formula for being one of the leading conglomerates in the country, and that is also how we will champion sustainability at GT Capital.

With this maiden report, we are presenting our 2018 sustainability efforts. We commit ourselves to be advocates of sustainability through our economic, environmental, and social practices. As we pledge to bring excellence to our operations, we shall treat sustainability with the same level of commitment and importance. Since we are just in the beginning of our sustainability journey, we believe that there are still opportunities for improvement. Thus, with your invaluable trust and support, we at GT Capital are confident that, working together, we can enhance our sustainability initiatives and thereby contribute to the improvement of the conditions prevailing in our developing and growing country.

CARMELO MARIA LUZA BAUTISTA
President

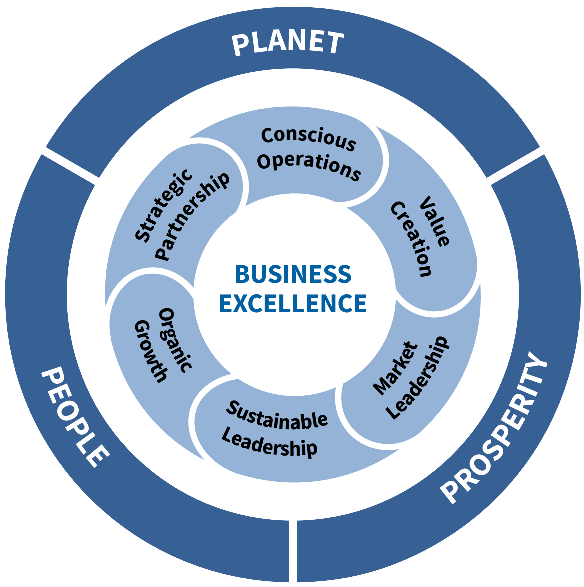
Sustainability Framework

We at GT Capital have been committed to nation-building through business excellence for several years. Embracing our business model, we place a premium on value creation and appreciation, strategic partnerships, and synergistic growth in our business practices. While we continue to recognize the advantages of our model, we are compelled to explore a more appropriate approach specific to our sustainability operations.

Looking beyond value creation and appreciation from the perspective of economic value, we also acknowledge that our business also significantly affects our society and the environment. With this, we have created a sustainability strategy that aligns with our business model and the Three P's of Sustainability (People, Prosperity, and Planet).

With business excellence at its core, our sustainability framework ensures we place equal importance to our economic, environmental, and social inputs, ensuring that these generate excellent and quality outputs. Our practice of business excellence comes with our adherence to economic, environmental, and social best practices.

We recognize that the journey to sustainability will present challenges, but these are challenges we are committed to overcome these. With robust leadership, positive economic performance, planet-conscious operations, and growing partnerships, GT Capital is ready to take on sustainability and ensure a better future for succeeding generations.



Our Materiality Process

In determining the GRI Standards topics that are material to our stakeholders, we partnered with the University of Asia and the Pacific (UA&P) to conduct the materiality process. With the help of UA&P, we identified the stakeholder groups that were consulted by prioritizing them in terms of their influence on our economic, social, and environmental performance, and who among them are most affected by our operations (102-42).

OUR STAKEHOLDERS (102-40)
Principals
Capital Fund Providers
Employees
Senior Executives
Regulators
Component Companies

An online survey was distributed among the identified stakeholders (102-43). The questionnaire was structured in such a way that the respondents were able to conveniently express their expectations from our company. In answering the questionnaire, the respondents simply checked a box expressing their interest in whether the company reports on the specified statements, which were modified versions of the indicators from the GRI Standards. These statements are codified in a special manner so that they may not appear too technical to any respondents.

Hence, even without a complete knowledge and understanding of the GRI disclosures, one would be able to select which statements would be of greatest interest to and possible impact on them in relation to the operations and sustainability performance of the company.

This process resulted in 16 material topics and 26 material disclosures for our stakeholders (102-44 and 47).

Economic (4)
Economic Performance
Indirect Economic Impacts
Anti-corruption
Anti-competitive Behavior

Environmental (2)
Energy
Environmental Compliance

Social (10)
Employment
Labor/Management Relations
Training and Education
Diversity and Equal Opportunity
Nondiscrimination
Human Rights Assessment
Supplier Social Assessment
Marketing and Labeling
Customer Privacy
Socioeconomic Compliance

How We Contribute to Building our Nation

(103-1,2,3,203-2)

We continue pursuing our business because we know that we not only gain for ourselves, but also for our society. We are aware that our operations stimulate smaller economic activities that eventually yield to productivity and profitability at the local level. As an investment holding company, our indirect economic impacts primarily occur through our component companies and the supply chain which includes both customers and suppliers. One of our impacts in the economy is the creation of employment. Because of our investments, GT Capital has generated 26,346 jobs.

Component Companies	Total Number of Employees (102-7,8)
GT Capital Holdings, Inc.	36
Metropolitan Bank and Trust Company	18,510
Toyota Motor Philippines Corporation	1,925
Federal Land, Inc.	480
Property Company of Friends, Inc.	1,524
Philippine AXA Life Insurance Corporation	2,419
Toyota Manila Bay Corporation	983
Toyota Financial Services Philippines Corporation	417
Metro Pacific Investments Corporation	52

We ensure that investment decisions made are consistent with our core values of integrity, competence, respect, entrepreneurial spirit, and commitment to value creation. We guarantee due diligence for new investments by considering our overall economic contribution and position. We undertake regular monitoring of already existing investments to determine their alignment to GT Capital's corporate mission, vision, and core values.

The company has developed an investment criteria and risk appetite highlighting a target investment's contribution to the national and fiscal economy. It also commits to continuously invest in companies that will not just make positive returns for stakeholders but will also stimulate and uplift the national and local economy. GT Capital's goal is to engage in meaningful investment ventures that contribute to nation-building and to continuously support component companies in venturing into expansion initiatives which further improve its economic contribution

Small- and Medium-Sized Enterprise (SME) Agribusiness Loans

(203-2)

Banks foster and contribute to the growth and expansion of small- and medium-sized enterprises (SMEs) in like manner that they do with large or top-tier corporates: through loans. By lending to these enterprises, banks enable them to either start, maintain, or grow their operations. Metrobank has been operating for more than 55 years, and in those years, it has helped small businesses grow through its SME-lending services. Committed to that particular stakeholder base, Metrobank launched the SME Agribusiness Loan Program, which offers seasonal loans to SMEs, especially in underbanked provinces such as Ilocos Sur, Cagayan Valley, Ifugao, Isabela, Pangasinan, Nueva Vizcaya, Nueva Ecija, and Occidental Mindoro.

The SME Agribusiness Loan Program aims to align the financing needs of SMEs with their businesses, primarily by providing access to additional working capital at a more affordable cost and taking into consideration seasonal demands. The Bank, however, does not stop at providing financial products and services. It also aims to feed SMEs with relevant and timely information that they need to further expand their businesses. The Bank does this by educating them on the proper handling and reporting of their financial and operating performance and on how bank loans can maximize their income while minimizing their interest expense. As the Bank equips them with needed knowledge, it also helps build their clients' reputation and creditworthiness in the banking sector.

We are proud of the transformation brought about by this program. Agribusiness SMEs who formerly relied on informal, usurious loan providers charging interest rates as high as five to six percent a month are now able to minimize their expenses, improve cash flows and therefore become more profitable and sustainable. What used to be undocumented, dubious borrowings are now legal, duly acknowledged, and aptly transparent banking transactions.

The program also helps our SME clients become better informed when it comes to banking. One of our clients expressed his gratitude to Metrobank by saying, "Having a credit facility, we were able to maximize the return of our loan with a lower interest rate. Because of that, we are expanding our business now with additional capital. Before, we were terrified to avail of loans with banks, but with your help, we were able to fully understand the process and remove that fear."

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

Metrobank SME Kapihan

(203-2)

Metrobank aims to provide SMEs the information they need to sustainably grow their businesses. As a result, Metrobank has launched SME Kapihan – a product presentation activity for business owners that provide participating SMEs an avenue to acquire information relevant to their businesses. In order to reach and inform more stakeholders, the program is conducted nationwide, from as far as Aparri, Cagayan in the north to the Zamboanga Region in the south.

The SME Kapihan program targets SMEs that are as yet unfamiliar with banking products and services, raising their awareness of how the Bank's SME Loan Program could support their capital requirements and expansion plans. The product presentation lasts for one to two hours, with a minimum of five and a maximum of 15 attendees, all from the same industry or sector.

By educating the SMEs on loan services, the participants are enlightened on various bank loan benefits such as lower interest rates, zero hidden charges, and gradual improvement in their credit history.

The SME Kapihan program does not only address the loan-related issues experienced by SMEs, it also helps them become more knowledgeable business owners who can make well-informed choices relating to their operations. Participants who attended SME Kapihan sessions are thankful to be informed and enlightened on the Bank's loan services because these made them realize the potential costs savings and efficiencies that they can realize. In turn, Metrobank appreciates the shift in the narrative that the Bank only caters to large companies, as participants recognize its efforts in helping SMEs build, maintain, and enhance their operations.

CARS Program Participation

(203-2)

The Comprehensive Automotive Resurgence Strategy (CARS) Program is a government initiative geared towards revitalizing the Philippine automotive industry. It aims to attract domestic and foreign direct investments into the sector and subsequently in the medium- to long-term, developing the Philippines as a regional automotive assembly or manufacturing hub. The participating car brands will have to comply with the performance-based terms and conditions of the program, including the assembly and sales of at least 200,000 units of the enrolled car model over six years. As an incentive, participants that meet the requirements will receive tax certificates that they can use to defray specific types of taxes.

With the approval of the Department of Trade and Industry's Board of Investments (BOI), TMP is one of the two car companies that have qualified for the CARS Program. As a proud participant of the CARS Program, TMP has invested at least Php5.2 billion into the initiative.

Under the program, TMP is committed to assembling at least 200,000 units of the all-new Vios, the country's bestselling passenger car, over the model's six-year life span. To achieve this ambitious target, Toyota bolstered its manufacturing capabilities at its Santa Rosa plant, which now includes a 3000T plastic injection system, a 1600T AO servo press machine, stamping dies, a roller hemming system, and equipment for press and resin parts.

TMP's involvement in the CARS Program created new jobs and capabilities not only for itself, but also for several participating parts makers, namely Technol Eight Philippines Corp., Toyota Boshoku Philippines Corp., Valerie Products Manufacturing Inc., Ogihara (Thailand) Co. Ltd., Manly Plastics Inc., and Toyoda Gosei Co. Ltd.

One of these firms is Valerie Products Manufacturing Inc. (VPMI), a fully Filipino-owned automotive and appliance parts manufacturer established in 1975. In 2004, VPMI began supplying metal fuel tanks for Toyota's Corolla Altis and Camry sedan models, and subsequently, for the Innova multipurpose van. In recent years prior to the CARS Program, VPMI was awarded contracts to manufacture parts for the Vios and the Innova, such as front bumpers and instrument panels. When TMP selected VPMI as a participating car maker for the CARS Program, VPMI enjoyed increased business through an expanded parts supply contract, which now includes wheelhouse and quarter panels, among others. To enable VPMI's participation in CARS, it engaged Ogihara (Thailand) Co. Ltd. as its technical agreement partner to train personnel on spot welding techniques. As a result of the CARS program, VPMI expanded the number of parts it made for the Vios. In addition, the firm was able to expand its process capability through new press machines and welding equipment. Subsequently, VPMI's sales are projected to increase by an additional Php40 million a year, over the program's six-year timeframe.

Because of its participation in the CARS program, TMP not only delivers customer satisfaction through its best-selling Vios, but also sustainable manufacturing capabilities for local enterprises. Efforts such as these contribute to the Group's thrust of providing gainful employment and a thriving business environment for nation-building.

How we build our trust with our stakeholders

GT Capital is a listed major Philippine conglomerate with interests in market-leading businesses across banking, automotive assembly, importation, distribution and financing, property development, life and general insurance, and infrastructure and utilities, (102-2).

The governance of our overall operations is handled by GT Capital's Board of Directors, encompassing all our established committees (102-19; 102-22). GT Capital is governed by its 11-member Board of Directors. It exercises authority over specific aspects of its business through various Board Committees - Executive, Nominations, Compensation, Audit, Corporate Governance and Related Party Transactions, and Risk Oversight (102-18). GT Capital's Board of Directors is responsible for decision-making on economic, environmental, and social impacts.

Our Risk Oversight Committee, Risk Steering Committee, and Sustainability Technical Working Group handle our stakeholder consultations, while the Risk Oversight Committee manages the general oversight of our sustainability activities. Our company has identified the Chief Risk Officer (CRO) as our sustainability champion who reports administratively to the President and functionally to the Risk Oversight Committee of the Board of Directors (102-20;102-21).

Our Risk Department conducts an annual risk reassessment process to mitigate any activity that may jeopardize the company's operations. The results of this assessment are reported to the Risk Steering Committee and to the Board of Directors through the Risk Oversight Committee. It is also important to note that any changes in the risk management process that may arise from self-improvement initiatives and recommendations from internal audits must be approved by our Board (102-30; 102-31).

The risk management function performs annual risk reassessment geared towards prospective identification, assessment, and analysis of risks which then guides GT Capital in its business activities in the coming year. The annual risk reassessment is presented during the company's strategic planning conference through the Risk Steering Committee after consultation with each risk owner. The results of the reassessment are then presented to the Board of Directors through the Risk Oversight Committee (102-11).

In its latest risk reassessment, the Risk Department identified, in relation to sustainability, a sustainability risk which covers risk events in environmental, social, and governance aspects. The identification of this specific risk and the resulting assessment and controls initiated are results of the company's acknowledgement of its exposure to risks related to sustainability, not just in its business operations but in terms of reputational and social impact as well (102-15).

Furthermore, risks and opportunities related to sustainability are indirectly addressed in other risk items primarily under strategic, operational, and reputational aspects.

In practicing our corporate governance structure, we ensure that with respecting the line of authority also comes our own initiative of fulfilling our duties and responsibilities either as an employee, an officer, or a committee member of GT Capital. We recognize the fact that aside from stakeholders of the company, we also serve as the face of the company's years of excellence and commitment to nation-building.

Promoting a culture of Good Governance

(103-1,2,3)

We do not tolerate corruption in the workplace as it may damage GT Capital's reputation which may eventually result in the low morale of our employees. It may also have financial, legal, and regulatory consequences. The company had all deals for 2018 assessed for corruption risk to avoid such consequences.

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

All deals entered into in 2018 were assessed for corruption risk. No significant corruption risks were identified (205-1). Communication received by the Chief Audit Executive (CAE) through the governance hotline were reported during the monthly Management Committee meetings or forwarded to the concerned departments, as applicable (205-2).

Anti-competitive Behavior

(103-1,2,3)

Competition stimulates innovation, productivity and competitiveness, all of which contribute to an effective business environment. We conduct due diligence and engage legal advisers to ensure compliance with the Philippine Competition Act. Being compliant with the said Act, the company experienced zero legal actions in relation to anti-competitive behavior, anti-trust, and monopoly practices. There were no legal actions pending against the company in relation to anti-competitive behavior, anti-trust, and monopoly practices (206-1).

Performance Highlights

GT Capital serves customers nationally across sectors including (a) automotive assembly, importation, distribution, dealership and financing, (b) banking, (c) property development, (d) life and general insurance, (e) infrastructure and utilities, and (f) motorcycle financing (102-6).

The entities consolidated in the financial statements are Federal Land, Inc., Toyota Motor Philippines Corporation, Property Company of Friends, Inc., Toyota Manila Bay Corp., and GT Capital Auto Dealership Holdings, Inc. GT Capital also has significant investments which are accounted for using the equity method in Metropolitan Bank and Trust Company, Metro Pacific Investments Corporation, Philippine AXA Life Insurance Corporation, Toyota Financial Services Philippines Corporation, and Sumisho Motor Finance Corporation (102-45).

At the consolidated level, GT Capital has generated Php 215,825 million for 2018. A total of Php 205,836 million was distributed to our business partners and stakeholders.

201-1 Direct Economic Value Generated and Distributed (in Php)*

Direct Economic Value Generated	215,825,000,000
Direct Economic Value Distributed	
Operating Costs	185,106,000,000
Employee Wages and Benefits	3,676,000,000
Payments to Providers of Capital	12,853,000,000
Payments to Government	4,200,000,000
Community Investments/Donations	1,000,000
Economic Value Retained	**9,989,000,000**

Defined Benefit Plan for Employees (201-3)

GT Capital has provided defined benefit retirement plans for their employees. GT Capital's pension liability for 2018 is Php 859 million at the consolidated level.

** Exact from millions place and greater*

Environment

Toyota Motor Philippines Solar Farm at its assembly plant in Sta. Rosa, Laguna

ENERGY (103-1,2,3)

We commit to lessen our impact in the environment. Energy conservation also positively contributes to cutting back our operating expenses, which is key to sustainable and profitable business operations. We exert conscious efforts in energy conservation at our head office through shifting into more energy-efficient office equipment and minimizing consumption only to necessary usage.

We plan to draft our environmental policy in the coming years. We also aim to achieve a reduction in our energy consumption which translates to lower energy costs and contributes to sustainable business operations. We also target a net percentage decrease in total energy consumption and in average consumption per employee. To measure our performance against the target percentage decrease, we have gathered baseline data for our 2018 energy consumption, which stands at 151,696 kWh. Additionally, we are proud to disclose that we have been compliant of environmental laws and regulations – having received zero fines and sanctions for the year.

Social

Workers at a TMP OEM partner for its participation in the CARS program

Partnering with Employees

EMPLOYMENT (103-1,2,3)

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

Our Human Resources Committee reviews and proposes changes and improvements to the compensation and benefits package every year subject to the approval of the Executive Committee. As a result of this initiative, our Executive Committee has approved an increase in group life insurance coverage and improvement in the car plan package for senior officers. Regular employees are also granted life insurance, health care, disability and invalidity coverage, parental leave, and retirement provision.

The HRAD conducts continuous reviews on an annual basis and proposes changes as necessary. Improvements identified relate to the documentation of leaves and the acquisition of a timekeeping system to be able to incorporate the necessary adjustments in the management approach.

NEW EMPLOYEE HIRES (2018) (401-1)

Age	Male	Female
20-30	1	0
30-40	0	1
41-50	1	0
51-60	1	0

EMPLOYEE TURNOVER (2018)

Age	Male	Female
30-40		
41-50		1
51-60		
61-70		1

Number of employees that are entitled to benefits (401-2)

Life insurance	139
Health care	139
Disability and invalidity coverage	0
Parental leave	2
Retirement provision	0

PARENTAL Leave (401-3)

Male		Female
7	Total number of employees that were entitled to parental leave, by gender.	7
0	Total number of employees that took parental leave, by gender.	2
0	Total number of employees that returned to work in the reporting period after parental leave ended, by gender.	2
0	Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.	2
0	Return to work and retention rates of employees that took parental leave, by gender.	2

MINIMUM NOTICE PERIOD (401-4)

30 days (4 weeks) prior to implementation of operational changes

LABOR/ MANAGEMENT RELATIONS (103-1,2,3)
Our Company is committed to ensure sufficient information dissemination through active employee engagement. This is done through one-on-one meetings or group discussions. As of this writing, our management is in the process of updating its manual specifically on the areas such as: update of job description and update of relevant Policies and Procedures Manual (PPM) for new functions.

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

TRAINING AND EDUCATION (103-1,2,3)
Training presents a prime opportunity to expand the knowledge base of all employees, which will be beneficial not only to them, but to the company as well. We provide individual development plans (IDP) for our employees based on their competency assessments. IDP includes career and succession planning.

We are now in the process of including talent management and training and education in our manual. We commit to upgrade our employees' competencies through individual development plans and aim to provide at least 16 hours of training per employee per year.

We encourage our employees to improve their knowledge base through training programs relevant to their fields of expertise. For 2018, GT Capital has 53.3 average training hours per employee having attended the following training programs (404-1; 404-2):

- Effective Communications and Human Relations
- ASEAN Corporate Governance Scorecard Workshop for Publicly-Listed Companies
- VBA Macro 2013 Training
- Diploma Program in Corporate Finance
- Value Added Tax Philippines: In and Out
- Company Valuation: Principles, Method, and Application
- Business Continuity Management Practitioner
- Annual Disclosure Rules Seminar
- SEC-PSE Corporate Governance Forum
- Commercial Arbitration Training
- 7 Habits Application for Managers Public Workshop
- Analytical Problem-Solving Workshop

- High-Impact Presentation
- Effective Business Writing
- Strategic Business Economics Program
- Institute of Internal Auditors Convention
- Certified Financial Analyst Review
- Executive Leadership Summit
- Corporate Governance Scorecard Workshop

For GT Capital, education is eyed as the great equalizer, providing the poor with opportunities to lift themselves out of poverty. With this vision, GT Foundation, Inc. (GTFI) awards scholarship grants to financially-challenged and deserving students via two tracks:

The Scholarship for Technical-vocational Education Program (STEP) aims to equip out-of-school youth and other marginalized students with skills that are in demand and will help them gain immediate employment. Through this program, GTFI supports scholars of some of the best technical-vocational education and training schools in the country with industry tie-ups for guaranteed employment. These schools are the Toyota Motor Philippines School of Technology, Don Bosco Technical Institute, and DualTech Training Center Foundation.

College-level scholarships are provided by GTFI and give opportunities to students with high potential of becoming future leaders who will contribute to nation-building through college-level scholarships. Presently, GTFI has partnerships with the University of the Philippines – Diliman College of Engineering, University of San Carlos, and the Manila Tytana Colleges (MTC).

AVERAGE TRAINING HOURS (by gender) (404-1)

Male	Female
61.7	48.1

In 2018, We have provided a total of **1,813** training hours to our employees. (404-3)

AVERAGE TRAINING HOURS (by employee category) (404-1)

Senior Officer	Junior Officer
43.4	53.4

Number of programs implemented, and assistance provided to upgrade employee skills: **44**

Percentage of total employee by gender and by employee category who received a regular performance and career development review: **100%** - (Female: **58.33%**, Male: **41.66%**)

TOTAL NUMBER OF HOURS OF TRAINING

Employee Category	Number of Training Hours
Junior Officer	1,336
Senior Officer	477

DIVERSITY AND EQUALITY (103-1,2,3)
We value diversity across all ranks and aim to provide equal opportunity for all relevant stakeholders. We ensure that equal opportunity is provided to employees and no preference is given on the basis of gender, ethnicity, or race.

Our company is now in the process of including a policy on diversity and equal opportunity in its manual. Through HRAD, Human Resources Committee, and other relevant department heads, we commit to provide our employees and applicants equal opportunity on the basis of competencies, and not on the basis of any discriminatory factor especially when it comes to diversity of governance bodies and employees, and salary and remuneration of women to men. So far, there are no complaints from employees and applicants arising from issues related to diversity and equal opportunity.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES (405-1)

Gender		Percentage
Male	21	58.3%
Female	15	41.7%

Age Group		Percentage
Under 30	12	33.3%
30-50	18	50.0%
Over 50	6	16.7%

NON-DISCRIMINATION (103-1,2,3)
We aim to provide a safe and healthy working environment by ensuring that controls are in place to prevent and address incidents of discrimination through the provision of mechanisms to raise awareness on and to report incidents of discrimination. Acts of discrimination are covered by the Code of Discipline of our company. Through HRAD, Human Resources Committee, and other relevant department heads, we aim to provide our employees and management a working environment free of discrimination. So far, we have zero incident of discrimination and corrective actions taken. Our company also implements a whistleblowing policy for any complaints against its employees, officers, or directors. The CAE receives the messages from the whistleblower. A related investigation is performed based on the complexity of the issue (can be by the CAE, through a task force) (406-1).

HUMAN RIGHTS ASSESSMENT

(103-1,2,3)

We at GT Capital ensure that our component companies follow acceptable and sustainable business practices involving human rights issues. Our company complies with its human rights policies and procedures. Our company's human rights assessment primarily impacts the following stakeholder groups: the management, the principals, the shareholders, the regulators, and the employees. Committed to ensuring that no human rights incident happens in our operations, all deals in 2018 were assessed in relation to compliance with all applicable laws including those related to human rights practices (412-3).

GT Capital is committed to provide appropriate training on human rights policies and procedures. Our company is also committed to ensure that track record on human rights is considered in its investment decisions. The offices responsible for the implementation of these policies and procedures are the HRAD, Corporate Planning and Business Development Department, and Legal and Compliance Department. In 2018, our company held a two-hour training session on human rights policies and procedures attended by 58% of our employees (412-2).

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SUPPLIER SOCIAL ASSESSMENT (103-1,2,3)
GT Capital ensures that there is an assessment of our activities in order to prevent and mitigate our negative social impacts in the supply chain. These include impacts of GT Capital that are directly linked to our activities, products, or services. In 2018, none of our suppliers were identified to have significant negative social impacts. There were also no new suppliers contracted for the year. (414-1; 414-2)

Our company shall strive to prevent and mitigate negative social impacts in our supply chain. Part of our goals and targets include development of a supplier social policy, which will be the responsibility of HRAD, as well as the Bids and Awards Committee. Moreover, as part of our specific actions, GT Capital aims to formulate a supplier social policy which will be cascaded to all of our component companies.

Partnering with Customers

MARKETING AND LABELLING (103-1,2,3)
GT Capital ensures stakeholders' access to accurate and adequate information about our company and its transactions. Through timely and accurate disclosures of material information, we aim to mitigate the negative effects of inadequate marketing. GT Capital is committed to respect the stockholders' right to information based on prescribed rules and regulations. Our company also aims to provide stockholders accurate and timely information during the annual stockholders' meeting and quarterly briefings, and to achieve non-violation of disclosure rules. We are proud to disclose that we have no incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications as of 2018. (417-3)

As part of evaluating the effectiveness of our approach in this area, we ensure regular audits on processes, feedback forms, and consultations with investors.

CUSTOMER PRIVACY (103-1,2,3)
We at GT Capital process the personal data of our data subjects, including our stockholders in accordance to the Data Privacy Act of 2012 (DPA). Our company manages the impacts on data privacy through implementation of security measures for organizational, physical, and technical aspects.

Our company's policy on customer privacy is included in our Data Privacy Manual which includes GT Capital's Privacy Policy (public) and Privacy Notice (public). GT Capital is committed to protect the fundamental human right of our data subjects to privacy while ensuring free flow of information to promote innovation, growth, and development. To attest to this commitment, we have no substantiated complaints concerning breaches of customer privacy and losses of customer data for 2018. (418-1)

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

Partnering with the Government

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

Acting in an environmentally and socially responsible way is our duty to our stakeholders. GT Capital believes that doing so can positively affect its bottom line and long-term success as a conglomerate. With these, environmental and social responsibility have been included as a covenant in our contracts. Our Legal and Compliance Department ensures that we adhere to laws and regulations while the Human Resources and Administration Department processes environmental-related government requirements such as sanitation certificates.

GT Capital strives to prevent and avoid violations of Philippine environmental laws and regulations and continues its compliance with all laws and regulations in the environmental, social, and economic areas. We aim to formulate policies on environmental compliance including inclusion of the matter as a consideration in transactions, as well as investment in sustainable companies. (307-1; 419-1). We set a zero-violation threshold on all applicable rules and regulations as our target and goal. We also have a whistleblowing policy as part of our grievance mechanism.

In 2018, GT Capital recorded no fines or non-monetary sanctions for non-compliance of environmental, social, and economic laws and regulations (307-1, 419-1).

GRI Empowering Sustainable Decisions

Materiality Disclosures

GT Capital Holdings, Inc.

Apr 2019 Service

GRI Content Index

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

Disclosure Number	GRI Standard Title	References and Omissions
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
102-1	Name of Organization	GT Capital Holdings, Inc.
102-2	Activities, brands, products, and services	p. 10
102-3	Location of headquarters	43rd Floor, GT Tower International, Ayala Avenue corner HV dela Costa St., Makati City
102-4	Location of operations	Philippines
102-5	Ownership and legal form	GT Capital is a corporation registered with the Philippine Securities and Exchange Commission. As of December 31, 2018, GT Capital is 56.14% owned by Grand Titan Capital Holdings, Incorporated, directors and officers. The remainder is public float.
102-6	Markets served	p. 13
102-7	Scale of the organization	p. 6
102-8	Information on employees and other workers	p. 6
102-9	Supply chain	This disclosure is not applicable for GT Capital.
102-10	Significant changes to the organization and its supply chain	The Board of Directors of GT Capital approved the declaration of 3.50% stock dividends to its common stockholders equivalent to 6,740,884 shares; thus, increasing the outstanding common shares to 199,337,584 from 192,596,685.
102-11	Precautionary Principle or approach	p.10
102-12	External initiatives	Global Reporting Initiative, ASEAN Corporate Governance Scorecard
102-13	Membership of associations	Philippine Stock Exchange
102-14	Statement from senior decision-maker	pp. 2-3
102-15	Key impacts, risks, and opportunities	p.11

Disclosure Number	GRI Standard Title	References and Omissions
102-16	Values, principles, standards, and norms of behavior	https://www.gtcapital.com.ph/about/vision-mission
102-18	Governance structure	p.10
102-40	List of stakeholder groups	p. 5
102-41	Collective bargaining agreements	GT Capital has no collective bargaining agreements at present.
102-42	Identifying and selecting stakeholders	p. 5
102-43	Approach to stakeholder engagement	p. 5
102-44	Key topics and concerns raised	p. 5
102-45	Entities included in the consolidated financial statements	p. 13
102-46	Defining report content	p. 1
102-47	List of material topics	p. 5
102-48	Restatements of information	This is the first GRI sustainability report of GT Capital Holdings, Inc.
102-49	Changes in reporting	This is the first GRI sustainability report of GT Capital Holdings, Inc.
102-50	Reporting period	January to December 2018
102-51	Date of most recent report	This is the first GRI sustainability report of GT Capital Holdings.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Mr. Winston Peckson, Chief Risk Officer
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	p. 27-32
102-56	External assurance	The report has not been externally assured.

ECONOMIC

Economic Performance		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 13
103-2	The management approach and its components	p. 13
103-3	Evaluation of the management approach	p. 13
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	p. 13
201-3	Defined benefit plan obligation and retirement plans for employees	p. 13
201-4	Financial assistance received from the government	GT Capital did not receive any financial assistance from the government.

Disclosure Number	GRI Standard Title	References and Omissions
Indirect Economic Impacts		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 6
103-2	The management approach and its components	p. 6
103-3	Evaluation of the management approach	p. 6
GRI 203: Indirect Economic Impacts 2016		
203-2	Significant indirect economic impacts	pp. 6-9
Anti-Corruption		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 11
103-2	The management approach and its components	p. 11
103-3	Evaluation of the management approach	p. 11
GRI 205: Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	p. 11
205-2	Communication and training about anti-corruption policies	p. 11
Anti-Competitive Behavior		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 11
103-2	The management approach and its components	p. 11
103-3	Evaluation of the management approach	p. 11
GRI 206: Anti-competitive Behavior 2016		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 11

ENVIRONMENT

Energy		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 15
103-2	The management approach and its components	p. 15
103-3	Evaluation of the management approach	p. 15
GRI 302: Energy 2016		
302-4	Reduction of energy consumption	151,696 kwh of electricity (baseline)

Disclosure Number	GRI Standard Title	References and Omissions
Environmental Compliance		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 26
103-2	The management approach and its components	p. 26
103-3	Evaluation of the management approach	p. 26
GRI 307: Environmental Compliance 2016		
307-1	Noncompliance with environmental laws and regulations	p. 26

SOCIAL

Employment		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 17
103-2	The management approach and its components	p. 17
103-3	Evaluation of the management approach	p. 17
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	p. 18
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 18
401-3	Parental leave	p. 18
Labor/Management Relations		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 19
103-2	The management approach and its components	p. 19
103-3	Evaluation of the management approach	p. 19
GRI 402: Labor/Management Relations 2016		
402-1	Minimum notice periods regarding operational changes	30 days
Training and Education		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 19
103-2	The management approach and its components	p. 19
103-3	Evaluation of the management approach	p. 19
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	p. 21

Disclosure Number	GRI Standard Title	References and Omissions
404-2	Programs for upgrading employee skills and transition assistance program	p. 19
404-3	Percentage of employees receiving regular performance and career development reviews	p. 21
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 22
103-2	The management approach and its components	p. 22
103-3	Evaluation of the management approach	p. 22
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	p. 22
405-2	Ratio of basic salary and remuneration of women to men	0.97:1.00
Non-discrimination		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 22
103-2	The management approach and its components	p. 22
103-3	Evaluation of the management approach	p. 22
GRI 406: Nondiscrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	There were no incidents of discrimination reported in 2018.
Human Rights Assessment		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 23
103-2	The management approach and its components	p. 23
103-3	Evaluation of the management approach	p. 23
GRI 412: Human Rights Assessment 2016		
412-2	Employee training on human rights policies or procedures	p. 23
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 23
Supplier Social Assessment		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 24
103-2	The management approach and its components	p. 24
103-3	Evaluation of the management approach	p. 24

Disclosure Number	GRI Standard Title	References and Omissions
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	p. 24
414-2	Negative social impacts in the supply chain and actions taken	p. 24
Marketing and Labelling		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 25
103-2	The management approach and its components	p. 25
103-3	Evaluation of the management approach	p. 25
GRI 417: Marketing and Labelling 2016		
417-3	Incidents of non-compliance concerning marketing communications	p. 25
Customer Privacy		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 25
103-2	The management approach and its components	p. 25
103-3	Evaluation of the management approach	p. 25
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 25
Socioeconomic Compliance		
GRI 103: Management Approach 2016		
103-1	Explanation of material topic and its boundaries	p. 26
103-2	The management approach and its components	p. 26
103-3	Evaluation of the management approach	p. 26
GRI 419: Socioeconomic Compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	p. 26

Financial Statements

Contents

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, 2018 and 2017 and for each of the three years in the period ended December 3 I, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

(Original signed)
Arthur V. Ty
Chairman of the Board

(Original signed)
Carmelo Maria L. Bautista
President

(Original signed)
Francisco H. Suarez Jr.
Chief Financial Officer

SUBSCRIBED AND SWORN to before me on MAR 2 6 2019 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.: 131
Page No.: 27
Book No.: 11
Series of 2019

(Original signed)
ATTY. MELISSA B. REYES
Notary Public for Makati City until December 31, 2020
Roll No. 41639 / Appointment No. M-120
IBP 054764 / PTR No. 6618480
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

Independent Auditor's Report

The Stockholders and the Board of Directors
GT Capital Holdings, Inc.
43rd Floor, GT Tower International
Ayala Avenue corner H.V. Dela Costa Street
Makati City

Opinion

We have audited the consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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 Metropolitan Bank & Trust Company (MBTC)

In 2017, the Group acquired additional common shares of MBTC for a total consideration of ₱24.72 billion, increasing its ownership in MBTC from 26.47% to 36.09%. PFRSs 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. In 2017, the purchase price allocation was determined on a provisional basis. PFRSs 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 2018 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 loans and receivables and deposits. Goodwill recognized within the investment in associate account amounted to ₱3.85 billion. The significant estimates used and disclosures in relation to the finalization of the purchase price allocation of MBTC are included in Notes 3 and 8 to the consolidated financial statements.

Audit Response

We reviewed the purchase price allocation. We 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 comparing these to published reference rates, and assessing whether the underlying parameters used represent current market assumptions of risks specific to the assets and liabilities being valued. Where the Group engaged independent appraisers to value the property and equipment, we assessed the competence, capabilities, and objectivity of such independent appraisers. We reviewed the comparable properties used by the appraisers and whether the adjustments made to arrive at the concluded value properly considered differences in characteristics such as location and size. We also assessed and validated the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

Adoption of PFRS 9, *Financial Instruments*, Expected credit loss model of impairment

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss. The Group adopted the modified retrospective approach in adopting PFRS 9.

Specifically, the Group's adoption of the ECL model for the contract assets and installment contracts receivable of its real estate business is significant to our audit as it involves the exercise of significant management judgment and estimation. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining what comprises default; determining assumptions to be used in the ECL model such as the expected life of the residential and office development receivables and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Notes 2 and 3 of the consolidated financial statements for the disclosures in relation to the adoption of PFRS 9 ECL model.

Audit Response

We obtained an understanding of the approved methodologies and models used for the Group's different credit risk exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

Adoption of PFRS 15, *Revenue from Contracts with Customers*

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The Group recorded transition adjustments that decreased retained earnings and non-controlling interests as of January 1, 2018 by ₱0.64 billion and ₱0.56 billion, respectively, as well as recognition of contract assets and contract liabilities amounting to ₱16.17 billion and ₱5.45 billion, respectively. We consider this as a key audit matter because the adoption of PFRS 15 requires the application of significant management judgment and estimation across various aspects of the five-step revenue recognition model. The adoption of PFRS 15 has led to significant changes in the Group's revenue recognition policies, processes and procedures, which are described below.

For the Group's real estate business, the following matters are significant to our audit because these involve application of significant judgment and estimation: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) application of the output method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of sales; and (5) recognition of cost to obtain a contract.

The Group identifies the contract that meets all the criteria required under PFRS 15 for a valid revenue contract. In the absence of a signed contract to sell, the Group identifies alternative documentation that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers), as well as survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the project engineers as approved by the construction manager, which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor. In other cases, the Group also compares the contractors' billing forms against the budgeted costs and adjusts the costs accordingly to real estate inventories or cost of real estate revenue.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion method in amortizing sales commission consistent with the Group's revenue recognition policy.

For the Group's automotive business, the adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: (1) determining whether the criteria for the recognition of automotive revenue is met; (2) determining whether there are other promises in the contract that are separate performance obligations; (3) determining whether the transaction price includes variable consideration such as rebates and significant financing component; (4) allocation of the transaction price among the performance obligations; and (5) determining the timing of satisfaction of performance obligation over time or point in time.

The disclosures related to the adoption of PFRS 15, including available practical expedients applied by the Group, are included in Note 2 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

Real Estate Business
For the identification of the alternative documentation for sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the alternative documentation against previous court decisions, buyers' behavior and industry practices.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the Percentage of Completion (POC), and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as accomplishment reports and progress billings from contractors.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

Automotive Business
We reviewed sample contracts and checked whether all performance obligations within contracts with customers have been identified.

We reviewed sample contracts and checked whether management has identified and estimated all components of the transaction price such as the variable consideration and significant financing component and applied the constraint on variable consideration. We evaluated the management's assumptions on expected rebates by comparing the historical experience of the Group with the assumptions used in its estimates as it relates to variable consideration.

We reviewed sample contracts and checked the allocation of the transaction price to the performance obligations. We tested management's estimate and underlying assumptions on the standalone selling price for each performance obligation included within a sample of contracts.

We reviewed sample contracts and checked whether the Group's timing of revenue recognition is based on when the performance occurs and control of the related goods or services is transferred to the customer.

We test-computed the transition adjustments and evaluated the disclosures made in the financial statements on the adoption of PFRS 15.

Impairment Testing of Goodwill and Intangible Assets

Under PFRSs, 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, 2018, 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 estimated future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate, and earnings before interest and taxes (EBIT) margin on key customers. The disclosures in relation to the significant assumptions and carrying value of goodwill and intangible assets are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialists to evaluate the assumptions and methodologies used. These assumptions include discounted expected future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate and EBIT margin on key customers. We compared the key assumptions used, such as discount rates and growth rates against the historical performance of the cash-generating unit (CGU), industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Accounting for Investments in Associates

The Group has effective ownership of 15.55% in MPIC and 36.36% in MBTC as of December 31, 2018. 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 ₱10.48 billion or 58.55% to the consolidated net income of the Group in 2018, and accounted for 62.52% and 40.10% of the consolidated total noncurrent assets and total assets, respectively, of the Group as of December 31, 2018.

The Group's share in MPIC's net income is significantly affected by MPIC's revenue on water and sewerage services from the Metropolitan Waterworks and Sewerage System (MWSS) West Service Area. This matter is significant to our audit because water and sewerage service revenue recognition is affected by the: (a) completeness of data captured during monthly meter readings, which involves processing large volume of data from multiple locations and different billing cut-off dates for different customers; (b) the propriety of the application of the relevant rates to the billable consumption of different customers classified as residential, semi-business, commercial or industrial; (c) the reliability of the systems involved in processing bills and recording revenues; and (d) impact of the adoption of new revenue recognition, PFRS 15, which involves the application of significant judgment in the assessment of impracticability of retrospective restatement on accounting for connection fees.

In addition, MPIC's goodwill, mainly arising from its acquisition of long-term investments in water and tollways business, amounted to ₱27.86 billion. MPIC has also entered into several service concession agreements (SCAs) with the Philippine Government and/or its agencies or instrumentalities, of which ₱39.34 billion of these SCAs are not yet available for use. Under PFRSs, 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 impairment assessment of goodwill and SCAs involves significant management judgment and estimation that could have a material effect on the Group's share in MPIC's net income.

The Group's share in MBTC's net income is significantly affected by the level of provisioning made on MBTC's loans and receivables, in relation to its adoption of PFRS 9 ECL model. The determination of the allowance for credit losses is a key area of judgment because it involves the exercise of significant management judgment. Key areas of judgment include: segmenting MBTC's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

Audit Response

For MPIC, we obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption to the billing system, calculating billable amounts based on MWSS approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. In addition, we performed test recalculation of the billed amounts using the MWSS approved rates and formulae, and compared them with the amounts reflected in the billing statements. Moreover, we involved our internal specialist in performing the aforementioned procedures on the automated aspects of this process.

For MPIC's adoption of PFRS 15, we obtained an understanding of Maynilad's processes in implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analyses. For connection fees, we obtained an understanding of the process for new water service connections. We obtained sample water and sewer contracts and reviewed whether the accounting policies for connection fees considered the requirements of PFRS 15. We also reviewed the basis of impracticability of retrospective restatement invoked by management against the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and against company and industry practices.

We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the value in use of goodwill and SCAs not yet available for use. These assumptions include the expected volume of traffic for the toll roads, ridership for the rail, billed water volume for the water concession, growth rate and discount rates. We compared the forecast revenue growth against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast revenues. We also compared the key assumptions such as traffic volume, rail ridership and water volume against historical data and against available studies by independent parties that were commissioned by the respective subsidiaries. We reviewed the weighted average cost of capital (WACC) used in the impairment test by comparing it with WACC of other comparable companies in the regions.

For MBTC, we obtained an understanding of the board-approved methodologies and models used for the different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed MBTC's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested MBTC's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in MBTC's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the MBTC's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis and checked the appropriateness of the transition adjustments.

We involved our internal specialists in the performance of the above procedures.

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, 2018, 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, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and the Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-A (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332525, January 3, 2019, Makati City

March 26, 2019

Consolidated Statements of Financial Position

	December 31	
	2018	2017 (As restated - Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱14,353**	₱20,155
Short-term investments (Notes 4 and 27)	**65**	1,666
Financial assets at fair value through profit or loss (FVTPL) (Notes 2 and 10)	**3,181**	–
Available-for-sale (AFS) investments (Notes 2 and 10)	**–**	611
Receivables (Notes 2 and 5)	**15,153**	24,374
Contract assets (Notes 2 and 21)	**8,329**	–
Inventories (Notes 2 and 6)	**77,469**	74,872
Due from related parties (Note 27)	**666**	166
Prepayments and other current assets (Notes 2 and 7)	**9,790**	10,417
Total Current Assets	**129,006**	132,261
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2 and 10)	**10,948**	–
AFS investments (Notes 2 and 10)	**–**	2,103
Receivables - net of current portion (Notes 2 and 5)	**932**	4,720
Contract assets - net of current portion (Notes 2 and 21)	**6,886**	–
Investment properties (Note 9)	**17,728**	17,392
Investments and advances (Notes 2 and 8)	**163,739**	124,892
Property and equipment (Note 11)	**13,638**	11,671
Goodwill and intangible assets (Note 13)	**12,955**	13,012
Deferred tax assets (Notes 2 and 29)	**1,024**	731
Other noncurrent assets (Note 14)	**2,894**	909
Total Noncurrent Assets	**230,744**	175,430
	₱359,750	₱307,691

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 2 and 15)	**25,411**	25,983
Contract liabilities (Notes 2 and 21)	**8,787**	–
Short-term debt (Note 16)	**10,500**	6,033
Current portion of long-term debt (Note 16)	**820**	2,467
Current portion of liabilities on purchased properties (Notes 20 and 27)	**416**	582
Current portion of bonds payable (Note 17)	**2,994**	–
Customers' deposits (Notes 2 and 18)	**563**	4,941
Dividends payable	**1,198**	589
Due to related parties (Note 27)	**204**	189
Income tax payable	**601**	777
Other current liabilities (Note 19)	**843**	1,229
Total Current Liabilities	**52,337**	42,790

(Forward)

	December 31	
	2018	2017 (As restated - Note 2)
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**₱94,349**	₱57,021
Bonds payable (Note 17)	**18,913**	21,877
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	**2,877**	3,152
Pension liability (Note 28)	**859**	1,399
Deferred tax liabilities (Note 29)	**5,959**	5,594
Other noncurrent liabilities (Note 20)	**2,169**	2,167
Total Noncurrent Liabilities	**125,126**	91,210
	177,463	134,000
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock (Note 22)	**3,211**	3,143
Additional paid-in capital (Note 22)	**85,592**	78,940
Retained earnings - unappropriated (Notes 2 and 22)	**53,459**	48,582
Retained earnings - appropriated (Note 22)	**17,000**	19,000
Other comprehensive loss (Notes 2 and 22)	**(4,207)**	(5,975)
Other equity adjustments (Note 22)	**2,322**	2,322
	157,377	146,012
Non-controlling interests (Notes 2 and 22)	**24,910**	27,679
Total Equity	**182,287**	173,691
	₱359,750	₱307,691

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2018	2017	2016
CONTINUING OPERATIONS			
REVENUE			
Automotive operations (Note 35)	**₱179,117**	₱211,692	₱177,709
Real estate sales (Note 35)	**18,508**	14,092	12,438
Equity in net income of associates and joint venture (Note 8)	**11,517**	8,699	6,366
Interest income (Note 23)	**2,082**	2,085	2,262
Rent income (Notes 9 and 30)	**1,257**	940	826
Sale of goods and services	**778**	640	620
Commission income	**108**	56	192
Gain on revaluation of previously held interest	**–**	–	125
Other income (Note 23)	**2,458**	1,607	1,586
	215,825	239,811	202,124
COSTS AND EXPENSES			
Cost of goods and services sold (Note 24)	**129,849**	147,713	122,060
Cost of goods manufactured and sold (Note 25)	**31,809**	39,635	33,792
General and administrative expenses (Note 26)	**14,040**	12,899	12,837
Cost of real estate sales (Note 6)	**12,609**	10,035	7,586
Interest expense (Notes 16 and 17)	**4,965**	3,394	3,326
Cost of rental (Note 30)	**476**	360	326
	193,748	214,036	179,927
INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	**22,077**	25,775	22,197
PROVISION FOR INCOME TAX (Note 29)	**4,171**	4,524	4,586
NET INCOME FROM CONTINUING OPERATIONS	**17,906**	21,251	17,611
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	**–**	–	4,916
NET INCOME	**₱17,906**	₱21,251	₱22,527
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Profit for the year from continuing operations	**₱13,390**	₱14,182	₱10,631
Profit for the year from discontinued operations	**–**	–	4,003
	13,390	14,182	14,634
Non-controlling interests			
Profit for the year from continuing operations	**4,516**	7,069	6,980
Profit for the year from discontinued operations	**–**	–	913
	4,516	7,069	7,893
	₱17,906	₱21,251	₱22,527
Basic/Diluted Earnings Per Share from Continuing Operations Attributable to Equity Holders of the Parent Company (Note 34)	**₱64.21**	₱70.29*	₱58.34*
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 34)	**₱64.21**	₱70.29*	₱80.54*

**Restated to show the effect of stock dividends distributable in 2018*
See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2018	2017	2016
NET INCOME FROM CONTINUING OPERATIONS	**₱17,906**	₱21,251	₱17,611
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	**–**	–	4,916
NET INCOME	**17,906**	21,251	22,527
OTHER COMPREHENSIVE INCOME			
CONTINUING OPERATIONS			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of AFS investments (Note 10)	**–**	661	1,065
Changes in cumulative translation adjustments	**3**	(3)	–
Changes in cash flow hedge reserves (Note 16)	**287**	(27)	–
Equity in other comprehensive income of associates and joint venture (Note 8):			
Changes in fair value of AFS investments	**–**	(2,142)	(1,578)
Cash flow hedge reserve	**85**	8	8
Remeasurement on life insurance reserves	**376**	(190)	–
Translation adjustments	**(1,968)**	(1,382)	175
Other equity adjustments	**19**	–	(13)
Income tax effect	**(97)**	–	–
	(1,295)	(3,075)	(343)
Items that may not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI (Note 10)	**(1,469)**	–	–
Equity in changes in fair value of financial assets at FVOCI of associates (Note 8)	**(1,229)**	–	–
Remeasurements of defined benefit plans (Note 28)	**333**	(54)	(20)
Equity in remeasurement of defined benefit plans of associates (Note 8)	**394**	(169)	26
Income tax effect	**(218)**	67	(2)
	(2,189)	(156)	4
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	**(3,484)**	(3,231)	(339)
OTHER COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	**–**	–	19
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	**(3,484)**	(3,231)	(320)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱14,422**	₱18,020	₱22,207
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Total comprehensive income for the year from continuing operations	**₱9,660**	₱10,982	₱9,812
Total comprehensive income for the year from discontinued operations	**–**	–	4,004
	9,660	10,982	13,816
Non-controlling interests			
Total comprehensive income for the year from continuing operations	**4,762**	7,038	7,478
Total comprehensive income for the year from discontinued operations	**–**	–	913
	4,762	7,038	8,391
	₱14,422	₱18,020	₱22,207

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

(In Millions)	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Treasury Shares (Note 22)	Retained Earnings - Appropriated (Note 22)
Balance at January 1, 2018	**₱3,143**	**₱78,940**	**₱–**	**₱19,000**
Effect of adoption of PFRS 9, *Financial Instruments* (Note 2)	**–**	**–**	**–**	**–**
Effect of adoption of PFRS 15, *Revenue from Contracts with Customers* (Note 2)	**–**	**–**	**–**	**–**
At January 1, 2018, as restated	**3,143**	**78,940**	**–**	**19,000**
Cash dividend declared (Note 22)	**–**	**–**	**–**	**–**
Stock dividend declared (Note 22)	**68**	**6,652**	**–**	**–**
Appropriation during the period	**–**	**–**	**–**	**17,000**
Reversal of appropriation upon completion of expansion and acquisition	**–**	**–**	**–**	**(19,000)**
Realized gain (loss) on sale of financial assets at FVOCI	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**
Effect of equity call of a majority-owned subsidiary	**–**	**–**	**–**	**–**
Balance at December 31, 2018	**₱3,211**	**₱85,592**	**₱–**	**₱17,000**
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

See accompanying Notes to Consolidated Financial Statements.

Attributable to Equity Holders of the Parent Company					
Retained Earnings - Unappropriated (Note 22)	Other Comprehensive Income (Loss) (Note 22)	Other Equity Adjustments (Note 22)	Total	Attributable to Non-controlling Interests (Note 22)	Total Equity
₱48,582	**(₱5,975)**	**₱2,322**	**₱146,012**	**₱27,679**	**₱173,691**
(1,945)	**5,453**	**–**	**3,508**	**(92)**	**3,416**
(635)	**–**	**–**	**(635)**	**(559)**	**(1,194)**
46,002	**(522)**	**2,322**	**148,885**	**27,028**	**175,913**
(1,167)	**–**	**–**	**(1,167)**	**(6,925)**	**(8,092)**
(6,721)	**–**	**–**	**(1)**	**–**	**(1)**
(17,000)	**–**	**–**	**–**	**–**	**–**
19,000	**–**	**–**	**–**	**–**	**–**
(45)	**45**	**–**	**–**	**–**	**–**
13,390	**(3,730)**	**–**	**9,660**	**4,762**	**14,422**
–	**–**	**–**	**–**	**45**	**45**
₱53,459	**(₱4,207)**	**₱2,322**	**₱157,377**	**₱24,910**	**₱182,287**
₱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

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2018	2017 (As restated - Note 2)	2016 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱22,077**	₱25,775	₱22,197
Income before income tax from discontinued operations (Note 12)	**–**	–	4,955
Income before income tax	**22,077**	25,775	27,152
Adjustments for:			
Equity in net income of associates and joint venture (Note 8)	**(11,517)**	(8,699)	(6,366)
Interest expense (Notes 12, 16 and 17)	**4,965**	3,394	4,106
Depreciation and amortization (Note 11)	**2,096**	1,921	2,717
Interest income (Notes 12 and 23)	**(2,082)**	(2,085)	(2,327)
Pension expense (Note 28)	**366**	319	349
Dividend income (Notes 12 and 23)	**(152)**	(8)	–
Unrealized foreign exchange losses (Note 26)	**146**	385	468
Provisions (Note 26)	**135**	134	468
Unrealized gain on financial assets at FVTPL	**(59)**	–	–
Gain on disposal of property and equipment (Notes 11 and 23)	**(23)**	(23)	(50)
Gain on sale of AFS investments (Note 10)	**–**	(15)	–
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	**–**	–	(125)
Operating income before changes in working capital	**15,952**	21,098	22,705
Decrease (increase) in:			
Short-term investments	**1,600**	(68)	(36)
Financial assets at FVTPL	**(2,505)**	–	–
Receivables	**(2,207)**	768	1,055
Inventories	**(2,831)**	(8,121)	(7,087)
Due from related parties	**(500)**	(86)	290
Prepayments and other current assets	**628**	(2,360)	(1,802)
Increase (decrease) in:			
Accounts and other payables	**2,630**	5,315	3,420
Customers' deposits	**976**	1,102	116
Due to related parties	**15**	(35)	–
Other current liabilities	**(386)**	590	870
Net cash provided by operations	**13,372**	18,203	19,531
Dividends paid (Note 22)	**(7,483)**	(7,252)	(9,817)
Interest paid	**(4,625)**	(3,432)	(4,447)
Income tax paid	**(4,377)**	(3,700)	(5,456)
Interest received	**1,921**	2,188	2,324
Dividends received (Note 8)	**2,249**	1,611	1,018
Contributions to pension plan assets and benefits paid (Note 28)	**(575)**	(641)	(304)
Net cash provided by operating activities	**482**	6,977	2,849

(Forward)

	Years Ended December 31		
	2018	2017 (As restated - Note 2)	2016 (As restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of property and equipment and intangible assets (Note 11)	**₱198**	₱117	₱115
Disposal of investment property (Note 9)	**177**	–	86
Sale of AFS investments	**–**	2,430	–
Sale of subsidiaries (Note 12)	**–**	–	7,438
Additions to:			
Investments in associates and joint venture (Note 8)	**(29,630)**	(26,776)	(33,767)
Investment properties (Note 9)	**(222)**	(659)	(649)
Financial assets at FVOCI	**(10,478)**	–	–
Property and equipment (Note 11)	**(3,919)**	(3,475)	(6,396)
AFS investments	**–**	(1,742)	(1,280)
Intangible assets (Note 13)	**(62)**	(235)	(196)
Acquisition of subsidiary, net of cash acquired	**–**	(59)	886
Increase in other noncurrent assets	**(1,987)**	(106)	(170)
Net cash used in investing activities	**(45,923)**	(30,505)	(33,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan availments (Note 16)	**71,286**	38,354	46,648
Issuance of capital stock (Note 22)	**–**	21,686	11,942
Payment of loans payable	**(31,428)**	(38,397)	(41,384)
DST on stock dividend issuance	**(1)**	–	–
Increase (decrease) in:			
Due to related parties	**–**	–	21
Liabilities on purchased properties	**(503)**	1,563	(623)
Other noncurrent liabilities	**387**	(91)	(117)
Non-controlling interests (Note 22)	**–**	(1)	(1,842)
Acquisition of noncontrolling interests	**45**	–	–
Net cash provided by financing activities	**39,786**	23,114	14,645
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(147)**	(385)	(468)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,802)**	(799)	(16,907)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**20,155**	20,954	37,861
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱14,353**	₱20,155	₱20,954

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. (Federal Land) and Subsidiaries (Federal 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 Federal 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 Federal 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 Federal Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

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

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

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

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Company (MBTC or Metrobank), Metro Pacific Investments Corporation (MPIC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA), Toyota Financial Services Philippines Corporation (TFSPC) and Sumisho Motor Finance Corporation (SMFC).

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) investments and derivative financial instruments that have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest million peso unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements of the Group comprise the financial statements of the Parent Company and the following wholly and majority-owned domestic subsidiaries:

		Direct Percentages of Ownership		Effective Percentages of Ownership	
	Country of	**December 31**		**December 31**	
	Incorporation	**2018**	2017	**2018**	2017
Federal Land and Subsidiaries	Philippines	**100.00**	100.00	**100.00**	100.00
PCFI and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00
Toyota and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00
TMBC and Subsidiaries	-do-	**58.10**	58.10	**58.10**	58.10
GTCAD and Subsidiary	-do-	**100.00**	100.00	**100.00**	100.00

Federal Land's Subsidiaries

	Percentages of Ownership	
	2018	2017
Horizon Land Property and Development Corp. (HLPDC)	**100.00**	100.00
Omni - Orient Management Corp. (OOMC)	**100.00**	100.00
Federal Land Orix Corporation (FLOC)	**100.00**	100.00
Topsphere Realty Development Company Inc. (TRDCI)*	**100.00**	100.00
Bonifacio Landmark Hotel Management Corporation (BLHMC)**	**100.00**	100.00
Fed South Dragon Corporation (FSDC)***	**100.00**	–
Central Realty and Development Corp. (CRDC)	**75.80**	75.80
Federal Brent Retail, Inc. (FBRI)	**51.66**	51.66

* *On February 10, 2017, Federal Land obtained control over TRDCI upon execution of the Deed of Absolute Sale for the purchase of 3,000,000 preferred and 2,000,000 common shares of stock of TRDCI for a total consideration of 60.00 million.*
** *On July 21, 2017, BLHMC was incorporated and has started its commercial business operations in February 2018.*
*** *On June 6, 2018, FSDC was incorporated and has not started its commercial business operations.*

PCFI's Subsidiaries

	Percentages of Ownership	
	2018	2017
Micara Land, Inc. (MLI)	**100.00**	100.00
Firm Builders Realty Development Corporation (FBRDC)	**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)	**100.00**	100.00

Toyota's Subsidiaries

	Percentages of Ownership	
	2018	2017
Toyota Makati, Inc. (TMI)	**100.00**	100.00
Toyota Sta. Rosa Laguna, Inc. (TSRLI)	**100.00**	100.00
Toyota Motor Philippines Logistics, Inc. (TLI)	**100.00**	100.00
Lexus Manila, Inc. (LMI)	**75.00**	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	**55.00**	55.00

TMBC's Subsidiaries

	Percentages of Ownership	
	2018	2017
Oxfordshire Holdings, Inc. (OHI)	**100.00**	100.00
TMBC Insurance Agency Corporation (TIAC)	**100.00**	100.00

GTCAD's Subsidiary
GTCAD has 55% ownership in Toyota Subic, Inc. (TSI). TSI was incorporated on July 14, 2016 and started commercial operations on November 8, 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

i. the contractual arrangement with the other vote holders of the investee
ii. rights arising from other contractual arrangements
iii. the Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

NCI are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations Involving Entities Under Common Control

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

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

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

The 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.

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

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

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

<u>Changes in Accounting Policies</u>
The accounting policies adopted in preparation of the consolidated financial statements are consistent with those of the previous year except for the following new and amended PFRSs and PAS which were adopted as of January 1, 2018.

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.

<u>*Amendments*</u>

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.

Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

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

Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

During 2018, Phil AXA performed an assessment of the amendments and reached the conclusion that as of December 31, 2018, its activities are predominantly connected with insurance. Phil AXA opted to apply the temporary exemption from PFRS 9 and therefore continues to apply PAS 39, *Financial Instruments: Recognition and Measurement*, to its financial assets and liabilities until the Group applies the new standard on insurance contracts.

Amendments to PAS 28, *Investments in Associates and Joint Ventures, 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. They also clarify that 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 interests 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. Retrospective application is required.

New Standards and Philippine Interpretations

PFRS 9, *Financial Instruments*
The Group adopted PFRS 9 using modified retrospective approach, with an application date of January 1, 2018. The comparative information for 2017 for financial instruments within the scope of PFRS 9 was not restated and was reported under PAS 39, thus not comparable with the information presented for 2018. Differences arising from the adoption of PFRS 9 have been recognized directly in 'Retained Earnings', 'Other comprehensive loss' and 'Non-controlling interest' as of January 1, 2018 and are disclosed under "Transition Adjustments" below.

To reflect the differences between PFRS 9 and PAS 39, the Group also adopted the revised PFRS 7, *Financial Instruments: Disclosures*, as at January 1, 2018. Changes include transition disclosures as shown under "Transition Adjustments" below and detailed qualitative and quantitative information on impairment calculations such as the assumptions and inputs used as presented under "Significant Accounting Policies" below.

a. Classification and Measurement (C&M)
The Group classifies debt and equity instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, FVTPL or FVOCI. The accounting for financial liabilities remains largely the same as it was under PAS 39.

b. Impairment
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to record an allowance for impairment losses for all debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivable and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on life time expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group used the vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given installment contracts receivable and contract assets. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the Probability of Default (PD) model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on real estate price index were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers installment contracts receivable in default when contractual payment is one hundred twenty (120) days past due. However, in certain cases, the Group may also consider a receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law and cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For other financial assets such advances to related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

c. Hedge accounting

The hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with the Group's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting. The Group has assessed that this adoption does not have a significant impact on the financial statements as the hedging relationships continue to be accounted for under PFRS 9 as cash flow hedges as they were under PAS 39.

PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales was also deferred until December 31, 2020.

The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

PIC Q&A 2018-15, *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*, aims to classify the prepayment based on the actual realization of such advances determined with reference to usage/realization of the asset to which it is intended for (e.g. inventory, investment property, property plant and equipment). The Group's policy on the classification of prepayments is consistent with the interpretation, hence adoption of the PIC Q&A did not have any significant impact to the consolidated financial statements.

PIC Q&A 2018-11, *Classification of Land by Real Estate Developer,* clarifies the correct classification of purchased raw land by real estate developers to inventory and investment property, and current and noncurrent assets. The adoption of this PIC Q&A is applied restrospectively which resulted to the reclassification of 'Land held for future development' previously presented as Non-current assets to 'Inventories' presented as Current assets. This pertains to land which the BOD approved to be used for residential development for sale amounting to ₱18.28 billion and ₱18.46 billion as of December 31, 2017 and 2016, respectively. The Group did not present the consolidated statement of financial position as of December 31, 2016 since retrospective application did not have an impact to retained earnings and involves mere reclassification between 'Non-current' and 'Current assets'.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

Transition Adjustments

A reconciliation between the carrying amounts under the old standards to the balances reported under PFRS 9 and PFRS 15 as at January 1, 2018 is presented below.

			PFRS 9		PFRS 15	
	Note	December 31, 2017 as previously reported	Classification and Measurement	ECL	Reclassification/ Remeasurement	January 1, 2018, as restated
ASSETS						
Current Assets						
Financial assets at FVTPL	A	₱–	(₱611)	₱–	₱–	₱611
AFS investments	A	611	–	–	–	–
Receivables	E, G	24,374	24,374	(252)	(11,406)	12,716
Contract assets	G	–	–	–	13,310	13,310
Inventories	H	56,594	–	–	(1,183)	55,411
Prepayments and other current assets	I	10,417	10,417	–	(144)	10,273
Noncurrent Assets						
Financial assets at FVOCI	B, C	–	1,939	–	–	–
AFS investments	B, C	2,103	(2,103)			
Receivables - net of current portion	G	4,720	–	–	(3,657)	1,063
Contract assets - net of current portion	G	–	–	–	2,863	2,863
Investments and advances	D, F, J	124,892	5,542	(1,793)	(14)	128,627
Deferred tax assets	E	731	–	83	–	814
LIABILITIES						
Current Liabilities						
Accounts and other payables	G, K	25,983	–	–	(160)	25,823
Contract liabilities	G	–	–	–	5,446	5,446
Customers' deposits	G, L	4,941	–	–	(4,323)	618
EQUITY						
Retained earnings - unappropriated	A, E, F, H, I, J, K, L	48,582	6	(1,951)	(635)	46,002
Other comprehensive income (loss)	A, B, D	(5,975)	5,453	–	–	(522)
NCI	B, E, H, I, K, L	27,679	(81)	(11)	(559)	27,028

Adoption of PFRS 9, Classification and Measurement
Impact of classification and measurement resulted in the following:

Note	Description
A	Unit Investment Trust Fund (UITF) investments previously classified as AFS investments were reclassified to financial assets at FVTPL. This resulted in a reclassification of unrealized gain amounting to ₱5.75 million, from 'Other comprehensive income (loss)' to 'Retained earnings - unappropriated'.
B	Certain equity investment in non-listed companies previously classified as AFS investments and carried at cost with fair value amounting to ₱0.48 billion were reclassified to financial assets at FVOCI. This resulted in a remeasurement loss amounting ₱0.16 billion with impact to 'Other comprehensive income (loss)' and 'Non-controlling interest' amounting to ₱0.08 billion and ₱0.08 billion, respectively (Note 10).
C	Certain equity investments in listed companies previously classified as AFS investments amounting to ₱1.62 billion were reclassified to financial assets at FVOCI. The Group elected to classify these investments, irrevocably, under this category as it intends to hold these investments for the foreseeable future. This has no impact to 'Retained earnings - unappropriated' and 'Other comprehensive income (loss)' as of January 1, 2018.
D	The change in classification and measurement of financial instruments (specifically, recognition of investment securities at amortized cost) resulted in the reversal of 'Net unrealized loss' in other comprehensive income of an associate. The Parent Company's share amounting to ₱5.54 billion was reflected in 'Other comprehensive income', with a corresponding decrease in 'Investment and advances' (Note 8).

In addition, upon adoption of PFRS 9, the Group made the following required or elected reclassifications as at January 1, 2018:

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balance	FVTPL	Amortized cost	FVOCI
Loans and receivables				
Cash and cash equivalents	₱20,155	₱–	₱20,155	₱–
Short-term investments	1,666	–	1,666	–
Receivables	29,094	–	29,094	–
Due from related parties	166	–	166	–
Available-for-sale investments	2,714	611	–	2,103
	₱53,795	₱611	₱51,081	₱2,103

- Cash and cash equivalents, short term investments, receivables and due from related parties previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now measured as financial assets at amortized cost beginning January 1, 2018.

The Group has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

Adoption of PFRS 9, ECL
Impact of adoption of ECL methodology resulted in the following:

Note	Description
E	Impairment loss on loans and receivables amounting to ₱0.25 billion (with deferred tax impact of ₱0.08 billion) was recognized in 'Retained earnings - unappropriated' and 'Non-controlling interests' in the amount of ₱0.16 billion and ₱0.01 billion, respectively (Note 5).
F	Following the ECL methodology, certain associates and joint ventures recognized additional provisions for credit losses. The Parent Company's share amounting to ₱1.79 billion was reflected in 'Investments and advances' and 'Retained earnings - unappropriated' (Note 8).

Adoption of PFRS 15
Impact of applying PFRS 15 resulted in the following:

Note	Description
G	Installment contract receivables-current amounting to ₱12.52 billion representing excess of progress of work over the right to an unconditional amount of consideration was reclassified to 'Contract assets - current'. Installment contract receivables-current previously presented as a contra-receivable account amounting to ₱1.11 billion was reclassified to 'Contract liabilities'. Installment contract receivables-noncurrent amounting to ₱3.66 billion representing excess of progress of work over the right to an unconditional amount of consideration were reclassified to 'Contract assets - current' and 'Contract assets - net of current portion' amounting to ₱0.80 billion and ₱2.86 billion, respectively. Customer's deposits amounting to ₱4.34 billion representing excess of collection over progress of work, were reclassified to 'Contract liabilities - current'.
H	This pertains to external land development and improvement costs, facilitation costs and other costs related to partially satisfied performance obligations, totaling ₱1.18 billion. This was reflected as a reduction in 'Inventories', 'Retained earnings' and 'NCI' amounting to ₱1.18 billion, ₱0.62 billion and ₱0.56 billion, respectively.
I	This pertains to prepaid commissions amounting to ₱0.14 billion, which were amortized as expense. This was reflected as a reduction in 'Prepayments and other current assets', 'Retained earnings' and 'NCI' amounting to ₱0.14 billion, ₱0.07 billion and ₱0.07 billion, respectively.
J	The Group's share in the impact of its associates' adoption of PFRS 15 amounting to ₱14.44 million was reflected as reduction in 'Investments and advances' and 'Retained earnings'.
K	This pertains to reversal of sales to employees (with significant financing component), income accrual of sales rebates and accrual of subscription for an aggregate amount of ₱0.16 billion. This was reflected as reduction in 'Accounts and other payables', and addition to 'Retained earnings' and 'NCI' amounting to ₱0.16 billion, ₱0.08 billion, and ₱0.08 billion, respectively.
L	This pertains to deferred revenue from automotive sale amounting to ₱13.30 million, allocated to free labor checkup. This was reflected as addition to 'Customer's deposit', and reduction in 'Retained earnings' and 'NCI' amounting to ₱13.30 million, ₱7.73 million and ₱5.57 million.

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

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

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

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

Financial Instruments – Initial Recognition and Subsequent Measurement effective January 1, 2018

Financial Instruments

Date of recognition

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

a. Financial assets
Initial recognition of financial instruments
At initial recognition, financial assets are classified as, and subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for sales contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments and receivables.

FVOCI (debt instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets can no longer be recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's financial assets at FVOCI includes investments in quoted and unquoted equity instruments.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes investment in UITF as held for trading and classified these as FVTPL.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables, installment contracts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivable, loans receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 120 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a SICR when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (other than "Taxes payable" which is covered by other accounting standard), "Short-term and long-term debts", "Bonds payable", "Liabilities on purchased properties" and "Other current liabilities".

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to short-term debt, long-term debt, bonds payable and liabilities on purchased properties.

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

c. *Offsetting Financial Instruments*
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d. *Derivative Financial Instruments and Hedge Accounting Initial Recognition and Subsequent Measurement*
The Group uses derivative financial instruments such as cross-currency swaps, and interest rate swaps to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

Fair Value Hedge
The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

Cash Flow Hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

Financial Instruments - Initial Recognition and Subsequent Measurement effective before January 1, 2018
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell assets.

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

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

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVTPL. This accounting policy relates to the accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', 'Cash and cash equivalents' and 'Short-term investments'.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVTPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS investments pertain to quoted and unquoted equity securities and other debt instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of income. Dividends on AFS equity instruments are recognized in the consolidated statement of income when the entity's right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the consolidated statements of income as 'Interest income' using the effective interest method.

The fair value of investments that are traded in active markets is determined by reference to quoted market bid prices at the close of business on the reporting date. The unquoted equity instruments are carried at cost less any impairment losses because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Other financial liabilities
These are financial liabilities not designated at FVTPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's 'Accounts and other payables', 'Short-term debt', 'Long-term debt', 'Liabilities on purchased properties', 'Due to related parties' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable). The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

Derivative Financial Instrument and Hedge Accounting
The Group uses derivative financial instruments such as cross currency interest rate swap to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as OCI.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedge item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly as OCI in the cash flow hedge reserve, while the ineffective portion is recognized directly in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts recognized as OCI are transferred to profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

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.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;
b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
c. the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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.

<u>Inventories</u>
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.

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.

<u>Goodwill</u>
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.

<u>Impairment of Non-financial Assets</u>
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
Customer relationship is reviewed for impairment annually, similar with goodwill, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For intangible assets with finite useful lives, the carrying amount is assessed and written down to its recoverable amount when an indication of impairment occurs.

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

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

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the tax authority is included under 'Prepayments and other current assets' in the consolidated statement of financial position.

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

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

The disposal group is excluded from the results of continuing operations and is presented as a single amount as 'Net income from discontinued operations' in the consolidated statement of income.

Additional disclosures are provided in Note 12. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

Customers' Deposits
The Group requires buyers of real estate to pay a minimum percentage of the total selling price. The minimum percentage is on the basis of the level of buyer's commitment to pay and is part of the revenue recognition criteria. When the revenue recognition criteria are met, sales are then recognized and these deposits and downpayments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the cash surrender value of the deposit will be refunded to the buyer.

Customer's deposits consist of payment from buyers which have not reached the minimum required percentage and amounts that have not been applied against the related installment contracts receivable.

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

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

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

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

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

Retained earnings
The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividend on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses that are recognized directly in equity. OCI items are either reclassified to profit or loss or directly to equity in subsequent periods.

Acquisition of Non-controlling Interest in a Subsidiary
Acquisition of non-controlling interest is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized in equity. 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 under the 'Non-controlling interests' account in the consolidated statement of financial position.

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers
The Group primarily derives its revenue from automotive operations and real estate sales. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Automotive operations
The Group derives its revenue from automotive operations from the sale of manufactured vehicles, trading of completely built-up vehicles and local and imported auto parts and sale of services. In the sales contract with customers, services other than vehicle sales such as additional service, additional warranty and other services are separated from the sale of vehicles to identify performance obligations.

Timing of revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time. The Group recognizes revenue from goods or services at a point in time when the goods or services are transferred to the customers and fulfills the performance obligations. In order to determine whether the control over the goods or services is transferred over time, the Group determines whether the customer simultaneously obtains and consumes the benefits provided by the Group's performance and whether the assets controlled by the customer and whether the assets created by the Group have no substitute purpose, and whether the Group has the right to make executable claims for the portion that has been completed so far.

The Group allocates the transaction prices based on the stand-alone selling prices to the various performance obligations identified in a single contract.

The Group estimates the amounts of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled - the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods.

If the period between the transfer of the goods or services promised to the customer and the payment of the customer is within one year, a practical simple method that does not adjust the promised price for a significant financing component is used.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot and condominium units.
Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report as approved by the construction manager which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue Recognition prior to January 1, 2018

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

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

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

Real estate sales
Real estate revenue and cost from completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

In accordance with PIC Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

When the sale of real estate does not meet the requirements for revenue recognition, the sale is accounted under the deposit method until all the conditions are met. Under this method, revenue is not recognized, the receivable from the buyer is not recorded and the cash received from buyers are presented under the 'Customers' deposits' account in the liabilities section of the consolidated statement of financial position. The related real estate inventories continue to be reported in the consolidated statement of financial position as 'Inventories'.

Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Interest income
Interest is recognized as it accrues using the effective interest method.

Rent income
Rent income under noncancellable leases is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Sale of goods
Sale of goods is recognized from retail customers at the point of sale in the stores. This is measured at the fair value of the consideration received, excluding (or 'net of,' or 'reduced for') discounts, returns, rebates and sales taxes.

Rendering of services
Service fees from installation of parts and repairs and maintenance of vehicles are recognized as revenue when the related services have been rendered.

Commission income
Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement.

Management fees
Management fees from administrative, property management and other fees are recognized when services are rendered.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract. Other income also includes sale of scrap and sludge oil which is recognized when there is delivery of goods to the buyer, and recovery from insurance which is recognized when the right to receive payment is established.

Expense Recognition
Cost of goods and services sold
Cost of goods sold for vehicles and spare parts includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the costs of storing and transporting the products. Vendor returns and allowances are generally deducted from cost of goods and services sold.

Other cost of goods sold includes Federal Land's gasoline and food products, and are recognized when goods are delivered which is usually at the point of sale in stores. Cost of services are recognized when services are rendered.

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.

<u>Pension Costs</u>
The Parent Company and its subsidiaries have funded, noncontributory defined benefit retirement plans, administered by trustees, covering their permanent employees.

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on 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.

<u>Income Tax</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting dates.

Deferred tax
Deferred tax is provided using the 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, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

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.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

    Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  This new accounting standard would affect Phil AXA where the Group has equity investment. The Group is currently assessing the impact of adopting PFRS 17.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. MANAGEMENT'S JUDGMENTS AND USE OF ESTIMATES

The preparation of the consolidated financial statements in compliance with PFRSs 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, 2018 and 2017, 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 its entitlement to nominate at least two (2) out of fifteen (15) directors of MPIC. The Parent Company is also entitled to nominate one (1) out of three (3) members in each of the Audit Committee (AC), Risk Management Committee (RMC) and Governance Committee (GC) of MPIC.

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

Revenue and cost recognition

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

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

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
Beginning 1 January 2018, the Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation. Incorporation of forward-looking information The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Collectibility of the sales price
Before January 1, 2018, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10.00% would demonstrate the buyer's commitment to pay.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Operating lease commitments – the Group as lessor
The Group entered into commercial property leases on its retail mall, investment properties and certain units of its real estate projects to different parties for a specific amount depending on the lease contracts. The Group has determined that based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that it retains all significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

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

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

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

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

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

Revenue recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The estimation of the total cost of the real estate project requires technical inputs from project development engineers. See Note 5 for the related balances.

The carrying amount of installment contracts receivables is disclosed in Note 5. The Group recognized real estate sales in 2018, 2017 and 2016 amounting to ₱18.50 billion, ₱14.09 billion and ₱12.44 billion, respectively.

Estimating allowance for impairment losses (Prior to January 1, 2018)
The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required such as the financial condition of the counterparty and net selling prices of collateral. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The carrying values of these receivables and due from related parties are disclosed in Notes 5 and 27, respectively.

Evaluating net realizable value of inventories
Inventories are valued at the lower of cost and net realizable value. The Group reviews its inventory to assess NRV at least annually. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expense for any period would differ if different judgments were made or different estimates were utilized.

Estimating the useful life of non-financial assets
The Group determines the EUL of its intangibles assets based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of property and equipment, investment properties and intangible assets based on factors that include asset utilization, internal technical evaluation, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of intangible assets would increase the recorded amortization expense.

Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The said assessment is based on the track record of stability for the auto industry and the Toyota brand. Added to this is the commitment of management to continue to invest for the long term, to extend the period over which the intangible asset is expected to continue to provide economic benefits.

The carrying values of investment properties, property and equipment, intangible assets from customer relationship and software costs are disclosed in Notes 9, 11 and 13, respectively.

Evaluating impairment of non-financial assets
The Group reviews input VAT, investments in and advances to associates and joint venture, investment properties, creditable withholding tax, property and equipment, intangible assets from customer relationship, software costs, and other noncurrent assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in and advances to associates and joint venture, property and equipment, and software cost. The carrying values of input VAT and creditable withholding taxes, investments in associates and joint ventures, investment properties, property and equipment, intangible assets from customer relationship, software costs, and other noncurrent assets are disclosed in Notes 7, 8, 9, 11, 13 and 14, respectively.

Estimating impairment of AFS investments (Prior to January 1, 2018)
The Group treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee company to provide dividends.

The carrying values of AFS investments is disclosed in Note 10. The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. The net unrealized gain on AFS investments is disclosed in Note 10.

Impairment of goodwill and intangible assets with indefinite useful life
The Group conducts an annual review for any impairment in the value of goodwill and intangible assets with indefinite useful life (i.e., customer relationship). Goodwill is written down for impairment when the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group estimates key inputs such as discounted future cash flows forecasts, expected gross margins, discount rates and long-term growth rates. The Group uses the weighted average cost of capital in discounting the expected cash flows from specific CGUs.

Refer to Note 13 for the details regarding the carrying values of the Group's goodwill and intangible assets as well as details regarding the impairment review and assessment.

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred income tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The recognized and unrecognized deferred tax assets on temporary differences of the Group are disclosed in Note 29.

Estimating pension and other retirement benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 28 to the consolidated statement of financial position and include among others, discount rates, turnover rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations. The carrying values of pension asset, liability and expense are disclosed in Note 28.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not

feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Provision for product warranties
Estimated warranty costs are provided at the time of sale. The provision is based on the estimated costs of future servicing the products sold, the costs of which are not recoverable from customers. A provision is recognized for expected warranty claims on products sold during the last two (2) years, based on past experience of the level of returns and repairs. It is expected that most of these costs will be incurred in the next financial year and all will be incurred within three (3) years as of the reporting date. Provision for product warranty is disclosed in Note 20.

Purchase price allocation of investment in MPIC
The Parent Company is required to perform a purchase price allocation for its investment in MPIC in 2017. A significant portion of MPIC's net assets pertain to concession assets and the valuation of these concession assets require estimates from management. These estimates include revenue growth, gross margins, expected traffic volume and billed water volume, toll or tariff rates and discount rates.

Purchase price allocation of investment in MBTC
The Parent Company is required to perform a purchase price allocation for its investment in MBTC. A significant portion of MBTC's net assets pertain to loans and receivables, property and equipment, investment properties and deposits, and the valuation of these assets require estimates from management. These estimates include future cash flows forecasts, discount rates and appraised values of property, equipment and investment properties.

4. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and Cash Equivalents
This account consists of:

	2018	2017
Cash on hand	**₱56**	₱38
Cash in banks and other financial institution (Note 27)	**6,512**	6,116
Cash equivalents (Note 27)	**7,785**	14,001
	₱14,353	₱20,155

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 0.05% to 6.70% in 2018, from 0.10% to 3.75% in 2017, and from 0.01% to 2.50% in 2016 (Notes 23 and 27).

Short-term Investments
These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than 3 months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.01% to 2.50% in 2018, from 0.01% to 3.00% in 2017, and from 0.75% to 2.50% in 2016 (Notes 23 and 27).

5. RECEIVABLES

This account consists of:

	2018	2017
Trade receivables	**₱9,681**	₱9,465
Installment contracts receivables	**2,401**	16,825
Nontrade receivables (Note 27)	**1,438**	698
Loans receivable (Note 27)	**932**	962
Accrued rent and commission income (Note 27)	**479**	347
Management fee receivable (Note 27)	**253**	246
Accrued interest receivable (Note 27)	**210**	49
Others (Note 27)	**973**	533
	16,367	29,125
Less: Allowance for credit losses	**282**	31
	₱16,085	₱29,094

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

	2018	2017
Current portion	**₱15,153**	₱24,374
Noncurrent portion	**932**	4,720
	₱16,085	₱29,094

Noncurrent receivables consist of:

	2018	2017
Loans receivable	**₱932**	₱962
Installment contracts receivables	**–**	3,758
	₱932	₱4,720

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

The details of installment contracts receivables and contract assets follow:

	2018	2017
Installment contracts receivables	**₱3,314**	₱17,910
Less: Unearned interest income	**913**	1,085
	2,401	16,825
Less: Noncurrent portion	**–**	3,758
Current portion	**₱2,401**	₱13,067

Installment contracts receivables are collected over a period of one to 10 years. The fair value upon initial recognition for Federal Land is derived using the discounted cash flow methodology using discount rates ranging from 8.00% to 12.00% in 2018, 2017 and 2016. PCFI's installment contracts receivables bear annual interest of 12.00% to 21.00% in 2018, 12.00% to 21.00% in 2017 and 14.00% to 21.00% in 2016, computed on the diminishing balance of the principal.
Movements in the unearned interest income in 2018 and 2017 follow:

	2018	2017
Balance at beginning of year	**₱1,085**	₱859
Additions	**1,037**	1,541
Accretion (Note 23)	**(1,209)**	(1,315)
Balance at end of year	**₱913**	₱1,085

Trade Receivables
Trade receivables pertain to receivables from sale of vehicles and/or parts and services. These are noninterest-bearing and generally have 30 days to one year term.

Loans Receivable
Loans receivable from various counterparties pertain to long-term receivables as follows:

	2018	2017
Real estate	**₱932**	₱962

Loans receivable from Cathay International Resources Corp. (CIRC)
In 2012, Federal Land entered into a loan agreement with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective annual interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement. Federal Land used discounted cash flow analyses to measure the fair value of the loan. The 'Day 1' difference for this receivable amounted to ₱94.22 million at inception in 2012. Accretion of interest in 2018, 2017 and 2016 amounted to ₱9.58 million, ₱8.52 million, and ₱8.73 million, respectively.

On June 8, 2015, the Board of Federal Land approved the conversion of this receivable to equity in exchange for the common shares of CIRC. Federal Land is yet to apply with the SEC for the conversion as of report date. The outstanding balance of long-term loans receivable as of December 31, 2018 and 2017 amounted to ₱641.88 million and ₱652.17 million, respectively (Note 27).

Loans receivable from Multi Fortune Holdings, Inc. (MFHI)
In 2017, Federal Land entered into a loan agreement with MFHI. Federal Land agreed to lend to MFHI a total amount of ₱290.00 million with nominal interest rate of 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

Federal 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, Federal 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 amounting to ₱19.87 million and ₱1.52 million in 2018 and 2017, respectively. Nominal interest income earned in 2018 and 2017 amounted to ₱18.62 million and ₱8.36 million, respectively.

The outstanding balance of long-term loans receivable from MFHI as of December 31, 2018 and 2017 amounted to ₱290.00 million and ₱309.87, respectively.

Nontrade Receivables
Nontrade receivables mainly consist of vehicle acquisition plan loans extended to employees which are collectible within one year and expenses of the affiliates which were advanced by the Group (Note 27).

Accrued Rent and Commission Income
Accrued rent pertains to tenants' rentals and their share in utilities (electricity, water and liquefied petroleum gas) and other charges to customers 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 (Note 27).

Others
Other receivables include receivable from employees and retention, bond and guarantee fee receivables (Note 27).

Allowance for Credit Losses
Changes in the allowance for credit losses on receivables are as follows:

	December 31, 2018		
	Trade Receivables	**Other Receivables**	**Total**
Balance at beginning of year, as previously reported	**₱7**	**₱24**	**₱31**
Effect of adoption of PFRS 9 (Note 2)	**–**	**252**	**252**
Balance at beginning of the year, as restated	**7**	**276**	**283**
Provision for (reversal from) credit losses (Note 26)	**1**	**(2)**	**(1)**
Balance at end of year	**₱8**	**₱274**	**₱282**
Individual impairment	**₱8**	**₱274**	**₱282**
Collective impairment	**–**	**–**	**–**
	₱8	**₱274**	**₱282**
Gross amount of receivables individually impaired before deducting any impairment allowance	**₱8**	**₱274**	**₱282**

	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

6. INVENTORIES

This account consists of:

	2018	2017 (As restated - Note 2)
At cost		
Real estate		
Land and improvements	**₱47,524**	₱52,127
Condominium units held for sale	**13,592**	9,792
Construction in progress	**6,217**	4,852
Materials and supplies	**885**	1,137
Gasoline retail and petroleum products (Note 24)	**10**	10
Food (Note 24)	**6**	7
Automotive		
Finished goods	**3,911**	1,989
Work-in-process	**122**	14
Raw materials in transit	**1,410**	1,056
	73,677	70,984
At NRV		
Automotive		
Spare parts	**₱3,792**	₱3,888
	3,792	3,888
	₱77,469	₱74,872

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

	2018			
	Land and improvements	**Condominium units held for sale**	**Construction in progress**	**Total**
Balance at beginning of year, as previously reported	**₱52,127**	**₱9,792**	**₱4,852**	**₱66,771**
Effect of adoption of PFRS 15 (Note 2)	**(1,146)**	**(37)**	**–**	**(1,183)**
Balance at beginning of the year, as restated	**50,981**	**9,755**	**4,852**	**65,588**
Construction and development costs incurred	**1,622**	**5,555**	**5,845**	**13,022**
Land acquired during the year	**1,589**	**–**	**–**	**1,589**
Borrowing costs capitalized	**355**	**4**	**1,263**	**1,622**
Cost of sales during the year	**(7,384)**	**(2,016)**	**(3,209)**	**(12,609)**
Transfers from construction in progress to condominium units for sale	**–**	**675**	**(675)**	**–**
Transfers to investment property (Note 9)	**–**	**(126)**	**(407)**	**(533)**
Recognition of intercompany deferred gain	**371**	**–**	**–**	**371**
Reclassifications and others	**(10)**	**(255)**	**(1,452)**	**(1,717)**
Balance at end of the year	**₱47,524**	**₱13,592**	**₱6,217**	**₱67,333**

	2017 (As restated - Note2)			
	Land and improvements	Condominium units held for sale	Construction in progress	Total
Balance at beginning of year, as previously reported	₱52,787	₱5,582	₱3,091	₱61,460
Effect of business combination	–	321	–	321
Construction and development costs incurred	789	6,775	5,341	12,905
Land acquired during the year	4,068	–	–	4,068
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 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	(1,418)	(278)	1,131	(565)
Balance at end of the year	₱52,127	₱9,792	₱4,852	₱66,771

On January 1, 2018, the Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*. Land held for future development previously presented as non-current asset includes land which the BOD has approved to be developed into residential development for sale.

Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified under inventories in the consolidated statement of financial position (see Note 2). The reclassification has no impact on the prior year net income, equity, total assets, total liabilities and cash flows. Accordingly, no third consolidated statement of financial position has been presented and accounts affected have been disclosed.

There are no real estate inventories as of December 31, 2018 and 2017 mortgaged/pledged as security for loans payable.

Federal Land's capitalized borrowing costs in its real estate inventories amounted to ₱1.26 billion and ₱1.17 billion in 2018 and 2017, respectively, for loans specifically used to finance Federal Land's project construction with interest rates ranging from 2.90% to 6.71% and from 2.58% to 6.27% in 2018 and 2017, respectively. Also, Federal Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱116.20 million and ₱21.30 million in 2018 and 2017, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 6.42% and 7.30% in 2018 and 2017, respectively.

PCFI's capitalized borrowing cost as part of real estate inventories amounted to ₱243.88 million and ₱213.43 million in 2018 and 2017, respectively. The capitalization rate used to determine the borrowings eligible for capitalization is 5.48% and 5.89% as of December 31, 2018 and 2017, respectively.

Inventories charged to operations follow:

	2018	2017	2016
Cost of real estate sales	**₱12,609**	₱10,035	7,586
Cost of goods and services sold (Note 24)	**129,904**	147,691	120,652
Cost of goods manufactured and sold (Note 25)	**31,809**	39,635	33,792
	₱174,322	₱197,361	₱162,030

The cost of the inventories carried at NRV amounted to ₱3.89 billion and ₱3.98 billion as of December 31, 2018 and 2017, respectively.

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

	2018	2017
Balance at beginning of year, as previously reported	**₱91**	₱69
Provision for inventory write-down	**51**	23
Write-off of scrap inventories	**(8)**	(1)
Reversal	**(38)**	–
	₱96	₱91

7. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2018	2017
Advances to contractors and suppliers	**₱3,197**	₱2,732
Deposit for land purchases	**1,657**	1,496
Creditable withholding taxes (CWT)	**1,438**	1,078
Prepaid expenses	**1,146**	2,106
Input VAT	**1,087**	1,920
Ad-valorem tax	**412**	589
Advances to officers, employees, agents and brokers (Note 27)	**281**	387
Cost to obtain a contract (Note 21)	**236**	–
Others	**336**	109
	₱9,790	₱10,417

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.

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.

Prepaid expenses mainly include prepayments for supplies, taxes and licenses, rentals, insurance and other land acquisition related costs. As of December 31, 2017, prepaid expenses also include unamortized commission expense for pre-sold and incomplete real estate units.

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.

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 ₱54.60 million and ₱47.60 million as of December 31, 2018 and 2017, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱8.45 million and ₱11.45 million as of December 31, 2018 and 2017, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subject to liquidation within 30 days after the release of cash advance. Cash advances to brokers amounting to ₱217.43 million and ₱327.45 million as of December 31, 2018 and 2017, 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.

Cost to obtain a contract pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units which are amortized to cost of sales over the expected construction period using percentage of completion.

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:

	2018	2017
Investments in associates	**₱146,635**	₱114,187
Investments in joint ventures	**17,104**	10,599
Advances	**–**	106
	₱163,739	₱124,892

There is no impairment loss for any of these investments in 2018 and 2017.

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

	2018	2017
Cost		
Balance at beginning of year	**₱87,789**	₱63,050
Acquisitions/additional investments during the year	**22,495**	24,739
Balance at end of year	**110,284**	87,789
Accumulated equity in net income		
Balance at beginning of year, as previously reported	**38,217**	29,967
Effect of adoption of PFRS 9 (Note 2)	**(1,716)**	–
Effect of adoption of PFRS 15 (Note 2)	**(14)**	–
Balance at beginning of the year, as restated	**36,487**	29,967
Equity in net income for the year	**10,909**	8,250
Recognition of gain on sale of lot deferred in 2014	**372**	–
Balance at end of year	**47,768**	38,217
Dividends received		
Balance at beginning of year	**(7,429)**	(5,832)
Dividends received during the year	**(2,110)**	(1,597)
Balance at end of year	**(9,539)**	(7,429)
Accumulated equity in other comprehensive income		
Balance at beginning of year	**(6,585)**	(2,753)
Effect of adoption of PFRS 9 (Note 2)	**5,542**	–
Balance at beginning of the year, as restated	**(1,043)**	(2,753)
Equity in fair value changes on financial assets at FVOCI for the year	**(1,229)**	–
Equity in net unrealized loss on AFS investments for the year	**–**	(2,142)
Equity in translation adjustments	**(1,968)**	(1,382)
Equity in remeasurement on life insurance reserves	**376**	(190)
Equity in net unrealized gain/(loss) on remeasurements of defined benefit plans	**272**	(118)
Equity in other equity adjustments	**19**	–
Balance at end of year	**(3,573)**	(6,585)
Effect of elimination of intragroup profit		
Balance at beginning of year	**2,195**	2,185
Recognition of gain on sale of lot deferred in 2014	**(372)**	–
Elimination during the year	**(128)**	10
Balance at end of year	**1,695**	2,195
	₱146,635	₱114,187

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

	2018	2017
Cost		
Balance at beginning of year	**₱8,458**	₱6,527
Acquisitions/additional investments during the year	**7,241**	1,931
Balance at end of year	**15,699**	8,458
Accumulated equity in net income		
Balance at beginning of year, as previously reported	**2,121**	1,672
Effect of adoption of PFRS 9	**(77)**	–
Balance at beginning of the year, as restated	**2,044**	1,672
Unrealized gain on sale of properties (Note 27)	**(198)**	–
Equity in net income for the year	**434**	449
Balance at end of year	**2,280**	2,121
Accumulated equity in other comprehensive income		
Balance at beginning of year	**20**	12
Equity in net unrealized gain on remeasurements of defined benefit plans	**4**	–
Equity in cash flow hedge reserve	**85**	8
Balance at end of year	**109**	20
Effect of elimination of intragroup profit		
Elimination during the year	**(984)**	–
Balance at end of year	**(984)**	–
	₱17,104	₱10,599

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

	Nature of Business	Country of Incorporation	Effective Percentages of Ownership	
			2018	2017
Associates:				
MBTC	Banking	Philippines	**36.36**	36.09
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
Magnificat Resources Corporation (Magnificat)	-do-	-do-	**49.10**	–
Joint ventures:				
Bonifacio Landmark Realty and Development Corporation (BLRDC)	Real estate	-do-	**70.00**	70.00
North Bonifacio Landmark Realty and Development Inc. (NBLRDI)*	-do-	-do-	**70.00**	–
Sunshine Fort North Bonifacio Realty and Development Corporation (Sunshine Fort)	-do-	-do-	**60.00**	60.00
HSL South Food Inc. (HSL)**	-do-	-do-	**60.00**	–
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**	20.00

** NBLRDI was incorporated on June 14, 2018.*

*** HSL was incorporated on July 30, 2018.*

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**
2018					
MBTC	February 21, 2018	1.00	3,180	March 8, 2018	March 16, 2018
MPIC	March 1, 2018	0.076	2,395	March 28, 2018	April 26, 2018
MPIC	August 2, 2018	0.0345	1,087	August 31, 2018	September 25, 2018
Phil AXA	November 26, 2018	159.5033	1,595	November 23, 2018	December 17, 2018

	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

Investment in MBTC
On April 20, 2017, the Parent Company acquired a total of 306.00 million common shares of MBTC from Ty-Family Companies for a total purchase price of ₱24.72 billion. On April 21, 2017, the Parent Company paid the purchase price in cash. This increased the Parent Company's ownership in MBTC from 26.47% to 36.09%. Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MBTC, the difference of ₱5.45 billion between the Parent Company's share in the carrying values of MBTC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MBTC's specific and identifiable assets and liabilities as follows: ₱1.44 billion for loans and receivables; (₱0.05 billion) for investment in associates and joint ventures; ₱0.82 billion for property and equipment; ₱0.33 billion for investment properties; (₱0.35 billion) for goodwill; ₱0.01 billion for other assets; ₱0.42 billion for deposit liabilities; ₱0.22 billion for bills payable and securities sold under repurchase agreements; ₱0.01 billion for bonds payable; (₱0.04 billion) for subordinated debts; (₱0.01 billion) for other liabilities; and the remaining balance of ₱3.85 billion for notional goodwill.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.02 billion as part of the cost of the investment.

In April 2018, the Parent Company participated in the ₱59.99 billion stock rights offering of MBTC for a total of 299.28 million shares, equivalent to ₱22.45 billion. As a result, the percentage ownership of the Parent Company in MBTC increased from 36.09% to 36.36%.

As of December 31, 2018, the purchase price allocation relating to the Parent Company's increase of 0.27% 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 ₱218.00 million between the Parent Company's share in the carrying values of MBTC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MBTC's specific and identifiable assets and liabilities as follows: ₱184.48 million for loans and receivables; (₱1.33) million for investments and associates and joint ventures; ₱22.94 million property and equipment; ₱7.47 million for investment properties; (₱9.83) million for goodwill; ₱2.89 million for deposit liabilities; ₱1.38 million for other liabilities; and the remaining balance of ₱10.00 million for goodwill.

Investment in MPIC
On May 27, 2016, the Parent Company subscribed to 3.60 billion common shares of MPIC for a total subscription price of ₱21.96 billion. On the same day, the Parent Company entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with the Parent Company as the buyer and MPHI as the seller of 1.30 billion common shares of MPIC for a total consideration of ₱7.94 billion. On August 5, 2016, the SEC approved the increase in the authorized capital stock of MPIC. As a result, the Parent Company's ownership interest is 15.55% of the issued and outstanding capital stock of MPIC.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.24 billion and ₱0.04 billion, respectively, as part of the cost of the investment.

Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MPIC, the difference of ₱7.41 billion between the Parent Company's share in the carrying values of MPIC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MPIC's specific and identifiable assets and liabilities amounting to ₱4.68 billion and the remaining balance of ₱2.73 billion for goodwill.

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

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

Investment in NBLRDI
On June 14, 2018, Federal Land entered into a Joint Venture Agreement with ORPI to incorporate a joint venture company, NBLRDI, in which Federal Land held 70% equity interest. The agreement was entered to develop Grand Hyatt Residences Tower II. This was reflected as additions of ₱1.69 billion in the investment in associates and joint ventures in 2018.

Investment in Sunshine Fort
On July 3, 2017, the Federal Land entered into a Joint Venture Agreement with NREMI Development Company (NRE) to incorporate a joint venture company in which Federal Land held 60% equity interest. In 2017, Federal Land made an initial investment amounting to ₱288.75 million. In 2018, Federal Land made additional investments amounting to ₱4.33 billion.

Investment in AFLCI
On April 29, 2015, Federal Land and Alveo Land Corp. executed a joint venture agreement for the organization of a joint venture, AFLCI, to manage the development of a 45-hectare property along Laguna Boulevard in Biñan, Laguna. AFLCI was incorporated on June 16, 2015. An initial investment amounting to ₱574.13 million was reflected as additions to the investment in associates and joint ventures in 2015. In 2016, an additional investment amounting to ₱17.00 million was made.

Investment in STRC
In June 2016, SM Development Corporation (SMDC) entered into an agreement with Federal Land to incorporate a joint venture company, STRC, in which Federal Land holds a 50% stake. STRC will develop a 3,200 square meter property located along Ayala Avenue as a high-end luxury residential tower. An initial investment amounting to ₱250.00 million was reflected as additions to the investment in associates and joint ventures in 2016.

On December 12, 2016, the BOD of Federal Land approved the additional investment in STRC amounting to ₱750.00 million divided into preferred shares in the amount of ₱712.50 million and common shares in the amount of ₱37.50 million. On January 10, 2017, Federal Land has fully paid its subscription to STRC. The percentage of ownership is retained as SMDC also invested an equivalent amount.

In 2018 and 2017, Federal Land made additional investments amounting to ₱0.47 billion and ₱0.03 billion, respectively.

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

In 2018 and 2017, the Parent Company remitted ₱720.00 million and ₱480.00 million, respectively, to TFSPC in response to the latter's equity call upon its stockholders.

Investment in SMFC
On August 11, 2017, the Parent Company acquired 4.0 million common shares, representing 20% ownership in SMFC for a total consideration of ₱379.92 million from PSBank and PSBank Retirement Fund.

In relation to the acquisition, the Parent Company capitalized documentary stamp taxes amounting to ₱1.50 million as part of the cost of the investment.

Fair Value of Investment in Associates and Joint ventures
Phil AXA and CCPC as well as BLRDC, 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, 2018 and 2017, the fair values of the Group's investment in PSE-listed entities follow (Note 32):

	2018	2017
MBTC	**₱115,834**	₱116,265
MPIC	**22,687**	33,467
	₱138,521	₱149,732

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

Investments in MBTC

	2018	2017
Consolidated Statements of Comprehensive Income		
Net interest income, other income and share in net income of associates and joint ventures	**₱92,606**	₱84,242
Expenses	**69,171**	62,972
Net income	**23,435**	21,270
Other comprehensive loss	**(2,655)**	(5,045)
Total comprehensive income	**20,780**	16,225
*Consolidated Statements of Financial Position**		
Total assets	**2,243,693**	2,080,292
Total liabilities	**(1,952,989)**	(1,876,202)
Net assets	**290,704**	204,090
Equity attributable to NCI	**(7,744)**	(9,535)
Other equity reserves	**–**	7,400
Net assets attributable to common shareholders of MBTC	**282,960**	201,955
GT Capital's ownership interest in MBTC	**36.36%**	36.09%
GT Capital's share in net assets of MBTC	**102,884**	72,886
Notional goodwill	**4,450**	4,440
Fair value and other adjustments	**3,166**	3,188
Elimination of intercompany transactions	**(96)**	(468)
	₱110,404	₱80,046

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

Investments in MPIC

	2018	2017
Consolidated Statements of Comprehensive Income		
Revenues	**₱122,686**	₱93,515
Expenses	**93,599**	68,839
Net income	**22,202**	19,027
Other comprehensive income (loss)	**320**	(466)
Total comprehensive income	**22,522**	18,561

(Forward)

	2018	2017
Consolidated Statements of Financial Position		
Current assets	**₱79,579**	₱74,945
Noncurrent assets	**478,633**	428,806
Current liabilities	**(56,606)**	(54,877)
Noncurrent liabilities	**(262,377)**	(233,195)
Net assets	**239,229**	215,679
Equity attributable to NCI	**(65,692)**	(54,435)
Net assets attributable to common shareholders of MPIC	**173,537**	161,244
GT Capital's ownership interest in MPIC	**15.55%**	15.55%
GT Capital's share in net assets of MPIC	**26,985**	25,073
Capitalized transaction cost	**277**	277
Notional goodwill	**2,727**	2,727
Fair value and other adjustments	**3,861**	4,289
	₱33,850	₱32,366

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

	2018			2017		
	BLRDC	**TFSPC***	**Sunshine Fort**	BLRDC	TFSPC*	Sunshine Fort
Selected Financial Information						
Cash and cash equivalents	**₱1,071**	**₱1,501**	**₱743**	₱231	₱1,100	₱482
Current financial liabilities	**4,620**	**–**	**1,940**	2,390	–	348
Non-current financial liabilities	**3,004**	**–**	**–**	5,357	–	–
Financial liabilities	**–**	**73,850**	**–**	–	64,704	–
Depreciation and amortization	**72**	**44**	**–**	20	35	–
Interest income	**44**	**6,165**	**7**	86	4,921	–
Interest expenses	**120**	**2,910**	**2**	89	2,060	–
Income tax expense	**25**	**372**	**(55)**	82	308	(9)
Statements of Comprehensive Income						
Revenues	**2,311**	**6,481**	**42**	1,662	5,053	–
Expenses	**2,297**	**5,322**	**167**	1,228	4,057	19
Net income	**(11)**	**787**	**(70)**	158	688	(10)
Other comprehensive income	**–**	**218**	**–**	–	21	–
Total comprehensive income	**(11)**	**1,004**	**(70)**	158	709	(10)
Statements of Financial Position						
Current assets	**3,905**		**8,068**	3,833		512
Noncurrent assets	**10,746**		**1,495**	9,611		335
Total assets	**14,651**	**83,509**	**9,563**	13,444	71,724	847
Current liabilities	**(4,618)**		**(1,963)**	(2,715)		(387)
Noncurrent liabilities	**(3,825)**		**(48)**	(4,508)		–
Total liabilities	**(8,443)**	**(75,852)**	**(2,011)**	(7,223)	(64,874)	(387)
Net assets	**6,208**	**7,657**	**7,552**	6,221	6,850	460
GT Capital's ownership interest	**70.00%**	**40.00%**	**60.00%**	70.00%	40.00%	60.00%
GT Capital's share in net assets	**4,346**	**3,063**	**4,531**	4,355	2,740	276
Additional subscription	**–**	**720**	**–**	–	–	–
Notional goodwill and other adjustments	**241**	**894**	**(208)**	240	894	5
	₱4,587	**₱4,677**	**₱4,323**	₱4,595	₱3,634	₱281

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

The following table presents the aggregate financial information of the Group's other associates and joint ventures as of and for the years ended December 31, 2018 and 2017:

	2018		2017	
	Associates	**Joint ventures**	Associates	Joint ventures
Statements of Financial Position				
Current assets	**₱214**	**₱10,132**	₱189	₱3,693
Non-current assets	**308**	**2,899**	40	3,804
Total assets*	**126,794**		123,490	
Current liabilities	**69**	**3,556**	229	2,117
Non-current liabilities	**–**	**240**	39	60
Total liabilities*	**117,559**		116,463	
Statements of Comprehensive Income				
Revenues	**14,201**	**2,597**	14,662	1,572
Expenses	**9,854**	**1,878**	11,361	1,129
Net income	**3,114**	**493**	2,488	306
Other comprehensive income	**718**	**6**	(879)	1
Total comprehensive income	**3,832**	**500**	1,609	307

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

The aggregate carrying values of immaterial associates and joint ventures amounted to ₱5.90 billion and ₱4.15 billion as of December 31, 2018 and 2017, respectively.

Limitation on dividend declaration of associates and joint venture

Phil AXA

Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

MBTC

The Bangko Sentral ng Pilipinas (BSP) requires banks to keep certain levels of regulatory capital and liquid assets, limit their exposures to other parts of the Group and comply with other regulatory ratios.

As of December 31, 2018 and 2017, 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, 2018 and 2017, accumulated equity in net earnings amounting to ₱40.51 billion and ₱32.91 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, 2018 and 2017, the Group has no share on commitments and contingencies of its associates and joint ventures.

Advances

Federal Land made a deposit in NBLRDI amounting to ₱105.61 million representing its paid-up capital which is in the process of incorporation as of December 31, 2017. Said deposit was converted to equity upon incorporation on June 14, 2018.

9. INVESTMENT PROPERTIES

The composition and rollforward analysis of this account follow:

	December 31, 2018			
	Land and Improvements	**Building and Improvements**	**Construction In Progress**	**Total**
Cost				
At January 1	**₱7,105**	**₱7,592**	**₱3,819**	**₱18,516**
Additions	**19**	**128**	**75**	**222**
Disposals	**(177)**	**–**	**–**	**(177)**
Transfers	**36**	**61**	**–**	**97**
Transfers from inventories (Note 6)	**–**	**126**	**407**	**533**
At December 31	**6,983**	**7,907**	**4,301**	**19,191**
Accumulated Depreciation				
At January 1	**14**	**1,110**	**–**	**1,124**
Depreciation (Note 11)	**4**	**335**	**–**	**339**
At December 31	**18**	**1,445**	**–**	**1,463**
Net Book Value at December 31	**₱6,965**	**₱6,462**	**₱4,301**	**₱17,728**

	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

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱1.26 billion, ₱0.94 billion and ₱0.83 billion in 2018, 2017 and 2016, respectively (Note 30).

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

The aggregate fair values of the Group's investment properties amounted to ₱37.45 billion and ₱36.55 billion as of December 31, 2018 and 2017, 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. INVESTMENT SECURITIES

Investment securities consist of:

	2018	2017
Current:		
Financial assets at FVTPL (Note 27)	**₱3,181**	₱–
AFS investments		
Quoted	**–**	611
Noncurrent:		
Financial assets at FVOCI		
Quoted	**10,631**	–
Unquoted	**317**	–
AFS investments		
Quoted	**–**	1,622
Unquoted	**–**	481
	10,948	2,103
	₱14,129	₱2,714

Financial assets at FVTPL
These pertain to the Parent Company's investments in UITF.

Financial assets at FVOCI
Quoted equity securities
This includes foreign currency-denominated equity investments in Toyota Motor Corporation (TMC), a listed company in Tokyo Stock Exchange, amounting to ₱9.43 billion as of December 31, 2018. The Group has irrevocably elected to classify these investments under this category as it intends to hold these investments for the foreseeable future.

Unquoted equity securities
This account comprises of shares of stocks of various unlisted private corporations. The Group has designated these equity securities as at FVOCI because they will not be sold in the foreseeable future.

Unquoted equity securities include Toyota Aisin Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounting to ₱301.95 million as of December 31, 2018. Also included in the balance are unquoted equity securities of Federal Land and TMBC amounting to ₱9.94 million and ₱0.46 million, respectively, as of December 31, 2018.

Unquoted equity securities of Federal Land pertain to preferred shares of a utility company issued to the Group in connection with its subscription to the electricity services of the said utility company needed for Federal Land's real estate projects. The Group does not intend to dispose these investments since these are directly related to the continuity of its business.

Available-for-sale Investments
Quoted equity securities
Quoted AFS investments include investments in unit investment trust fund (UITF) (Note 32).

Unquoted equity securities
This account comprises shares of stocks of various unlisted private corporations.

Unquoted AFS investments in TAPI, representing 5.00% ownership interest, amounted to ₱466.20 million as of December 31, 2017. Also included in the balance are AFS investments of Federal Land and TMBC amounting to ₱9.94 million and ₱0.46 million, respectively, as of December 31, 2017.

Movements in the fair value reserves on financial assets at FVOCI/net unrealized gain on AFS investments follow:

	2018		
	Attributable to Parent Company	**Non-controlling Interest**	**Total**
Balance at beginning of year, as previously reported	**₱841**	**₱299**	**₱1,140**
Effect of PFRS 9 adoption (Note 2)	**(90)**	**(92)**	**(182)**
Balance at beginning of year, as restated	**751**	**207**	**958**
Changes in fair values of financial assets at FVOCI	**(1,485)**	**16**	**(1,469)**
Balance at end of year	**(₱734)**	**₱223**	**(₱511)**

	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

11. PROPERTY AND EQUIPMENT

The composition and rollforward analysis of this account follow:

	2018								
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Machinery, Tools and Equipment**	**Land and Building**	**Building and Land Improvements**	**Other Property and Equipment**	**Construction-in-Progress**	**Total**
Cost									
At January 1	**₱612**	**₱939**	**₱319**	**₱1,843**	**₱2,786**	**₱4,046**	**₱4,177**	**₱1,315**	**₱16,037**
Additions	**177**	**279**	**9**	**446**	**165**	**390**	**1,716**	**737**	**3,919**
Disposals	**(102)**	**(54)**	**–**	**(32)**	**–**	**(18)**	**(185)**	**(95)**	**(486)**
Reclassifications and others	**19**	**29**	**–**	**225**	**–**	**702**	**–**	**(993)**	**(18)**
At December 31	**706**	**1,193**	**328**	**2,482**	**2,951**	**5,120**	**5,708**	**964**	**19,452**
Accumulated Depreciation and Amortization									
At January 1	**281**	**446**	**153**	**717**	**75**	**613**	**2,081**	**–**	**4,366**
Depreciation and amortization	**148**	**174**	**42**	**225**	**12**	**308**	**850**	**–**	**1,759**
Disposals	**(78)**	**(12)**	**–**	**(29)**	**–**	**(17)**	**(175)**	**–**	**(311)**
At December 31	**351**	**608**	**195**	**913**	**87**	**904**	**2,756**	**–**	**5,814**
Net Book Value at December 31	**₱355**	**₱585**	**₱133**	**₱1,569**	**₱2,864**	**₱4,216**	**₱2,952**	**₱964**	**₱13,638**

	2017								
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Building and Land Improvements	Other Property and Equipment	Construction-in-Progress	Total
Cost									
At January 1	₱541	₱722	₱304	₱981	₱2,759	₱2,343	₱3,950	₱778	₱12,378
Additions	164	237	15	798	19	343	376	1,523	3,475
Transfers from inventories (Note 6)	–	–	–	–	16	–	–	–	16
Transfers from (to) investment properties (Note 9)	–	36	–	83	–	1,369	–	(905)	583
Disposals	(88)	(38)	–	(41)	(8)	–	(142)	–	(317)
Reclassifications and others	(5)	(18)	–	22	–	(9)	(7)	(81)	(98)
At December 31	612	939	319	1,843	2,786	4,046	4,177	1,315	16,037
Accumulated Depreciation and Amortization									
At January 1	187	316	118	538	68	343	1,441	–	3,011
Depreciation and amortization	146	160	35	187	8	250	737	–	1,523
Transfers from investment properties (Note 9)	–	–	–	–	–	22	–	–	22
Disposals	(51)	(38)	–	(21)	(1)	–	(100)	–	(211)
Reclassifications and others	(1)	8	–	13	–	(2)	3	–	21
At December 31	281	446	153	717	75	613	2,081	–	4,366
Net Book Value at December 31	₱331	₱493	₱166	₱1,126	₱2,711	₱3,433	₱2,096	₱1,315	₱11,671

Construction-in-progress as of December 31, 2018 pertains to FLI's building improvements which were expected to be completed in 2019 and Toyota group's machineries, tools, equipment and other projects which are expected to be completed in 2020.

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 were completed in 2018.

Gain on disposal of property and equipment amounted to ₱23.27 million, ₱23.09 million and ₱49.60 million in 2018, 2017 and 2016, respectively (Note 23).

Fully depreciated buildings and land improvements and other property and equipment with cost of ₱3.77 billion and ₱3.41 billion as of December 31, 2018 and 2017, respectively, are still being used in the Group's operations.

Details of depreciation and amortization follow:

	2018	2017	2016
Continuing operations			
Property and equipment	**₱1,759**	₱1,523	₱1,433
Investment properties (Note 9)	**339**	274	212
Intangible assets (Note 13)	**119**	124	55
	2,217	1,921	1,700
Depreciation and amortization attributable to discontinued operations			
Property and equipment	**–**	–	825
Intangible assets (Note 13)	**–**	–	192
	–	–	1,017
	₱2,217	₱1,921	₱2,717

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

	2018	2017	2016
Consolidated Statements of Income			
Cost of goods manufactured	**₱974**	₱809	₱889
Cost of rental (Note 30)	**309**	240	200
Cost of goods and services	**31**	61	40
General and administrative expenses (Note 26)	**782**	655	495
Attributable to discontinued operations (Note 12)	**–**	–	1,017
	2,096	1,765	2,641
Consolidated Statements of Financial Position			
Real estate inventories	**121**	156	76
	₱2,217	₱1,921	₱2,717

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
Net fees	₱6,840
Interest income	65
Sale of goods and services	32
Other income	17
Revenue	6,954
Power plant operation and maintenance expenses	3,273
General and administrative expenses	1,474
Interest expense	780
Cost and expenses	5,527
Income before income tax	1,427
Provision for income tax	34
Net income	1,393
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

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
Net premiums earned	₱389
Interest income	–
Commission income	42
Finance and other income	32
Revenue	463
Net insurance benefits and claims	287
General and administrative expenses	335
Interest expense	–
Cost and expenses	622
Income (loss) before income tax	(159)
Provision for income tax	5
Net income (loss)	(164)
Gain on disposal of direct ownership	173
Realization of previously deferred gain	78
Total Net Income from Discontinued Operations from CPAIC	₱87

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
Operating	₱2,392
Investing	(1,886)
Financing	(1,956)
Net cash outflow	(₱1,450)

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

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

13. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

	2018	2017
Goodwill	**₱8,767**	₱8,767
Customer relationship	**3,883**	3,883
Software costs – net	**303**	360
Franchise – net	**2**	2
	₱12,955	₱13,012

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:

			2018		
	Toyota	**TRDCI**	**PCFI**	**TMBC**	**Total**
Balances at beginning and end of year	**₱5,597**	**₱88**	**₱2,841**	**₱241**	**₱8,767**

			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

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 16.90% in 2018 and 12.68% in 2017. Cash flows beyond the three-year period are extrapolated using a steady growth rate of 4.46% in 2018 and 3.52% in 2017. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2018 and 2017. 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 14.64% in 2018 and 9.41% in 2017. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 2.60% in 2018 and 2017. The carrying value of goodwill amounted to ₱2.84 billion as of December 31, 2018 and 2017. No impairment loss was recognized on the goodwill arising from the acquisition of PCFI.

The calculations of VIU for PCFI CGU are most sensitive to the following assumptions:

- Expected future cash inflows from real estate sales
- Growth rate; and
- Pre-tax discount rate **-** Discount rate reflects management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the VIU of PCFI, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

TMBC
The recoverable amount of TMBC CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 14.48% in 2018 and 12.40% in 2017. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 4.46% in 2018 and 3.52% in 2017. The carrying value of goodwill amounted to ₱241.06 million as of December 31, 2018 and 2017. No impairment loss was recognized on the goodwill arising from the acquisition of TMBC.

The calculations of VIU for TMBC CGU are most sensitive to the following assumptions:

- Expected future cash inflows from automobile sales
- Growth rate; and
- Pre-tax discount rate **-** Discount rate reflects management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the VIU of TMBC, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

<u>Customer Relationship</u>
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 20.1% and 15.83% in 2018 and 2017, respectively. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 4.46% in 2018 and 3.52% in 2017. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2018 and 2017. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The calculations of VIU for the customer relationship are most sensitive to the following assumptions:

- Attrition rate – Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- Earnings before interest and taxes (EBIT) margin on key customers – A 5.11% 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:

	2018	2017
Cost		
Balance at beginning of year	**₱606**	₱372
Additions	**62**	234
	668	606
Accumulated Amortization		
Balance at beginning of year	**₱246**	₱134
Amortization (Note 11)	**119**	124
Disposal/reclassification	**–**	(12)
	365	246
Net Book Value	**₱303**	₱360

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

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

The amortization of the franchise fee amounting to ₱0.33 million, ₱0.28 million and ₱0.46 million in 2018, 2017 and 2016, 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):

	2018	2017	2016
Software cost	**₱119**	₱124	₱54
Franchise	**–**	–	1
Attributable to discontinued operations (Note 12)	**–**	–	192
	₱119	₱124	₱247

14. OTHER NONCURRENT ASSETS

This account consists of:

	2018	2017
Rental and other deposits	**₱2,252**	₱662
Derivative asset (Note 16)	**469**	–
Deferred input VAT	**64**	48
Escrow fund	**26**	134
Retirement asset (Note 28)	**9**	7
Others	**74**	58
	₱2,894	₱909

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:

	2018	2017
Trade payables	**₱13,167**	₱14,289
Accrued expenses	**4,192**	4,080
Deferred output tax	**1,693**	1,497
Telegraphic transfers, drafts and acceptances payable	**1,675**	1,152
Retentions payable	**687**	671
Accrued commissions	**686**	1,037
Accrued interest payable	**579**	365
Customer advances	**578**	611
Nontrade payables	**430**	535
Payable for customer's refund	**320**	457
Royalty payable	**255**	344
Due to landowners	**34**	50
Others	**1,115**	895
	₱25,411	₱25,983

The details of trade payables are as follows:

	2018	2017
Automotive	**₱11,079**	₱11,903
Real estate	**2,081**	2,383
Others	**7**	3
	₱13,167	₱14,289

Trade payables for automotive pertain to the purchase of raw materials, spare parts and vehicles which are noninterest-bearing and are normally settled on one to 30 day-term.

Trade payables for real estate pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

The details of accrued expenses are as follows:

	2018	2017
Dealers' incentives, supports and promotions	**₱2,444**	₱2,261
Employee benefits	**421**	625
Payable to contractors	**173**	104
Freight, handling and transportation	**112**	98
Utilities and services	**97**	113
Insurance	**61**	–
Taxes	**47**	105
Rent	**35**	31
Outsourced services	**34**	48
Office supplies	**31**	122
Professional fees	**29**	1
Repairs and maintenance	**19**	34
Regulatory fees and charges	**4**	3
Others	**685**	535
	₱4,192	₱4,080

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.

Retentions payable represent a portion of construction cost withheld by the Federal Land Group and paid to the contractors upon completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 20).

Accrued commissions are settled within one (1) year.

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

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 Federal Land and other government-related payables which are non-interest bearing and are normally settled within one year. These also include other non-interest bearing payables which are all due within one year.

16. SHORT-TERM DEBT AND LONG-TERM DEBT

This account consists of:

	2018					
			Long-term debt			
	Interest rates	Short-term debt	Corporate notes	Loans payable	Subtotal	Total
Parent Company	**0.90% - 7.25%**	**₱–**	**₱–**	**₱61,075**	**₱61,075**	**₱61,075**
Federal Land Group	**2.55% - 6.71%**	**2,830**	**4,875**	**21,145**	**26,020**	**28,850**
PCFI Group	**3.95% - 7.50%**	**3,600**	**–**	**7,146**	**7,146**	**10,746**
TMPC Group	**5.00% - 6.25%**	**2,800**	**–**	**246**	**246**	**3,046**
TMBC Group	**4.85% - 5.94%**	**1,100**	**–**	**1,100**	**1,100**	**2,200**
GTCAD Group	**5.00% - 5.80%**	**170**	**–**	**–**	**–**	**170**
		10,500	**4,875**	**90,712**	**95,587**	**106,087**
Less: Deferred financing cost		**–**	**–**	**418**	**418**	**418**
		10,500	**4,875**	**90,294**	**95,169**	**105,669**
Less: Current portion of long-term debt		**–**	**25**	**795**	**820**	**820**
		₱10,500	**₱4,850**	**₱89,499**	**₱94,349**	**₱104,849**

	2017					
			Long-term debt			
	Interest rates	Short-term debt	Corporate notes	Loans payable	Subtotal	Total
Parent Company	2.60% - 5.93%	₱–	₱–	₱25,000	₱25,000	₱25,000
Federal 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

Short-term Debt

Parent Company Short -Term Loans

On June 26, 2018, the Parent Company obtained a short-term loan denominated in Japanese Yen (JPY or ¥) with a term of less than 30 days from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90% and was refinanced by a JPY-denominated long-term debt.

Total interest expense incurred on these short-term loans payable in 2018, 2017 and 2016 amounted to ₱7.04 million, ₱49.77 million and ₱172.12 million, respectively.

Federal Land Group Short -Term Loans

These are unsecured short-term borrowings amounting to ₱2.83 billion and ₱1.24 billion in 2018 and 2017, respectively, over 60 to 180 day terms obtained from affiliated and non-affiliated local banks for Federal Land Group's working capital requirements with interest rates ranging from 2.80% to 6.00%, from 2.80% to 4.00% and from 2.55% to 4.00% in 2018, 2017 and 2016, respectively.

PCFI Group Short -Term Loans

In 2018, PCFI obtained short-term loans from various non-affiliated local banks with an aggregate amount of ₱4.75 billion, of which ₱1.65 billion were settled during 2018. The said loans bear fixed interest rates ranging from 4.00% to 5.75% and have maturity dates of less than one year.

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, 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. The notes were paid in 2018.

Toyota Group Short -Term Loans

In 2018, Toyota Group availed of short-term loans from affiliated and non-affiliated local banks to finance its operating activities. These short-term loans amounted to 2.80 billion.

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 5.00% to 6.25%, 2.55% to 3.00% and 2.55% to 2.90% in 2018, 2017 and 2016, respectively.

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 its working capital requirements amounting to ₱1.10 billion and ₱0.83 billion in 2018 and 2017, respectively. The interest rates range from 2.50% to 5.65% in 2018 and 2.50% to 2.75% in 2017.

GTCAD Group Short -Term Loans
These are unsecured short short-term borrowings ranging from 30 to 90 days obtained from affiliated and non-affiliated local banks amounting to ₱0.17 billion as of December 31, 2017, to finance the working capital requirements with interest rates of 5.0% to 5.80% in 2018 and 2.50% to 2.75% in 2017.

Affiliated Short -Term Loans
These are unsecured short short-term borrowings with 30 to 180 days term obtained from MBTC, a related party. These are generally used for working capital requirements with interest rates of 4.60% to 6.00% in 2018 and 2.50% to 3.00% in 2017. Outstanding balance of these loans as of December 31, 2018 and 2017 amounted to ₱3.63 billion and ₱3.39 billion, respectively.

Total interest expense charged to operations from the above-mentioned short-term loans amounted to ₱37.68 million and ₱145.39 million in 2018 and 2017, respectively. Interest expense capitalized amounted to nil and ₱20.51 million in 2018 and 2017, respectively.

Federal Land - Corporate Notes
On July 5, 2013, the Group issued ₱4.00 billion 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, 2018 and 2017, outstanding balance amounted to ₱4.88 billion and ₱4.90 billion, respectively. As of December 31, 2018 and 2017, 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, 2018 and 2017, the Group has complied with the loan covenants.

Interest expense charged to operations amounted to ₱77.27 million in 2018, nil in 2017 and 2016. Interest expense capitalized amounted to ₱334.10 million, ₱289.73 million and ₱222.62 million in 2018, 2017 and 2016, respectively.

Long-term Loans
Parent Company Long -Term Loans
On June 26, 2018, the Parent Company obtained a short-term loan with a term of less than 30 days from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90%. This was refinanced in July 2018 with a long-term loan from three (3) non-affiliated foreign banks for an aggregate principal amount of ¥23.31 billion which will mature in July 2024 with interest rate of 3-month JPY Libor plus 0.65% spread. As of December 31, 2018, carrying value of the said loan is ₱11.00 billion.

On July 19, 2018, the Parent Company entered into an interest rate swap agreement with MUFG Bank, Ltd., Labuan Branch. Under the agreement the Parent Company, on a quarterly basis, pays fixed interest rate of 0.852% and receives floating interest rate of 3-month JPY Libor plus 0.65% spread from July 19, 2018 to July 12, 2024. On the same date, the Parent Company designated the swap as an effective hedging instrument under a cash flow hedge arrangement. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to ₱62.19 million in 2018. As of December 31, 2018 the negative fair value of the interest rate swap amounted ₱62.19 million under 'Other noncurrent liabilities' (Note 20).

In March 2018, 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 6.57% to 7.32%, with terms ranging from 10 to 12 years and maturity dates ranging from 2028 to 2030. As of December 31, 2018, the carrying value of these long-term loans payable amounted to ₱24.82 billion.

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, 2018 and 2017, the carrying value of these long-term loans payable amounted to ₱24.91 billion and ₱24.90 billion, respectively.

As of December 31, 2018 and 2017, the movement of the deferred financing cost is as follows:

	2018	2017
Balances at beginning of year	**₱103**	₱112
Additions	**275**	–
Amortization	**(32)**	(9)
Balances at end of year	**₱346**	₱103

Total interest expense incurred on these long-term loans payable in 2018, 2017 and 2016 amounted to ₱2.79 billion (including amortization of deferred financing cost of ₱31.61 million), ₱1.41 billion (including amortization of deferred financing cost of ₱9.43 million) and ₱1.41 billion (including amortization of deferred financing cost of ₱8.99 million), respectively.

Federal Land Long-Term Loans

Non-affiliated loans

In 2018, Federal Land obtained long-term loans with a non-affiliated local bank with aggregate principal amount of ₱0.75 billion. Said loans will mature on September 2021 and bear fixed interest rates ranging from 6.67% to 6.71%.

On December 22, 2014, Federal Land obtained unsecured loans from various non-affiliated banks amounting to ₱6.60 billion. The loan principal will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.86% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40.00% quarterly principal payment starting at the end of 5th year and 60.00% principal balance on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion principal payable at 40% quarterly payment at the end of 5th year to 9th year and 60.00% principal balance on maturity date with fixed interest rate of 5.05% per annum.

In 2015 to 2018, the Fed Land Group obtained long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱5.55 billion. Said loans bear fixed annual interest rates ranging from 5.00% to 6.71%, various terms ranging from 5 to 10 years and maturity dates from 2020 to 2026.

As of December 31, 2018 and 2017, the carrying value of these non-affiliated long-term loans amounted to ₱12.14 billion and ₱11.45 billion, respectively, net of unamortized deferred financing cost.

Affiliated loans (Note 27)

On June 29, 2018, Federal Land obtained a 5-year loan from MBTC, an affiliated local bank, with a principal amount of ₱2.50 billion and interest rate of 4.25% maturing on June 29, 2023.

On August 25, 2011, Federal 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, Federal Land obtained a 5-year loan from an affiliated bank with a principal amount of ₱2.00 billion and interest rate of 2.80% maturing on August 25, 2021.

On various dates in 2016, the Federal Land Group obtained 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 Federal 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 real estate projects.

As of December 31, 2018 and 2017, the carrying value of these affiliated long-term loans payable amounted to ₱8.96 billion and ₱6.47 billion, respectively, net of unamortized deferred financing cost.

As of December 31, 2018 and 2017, the movement of the deferred financing cost is as follows:

	2018	2017
Balances at beginning of year	**₱26**	₱18
Additions	**33**	18
Amortization	**(17)**	(10)
Balances at end of year	**₱42**	₱26

Interest expense charged to operations amounted to ₱235.92 million in 2018, nil in 2017, and ₱4.12 million in 2016. Interest expense capitalized from the above-mentioned loans payable amounted to ₱1.02 billion, ₱774.17 million and ₱784.83 million, in 2018, 2017 and 2016, 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 and secured by various real estate properties (Note 6). The notes were paid in full on January 26, 2017.

On July 1, 2015, PCFI entered into a three-year Promissory Note Line facility with a non-affiliated bank amounting to ₱1.00 billion. The note bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital. The note was fully paid in 2017.

On December 11, 2015, PCFI entered into a 5-year Loan Facility Agreement with a non-affiliated bank. The approved credit line was ₱6.00 billion of which ₱4.00 billion was drawn on December 31, 2015 and ₱2.00 billion was drawn on December 31, 2016. The loan bears a 6.00% interest rate payable quarterly in arrears with a grace period on the payment of principal for one year, thereafter, the principal shall be payable on quarterly installment. The net proceeds from the loan pursuant to the loan facility were used for working capital. As of December 31, 2018 and 2017, the outstanding balance of the loan amounted to ₱4.00 billion and ₱4.56 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, the outstanding balance of the note amounted to ₱1.45 billion. The note was fully paid in 2018.

Affiliated Loans (Note 27)

On July 1, 2015, the Company entered into a three-year Promissory Note Line facility with an affiliated bank amounting to ₱1.50 billion (Note 27). The note 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, the outstanding balance of the note amounted to ₱1.50 billion for both years. The loan was settled in 2018.

On June 22, 2017, WFC entered into a US Dollar denominated loan agreement with MBTC, an affiliated bank. On the same day, WFC also entered into a cross-currency swap (CCS) agreement with the same affiliated bank to hedge the foreign currency and interest rate risks in the US Dollar loan. WFC received $19.89 million on each tranche made in July, August and September 2017 for a total of $59.67 million but will pay in peso equivalent to ₱3.00 billion within 10 years in accordance with the CCS agreement. Also, WFC, on a semi-annual basis, will pay fixed interest rate of 5.13% per annum on the peso principal amounting to ₱3.00 billion and will receive floating interest rate at 6-month US Dollar LIBOR plus 0.75% on $59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. Effectively, under the swap agreement, WFC swaps its US Dollar-denominated floating rate loans into peso fixed rate loans. On the same date, WFC designated the swap as effective hedging instrument under a cash flow hedge relationship. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to positive ₱225.64 million and negative ₱26.78 million as of December 31, 2018 and 2017, respectively. As of December 31, 2018, the positive fair value of the currency swap amounting to ₱468.80 million is included in 'Derivative assets' under 'Other noncurrent assets'. 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 20).

As of December 31, 2018 and 2017, the carrying value of WFC's USD loan amounted to ₱3.15 billion (including unrealized foreign exchange loss of ₱0.15 billion) and ₱2.98 billion (including unrealized foreign exchange gain of ₱0.02 billion), respectively.

The loan has one-year grace period on principal payments and the partial payment on principal will be computed as follows:

i. 1% of original loan amount at the end of the 2nd year
ii. 3% of original loan amount at the end of 3rd, 4th and 5th year
iii. 18% of original loan amount at the end of 6th, 7th, 8th, 9th and 10th year

As of December 31, 2018 and 2017, the movement of the deferred financing cost is as follows:

	2018	2017
Balances at beginning of year	**₱43**	₱47
Additions	**–**	15
Amortization	**(16)**	(19)
Balances at end of year	**₱27**	₱43

Total interest expense incurred in 2018, 2017 and 2016 from the aforementioned loans payable amounted to ₱315.35 million, ₱415.13 million and ₱913.75 million, respectively. Interest expense capitalized as part of real estate inventories amounted to ₱76.49 million and ₱293.76 million in 2018 and 2017, respectively.

Debt Covenants
The agreements covering the above mentioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; sustaining current ratio of at least 1.75; debt-to-equity financial ratio should not be more than 2.00 and entering into any partnership, merger, consolidation or reorganization.

These restrictions and requirements were complied with by the Group as of December 31, 2018 and 2017.

TMPC Group Long-Term Loans
As of December 31, 2018 and 2017, this account consists of unsecured long-term debt of the following entities:

	2018	2017
TAPI	**₱79**	₱79
Other entities	**167**	167
	₱246	₱246

The loan from TAPI bears a fixed interest rate of 4.20% per annum. This loan is for a period of five years up to February 26, 2021 which is automatically renewed upon maturity for another period of 5 years to 10 years.

The long-term unsecured interest-bearing loans with other entities consist of a 2.7% interest-bearing 10-year term loan with a maturity date of September 28, 2025 and October 23, 2026. These loans are automatically renewed upon maturity for another 10 years.

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.86 million, ₱7.82 million and ₱7.82 million in 2018, 2017 and 2016, respectively.

TMBC Long-Term Loans
On March 21, 2016, TMBC entered into a Term Loan Facility with a non-affiliated local bank amounting to ₱1.50 billion to finance the construction of dealership facilities, with interest rates ranging from 4.85% to 5.94% and payable for a period of 10 years, inclusive of three (3) years grace period on principal repayments subject to interest rate based on 10-year PDST-R2 plus a minimum spread of 1.25%. TMBC loan is secured by a real estate mortgage. The carrying value of the mortgaged properties amounted to ₱392.70 million as of December 31, 2018 and 2017.

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, 2018 and 2017, TMBC has complied with the required financial ratios.

As of December 31, 2018 and 2017, the movement of the deferred financing cost is as follows:

	2018	2017
Balances at beginning of year	**₱4**	₱7
Additions	**–**	–
Amortization	**(1)**	(3)
Balances at end of year	**₱3**	₱4

Interest expense on long-term loans payable amounted to ₱56.17 million and ₱34.60 million in 2018 and 2017, respectively. Interest expense capitalized amounted to ₱0.77 million and ₱31.73 million in 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the carrying value of long-term loans payable amounted to ₱1.10 billion. As of December 31, 2018, current portion of long-term loans payable amounted to ₱75.12 million, of which amounts of ₱35.84 million is payable by August 29, 2019 while ₱39.29 million is payable by November 29, 2019.

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

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

As of December 31, 2018 and 2017, the Group has complied with the foregoing financial ratios.

17. BONDS PAYABLE

			Carrying Value	
Maturity Dates	Interest rate	Par Value	**2018**	2017
₱10.0 billion Bonds				
February 27, 2020	4.8371%	₱3,900	**₱3,892**	₱3,886
February 27, 2023	5.0937%	6,100	**6,069**	6,062
		10,000	**9,961**	9,948
₱12.0 billion Bonds				
November 7, 2019	4.7106%	3,000	**2,994**	2,988
August 7, 2021	5.1965%	5,000	**4,978**	4,971
August 7, 2024	5.6250%	4,000	**3,974**	3,970
		12,000	**11,946**	11,929
		22,000	**21,907**	21,877
Less: Current portion of bonds payable		(3,000)	**(2,994)**	–
		₱19,000	**₱18,913**	₱21,877

₱10.00 billion GT Capital bonds due 2020 and 2023
On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year bonds due on February 27, 2020 and February 27, 2023, respectively, with annual interest rate of 4.84% and 5.09%, respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. The bonds were listed on the Philippine Dealing and Exchange Corporation on February 27, 2013.

The net proceeds were utilized for general corporate requirements which included various equity calls (e.g., Toledo plant and Panay plant) and refinancing of corporate notes.

Prior to the relevant maturity dates, the Parent Company may redeem (in whole but not in part) any series of the outstanding bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on the fourth (4th) anniversary date for the seven-year bonds and the seventh anniversary date for the 10-year bonds (the relevant Optional Redemption Dates). The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds at the relevant Optional Redemption Date.

₱12.00 billion GT Capital bonds due 2019, 2021 and 2024
On July 24, 2014, the Parent Company issued ₱12.00 billion bonds with tenors of five years, seven years and ten years due November 7, 2019 (Series A Bonds), August 7, 2021 (Series B Bonds) and August 7, 2024 (Series C Bonds), respectively, with annual interest rates of 4.71%, 5.20% and 5.63% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. The bonds were listed on August 7, 2014.

The net proceeds were utilized for general corporate requirements which included financing of ongoing projects (e.g., Veritown Fort and Metropolitan Park), refinancing of outstanding loans, and for working capital requirement.

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third month after the fifth anniversary from issue date and (ii) for the series C bonds: the seventh anniversary from issue date (the relevant Optional Redemption Dates). The redemption price is equal to 100.00% of the principal amount together with the accrued and unpaid interest. The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

As of December 31, 2018 and 2017, the movement of the deferred financing cost is as follows:

	2018	2017
Balances at beginning of year	**₱123**	₱152
Amortization	**(30)**	(29)
Balances at end of year	**₱93**	₱123

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, 2018 and 2017, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2018, 2017 and 2016 amounted to ₱1.15 billion (including amortization of deferred financing cost of ₱30.54 million), ₱1.15 billion (including amortization of deferred financing cost of ₱28.98 million) and ₱1.15 billion, (including amortization of deferred financing cost of ₱27.51 million), respectively.

18. CUSTOMERS' DEPOSITS

As of December 31, 2018, customers' deposits represent refundable reservation fees and advance payments received from customers which can be applied as payment to the respective automotive sale transaction with the Group.

As of December 31, 2017, customers' deposits also include excess of collections over the recognized receivables based on percentage of completion. 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.

As of December 31, 2018 and 2017, the balance of this account amounted to ₱0.56 billion and ₱4.94 billion, respectively (Note 27).

19. OTHER CURRENT LIABILITIES

This account consists of:

	2018	2017
Withholding taxes payable	**₱424**	₱544
VAT payable	**318**	644
Others	**101**	41
	₱843	₱1,229

Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one year.

20. LIABILITIES ON PURCHASED PROPERTIES AND OTHER NONCURRENT LIABILITIES

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

In 2017, Federal Land entered into a contract with Kabayan Realty Corporation (KRC) to acquire certain land for ₱2.26 billion. Upon execution of the contract, Federal Land paid KRC with 22% downpayment amounting to ₱500.00 million and the outstanding balance amounting to ₱1.76 billion shall be paid in five installments with 3.00% interest per annum based on the outstanding balance. The outstanding balance was discounted at the prevailing market rate of 4.75% and the discounted liability as of December 31, 2018 and 2017 amounted to ₱1.44 billion and ₱1.66 billion, respectively.

In 2017, HLPDC entered into various contracts to acquire parcels of land for ₱161.37 million. Upon execution of the contracts, HLPDC paid ₱93.99 million and the outstanding balance amounting to ₱67.37 million shall be paid in 2018. The outstanding balance as of December 31, 2017 amounted to ₱67.37 million.

In 2012, Federal Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in 13 years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2018 and 2017 amounted to ₱1.85 billion and ₱2.00 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.29 billion and ₱3.73 billion as of December 31, 2018 and 2017, respectively (Note 27).

Other Noncurrent Liabilities

This account consists of:

	2018	2017
Retentions payable - noncurrent portion	**₱1,024**	₱917
Refundable and other deposits	**676**	455
Provisions (Note 36)	**399**	740
Derivative liabilities (Note 16)	**62**	47
Finance lease obligation - net	**8**	8
	₱2,169	₱2,167

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors after an agreed period commencing the completion of the project.

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five to ten years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied to the unpaid rentals upon termination of the lease contract.

Provisions consist of:

	2018	2017
Claims and assessments	**₱199**	₱522
Product warranties	**200**	218
	₱399	₱740

21. CONTRACT BALANCES AND COST TO OBTAIN A CONTRACT

The contract balances of the Group consist of the following:

	2018
Contract Assets	
Current	₱8,329
Noncurrent	6,886
	₱15,215
Contract Liabilities	
Current	₱8,787
Noncurrent	–
	₱8,787

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

Contract liabilities consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

The amount of revenue recognized in 2018 from amounts included in contract liabilities at the beginning of the year amounted to ₱1.55 billion.

Cost to Obtain a Contract

The balances below pertain to the cost to obtain contracts included in 'Prepayments and other current assets' (see Note 7):

	2018
Balance at beginning of year, as previously reported	₱328
Effect of adoption of PFRS 15 (Note 2)	(144)
Balance at beginning of the year, as restated	184
Additions during the year	780
Amortization	(728)
	₱236

22. EQUITY

Capital Stock and Additional Paid-in Capital
As of December 31, 2018 and 2017, the paid-up capital consists of the following (amounts in millions, except for number of shares):

	Shares		Amount	
	2018	2017	**2018**	2017
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	**199,337,584**	192,596,685	**1,994**	1,926
Subtotal			**₱3,211**	₱3,143
Additional paid-in capital			**85,592**	78,940
			₱88,803	₱82,083

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, 2018 and 2017, the total number of shareholders of common stock of the Parent Company is 80 and 72, respectively.

Stock Dividends
The BOD and Shareholders of the Parent Company approved on March 16, 2018 and May 9, 2018, respectively, the declaration of a 3.5% stock dividend in favor of the Parent Company's shareholders of common stock. The record and payment dates were set on July 9, 2018 and August 2, 2018, respectively.

On August 2, 2018, the 3.5% stock dividend equivalent to 6,740,899 common shares were issued and listed in the Philippine Stock Exchange.

Retained Earnings
On December 6, 2018, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱17.00 billion to be earmarked for strategic investment in property development in 2019. In March 2019, ₱16.60 billion out of ₱17.00 billion was reversed.

On December 7, 2017, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱19.00 billion to be earmarked for strategic investment in financial services in 2018. Said appropriation was reversed in March 2018 upon completion of the purpose of appropriation.

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.

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 16, 2018	₱0.00377	₱0.66	April 4, 2018	April 13, 2018
March 21, 2017	0.00377	0.66	April 4, 2017	April 20, 2017
March 10, 2016	0.00377	0.66	April 8, 2016	May 4, 2016
Perpetual Preferred Shares				
Series A				
December 6, 2018	11.57475	56.01	January 3, 2019	January 28, 2019
December 6, 2018	11.57475	56.01	April 3, 2019	April 29, 2019
December 6, 2018	11.57475	56.01	July 3, 2019	July 29, 2019
December 6, 2018	11.57475	56.01	October 3, 2019	October 28, 2019
December 7, 2017	11.57475	56.01	January 3, 2018	January 29, 2018
December 7, 2017	11.57475	56.01	April 3, 2018	April 27, 2018
December 7, 2017	11.57475	56.01	July 3, 2018	July 27, 2018
December 7, 2017	11.57475	56.01	October 3, 2018	October 29, 2018
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

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
Series B				
December 6, 2018	12.73725	91.21	January 3, 2019	January 28, 2019
December 6, 2018	12.73725	91.21	April 3, 2019	April 29, 2019
December 6, 2018	12.73725	91.21	July 3, 2019	July 29, 2019
December 6, 2018	12.73725	91.21	October 3, 2019	October 28, 2019
December 7, 2017	12.73725	91.21	January 3, 2018	January 29, 2018
December 7, 2017	12.73725	91.21	April 3, 2018	April 27, 2018
December 7, 2017	12.73725	91.21	July 3, 2018	July 27, 2018
December 7, 2017	12.73725	91.21	October 3, 2018	October 29, 2018
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 16, 2018	₱3.00	₱577.79	April 4, 2018	April 13, 2018
March 21, 2017	5.00	871.50	April 4, 2017	April 20, 2017
March 10, 2016	6.00	1,045.80	April 8, 2016	May 4, 2016

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, 2018 and 2017.

In addition, certain amount of retained earnings is required to be maintained to enable the Group to meet certain financial ratios as stipulated in the loan covenants.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Class of stock	Total amount (in millions)	Record date	Payment date
Federal Land	December 28, 2018	Preferred Shares-A	₱240.00	December 28, 2018	February 28, 2019
	December 28, 2018	Preferred Shares-B	272.58	December 28, 2018	February 28, 2019
	February 26, 2018	Common	100.00	April 24, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-A	240.00	December 15, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-B	272.58	December 15, 2017	February 28, 2018
	February 17, 2017	Common	100.00	February 17, 2017	March 15, 2017
	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
PCFI	February 28, 2018	Preferred Shares-A	1,145.00	June 30, 2017	*
	December 13, 2016	Preferred Shares-A	1,334.64	June 29, 2016	December 15, 2016
Toyota	May 22, 2018	Common	12,482.39	December 31, 2017	May 2018
	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
TMBC	December 5, 2018	Common	115.00	December 31, 2017	January 28, 2019

**To be set upon the recommendation of the Chief Finance Officer*

Other comprehensive income

Other comprehensive income consists of the following, net of applicable income taxes:

	2018	2017	2016
Net unrealized gain on AFS investments	**(₱734)**	₱841	₱186
Net unrealized loss on remeasurement of retirement plan	**(106)**	(236)	(221)
Cash flow hedge reserve (Note 16)	**53**	(14)	–
Cumulative translation adjustments	**–**	(2)	–
Equity in other comprehensive income of associates:			
Equity in cumulative translation adjustments	**(2,674)**	(705)	677
Equity in net unrealized loss on remeasurement of retirement plan	**(711)**	(987)	(869)
Equity in net unrealized loss on AFS investments	**(331)**	(4,689)	(2,547)
Equity in remeasurement on life insurance reserves	**186**	(190)	–
Equity in cash flow hedge reserves	**105**	20	12
Equity in other equity adjustments of associates	**5**	(13)	(13)
	(₱4,207)	(₱5,975)	(₱2,775)

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:

	2018	2017	2016
Beginning balance, as previously reported	**₱27,679**	₱26,433	₱46,401
Effect of adoption of PFRS 9	**(92)**	–	–
Effect of adoption of PFRS 15	**(559)**	–	–
Beginning balance, as restated	**27,028**	26,433	46,401
Share of non-controlling interest shareholders on:			
Net income	**4,516**	7,069	7,893
Other comprehensive income	**246**	(31)	498
Cash dividends paid to non-controlling interest shareholders	**(6,925)**	(5,791)	(5,910)
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	**–**	–	687
Additional stock issuance of a subsidiary	**45**	–	–
	₱24,910	₱27,679	₱26,433

Financial Information of Subsidiaries

The financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interests held by non-controlling interests

	Nature of Business	Direct Ownership 2018	Direct Ownership 2017	Effective Ownership 2018	Effective Ownership 2017
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

	2018	2017
PCFI	**₱13,487**	₱14,157
TMPC	**10,118**	12,278

Net income for the period allocated to material non-controlling interests

	2018	2017
TMPC	**₱4,024**	₱6,712
PCFI	**407**	176

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2018 and 2017:

	2018		2017	
	TMPC	**PCFI**	TMPC	PCFI
Statement of Financial Position				
Current assets	**₱25,475**	**₱34,982**	₱34,436	₱22,829
Non-current assets	**10,953**	**5,703**	7,723	16,057
Current liabilities	**20,027**	**11,595**	20,936	7,425
Non-current liabilities	**1,163**	**6,974**	2,074	8,265
Dividends paid to non-controlling interests	**6,306**	**561**	5,776	–
Statement of Comprehensive Income				
Revenues	**160,090**	**10,379**	186,282	6,941
Expenses	**149,120**	**8,838**	169,051	6,370
Net income	**8,097**	**1,180**	13,431	723
Total comprehensive income	**8,602**	**1,416**	13,334	751
Statement of Cash Flows				
Net cash provided by operating activities	**5,593**	**2,763**	16,945	1,275
Net cash used in investing activities	**(2,453)**	**(1,421)**	(2,065)	(2,098)
Net cash provided by (used in) financing activities	**(12,723)**	**(1,156)**	(10,922)	(745)

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 2018 and 2017.

The Parent Company considers total equity as its capital amounting to ₱108.37 billion and ₱105.27 billion as of December 31, 2018 and 2017, 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:

	2018	2017	2016
Interest income on:			
Installment contracts receivable (Note 5)	**₱1,613**	₱1,723	₱1,721
Cash and cash equivalents (Note 4)	**398**	4	373
Short-term investments (Note 4)	**25**	316	26
Receivables	**–**	–	119
Others	**46**	42	23
	₱2,082	₱2,085	₱2,262

Interest income on installment contracts receivable consist of accretion of unamortized discount of Federal Land and interest income from collections of Federal Land and PCFI. Accretion of unamortized discount amounted to ₱1.21 billion, ₱1.32 billion and ₱1.29 billion in 2018, 2017 and 2016, respectively. Interest income from collections amounted to ₱0.44 billion, ₱0.41 billion and ₱0.43 billion in 2018, 2017 and 2016, respectively.

Other Income
This account consists of:

	2018	2017	2016
Ancillary income	**₱710**	₱769	₱665
Real estate forfeitures, charges and penalties	**281**	201	235
Management fee (Note 27)	**206**	76	234
Subscription income	**166**	95	–
Dividend income	**152**	8	–
Unrealized gain on financial assets at FVTPL	**59**	–	–
Gain on disposal of property and equipment (Note 11)	**23**	23	50
Others (Note 5)	**861**	435	402
	₱2,458	₱1,607	₱1,586

Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee includes services rendered by Federal Land and PCFI in the administration of different projects related to the joint venture (Note 27).

24. COST OF GOODS AND SERVICES SOLD

Cost of goods and services sold consists of:

	2018	2017	2016
Beginning inventory			
Automotive	**₱4,734**	₱6,861	₱1,891
Gasoline, retail and petroleum products	**10**	9	7
Food	**7**	1	1
	4,751	6,871	1,899
Add: Net purchases	**130,815**	145,571	125,624
Total inventories available for sale	**135,566**	152,442	127,523
Less: Ending inventory (Note 6)			
Automotive	**5,646**	4,734	6,861
Gasoline, retail and petroleum products	**10**	10	9
Food	**6**	7	1
Subtotal (Note 6)	**129,904**	147,691	120,652
Cost adjustments	**(574)**	(202)	764
Internal and other transfers	**(200)**	(368)	(82)
Direct labor	**523**	365	38
Overhead (Note 30)	**196**	227	688
	₱129,849	₱147,713	₱122,060

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:

	2018	2017	2016
Raw materials, beginning	**₱1,423**	₱1,329	₱1,382
Purchases	**28,745**	35,350	29,486
Total materials available for production	**30,168**	36,679	30,868
Less: Raw materials, end	**1,371**	1,423	1,329
Raw materials placed in process	**28,797**	35,256	29,539
Direct labor	**357**	400	372
Manufacturing overhead	**3,797**	4,084	3,876
Total cost of goods placed in process	**32,951**	39,740	33,787
Work-in-process, beginning	**12**	13	68
Total Cost of goods in process	**32,963**	39,753	33,855
Less: Work-in-process, ending	**33**	12	13
Total cost of goods manufactured	**32,930**	39,741	33,842
Finished goods, beginning	**19**	66	63
Total goods available for sale/transfer	**32,949**	39,807	33,905
Less: Finished goods, ending	**978**	19	66
Other transfers	**162**	153	47
	₱31,809	₱39,635	₱33,792

26. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	2018	2017	2016
Salaries, wages and employee benefits (Notes 27 and 28)	**₱3,676**	₱3,347	₱2,866
Advertising and promotions	**2,107**	1,915	1,838
Taxes and licenses	**2,048**	1,608	2,010
Commissions	**1,818**	1,536	1,394
Delivery and handling	**768**	709	586
Depreciation and amortization (Note 11)	**782**	655	495
Light, water and other utilities	**576**	496	420
Office supplies	**214**	418	244
Outside services	**456**	388	223
Unrealized foreign exchange losses	**146**	385	468
Repairs and maintenance	**274**	311	258
Professional fees	**250**	236	429
Transportation and travel	**200**	232	183
Rent (Note 30)	**169**	159	149
Provision of product warranties	**85**	121	121
Communications	**83**	82	93
Entertainment, amusement and recreation	**75**	72	89
Insurance	**48**	44	40
Administrative and management fees	**23**	59	55
Royalty and service fees	**12**	11	13
Provision for inventory losses	**51**	23	1
Provision for (recoveries from) credit losses (Note 5)	**(1)**	13	(6)
Donation	**1**	3	–
Provisions for other expenses	**–**	–	353
Others	**179**	76	515
	₱14,040	₱12,899	₱12,837

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, joint venture, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associates, joint venture and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates.

Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following table shows the related party transactions included in the consolidated financial statements.

	December 31, 2018		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Significant investor			
Accounts payable		**₱1**	Consultancy fee payable
Consultancy fee	**₱3**		Consultancy fee
Associates			
Cash and cash equivalents	**33,502**	**10,390**	Due and Demandable; fixed interest rates. Unsecured
Short-term investments	**18**	**335**	Interest bearing at prevailing market rate; due and demandable. Unsecured
Commission receivable		**32**	Non-interest bearing; due and demandable. Unsecured
Interest receivable		**12**	Interest on time deposit placements with MBTC at 4.0% to 6.7% p.a.
Rent receivable		**23**	Non-interest bearing; due and demandable. Unsecured
Receivable from sharing of expenses		**39**	Non-interest bearing; due and demandable. Unsecured
Financial assets at FVTPL	**3,000**	**3,181**	FVTPL investment
Due from related parties		**44**	Non-interest bearing; due and demandable. Unsecured
Investment and advances (Note 8)	**22,495**	**22,495**	Participation in MBTC's stock rights offering and initial investment in an associate
Other noncurrent assets	**1**	**47**	Non-interest bearing; due and demandable. Unsecured
Accounts and other payables	**8**	**2**	Non-interest bearing; due and demandable; Unsecured
Short term notes payable		**1,100**	With interest 3%-6% due in 2019. Unsecured
Due to related parties		**16**	Non-interest bearing; due and demandable. Unsecured
Loans payable		**12,000**	Various; fixed interest rates. Unsecured
Gain on UITF investments	**66**		Realized and unrealized gain on unit investment trust fund
Interest income	**110**		Various; fixed rate
Management fee income	**9**		Service fee in the administration of different project
Commission income	**10**		Commission fee received from selling or marketing the real estate units
Rent income	**127**		Lease of office space
Interest expenses	**219**		Various; fixed rate
Trust and agency fees	**4**		Retainer's and trustee fee
Joint ventures			
Management fee receivable		**50**	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable		**100**	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable		**1**	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses		**635**	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables		**28**	Non-interest bearing; due and demandable; Unsecured; no impairment
Due from related parties	**516**	**566**	Non-interest bearing; due and demandable; Unsecured; no impairment
Investment properties	**184**	**184**	Purchased properties
Investment and advances (Note 8)	**7,241**	**7,241**	Additional/initial investment in associates and joint ventures
Property and equipment	**86**	**86**	Purchased properties
Due to related parties	**15**	**15**	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission income	**37**		Commission fee received from selling or marketing the real estate units
Management fee income	**110**		Service fee in the administration of different project related to the JV
Rent income	**52**		Lease of office space
Miscellaneous expenses			Event charges for media and analyst briefing

(Forward)

	December 31, 2018		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Other related parties			
Cash and cash equivalents	**₱34**	**₱218**	Due and demandable, unsecured, no impairment; Fixed;
Interest receivable		**50**	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable		**(8)**	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable		**4**	Non-interest bearing; due and demandable; Unsecured; no impairment
Non-trade receivables	**64**	**44**	Within one (1) year, non-interest-bearing. Unsecured, no impairment
Prepaid expenses and others		**1**	Car plan insurance and directors and officers liability insurance premium
Dividends receivables	**7**		Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses		**31**	Non-interest bearing; due and demandable; Unsecured; no impairment
Long-term loans receivable		**662**	With interest of 3.15%; Payable in 2022. Unsecured
Management fee receivable		**175**	Due and demandable
Due from related parties		**56**	Non-interest bearing; due and demandable; Unsecured; no impairment
Accounts and other payables	**119**	**8,553**	Within one (1) year, non-interest-bearing. Unsecured.
Royalty payable		**154**	25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Due to related parties		**173**	Non-interest bearing; due and demandable; Unsecured; no impairment
Liabilities on purchased properties (Note 20)	**(441)**	**3,293**	With 3.00% interest; payable annually until 2026; unsecured
Loans payable	**3**	**1,928**	With 3% interest; payable annually until 2026. Unsecured
Commission income	**10**		Commission fee received from selling or marketing the real estate units
Management fee income	**60**		Due and Demandable
Interest income	**41**		Interest income from cash and cash equivalents
Rent income	**92**		Lease of office space
Royalty and technical assistance fee	**1,019**		25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Insurance expense	**2**		Car plan insurance and directors and officers liability insurance premium

	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

(Forward)

	December 31, 2017		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
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
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
Trade 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	1,931	1,931	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 estate 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
Trade 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	December 31, 2017 Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
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

Details of the transactions with affiliates are as follows:

Cash and cash equivalents and short-term investments
The Group maintains cash and short-term deposits accounts with MBTC, an associate. The Group also has cash and short-term deposits with other related parties such as Metrobank Card Corporation and PSBank, which are subsidiaries of MBTC. Cash and cash equivalents earn interest at the prevailing investment rates (Note 4).

AFS investments
In 2016, the Parent Company invested in UITF products of MBTC. As of December 31, 2017, the Parent Company's investment in UITF amounted to ₱0.61 billion (Note 10).

Financial assets at FVTPL
As of December 31, 2018, the Parent Company's investment in UITF amounted to ₱3.18 billion (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, Federal Land entered into a loan agreement with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The outstanding balance of long-term loans receivable as of December 31, 2018 and 2017 amounted to ₱641.88 million and ₱652.17 million, respectively (Note 5).

Investment Property
In 2018, Federal Land acquired condominium units at a gross consideration of ₱326.40 million from BLRDC with unrealized gain of ₱142.64 million (Note 8).

Property and equipment
In 2018, Federal Land acquired condominium units at a gross consideration of ₱142.01 million from BLRDC with unrealized gain of ₱55.52 million (Note 8).

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 2.50% to 6.00%, from 2.50% to 5.13% and from 2.55% to 5.29% per annum in 2018, 2017 and 2016, respectively (Note 16).

Management fee
Management fee amounting to ₱109.85 million, ₱37.48 million and ₱41.76 million in 2018, 2017 and 2016, respectively, pertains to the income received from a joint venture of Federal Land with SFNBRDC, NBLRDI, BLRDC and STRC (Note 23).

Lease agreements
Federal Land entered into operating lease agreements for the use of office spaces in GT Tower International Building. The terms of lease range from 5 to 10 years and are generally renewable for 5 years. The rent is payable monthly with annual rent escalation rates ranging from 5% to 8%. The rental income on these leases amounted to ₱326.75 million, ₱130.34 million and ₱179.47 million in 2018, 2017 and 2016, 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, 2018, 2017 and 2016 follow:

	2018	2017	2016
Short-term employee benefits	**₱713**	₱643	₱606
Post-employment benefits	**87**	81	59
	₱800	₱724	₱665

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, 2018 and 2017 amounted to ₱2.43 billion and ₱2.04 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, 2018 and 2017 (in absolute amounts):

	December 31, 2018		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Parent			
Investment in equity securities		**₱9,030,450**	Unsecured with no impairment
Gain on sale of shares	**₱24,346**		Income from sale of shares
Associate			
Savings deposit		**23,571**	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		**87,498,000**	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		**19,832,750**	Unsecured with no impairment
Investment in UITF		**4,123,970**	Unsecured with no impairment
Interest income	**8,663,321**		Income earned from savings and time deposit
Gain on sale of shares	**631,243**		Income from sale of shares
Gain on sale of UITF	**10,797**		Income from sale of UITF

	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

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

28. PENSION PLAN

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made annually.

Principal actuarial assumptions used to determine pension obligations follow:

		2018		
		Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2018**	**3.93% to 5.00%**	**7.00% to 8.00%**	**7.30% to 7.44%**
Automotive	**-do-**	**3.71% to 5.00%**	**4.90% to 8.00%**	**7.26% to 7.37%**
Financial	**-do-**	**3.50%**	**8.00%**	**7.38%**

		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%

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:

	2018	2017
Retirement asset (Note 14)	**(₱9)**	(₱7)
Retirement liability	**859**	1,399
Net retirement liability	**₱850**	₱1,392

The net pension liability and asset recognized in the Group's consolidated statements of financial position are as follows:

		Net benefit cost					**Remeasurements in other comprehensive income**						
	January 1, 2018	**Current service cost**	**Net interest**	**Past service cost**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions paid**	**December 31, 2018**
Present value of defined benefit obligation	**₱3,433**	**₱248**	**₱185**	**₱58**	**₱491**	**(₱118)**	**₱–**	**(₱97)**	**₱1**	**(₱433)**	**(₱529)**	**₱–**	**₱3,277**
Fair value of plan assets	**(2,041)**	**–**	**(125)**	**–**	**(125)**	**111**	**196**	**–**	**–**	**–**	**196**	**(568)**	**(2,427)**
Net defined benefit liability	**₱1,392**	**₱248**	**₱60**	**₱58**	**₱366**	**(₱7)**	**₱196**	**(₱97)**	**₱1**	**(₱433)**	**(₱333)**	**(₱568)**	**₱850**

		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2017	Current service cost	Net interest	Past service cost	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2017
Present value of defined benefit obligation	₱3,183	₱238	₱158	₱–	₱396	(₱84)	₱–	₱41	₱3	(₱106)	(₱62)	₱–	₱3,433
Fair value of plan assets	(1,514)	–	(77)	–	(77)	71	107	–	–	–	107	(628)	(2,041)
Net defined benefit liability	₱1,669	₱238	₱81	₱–	₱319	(₱13)	₱107	₱41	₱3	(₱106)	₱45	(₱628)	₱1,392

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:

	2018	2017
Cash and cash equivalents	**₱89**	₱334
Investment in government securities	**1,798**	1,181
Investment in equity securities	**406**	362
Investment in debt and other securities	**129**	112
Receivables	**4**	22
Investment in mutual funds	**4**	33
Others	**–**	(1)
Liabilities	**(3)**	(2)
	₱2,427	₱2,041

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:

	2018		2017
	Possible Fluctuations	**Increase (Decrease)**	Increase (Decrease)
Discount rates	**+1%**	**(₱205)**	(₱244)
	-1%	**232**	276
Future salary increase rate	**+1%**	**249**	290
	-1%	**(223)**	(260)

The Group expects to contribute ₱376.27 million to its defined benefit pension plan in 2019.

The average duration of the defined benefit retirement liability at the end of the reporting period is 16.63 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments:

Less than 1 year	₱201
More than 1 year to 5 years	1,572
More than 5 years to 10 years	2,604
More than 10 years to 15 years	1,921
More than 15 years to 20 years	2,134
More than 20 years	7,988

The Group does not currently have any asset-liability matching study.

29. INCOME TAXES

Provision for income tax account consists of:

	2018	2017	2016
Current	**₱4,117**	₱4,209	₱4,377
Deferred	**(29)**	248	126
Final	**83**	67	83
	₱4,171	₱4,524	₱4,586

The components of the Group's deferred taxes as of December 31, 2018 and 2017 are as follows:

Net deferred tax asset:

	2018	2017
Deferred tax asset on:		
Retirement benefit obligation	**₱412**	₱505
Deferred intercompany gain	**326**	–
Accrued expenses	**98**	77
Allowance for impairment losses	**93**	22
Warranties payable and other provisions	**57**	66
Unamortized past service cost from pension obligation	**27**	24
Allowance for inventory obsolescence	**25**	25
NOLCO	**25**	7
Unearned gross profit on ending inventories	**23**	–
Deferred gross profit	**–**	114
Unrealized foreign exchange gain	**–**	40
Others	**36**	14
	1,122	894
Deferred tax liability on:		
Capitalized custom duties	**32**	28
Unearned gross profit on real estate sales	**20**	5
Unrealized foreign exchange gain	**12**	–
Deferred financing cost	**7**	–
Unearned gross profit on ending inventories	**–**	11
Others	**27**	119
	98	163
Net deferred tax asset	**₱1,024**	₱731

Net deferred tax liability:

	2018	2017
Deferred tax asset on:		
Unrealized gain on sale of land	**₱685**	₱725
Excess of cost over fair value of investment property	**101**	107
Unearned income	**56**	52
Prepaid commission	**54**	79
Retirement benefit obligation	**46**	48
Provision for impairment losses on receivables	**29**	–
Unearned gross profit on ending inventories	**23**	13
Interest expense on Day 1 loss	**13**	20
Accrued expenses	**–**	32
Allowance for probable losses	**5**	6
Others	**6**	6
	1,018	1,088
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent Company	**5,055**	5,133
Capitalized borrowing cost and guarantee fees	**1,099**	933
Excess of book basis over tax basis of deferred gross profit	**441**	255
Fair value adjustment on acquisition - by subsidiaries	**147**	219
Cash flow hedge reserve	**97**	–
Unamortized discount on long-term payable	**59**	83
Lease differential	**17**	20
Deferred financing costs – bonds	**16**	17
Retirement asset	**3**	2
Accrued income	**–**	13
Others	**43**	7
	6,977	6,682
Net deferred tax liability	**₱5,959**	₱5,594

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

The Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2018	₱4,076	₱–	₱4,076	2021
2017	2,891	–	2,891	2020
2016	3,149	(101)	3,048	2019
2015	1,882	(1,882)	–	2018
	₱11,998	(₱1,983)	₱10,015	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2018	₱3	₱–	₱3	2021
2016	2	–	2	2019
	₱5	₱–	₱5	

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:

	2018	2017	2016
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	**(0.22)**	(0.18)	(0.06)
Nondeductible interest and other expenses	**2.16**	0.85	1.05
Change in unrecognized deferred tax assets	**4.68**	3.97	5.05
Nontaxable income	**(15.75)**	(10.27)	(17.28)
Operating income within ITH	**(2.70)**	(7.10)	(1.99)
Others	**0.79**	0.28	0.26
Income subjected to lower tax rate	**(0.07)**	–	–
Effective income tax rates	**18.89%**	17.55%	17.03%
Continuing operations	**18.89%**	17.55%	16.89%
Disposal group	**–**	–	0.14
	18.89%	17.55%	17.03%

Board of Investments (BOI) Incentives

Federal Land

The BOI issued a Certificate of Registration (COR) as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: PGMH - Narra Tower and PGMH - Mandarin Tower are entitled to ITH from 2013 to 2016 and Axis Residences Tower A is entitled to ITH from 2015 to 2018.

PCFI

On various dates, the BOI issued in favor of PCFI the COR as a new developer of Mass Housing Project for its 31 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects were granted an ITH for a period of three (3) to four (4) years commencing on various dates from 2014 to 2017 and expiring on various dates from 2017 to 2020.

TMPC
TMPC is registered with the BOI as a:

- Participant in the Car Development Program and Commercial Vehicle Development Program.
- Pioneer status for the production of Vios. Under its terms and conditions, TMPC shall be entitled to ITH from July 2, 2013 to July 1, 2019 for revenues generated from this vehicle model subject to achievement of certain percentage of local value added.
- Non-pioneer status for the production of Innova. Under its terms and conditions, TMPC shall be entitled to ITH from April 2016 to April 2020 for portion (as determined by its Logistic Efficiency Index) of revenues generated from this vehicle model.
- Participant in Comprehensive Automotive Resurgence Strategy (CARS) Program. BOI approved TMPC's enrollment of its locally-produced vehicle model to the CARS Program on June 27, 2016. Under the terms of registration, TMPC shall be entitled to Fixed Investment Support and Production Volume Incentives subject to achievement of production volume and localization of body shells and large plastic parts.

30. LEASE COMMITMENT

The Group as a lessee
The Group is a party under various lease agreements including the lease of premises occupied by the Parent Company, office space leased for the Group's branches, land leased for Federal Land Group's mall and gasoline station and lease of parking spaces with terms ranging from one (1) to 10 years. Rent expense included under 'General and administrative expenses' amounted to ₱168.98 million, ₱158.78 million and ₱149.49 million in 2018, 2017 and 2016, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the 'Cost of goods and services sold' account, amounting to ₱22.89 million, ₱22.12 million and ₱23.66 million in 2018, 2017 and 2016, respectively (Note 24).

As of December 31, 2018 and 2017, the future minimum rental payments are as follows:

	2018	2017
Within one year	**₱92**	₱118
After one year but not more than five years	**342**	478
More than five years	**15**	42
	₱449	₱638

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 ₱1.26 billion, ₱0.94 billion and ₱0.83 billion, in 2018, 2017 and 2016, respectively (Note 9). The cost of rental services amounting ₱476.37 million, ₱360.43 million and ₱326.35 million in 2018, 2017 and 2016, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses (Note 11).

As of December 31, 2018 and 2017, the future minimum rental receipts from these lease commitments are as follows:

	2018	2017
Within one year	**₱708**	₱676
After one year but not more than five years	**1,565**	1,066
More than five years	**605**	521
	₱2,878	₱2,263

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 assets 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.

32. FAIR VALUE MEASUREMENT

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and short-term cash investments
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities of these instruments.

Receivables
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 6.78% to 8.00% and 3.24% to 12.00% as of December 31, 2018 and 2017, 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, 2018 and 2017.

Due from and to related parties
The carrying amounts approximate fair values due to short-term in nature. Related party receivables and payables are due and demandable.

Financial assets at FVTPL
These pertain to the Group's investment in UITFs. UITFs are ready-made investments that allow pooling of funds from different investors with similar investments objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities.

Financial assets at FVOCI - quoted
The fair value of quoted equity securities is based on the quoted market prices or binding dealer price quotations, without any deduction for transaction cost.

Financial assets at FVOCI - unquoted
The fair value of unquoted equity securities is estimated based on the market data approach that makes use of market multiples derived from a set of comparables. Multiples were determined that is most relevant to assessing the value of unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

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.

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.

Derivative financial instruments
The fair values of cross currency and interest rate swap transactions are derived using acceptable valuation method. The valuation assumptions are based on market conditions existing at the reporting dates.

Accounts and other payables
The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable and bonds payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term portion of loans payable with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using applicable interest rates for similar types of loans as of reporting date. The interest rates used ranged from 0.085% to 7.35% and 2.55% to 5.94% for the year ended December 31, 2018 and 2017, 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.

	2018				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	**₱3,181**	**₱–**	**₱3,181**	**₱–**	**₱3,181**
Financial assets at FVOCI					
Quoted equity securities	**10,631**	**10,631**	**–**	**–**	**10,631**
Unquoted equity securities	**317**	**–**	**–**	**317**	**317**
Other noncurrent assets					
Derivative asset	**469**	**–**	**469**	**–**	**469**
	₱14,598	**₱10,631**	**₱3,650**	**₱317**	**₱14,598**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	**₱2,401**	**₱–**	**₱–**	**₱2,384**	**₱2,384**
Loans receivables	**932**	**–**	**–**	**1,075**	**1,075**
Non-financial Assets					
Investment in listed associates	**144,254**	**138,521**	**–**	**–**	**138,521**
Investment properties	**17,728**	**–**	**–**	**37,451**	**37,451**
	₱165,315	**₱138,521**	**₱–**	**₱40,910**	**₱179,431**
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	**₱62**	**₱–**	**₱62**	**₱–**	**₱62**
	₱62	**₱–**	**₱62**	**₱–**	**₱62**

(Forward)

	2018				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	**₱3,293**	**₱–**	**₱–**	**₱3,004**	**₱3,004**
Loans payable	**105,669**	**–**	**–**	**108,252**	**108,252**
Bonds payable	**21,907**	**20,565**	**–**	**–**	**20,565**
	₱130,869	**₱20,565**	**₱–**	**₱111,256**	**₱131,821**

	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 measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	₱47	₱–	₱47	₱–	₱47
	₱47	₱–	₱47	₱–	₱47
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

As of December 31, 2018 and 2017, 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 or Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

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

Valuation Techniques

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

Significant Unobservable Inputs

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

33. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group's principal financial instruments are composed of cash and cash equivalents, short-term investments, receivables, due from related parties, financial assets at FVOCI and financial assets at FVTPL/AFS investments, accounts and other payables, due to/from related parties, loans payable and derivative liabilities.

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

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

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's respective financing and treasury functions focus on managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

<u>Credit Risk</u>
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, 2018 and 2017, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium and residential units collateral is greater than the carrying value of the installment contracts receivable.

a. *Credit quality per class of financial assets*

   The credit quality of the financial assets was determined as follows:

   Cash and cash equivalents and long term cash investment based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 90 days past due.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2018						
	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)	**₱14,297**	**₱–**	**₱–**	**₱14,297**	**₱–**	**₱–**	**₱14,297**
Short-term investments (Note 4)	**65**	**–**	**–**	**65**	**–**	**–**	**65**
Receivables (Note 5)							
Installment contracts receivable	**2,062**	**–**	**–**	**2,062**	**315**	**24**	**2,401**
Trade receivables	**5,287**	**34**	**263**	**5,584**	**4,093**	**4**	**9,681**
Loans receivable	**932**	**–**	**–**	**932**	**–**	**–**	**932**
Nontrade receivables	**935**	**153**	**92**	**1,180**	**223**	**35**	**1,438**
Accrued rent and commission income	**444**	**–**	**–**	**444**	**4**	**31**	**479**
Management fee receivables	**253**	**–**	**–**	**253**	**–**	**–**	**253**
Accrued interest receivable	**180**	**–**	**–**	**180**	**–**	**30**	**210**
Others	**717**	**–**	**–**	**717**	**121**	**135**	**973**
Due from related parties (Note 27)	**612**	**–**	**–**	**612**	**–**	**54**	**666**
	₱25,784	**₱187**	**₱355**	**₱26,326**	**₱4,756**	**₱313**	**₱31,395**

**Excludes cash on hand amounting to ₱56.15 million*

	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.*

As of December 31, 2018 and 2017, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2018								
	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)	**₱14,297**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱14,297**
Short-term investments (Note 4)	**65**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**65**
Receivables (Note 5)									
Installment contracts receivable	**2,062**	**95**	**63**	**70**	**8**	**79**	**315**	**24**	**2,401**
Trade receivable	**5,584**	**1,412**	**1,353**	**537**	**341**	**450**	**4,093**	**4**	**9,681**
Loans receivable	**932**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**932**
Non-trade receivable	**1,180**	**109**	**29**	**22**	**32**	**31**	**223**	**35**	**1,438**
Accrued rent and commission income	**444**	**1**	**1**	**1**	**1**	**–**	**4**	**31**	**479**
Management fee receivables	**253**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**253**
Accrued interest receivable	**180**	**–**	**–**	**–**	**–**	**–**	**–**	**30**	**210**
Others	**717**	**49**	**–**	**–**	**–**	**72**	**121**	**135**	**973**
Due from related parties (Note 27)	**612**	**–**	**–**	**–**	**–**	**–**	**–**	**54**	**666**
	₱26,327	**₱1,666**	**₱1,446**	**₱630**	**₱382**	**₱632**	**₱4,756**	**₱313**	**₱31,395**

**Excludes cash on hand and cash in other financial institution amounting to ₱56.15 million and ₱69.33 million, respectively.*

	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*

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, 2018			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	**₱14,310**	**₱–**	**₱–**	**₱14,310**
Short-term investments (Note 4)	**65**	**–**	**–**	**65**
Receivables (Note 5)				
Installment contracts receivables	**820**	**1,846**	**907**	**3,573**
Trade receivables	**9,681**	**–**	**–**	**9,681**
Loans receivable	**163**	**1,191**	**–**	**1,354**
Nontrade receivable	**1,438**	**–**	**–**	**1,438**
Accrued rent and commissions income	**479**	**–**	**–**	**479**
Management fee receivables	**253**	**–**	**–**	**253**
Accrued interest receivable	**210**	**–**	**–**	**210**
Dividend receivable	**12**	**–**	**–**	**12**
Others	**973**	**–**	**–**	**973**
Due from related parties (Note 27)	**666**	**–**	**–**	**666**
Financial assets at FVTPL (Note 10)				
Investments in UITF	**3,181**	**–**	**–**	**3,181**
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	**–**	**–**	**10,631**	**10,631**
Unquoted	**–**	**–**	**317**	**317**
Derivative assets (Note 14)	**–**	**–**	**469**	**469**
Total undiscounted financial assets	**₱32,251**	**₱3,037**	**₱12,324**	**₱47,612**
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	**₱13,168**	**₱–**	**₱–**	**₱13,168**
Accrued expenses	**4,208**	**–**	**–**	**4,208**
Contract liabilities	**7,874**	**–**	**–**	**7,874**
Retentions payable	**687**	**1,024**	**–**	**1,711**
Telegraphic transfers and drafts and acceptances payable	**1,675**	**–**	**–**	**1,675**
Accrued commissions	**651**	**–**	**–**	**651**
Accrued interest payable	**579**	**–**	**–**	**579**
Nontrade payables	**430**	**–**	**–**	**430**
Royalty payable	**255**	**–**	**–**	**255**
Due to landowners	**34**	**–**	**–**	**34**
Others	**1,460**	**–**	**–**	**1,460**
Dividends payable	**1,198**	**–**	**–**	**1,198**
Loans payable (Note 16)	**12,698**	**42,994**	**95,339**	**151,031**
Bonds payable (Note 17)	**4,105**	**17,328**	**4,136**	**25,569**
Due to related parties (Note 27)	**204**	**–**	**–**	**204**
Liabilities on purchased properties (Note 20)	**582**	**2,287**	**762**	**3,631**
Derivative liabilities (Note 20)	**–**	**–**	**62**	**62**
Total undiscounted financial liabilities	**₱41,934**	**₱63,633**	**₱100,299**	**₱205,866**
Liquidity Gap	**(₱9,683)**	**(₱60,596)**	**(₱87,975)**	**(₱158,254)**

**Excludes cash on hand amounting to ₱56.15 million.*

	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 20)	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.*

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Parent Group's primary risk management objective is to reduce the Group's exposure to changes in foreign exchange rates. To manage the currency risk, the Group enters into hedging activities.

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$34.75 million and JP¥1.28 billion as of December 31, 2018 and US$142.63 million and JP¥15.62 million as of December 31, 2017. Short-term investments denominated in foreign currency amounted to JP¥130.00 million as of December 31, 2018 and US$32.21 million and JP¥120.00 million as of December 31, 2017. Receivables denominated in foreign currency amounted to US$0.46 million as of December 31, 2017. Accounts and other payables denominated in foreign currency amounted to US$179.85 million and JP¥14.27 million as of December 31, 2017. Loans payables denominated in foreign currency amounted to US$59.68 million and JP¥23.31 billion as of December 31, 2018 and US$59.68 million as of December 31, 2017.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱52.72 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.48 to JP¥1.00 as at December 31, 2018 and ₱49.92 to US$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.44 to JP¥1.00 as at December 31, 2017.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar 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, 2018 and 2017. There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

	Currency	Change in Variable	Increase (Decrease) in Income Before Tax
2018	**US$**	**₱1.85**	**(₱32)**
		(1.85)	**32**
	JP¥	**0.0002**	**(4)**
		(0.0002)	**4**
2017	US$	₱1.74	(₱78)
		(1.74)	78
	JP¥	0.0002	–
		(0.0002)	–
2016	US$	₱1.79	(₱117)
		(1.79)	117
	JP¥	0.0003	–
		(0.0003)	–

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.

Fair Value Hedge
The Group's primary risk management strategy is to reduce the Group's exposure to changes in foreign exchange rates. In this regard, the Parent Company designated a layer of its JPY-denominated long-term loan (the "Hedging Instrument") to hedge the variability in the fair value arising from the translation of its investment in TMC (the "Hedged Item") amounting to JPY22.05 billion due to fluctuations in JPY/PHP foreign exchange (FX) rates. The hedged risk is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to fluctuations in JPY/PHP FX rates (foreign currency risk). The hedged item is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to foreign currency risk. The hedging instrument is the of JPY22.05 billion layer of the principal amount of its long-term loan with various lenders. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively and retrospectively. All designated hedging relationships were sufficiently effective as of December 31, 2018.

Economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of investments amounting to JPY22.05 billion while the hedging instruments create the exact offset of this risk. Since the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Parent Company's and the counterparty's credit risk were monitored for adverse changes. The Group assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per Group's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since only a layer of the long-term loan which exactly matches the notional amount of the hedged item was designated as hedging instrument.

Interest rate risk
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

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	**2018**	2017	2016
100 basis points (bps)	**₱–**	₱–	₱–
100 bps	**–**	–	–

As of December 31, 2018 and 2017, the Group has no financial instruments subject to floating interest rates.

Cash Flow Hedge
Interest rate swap
The Parent Company entered into an interest rate swap (IRS) agreement to hedge the variability in the interest cash flows arising from its floating rate loan with various lenders (the "Loan"), attributable to changes in the three-month Japanese Yen ICE LIBOR (3m JPY LIBOR). The hedged risk is variability in interest cash flows of the Loan attributable to changes in the 3m JPY LIBOR (interest rate risk). The hedged item is the interest cash flows on the Loan which is based on 3m JPY LIBOR + margin, floored at 0%. The hedging instrument is an IRS under which the Parent Company will pay fixed interest at a rate of 0.852% per annum and receive variable interest based on 3m JPY LIBOR. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2018.

An economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged item creates an exposure to pay 3m JPY ICE LIBOR (floored at 0%) + 0.65%, settled quarterly. The hedging instrument creates an exact offset of this exposure with a consequence of paying a fixed interest payment of 0.852% per annum. Since most of the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Company's and the counterparty's credit risk was monitored for adverse changes. The Company assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per Company's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the IRS exactly matches the notional amount of the Loan. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

Cross currency swap
WFC entered into a CCS agreement to hedge the variability in the cash flows of its USD loan arising from foreign currency exchange rates and the variability in the interest cash flows arising from the floating interest rate of the same USD loan attributable to the changes in six-month USD LIBOR (6m USD LIBOR). The hedged risk is variability in the cash flows from the translation of its USD Loan amounting to $59.67 million due to fluctuations in USD/PHP FX rates (foreign currency risk) and variability in the interest cash flows of the USD Loan attributable to changes in the 6m USD LIBOR (interest rate risk). The hedged items are the variability in the cash flows arising from the translation of the USD loan due to foreign currency risk and the interest cash flows on the USD Loan which is based on 6m USD LIBOR + 0.75% (the Hedged Items). The hedging instrument is the CCS under which WFC will pay in peso equivalent to ₱3.00 billion but will receive $59.67 million and pays fixed interest rate of 5.13% per annum on ₱3.00 billion principal but will receive floating interest rate at 6m USD LIBOR plus 0.75% on $59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. The terms of the hedging relationships will end in June 2027. The effectiveness of hedging relationship is tested prospectively and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2018.

An economic relation between the hedged items and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of $59.67 million loan and an exposure to pay 6m LIBOR +0.75%, settled semi-annually (interest rate risk). The hedging instrument creates an exact offset of these exposures with a consequence of paying a fixed interest payment of 5.13% per annum. Since the critical terms of the hedged items and the hedging instrument matched, a clear economic relationship was established. WFC and the counterparty's credit risk were monitored for adverse changes. WFC assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per WFC's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the CCS exactly matches the notional amount of the USD Loan. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

The Group is holding the following hedging instruments designated as cash flow hedges as of December 31, 2018:

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**More than 2 years**	**Total**
As at 31 December 2018						
Interest Rate Swap						
Fixed interest rate (%)	0.852%	0.852%	0.852%	0.852%	0.852%	0.852%
Cross Currency Swap						
Fixed interest rate (%)	5.13%	5.13%	5.13%	5.13%	5.13%	5.13%

The table below sets out the effect of hedge accounting on the Group's statement of financial position, statements of income and other comprehensive income and statement of changes in equity as of December 31, 2018:

	Carrying value	**Change in fair value of hedged item used for measuring ineffectiveness**	**Effective portion recognized in OCI**	**Hedge ineffectiveness recognized in the income statement**
Floating rate loans				
Cross-currency swap				
Other noncurrent asset (Note 14)	₱469	₱469	₱469	₱–
Interest rate swap				
Other noncurrent liabilities (Note 20)	62	62	62	–

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits. There is no ineffectiveness recognized in the profit or loss as the changes in the fair value of the hedged items used as basis for recognizing hedge ineffectiveness equals to the carrying amount of the hedging instruments.

The movement in cash flow hedge reserve follows:

	2018	2017
Beginning balance	**(₱27)**	(₱47)
Net unrealized gain on cash flow hedge	**314**	20
Ending balance (gross of tax)	**287**	(27)
Deferred tax	**(97)**	–
Ending balance (net of tax)	**₱190**	(₱27)

Equity price risk

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's financial assets at FVOCI and AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2018	**Increase by 32.36%**	**₱3,392**
	Decrease by 32.36%	**(3,392)**
2017	Increase by 24.73%	₱373
	Decrease by 24.73%	(373)
2016	Increase by 28.85%	₱248
	Decrease by 28.85%	(248)

The table below shows the sensitivity to a reasonably possible change in the Tokyo Stock Exchange index (TSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's financial assets at FVOCI. The analysis links TSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the TSEi for the past year. The analysis is based on the assumption that last year's TSEi volatility will be more or less the same in the following year.

	Percentage change in TSEi	Increase (decrease) in total comprehensive income
2018	Increase by 19.69%	₱1,856
	Decrease by 19.69%	(1,856)

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, 2018, 2017 and 2016 were computed as follows (amounts in million, except earnings per share):

	2018	2017	2016
a.) Net income attributable to equity holders of the Parent Company from continuing operations	**₱13,390**	₱14,182	₱10,631
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(590)**	(590)	(105)
c.) Net income attributable to common shareholders of the Parent Company from continuing operations	**12,800**	13,592	10,526
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported		187	174
e.) Basic/diluted earnings per share, as previously reported (c / d)		₱72.76	₱60.39
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018	**199**	193*	180*
g.) Basic/diluted earnings per share, as restated in 2017 and 2016 (e / f)	**₱64.21**	₱70.29	₱58.34

Restated to show the effect of stock dividends distributed in 2018

The basic/diluted earnings per share from discontinued operations attributable to equity holders of the Parent Company for the years ended December 31, 2016 were computed as follows (amounts in million, except earnings per share):

	2016
a.) Net income attributable to equity holders of the Parent Company from discontinued operations	₱4,003
b.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	174
c.) Basic/diluted earnings per share, as previously reported (a / b)	₱22.97
d.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018	180*
e.) Basic/diluted earnings per share, as restated (c / d)	₱22.20

**Restated to show the effect of stock dividends distributed in 2018*

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2018, 2017 and 2016 were computed as follows:

	2018	2017	2016
a.) Net income attributable to equity holders of the Parent Company	**₱13,390**	₱14,182	₱14,634
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(590)**	(590)	(105)
c.) Net income attributable to common shareholders of the Parent Company	**12,800**	13,592	14,529
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported		187	174
e.) Basic/diluted earnings per share, as previously reported (c / d)		₱72.76	₱83.35
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018	**199**	193*	180*
g.) Basic/diluted earnings per share, as restated in 2017 (e / f)	**₱64.21**	₱70.29	₱80.54

**Restated to show the effect of stock dividends distributed in 2018*

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

35. OPERATING SEGMENTS

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has the following reportable segments:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry and financing institution;
- Automotive operations are engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;
- Infrastructure is engaged in the water distribution, toll operation, power sector, hospitals and rail;
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments); and

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRSs, 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.

Notes to Consolidated Financial Statements

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, 2018 and 2017:

	December 31, 2018					
	Real Estate	**Financial Institution**	**Automotive Operations**	**Infrastructure**	**Others**	**Total**
Revenue	**₱18,508**	**₱–**	**₱179,117**	**₱–**	**₱–**	**₱197,625**
Other income	**3,346**	**–**	**1,053**	**–**	**202**	**4,601**
Equity in net income of associates and joint venture	**(115)**	**9,506**	**–**	**2,126**	**–**	**11,517**
	21,739	**9,506**	**180,170**	**2,126**	**202**	**213,743**
Cost of goods and services sold	**673**	**–**	**129,176**	**–**	**–**	**129,849**
Cost of goods manufactured and sold	**–**	**–**	**31,809**	**–**	**–**	**31,809**
Cost of rental	**476**	**–**	**–**	**–**	**–**	**476**
Cost of real estate sales	**12,609**	**–**	**–**	**–**	**–**	**12,609**
General and administrative expenses	**5,739**	**–**	**8,074**	**–**	**227**	**14,040**
	19,497	**–**	**169,059**	**–**	**227**	**188,783**
Earnings before interest and taxes	**2,242**	**9,506**	**11,111**	**2,126**	**(25)**	**24,960**
Depreciation and amortization	**542**	**–**	**1,547**	**–**	**7**	**2,096**
EBITDA	**2,784**	**9,506**	**12,658**	**2,126**	**(18)**	**27,056**
Interest income	**1,629**	**–**	**332**	**–**	**121**	**2,082**
Interest expense	**(728)**	**–**	**(285)**	**–**	**(3,952)**	**(4,965)**
Depreciation and amortization	**(542)**	**–**	**(1,547)**	**–**	**(7)**	**(2,096)**
Pretax income	**3,143**	**9,506**	**11,158**	**2,126**	**(3,856)**	**22,077**
Provision for income tax	**(1,215)**	**–**	**(2,932)**	**–**	**(24)**	**(4,171)**
Net income	**₱1,928**	**₱9,506**	**₱8,226**	**₱2,126**	**(₱3,880)**	**₱17,906**
Segment assets	**₱133,872**	**₱ 118,157**	**₱56,430**	**₱33,850**	**₱17,441**	**₱359,750**
Segment liabilities	**₱66,038**	**₱–**	**₱27,865**	**₱–**	**₱83,560**	**₱177,463**

	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

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:

	2018	2017	2016
Domestic	**₱207,610**	₱231,855	₱194,229
Foreign	**8,215**	7,956	7,895
	₱215,825	₱239,811	₱202,124

36. CONTINGENCIES

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

In order to partially guarantee the completion of Federal Land's ongoing projects and in the ordinary course of the Group's business, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱3.45 billion and ₱2.01 billion as of December 31, 2018 and 2017, respectively.

37. EVENTS AFTER THE REPORTING DATE

On January 28, 2019, 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, 2019.

On January 28, 2019, 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 c series B stockholders as of record date January 3, 2019.

On March 26, 2019, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting to ₱598.01 million, or Three Pesos (₱3.00) per share in favor of GT Capital's common stockholders of record as of April 10, 2019, payable on or before April 25, 2019.

On March 26, 2019, 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 10, 2019 and payment date on April 25, 2019.

On March 26, 2019, the BOD of the Parent Company approved the declaration of an 8.0% stock dividend, subject to shareholder's approval.

38. CONSOLIDATED STATEMENTS OF CASH FLOWS

Below are the noncash operating, investing and financing transactions of the Group:

	2018	2017	2016
Transfers between investment property and inventories (Note 6)	**₱533**	₱2,775	₱3,378
Borrowing cost capitalized to inventories (Note 6)	**1,622**	1,408	1,575
Fair value of previously held interest	**–**	–	969
Reclassification during the year:			
Prepayments and other current assets	**–**	998	–
Land held for future development	**–**	(1,416)	–
Investment properties	**–**	(561)	–
Property and equipment	**–**	561	–
Accounts and other payables	**–**	418	–
Fair value of net assets acquired from business combinations:			
Assets			
Cash and cash equivalents	**–**	1	177
Receivables	**–**	44	906
Inventories	**–**	321	467
Prepayments and other current assets	**–**	67	35
Property and equipment	**–**	–	1,290
Investment properties	**–**	484	–
Deferred tax assets	**–**	–	39
Intangible assets	**–**	–	22
Other noncurrent assets	**–**	2	–
Liabilities			
Accounts and other payables		28	526
Customer's deposits	**–**	–	32
Loans payable – current	**–**	789	810
Due to related parties	**–**	30	–
Other current liabilities	**–**	–	18
Income tax payable	**–**	–	22
Deferred tax liabilities on fair value increment	**–**	94	198
Pension liabilities	**–**	–	67
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
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
(Forward)			

The following are the changes in liabilities in 2018 and 2017 arising from financing activities including both cash and non-cash changes:

	January 1, 2018	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2018
Short-term debt (Note 16)	₱6,033	₱32,314	(₱27,847)	₱–	₱–	₱–	₱–	₱10,500
Current portion of long-term debt (Note 16)	2,467	(17)	(3,506)	–	–	17	1,859	820
Long-term debt – net of current portion (Note 16)	57,021	38,989	(75)	195	–	67	(1,848)	94,349
Current portion of bonds payable	–	–	–	–	–	–	2,994	2,994
Bonds payable (Note 17)	21,877	–	–	–	–	30	(2,994)	18,913
Current portion of liabilities on purchased properties (Notes 20 and 27)	582	–	(503)	–	–	–	337	416
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	3,152	–	–	–	62	–	(337)	2,877
	₱91,132	₱71,286	(₱31,931)	₱195	₱62	₱114	₱11	₱130,869

* *Others include effect of business combination and reclassification from noncurrent to current portion.*

	January 1, 2017	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2017
Short-term debt (Note 16)	₱6,697	₱31,549	(₱33,002)	₱–	₱–	₱–	₱789	₱6,033
Current portion of long-term debt (Note 16)	1,581	–	(4,995)	–	–	–	5,881	2,467
Long-term debt – net of current portion (Note 16)	56,475	6,805	(400)	(20)	–	42	(5,881)	57,021
Bonds payable (Note 17)	21,848	–	–	–	–	29	–	21,877
Current portion of liabilities on purchased properties (Notes 20 and 27)	166	250	(166)	–	–	–	332	582
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	1,993	1,479	–	–	12	–	(332)	3,152
	₱88,760	₱40,083	(₱38,563)	(₱20)	₱12	₱71	₱789	₱91,132

* *Others include effect of business combination and reclassification from noncurrent to current portion.*

39. APPROVAL FOR THE RELEASE OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on March 26, 2019.

Corporate Directory

METROPOLITAN BANK & TRUST COMPANY
Metrobank Plaza
Senator Gil Puyat Avenue
1200 Makati City, Philippines
Tel: (+632) 898-8000
Fax: (+632) 817-6355
www.metrobank.com.ph

TOYOTA MOTOR PHILIPPINES CORPORATION
Toyota Special Economic Zone
Santa Rosa-Tagaytay Highway
4026 Santa Rosa City, Laguna
Tel: (+632) 825-8888
Fax: (+632) 843-5799
Customer Assistance Hotline:
(+632) 819-2912
www.toyota.com.ph

FEDERAL LAND, INC.
20th Floor, GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
1227 Makati City, Philippines
Tel: (+632) 883-6888
Fax: (+632) 856-3847
www.federalland.com.ph

PROPERTY COMPANY OF FRIENDS, INC.
55 Tinio Street, Brgy. Addition Hills
1550 Mandaluyong City, Philippines
Office Trunkline: (+632) 727-8000
Customer Hotline: (+632) 727-7000
www.profriends.com

AXA PHILIPPINES
34th Floor, GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
1227 Makati City, Philippines
Office Trunkline: (+632) 885-0101
Customer Hotline: (+632) 5815-AXA (292)
www.axa.com.ph

METRO PACIFIC INVESTMENTS CORPORATION
10th Floor, MGO Building
Legaspi corner Dela Rosa Streets
0721 Makati City, Philippines
Tel: (+632) 888-0888
Fax: (+632) 888-0813
www.mpic.com.ph

TOYOTA MANILA BAY CORPORATION
EDSA Extension Corner Roxas Boulevard
1308 Pasay City, Philippines
Tel: (+632) 581-6168
Fax: (+632) 581-6185
www.toyotamanilabay.com.ph

TOYOTA FINANCIAL SERVICES PHILIPPINES CORPORATION
42nd Floor GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
1227 Makati City, Philippines
Office Trunkline: (+632) 858-8500
Customer Hotline: (+632) 757-8500
Fax: (+632) 815-4150
www.toyotafinancial.ph

SUMISHO MOTOR FINANCE CORPORATION
12th Floor, PSBank Center
Paseo de Roxas corner Sedeño Streets
Makati City, Philippines
Tel: (+632) 802-6806
www.sumisho.com.ph

GT CAPITAL AUTO DEALERSHIP HOLDINGS, INC.
43rd Floor GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
1227 Makati City, Philippines
Tel: (+632) 836-4500
www.gtcapital.com.ph

Corporate Information

GT CAPITAL HOLDINGS, INC.
43rd Floor, GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
1227 Makati City, Philippines
Tel (+632) 836-4500
Fax (+632) 836-4159
gtcap@gtcapital.com.ph
www.gtcapital.com.ph

GT Capital welcomes inquiries from analysts, the financial community, and institutional investors. Please write or call:

JOSE B. CRISOL, JR.
First Vice President/Head, Investor Relations, Strategic Planning, and Corporate Communications
43rd Floor, GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
1227 Makati City, Philippines
Tel (+632) 836-4500 local 7913
ir@gtcapital.com.ph

STOCK TRANSFER AGENT
Metropolitan Bank & Trust Company
Metrobank Trust Banking Group
16th Floor, Metrobank Office Center Block
Grand Hyatt Manila
8th Avenue corner 35th Street
Bonifacio Global City, Taguig, Philippines
Tel: (+632) 857-5600
Fax: (+632) 858-8010 and 8517
Email: tbg-tasd@metrobank.com.ph

GT CAPITAL
HOLDINGS INCORPORATED

43rd Floor, GT Tower International
6813 Ayala Ave. corner H.V. Dela Costa St.
1227 Makati City, Philippines
Tel (+632) 836-4500
Fax (+632) 836-4159
gtcap@gtcapital.com.ph
www.gtcapital.com.ph