COVER SHEET

CS200711792
S.E.C. Registration Number

GT CAPITAL HOLDINGS, INC.

(Company's Full Name)

43rd FLOOR, GT TOWER INTERNATIONAL AYALA AVENUE CORNER H.V DELA COSTA STREET MAKATI CITY

(Business Address: No. Street City / Town Province)

Renee Lynn M. Atienza
Contact Person

836-45-00
Company Telephone Number

12 Month 31 Day

Fiscal Year

Preliminary Information Statement SEC Form 20-IS

Form Type

Second Wednesday of May

Regular Meeting

Certificate of Permit to Offer Securities for Sale (Order #092)
Secondary License type, if applicable

MSRD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = Pls. use black ink for scanning purposes.

Notice of Annual Stockholders' Meeting
May 08, 2019 at 3:00 p.m.
Metrobank Auditorium, Second Floor, Metrobank Plaza
Sen. Gil Puyat Avenue, Makati City

To all Stockholders:

Please take notice that the 2019 annual stockholders' meeting of GT Capital Holdings, Inc. will be held on May 08, 2019 at 3:00 p.m. at the Metrobank Auditorium, Second Floor, Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. Registration shall begin at 2:30 p.m. The agenda of the meeting is set forth below:

A G E N D A

1. Call to order
2. Certification of notice and quorum
3. Approval of minutes of the annual meeting of stockholders held on May 9, 2018
4. Annual Report for the Year 2018
5. General ratification of the acts of the Board of Directors, Executive Committee, and Management from the date of the last annual stockholders' meeting up to the date of this meeting
6. Election of directors for 2019 – 2020
7. Appointment of external auditor
8. Approval of Stock Dividend for Common Shares
9. Adjournment

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on April 10, 2019 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you are requested to accomplish the attached proxy form and return the same to the office of the Secretary at the 43/F, GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City 1227 on or before 5:00 p.m. on April 24, 2019.

For your convenience in registering your attendance, please bring a valid form of identification with a photograph, such as a passport, driver's license, or company I.D.

Makati City, March 26, 2019.

BY THE ORDER OF THE BOARD OF DIRECTORS

Original Signed

ANTONIO V. VIRAY
Corporate Secretary
GT CAPITAL HOLDINGS, INC.

PROXY

The undersigned stockholder of GT Capital Holdings, Inc. (the "Company") hereby appoints ______________________________ or in his absence, the Chairman of the meeting, as *attorney and proxy*, with the power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on **May 08, 2019** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous Annual Stockholders' Meeting held on May 9, 2018

   ___ Yes ___ No ____ Abstain

2. Approval of Annual Report for the year 2018

   ___ Yes ___ No ____ Abstain

3. Ratification of all acts and resolutions of the Board of Directors, Executive Committee and Management from the date of the last annual stockholders' meeting up to date of this meeting

   ___ Yes ___ No ____ Abstain

4. Election of external auditor

   ___ Yes ___ No ____ Abstain

5. Approval of Stock Dividend for Common Shares

   ___ Yes ___ No ____ Abstain

5. Election of Directors

___ Vote for all nominees listed below

Mr. Arthur Vy Ty
Mr. Francisco C. Sebastian
Mr. Alfred Vy Ty
Mr. Carmelo Maria Luza Bautista
Dr. David T. Go
Atty. Regis V. Puno
Mr. Pascual M. Garcia III
Mr. Jaime Miguel G. Belmonte, Jr.
Mr. Wilfredo A. Paras
Mr. Renato C. Valencia
Mr. Rene J. Buenaventura

___ Withhold authority for all nominees listed above

___ Withhold authority to vote for the nominees listed below

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______________________	______________________	______________________
PRINTED NAME OF STOCKHOLDER	SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY	DATE

THIS PROXY SHOULD BE REQUIRED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 24, 2019,** THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVED AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS OR HER INTENTION TO VOTE IN PERSON.

EXPLANATION / RATIONALE OF AGENDA ITEMS

1. **Call to order**
   The Chairman of the Board will call to order the Annual Meeting of the Stockholders of the Corporation.

2. **Certification of notice and quorum**
   The Corporate Secretary will certify that copies of the notice of the meeting were delivered to holders of the Corporation's shares of stock as of April 10, 2019 Record Date and that a quorum exists for the valid transaction of the business in the agenda.

3. **Approval of minutes of the May 9, 2018 Annual Stockholders' Meeting**
   The Chairman of the Board will entertain a motion to approve the minutes of the May 9, 2018 Annual Stockholders' Meeting. The draft minutes were posted on the GT Capital website on May 10, 2018.

4. **Annual Report for the Year 2018**
   The Chairman of the Board will call on the President, Mr. Carmelo Maria Luza Bautista, to render his report for the year 2018. After the President's report, the Chairman of the Board will entertain comments or questions from the stockholders present.

5. **General ratification of the acts of the Board of Directors, Executive Committee, and Management from the date of the last annual stockholders' meeting up to the date of this meeting**
   The Chairman of the Board will entertain a motion to ratify all acts, transactions, and resolutions of the Board of Directors, the Executive Committee, and Management from the date of the 2018 annual stockholders' meeting up to May 08, 2019.

6. **Election of directors for 2019-2020**
   The Nominations Committee Chairman will explain the nomination procedure under the current SEC rules. Thereafter, a nomination for election to the Board of Directors of the eleven (11) candidates who have been pre-qualified by the Nominations Committee will be entertained. After the nomination is closed and seconded, the Chairman will announce the names of the directors who were elected to serve on the Board.

7. **Appointment of external auditor**
   The Audit Committee Chairman will explain the procedure for the appointment of the external auditor. Thereafter, the Chairman of the Board will entertain a motion for the appointment of the Corporation's external auditor.

8. **Approval of Stock Dividend for Common Shares**
   The Chairman of the Board will entertain a motion to approve the declaration of a 8.0% stock dividend equivalent to approximately 15,950,000 shares to its common stockholders as of record date.

9. **Adjournment**
   The Chairman of the Board will inquire whether there are other matters to be discussed and will entertain a motion for adjournment if no other matters are raised.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [X] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter: **GT CAPITAL HOLDINGS, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **CS200711792**

5. BIR Tax Identification Code: **006-806-867**

6. Address of principal office: **43/F, GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines** Postal Code: **1227**

7. Registrant's telephone number, including area code: **(632) 836-4500**

8. Date, time and place of the meeting of security holders: **May 08, 2019 at 3:00 p.m., to be held at the Metrobank Auditorium, Second Floor, Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 15, 2019**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC (information on number of shares and amount of debt is applicable only to corporate registrants):

    a) Shares of Stock

Title of Each Class	Number of Shares/ Amount of Debt Outstanding
Common Shares	**199,337,584**
Series A Perpetual Preferred Shares (GTPPA)	**4,839,240**
Series B Perpetual Preferred Shares (GTPPB)	**7,160,760**
Amount of Debt Outstanding	**21,907,866,338**

    b) Debt securities: Php22 Billion Bonds

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ____X______ No __________

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Type of Share	**Stock Exchange**
Common Shares	Philippine Stock Exchange
GTPPA	Philippine Stock Exchange
GTPPB	Philippine Stock Exchange
Corporate Retail Bonds	Philippine Dealing and Exchange Corporation

    The Corporation's Voting Preferred Shares are not listed in any stock exchange.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) The Annual Stockholders' Meeting of GT Capital Holdings, Inc. ("GT Capital" or the "Corporation") is scheduled to be held on May 08, 2019 at 3:00 p.m. at the Metrobank Auditorium, Second Floor, Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. The complete mailing address of the principal office of the registrant is 43/F, GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa Street, Makati City, Metro Manila, Philippines 1227.

(b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 15, 2019.

Statement that proxies are not solicited

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.

Voting Securities

The record date for purposes of determining the stockholders entitled to vote is April 10, 2019. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 373,637,584, shares composed of 199,337,584 Common Shares and 174,300,000 Voting Preferred Shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Revised Corporation Code of the Philippines (the "Revised Corporation Code").

Item 2. **Dissenters' Right of Appraisal**

Pursuant to Section 80 of the Revised Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence;

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;

(c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation

A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

(a) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver on his appraisal right;

(b) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 85), the fair value thereof; and

(c) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

(a) No director or officer of the Corporation since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director in the Corporation has given written notice that he intends to oppose any action to be taken by the Corporation at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) As of February 28, 2019, the total number of shares outstanding and entitled to vote in the stockholders' meeting and the percentage holdings are as follows:

	Total Outstanding Shares	Shares Allowed to Foreigners	Foreign Shares	Local Shares
Common (Listed)	199,337,584	79,735,033.60	62,125,109	137,212,475
Preferred (Unlisted)	174,300,000	69,720,000	1,326,161	172,973,839
Total	373,637,584	149,455,033.60	63,451,270	310,186,314
Percentage	100%	40%	16.98%	83.02%

Each class of shares is entitled to one vote per share.

(b) The record date for determining the stockholders entitled to notice and to vote is April 10, 2019.

(c) All stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, each stockholder shall have one vote for each share of stock entitled to vote, whether Common or Voting Preferred, and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made under a statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

In the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 23 of the Revised Corporation Code of the Philippines.

(d) Security Ownership of Certain Record and Beneficial Owners as of December 31, 2018:

As of December 31, 2018, the following are the owners of more than 5% of the Company's voting stocks:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Grand Titan Capital Holdings, Inc. 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner **Arthur Vy Ty** is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	111,494,128	55.93%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients[1]	Foreign	61,696,894	30.95%
Common	PCD Nominee Corp. (Filipino)	Various Clients[1]	Filipino	25,512,240	12.80%
Voting Preferred	Grand Titan Capital Holdings, Inc. 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner	Filipino	170,490,640	97.81%

(1) PCD Nominee Corporation ("PCDNC") is a wholly owned subsidiary of the Philippine Central Depository ("PCD") and acts as trustee-nominee for all shares lodged in the PCD system where trades effected on the Philippine Stock Exchange are finally settled and lodged. Persons who opt to trade through the PCD do not receive stock certificates as an evidence of ownership, as trading using the PCD is completely paperless. Beneficial ownership of shares lodged with the PCDNC (Filipino/Non-Filipino) remains with the lodging stockholder.

Security Ownership of Management as of December 31, 2018

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/ (I) indirect	Citizenship	Percent of Class
Common	Arthur V. Ty	103,500 (D) 12,174 (I)	Filipino	0.0519% 0.0061%
Common	Alfred V. Ty	103,500 (D) 12,174 (I)	Filipino	0.0519% 0.0061%
Common	Francisco C. Sebastian	104 (D) 93,150 (I)	Filipino	0.0000% 0.0467%
Common	Anjanette T. Dy Buncio	50,504 (I)	Filipino	0.0253%
Common	Carmelo Maria Luza Bautista	1,035 (D) 12,420 (I)	Filipino	0.0005% 0.0062%
Common	Francisco H. Suarez, Jr.	5,175 (I)	Filipino	0.0026%
Perpetual	Francisco H.	1000 (I)	Filipino	0.0207%

Preferred Shares (GTPPA)	Suarez, Jr.			
Common	Alesandra T. Ty	17,865 (I)	Filipino	0.0089%
Perpetual Preferred Share (GTPPA)		1900 (I)	Filipino	0.0393%
Perpetual Preferred Shares (GTPPB)		1100 (I)	Filipino	0.0154%
Common	Jaime Miguel G. Belmonte	1,035 (D)	Filipino	0.0005%
Common	Wilfredo A. Paras	1,035 (D)	Filipino	0.0005%
Common	Renato C. Valencia	1,035(D)	Filipino	0.0005%
Common	Farrah Lyra Q. De Ala	287 (I)	Filipino	0.0001%
Common	Winston Andrew L. Peckson	281 (I)	Filipino	0.0001%
Common	Reyna Rose P. Manon-Og	204I)	Filipino	0.0001%
Common	David T. Go	104 (D)	Filipino	0.0000%
Common	Pascual M. Garcia III	104 (D)	Filipino	0.0000%
Common	Regis V. Puno	104 (D)	Filipino	0.0000%
Common	Rene J. Buenaventura	104 (D)	Filipino	0.0000%
Common	Renee Lynn Miciano-Atienza	47(I)	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		50 (I)	Filipino	0.0007%
Common	Antonio P. A. Zara**	0	Filipino	0.0000%
Common	Antonio V. Viray	0	Filipino	0.0000%
Common	Jocelyn Y. Kho	0	Filipino	0.0000%
Common	Jose B. Crisol	0	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		50 (I)	Filipino	0.0007%
Common	Susan E. Cornelio	0	Filipino	0.0000%
Common	Leo Paul C. Maagma	0	Filipino	0.0000%
Common	Elsie D. Paras	0	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		300 (I)	Filipino	0.0042%
Total Common **GTPPA** **GTPPB**		**211,660 (D)** **204,281(I)** **2,900(I)** **<u>1,500(I)</u>** **<u>420,341 (Tot)</u>**		**0.2087%** **0.0599%** **0.0209%**

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of December 31, 2018.

(e) Change in Control

The Corporation is not aware of any change in control or arrangement that may result in a change in control of the Corporation since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Corporation.

Item 5. **Directors and Executive Officers of the Registrant**

(a) The incumbent Directors and Executive Officers of the Corporation are as follows:

(i) <u>Board of Directors</u>

<u>Board of Directors</u>

Office	Name	Age	Citizenship
Chairman	Arthur Vy Ty	52	Filipino
Co-Vice Chairman	Francisco C. Sebastian	64	Filipino
Co-Vice Chairman	Alfred Vy Ty	51	Filipino
Director/President	Carmelo Maria Luza Bautista	61	Filipino
Director	Regis V. Puno	60	Filipino
Director	David T. Go	65	Filipino
Director	Pascual M. Garcia III	65	Filipino
Lead Independent Director	Renato C. Valencia	77	Filipino
Independent Director	Jaime Miguel G. Belmonte	55	Filipino
Independent Director	Wilfredo A. Paras	72	Filipino
Independent Director	Rene J. Buenaventura	64	Filipino
Board Advisers			
Adviser	Mary Vy Ty	78	Filipino
Adviser	Guillermo Co Choa	59	Filipino

<u>Period of Directorship</u>

Name	Date First Elected
Arthur V. Ty	June 3, 2011
Francisco C. Sebastian	May 12, 2014
Alfred V. Ty	February 14, 2012
Carmelo Maria Luza Bautista	August 5, 2011
Regis V. Puno	May 9, 2018
David T. Go	May 12, 2014
Pascual M. Garcia, III	May 9, 2018
Renato C. Valencia	May 10, 2017*
Jaime Miguel G. Belmonte	December 2, 2011
Wilfredo A. Paras	May 14, 2013
Rene J. Buenaventura	May 9, 2018

**Prior to May 10, 2017, Mr. Valencia was first elected as an independent director of the Company on February 14, 2012 and served as Independent director until May 14, 2013.*

Board Committees:

The members of the Executive Committee are:

Arthur Vy Ty	- Chairman
Alfred Vy Ty	- Vice-Chairman
Carmelo Maria Luza Bautista	- Member
Francisco C. Sebastian	- Member
Mary Vy Ty	- Adviser

The members of the Audit Committee are:

Wilfredo A. Paras	- Chairman
Renato C. Valencia	- Member
Rene J. Buenaventura	- Member
Regis V. Puno	- Member
Pascual M. Garcia III	- Member

The members of the Risk Oversight Committee are:

Rene J. Buenaventura	- Chairman
Renato C. Valencia	- Member
Wilfredo A. Paras	- Member
David T. Go	- Member

The members of the Compensation Committee are:

Jaime Miguel G. Belmonte	- Chairman
Alfred V. Ty	- Member
Renato C. Valencia	- Member

The members of the Nominations Committee are:

Renato C. Valencia	- Chairman
Wilfredo A. Paras	- Member
Rene J. Buenaventura	- Member
Carmelo Maria Luza Bautista	- Adviser

The members of the Corporate Governance and Related Party Transactions Committee are:

Renato C. Valencia	- Chairman
Wilfredo A. Paras	- Member
Jaime Miguel G. Belmonte	- Member
Anjanette Ty Dy Buncio	- Adviser

The business experience of the members of the Board for the last five (5) years is as follows:

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

Francisco C. Sebastian, 64 years old, Filipino, is one of the Corporation's Vice Chairmen 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 FMIC, the investment arm of MBT, a post he held for 14 years until he became its Chairman in 2011. Mr. Sebastian concurrently serves as Vice Chairman of MBT since 2006. He is also a director of Metro Pacific Investments Corporation ("MPIC") and Federal Land. He worked in Hong Kong for 20 years from 1977, initially as an investment banker in Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984, until he joined the Metrobank Group, he owned and managed his own business services and financial advisory firm in Hong Kong. He earned his Bachelor of Arts in Economics (Honors) from the Ateneo de Manila University and graduated Magna Cum Laude in 1975.

Alfred Vy 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 MBT 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 (2) years. Some of his other current roles and positions include: Chairman, Lexus Manila; Chairman, Federal Land; Chairman, Bonifacio Landmark Realty and Development Corporation; Chairman, Property Company of Friends, Inc. ("PCFI"); 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, MBFI; and Director of Metro Pacific Investment Corporation, a listed company.

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 FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 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, TMP, 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.

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 TMP. He is also the Vice Chairman of Toyota Autoparts Phils., Inc.; Director and Treasurer of TFSPH; President of Toyota Motor Philippines Foundation, Inc. and Toyota Motor Phils. School of Technology, Inc.; Trustee of Toyota Savings and Loan Association; Chairman of Toyota San Fernando, Inc., Toyota Makati, Inc., Toyota Manila Bay Corporation ("TMBC"), Toyota Sta. Rosa, Inc., Toyota Logistics, Inc., GTCAD, and Toyota Subic, Inc.; Director of Lexus Manila. Dr. Go has no directorships in other listed companies aside from GT Capital.

Atty. 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.

Pascual M. Garcia III, 65 years old, was appointed as Director in May 2018. He is currently the President of Federal Land. He also holds several other positions in other companies among which are: Vice Chairman, PCFI; 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, Topshere 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, he served as the President and Director of PSBank from 2001 to 2013; Director of TFSPH 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.

Renato C. Valencia, 77 years old, Filipino, is 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; 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 Management.

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.

Rene J. Buenaventura, 63 years old, Filipino, currently holds the following positions: Vice-Chairman of Equicom Group of Companies which includes Maxicare Healthcare Corporation, Equicom Savings Bank, Algo Leasing and Finance Inc. and Equitable Computer Services Inc. ; Independent Director of Lorenzo Shipping Corporation, a listed company; Independent Director of AIG Insurance, Philippines and UBS Investments, Philippines, Inc.; Chairman of Consumer Creditscore Philippines, Inc.; and Trustee of Equitable Foundation and Go Kim Pah Foundation. He previously served as President, Senior Executive Vice-President and Group Head of Retail Banking and Executive Vice-President of Equitable PCIBank; Executive Vice-President and Chief Operating Officer for Non-

Banking Sector of Philippine Commercial International Bank; and President and Chief Operating Officer of PCI Leasing and Finance Corporation. He is a Certified Public Accountant and a summa cum laude graduate of De La Salle University Manila with a degree in Bachelor of Science in Commerce, Major in Accounting and Bachelor of Arts, Major in Behavioral Science. He also holds an MBA from De La Salle University, Manila and graduated from the International Banking Course of Wharton School of Business, Pennsylvania.

** Independent director – The Corporation has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Corporation's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule. The Corporation's By-laws were amended for this purpose and such amendment was approved by the SEC on January 13, 2012*.

The business experience of the Board Advisers for the last five (5) years is as follows:

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, MBT; Adviser, MBFI and Federal Land; Vice Chairman, Manila Medical Services, Inc.; Adviser, Horizon Land Development Corporation; Director and Chairman, Horizon Royale Holdings, Inc.; Director, Grand Titan Capital Holdings, Inc.; Director and Chairman, Ausan Resources Corporation; Director and Chairman, Grand Estate Property Corporation; Director and Chairman, Inter-Par Philippines Resources Corporation; and Chairman, Philippine Securities Corporation, Tytana Corporation and Federal Homes, Inc. Previously, Mrs. Ty held the position of Director for FMIC. She earned her collegiate degree from the University of Santo Tomas.

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

Nominee Directors

As of the date of this report, the nominees for independent directors are Messrs. Renato C. Valencia, Wilfredo A. Paras, Jaime Miguel G. Belmonte and Rene J. Buenaventura. Messrs. Valencia, Paras, Belmonte and Buenaventura were nominated by Ms. Maria Andrea R. Panganiban. The four (4) nominees for independent directors are not related either by consanguinity or affinity to the person who nominated them.

Based on Section 2.1.4 of GT Capital's Manual on Corporate Governance, the stockholders must elect at least three (3) independent directors as defined by existing laws and regulations.

Aside from the above nominees for independent directors, the other nominees for director are Messrs. Arthur Vy Ty, Alfred Vy Ty, Francisco C. Sebastian, Carmelo Maria Luza Bautista, David T. Go, Pascual M. Garcia III and Atty. Regis V. Puno.

All the nominees are incumbent directors of GT Capital. The experience and qualifications of the nominated incumbent directors are found above.

Review of qualifications of candidates nominated as Directors, including Independent Directors, is conducted by the Nominations Committee prior to the stock0holders' meeting. The Nominations Committee prepares a Final List of Candidates of those who have passed the Guidelines, Screening Policies and Parameters for nomination as Director of the Corporation, and which list contains information about the nominees. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Directors of the Corporation. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

The Directors of the Corporation are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

The Directors possess all the qualifications and none of the disqualifications provided for in the SRC (Securities Regulation Code) and its Implementing Rules and Regulations, as well as the Corporation's By-laws.

In case of resignation, disqualification or cessation of any directorship, and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, may the vacancy be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nominations Committee; otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. A director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

The Nominations Committee created by the Board under its Manual on Corporate Governance nominated the following for re-election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

Arthur Vy Ty	Atty. Regis V. Puno
Francisco C. Sebastian	Jaime Miguel G. Belmonte
Alfred Vy Ty	Wilfredo A. Paras
Carmelo Maria Luza Bautista	Renato C. Valencia
Dr. David T. Go	Rene J. Buenaventura
Pascual M. Garcia III	

The Corporation has complied with the Guidelines set forth by SRC Rule 38 regarding the Nomination and Election of Independent Directors. The same provision has been incorporated in the Amended By-Laws of the Corporation.

(ii) **<u>Executive Officers</u>**

Name	**Office**	**Age**	**Citizenship**
Carmelo Maria Luza Bautista	President	61	Filipino
Francisco H. Suarez, Jr.	Executive Vice President/Chief Financial Officer	59	Filipino
Antonio P. A. Zara III	Senior Vice President/General Manager of GTCAD	52	Filipino
Anjanette T. Dy Buncio	Treasurer	50	Filipino
Alesandra T. Ty	Assistant Treasurer	39	Filipino
Antonio V. Viray	Corporate Secretary	79	Filipino
Jocelyn Y. Kho	Assistant Corporate Secretary	64	Filipino
Winston Andrew L. Peckson	First Vice President/Chief Risk Officer	66	Filipino
Jose B. Crisol, Jr.	First Vice President/Head, Investor Relations, Strategic Planning and Corporate Communication	52	Filipino
Reyna Rose P. Manon-og	First Vice President/Controller and Head, Accounting and Financial Control	36	Filipino
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	47	Filipino
Leo Paul C. Maagma	Vice President/Chief Audit Executive	47	Filipino
Elsie D. Paras	Vice President/Head, Corporate Planning and Business Development	46	Filipino
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	36	Filipino

Period of Officership

Name	Office	Period Held
Carmelo Maria Luza Bautista	President	2011-Present
Francisco H. Suarez, Jr.	Executive Vice President/Chief Financial Officer	2012-Present
Antonio P. A. Zara III	Senior Vice President/ General Manager of GTCAD	2018-Present
Anjanette T. Dy Buncio	Treasurer	2007-Present
Alesandra T. Ty	Assistant Treasurer	2012-Present
Antonio V. Viray	Corporate Secretary	2009-Present
Jocelyn Y. Kho	Assistant Corporate Secretary	2011-Present
Winston Andrew L. Peckson	First Vice President/Chief Risk Officer	2016-Present
Jose B. Crisol, Jr.	First Vice President/Head, Investor Relations, Strategic Planning and Corporate Communication	2012-Present
Reyna Rose P. Manon-og	First Vice President/Controller and Head, Accounting and Financial Control	2011-Present
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	2012-Present
Leo Paul C. Maagma	Vice President/Chief Audit Executive	2018-Present
Elsie D. Paras	Vice President/Head, Corporate Planning and Business Development	2015-Present
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	2016-Present

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 GTCAD and TSB and the Corporate Secretary of TFSPH. Over his tenure, he has successfully supervised over the launch of the Corporation's initial public offering, a top-up private placement, two retail bond issuances, bilateral fixed rate term loans and two series of perpetual preferred shares. Mr. Suarez brings to the Company over 35 years of solid and extensive experience in investment banking and financial management. Prior to joining GT Capital, he was the CFO of three subsidiaries of the ATR KimEng Group. For a time, he also served as Executive Director of ATR KimEng Capital Partners, Inc. Before this, he was appointed as the CFO of PSI Technologies, Inc., and, prior to that, of SPi Technologies, Inc. Previously, he was a Director for Corporate Finance at Asian Alliance Investment Corp. He has also assumed various positions in MBT, International Corporate Bank, Far East Bank and Trust Company, and the National Economic Development Authority. Mr. Suarez graduated from De La Salle University with a Bachelor of Science degree in Applied Economics and is a candidate for the Master in Business Administration degree at the Ateneo de Manila University.

Antonio P.A. Zara III, 52 years old, Filipino, is the General Manager of GTCAD and a director of TSB, GT Mobility Ventures, Inc. and JBA Philippines, Inc. 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.

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 MBT and PCFI. He was formerly Senior Vice-President, General Counsel, Assistant Corporate Secretary and Director of MBT. He was also Senior Vice-President & General Counsel of PSBank and Director of Solidbank. At present, he is also the Corporate Secretary of Global Treasure Holdings, Inc. and Grand Titan Capital Holdings, Inc. He is also Of Counsel of Feria Tantoco Daos Law Office. He obtained his Bachelor of Laws from the University of 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 MBT 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.; Director, Senior Vice President Federal Homes, Inc.; Director, Treasurer and Corporate Secretary of Crown Central Realty Corporation; Director of Cathay International Resources, Inc.; Ex-Com Member and Corporate Secretary, of Fed Land; Chairman and President of MBTC Management Consultancy, Inc.; Director and Treasurer, Nove Ferum Holdings, Inc.; Director and Treasurer, Horizon Royale Holdings, Inc.; Director and Treasurer, Grand Estate Property Corporation; Chairman and President, Glam Holdings Corporation; Vice Chairman and President, Glam Realty Corporation; Treasurer, First Metro Insurance Brokers Corporation; Corporate Secretary, First Metro Insurance Agency, Inc.; Director and President, Harmony Property Holdings, Inc.; Director and President, Splendor Fortune Holdings, Inc.; Director and President, Splendor Realty Corporation; and Director and Vice President, Circa 2000 Homes, Inc. She earned her Bachelor of Science degree in Commerce with a major in Accounting from the University of Santo Tomas in 1975, and is a candidate for the Master of Science Degree in Taxation from MLQ University.

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 PCFI; 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.

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 FMIC; Corporate Secretary of GT Foundation, Inc.; Director and Assistant Treasurer of Federal Homes, Inc.; and Executive Vice President of Grand Titan Capital Holdings, Inc.

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 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.

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.

Susan E. Cornelio, 47 years old, Filipino, joined the Corporation on July 4, 2012 as the Head of the 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.

Leo Paul C. Maagma, 47, 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.

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.

Elsie D. Paras, 46 years old, Filipino, serves as GT Capital's Vice President and Head of Corporate Planning and Business Development. 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.

Renee Lynn Miciano-Atienza, 36 years old, Filipino, is Vice President and Head of the Legal & Compliance Department of the Corporation. She was appointed to her position on May 11, 2016 and has been with GT Capital since August 2012. She concurrently holds the following positions: Director, GTCAD; Assistant Corporate Secretary, PCFI; Corporate Secretary, Micara Land, Inc., Marcan Development Corporation, Camarillo Development Corporation, Williamton Financing Corporation, Branchton Development Corporation, and Firm Builders Realty Development Corporation. Prior to joining the Corporation, she was the Head of the Investigation and Enforcement Department of the Capital Markets Integrity Corporation ("CMIC"). Before joining CMIC, she was the Officer-in-Charge of the Prosecution and Enforcement Department of the PSE. She was also Legal Counsel of the Office of Senator Miguel Zubiri, and prior to entering law school, a trader for United Coconut Planters Bank. She earned her Bachelor of Science degree in Management from the Ateneo De Manila University and finished her Juris Doctor degree in the same university.

Directorships in Other Reporting Companies and Subsidiaries

The following are directorships held by Directors and Executive Officers in other reporting (listed) companies and subsidiaries of the Corporation during the last five years:

Name of Corporation	Position
Francisco C. Sebastian	
Metropolitan Bank & Trust Company	Vice Chairman/Director
Federal Land, Inc.	Director
Metro Pacific Investment Corporation	Director
Property Company of Friends, Inc.	Director
Arthur Vy Ty	
Metropolitan Bank & Trust Company	Chairman/Director
Philippine Savings Bank	Vice Chairman/Director
Philippine AXA Life Insurance Corporation	Vice-Chairman/Director
Federal Land, Inc.	Director
Alfred Vy Ty	
Toyota Motor Philippines Corporation	Vice-Chairman/Director
Federal Land, Inc.	Chairman/Director
Metropolitan Bank & Trust Company	Director
Property Company of Friends, Inc.	Chairman/Director
Metro Pacific Investment Corporation	Director
Philippine Long Distance Telephone Company	Independent Director
GT Capital Auto Dealership Holdings, Inc.	Director
Carmelo Maria Luza Bautista	
Toyota Motor Philippines Corporation	Director
Federal Land, Inc.	Director
Property Company of Friends, Inc.	Director
GT Capital Auto Dealership Holdings, Inc.	Director
Toyota Subic, Inc.	Director
Toyota Financial Services Philippines Corporation	Chairman/Director
GT Mobility Ventures	Chairman/Director
Vivant Corporation	Independent Director
David T. Go	
Toyota Manila Bay Corporation	Chairman/Director
Toyota Motor Philippines Corporation	Director/Senior Executive Vice President and Treasurer
GT Capital Auto Dealership Holdings, Inc.	Chairman/President/Director
Toyota Subic, Inc.	Chairman/Director

Toyota Financial Services Philippines Corporation	Director/Treasurer
Toyota Cubao, Inc	Chairman/Director

Rene J. Buenaventura

Lorenzo Shipping Corporation	Independent Director
AIG Insurance, Philippines	Independent Director
UBS Investments, Philippines, Inc.	Independent Director
Consumer Creditscore Philippines, Inc.	Chairman
Equitable Foundation	Trustee
Go Kim Pah Foundation	Trustee
Maxicare Healthcare Foundation	Director
Algo Leasing and Finance Inc.	Vice Chairman
Equicom Savings Bank	Vice Chairman

Renato C. Valencia

iPeople, Inc.	Chairman
EEI Corporation	Independent Director
Anglo Philippine Holdings Corporation	Independent Director
Roxas Holdings, Inc.	President/CEO
Metropolitan Bank & Trust Company	Independent Director

Wilfredo A. Paras

Philex Mining Corporation	Independent Director

Anjanette Ty Dy Buncio

Federal Land, Inc.	Director/Treasurer/Senior Vice President
Property Company of Friends, Inc.	Director/Treasurer

Alesandra T. Ty

Philippine AXA Life Insurance Corporation	Director/Treasurer
Sumisho Motorcycle Finance Corp.	Director

Francisco H. Suarez, Jr.

GT Capital Auto Dealership Holdings, Inc.	Director/Treasurer
Toyota Subic, Inc.	Director/Treasurer
GT Mobility Ventures, Inc.	Director/Treasurer
JBA Philippines, Inc.	Director/Treasurer

Antonio P. A. Zara III

GT Mobility Ventures, Inc.	Director/President
JBA Philippines, Inc.	Director/Chairman

Winston Andrew L. Peckson

First Metro Philippine Equity Exchange Traded Fund, Inc.	Director

Renee Lynn Miciano-Atienza

GT Capital Auto Dealership Holdings, Inc.	Director

The following will be nominated as officers of the Corporation during the Organizational meeting:

Office	**Name**
Chairman	Arthur V. Ty
Co-Vice Chairman	Alfred V. Ty
Co-Vice Chairman	Francisco C. Sebastian
President	Carmelo Maria Luza Bautista
Treasurer	Anjanette T. Dy Buncio
Assistant Treasurer	Alesandra T. Ty
Corporate Secretary	Antonio V. Viray
Assistant Corporate Secretary	Jocelyn Y. Kho
Chief Financial Officer	Francisco H. Suarez, Jr.
General Manager of GTCAD	Antonio P. A. Zara III
Head, Investor Relations, Strategic Planning & Corporate Communications	Jose B. Crisol, Jr.
Chief Risk Officer	Winston Andrew L. Peckson
Head, Human Resources & Administration	Susan E. Cornelio
Chief Audit Executive	Leo Paul C. Maagma
Controller and Head, Accounting and Financial Control	Reyna Rose P. Manon-og
Head, Corporate Planning and Business Development	Elsie D. Paras
Head, Legal and Compliance	Renee Lynn Miciano-Atienza

The following will be nominated as Board Advisers during the Organizational meeting:

Adviser	Guillermo Co Choa
Adviser	Mary Vy Ty

(b) Significant Employees

The Corporation does not believe that its business is dependent on the services of any particular employee.

(c) Family Relationships

Mary Vy Ty is the wife of Dr. George S.K. Ty. Arthur Vy Ty, Alfred Vy Ty, Anjanette T. Dy Buncio, and Alesandra T. Ty are the children of Dr. George S.K. Ty and Mary Vy Ty. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 27 (Related Party Transactions) of the Notes to the Consolidated Financial Statements. Related Party Transactions are made on an arm's length basis.

(e) Involvement in Legal Proceedings

The Corporation is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Corporation:

(1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and

(5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 6. **Compensation of Directors and Executive Officers**

Summary compensation table of Directors

Remuneration Item	**Executive Directors**	**Non-Executive Directors** (other than independent directors)	**Independent Directors**
Per diem Allowance	Php 1.40 million	Php 14.633 million	Php 5.0 million
Bonuses	PhP 0.60 million	PhP 4.68 million	PhP 2.60 million
Transportation Allowance		PhP 0.15 million	PhP 0.87 million

Summary compensation table of Executive Officers

The following table identifies the Corporation's President and four most highly-compensated executive officers (the "Named Executive Officers") and summarizes their aggregate compensation in 2017, 2018, and 2019. The amounts (in P millions) set forth in the table below have been prepared based on what the Corporation paid its executive officers in 2017 and 2018, and what the Corporation expects to pay in 2019.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Named Executive Officers*...................................	2017	39.85	15.21	-
	2018	49.13	20.47	-
	2019**	53.06	22.10	
			-	
All other Officers as a Group	2017	26.12	10.15	-
	2018	32.80	13.66	-
	2019**	35.42	14.76	

** Named executive officers include: Carmelo Maria Luza Bautista (President), Francisco H. Suarez, Jr. (Chief Financial Officer), Antonio P. A. Zara III (General Manager of GTCAD), Winston Andrew L. Peckson (Chief Risk Officer), and Jose B. Crisol (Head, Investor Relations and Corporate Communications*

*** Figures for the year 2019 are estimates*

Employment contracts between the Corporation and named executive officers

The Corporation has no special employment contracts with its executive officers.

Warrants and options outstanding

There are no outstanding warrants or options held by the CEO, executive officers, and all officers and directors as a group.

Stock option plan

The Corporation has no employee stock option plan.

Item 7. **Independent Public Accountants**

Sycip, Gorres, Velayo & Company is the external auditor for the calendar year 2018. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Corporation engaged Mr. Miguel U. Ballelos, Jr. of SGV & Co. last 2018 for the examination of the Corporation's financial statements for the calendar year 2018. Pursuant to SRC Rule 68, Paragraph 3 (b) (ix) (Rotation of External Auditors), 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. Mr. Ballelos was engaged as signing partner in the year 2018 will be re-engaged for the calendar year 2019.

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

	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 Stockholder's 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.

Item 8. **Compensation Plans**

Not applicable.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

Declaration of a 8.0% stock dividend to its common stockholders as of record date equivalent to approximately 15,590,000 shares. The record date shall be disclosed after stockholder approval.

(a) Description of securities

Under Article SEVENTH of its Amended Articles of Incorporation, the existing authorized capital stock of GT Capital is Five Billion Pesos (Php5,000,000,000.00), divided into Two Hundred Ninety Eight Million Two Hundred Fifty Seven Thousand (298,257,000) Common Shares with a par value of Ten Pesos (P10.00) per share, Twenty Million (20,000,000) Perpetual Preferred Shares with a par value of One Hundred Pesos (P100.00) per share and One Hundred Seventy Four Million Three Hundred Thousand (174,300,000) Voting Preferred Shares with a par value of Ten Centavos (P0.10) per share. The Company is proposing to declare 8.00% stock dividends equivalent to approximately 15,590,000 shares to be issued out of its remaining Common Shares.

The common shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least 60% of the outstanding capital stock shall be owned by Filipinos or by partnerships, associations, or corporations 60% of the voting stock or voting power is owned and controlled by citizens of the Philippines.

Shares of common stock are entitled to vote and to dividends in accordance with law, subject to GT Capital's Amended Articles of Incorporation, which provides that holders of capital stock shall have no pre-emptive right to any issue or disposition of any share of any class of the Corporation.

(b) Description of transaction in which securities are to be issued

Declaration and payment of the 8.0% stock dividend to common stockholders as of record date.

(c) Reason for proposed issuance

Declaration and payment of the 8.0% stock dividend to common stockholders as of record date.

(d) There are no provisions in the Company's Articles of Incorporation or By-Laws that would delay, defer or prevent a change in control of the Company.

(e) The 8.0% stock dividend was approved by the Board of Directors during its March 26, 2019 regular meeting, and is subject to ratification by a 2/3 vote of its stockholders.

Item 10. **Modification or Exchange of Securities**

Not applicable.

Item 11. **Financial and Other Information**

Not applicable.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

Not applicable.

Item 13. **Acquisition or Disposition of Property**

Not applicable.

Item 14. **Restatement of Accounts**

Not applicable.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The following are to be submitted for approval during the annual stockholders' meeting:

(a) Minutes of the annual meeting of stockholders held on May 09, 2018

The following was the agenda of the said meeting:

- Call to order
- Certification of notice and quorum
- Voting Procedures
- Approval of minutes of annual meeting of stockholders held on May 10, 2017
- President's Report for the year 2017
- General ratification of the acts of the Board of Directors, Executive Committee, and Management from the date of the last annual stockholders' meeting up to the date of this meeting
- Election of directors for 2018 – 2019
- Appointment of external auditor
- Approval of Stock Dividend for Common Shares
- Other Matters/Adjournment

(b) Annual Report for the Year 2018

(c) General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting (May 09, 2018) up to the date of this meeting (May 08, 2019), including offer of new shares, acquisition and disposition of shares of another corporation, declaration of dividends, election of directors and appointment of officers.

(d) Approval of declaration of 8.0% stock dividend for common shares

(e) Approval of re-appointment of external auditor

There are no other matters that would require approval of the stockholders other than as stated in Item 18.

Item 16. **Matters Not Required to be Submitted**

Not applicable.

Item 17. **Amendment of Charter, By-laws or Other Documents**

Not applicable.

Item 18. **Other Proposed Action**

Other than the matters indicated in the Notice and Agenda, there are no other actions proposed to be taken at the annual meeting.

Item 19. **Voting Procedures**

(a) Election of Directors

As stated in Section 2 of Article III of the Corporation's By-laws, "The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified."

Section 24 of The Revised Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock… entitled to vote".

(b) Appointment of External Auditor

As stated in Section 1 of Article VII of the Corporation's By-laws, "At the regular stockholders' meeting the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation." The stockholders representing the majority of the subscribed capital stock approves the appointment of the external auditor."

(c) Approval of Stock Dividends for Common Shares

Section 42 of the Revised Corporation Code of the Philippines states that "The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them: Provided, That any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid: Provided, further, That no stock dividend shall be issued without the approval of stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose. xxx"

Methods by which votes will be counted

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote of any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.

The external auditor of the Corporation, SGV & Co., will validate the ballots when voting is done by secret ballot. Likewise, SGV & Co. will count the number of hands raised when voting by show of hands is done.

N.B. UPON WRITTEN REQUEST OF A STOCKHOLDER, GT CAPITAL HOLDINGS, INC. SHALL PROVIDE, FREE OF CHARGE, A COPY OF ITS 2018 ANNUAL REPORT (SEC FORM 17-A). THE REQUEST SHOULD BE ADDRESSED TO THE ATTENTION OF FRANCISCO H. SUAREZ, JR., CHIEF FINANCIAL OFFICER, 43RD FLOOR, GT TOWER INTERNATIONAL, AYALA AVENUE CORNER H. V. DELA COSTA ST., MAKATI CITY 1227

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 26, 2019.

By:

Original Signed

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ANTONIO V. VIRAY
Corporate Secretary

MANAGEMENT REPORT

A.i Consolidated Audited Financial Statements

The Company's consolidated financial statements for the year ended December 31, 2018 are incorporated herein by reference.

A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosures.

A.iii Management's Discussion and Analysis or Plan of Operation

CALENDAR YEAR ENDED DECEMBER 31, 2018 VERSUS YEAR ENDED DECEMBER 31, 2017

GT Capital Consolidated Statements of Income	Audited Year Ended December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2018**	2017	**Amount**	**Percentage**
CONTINUING OPERATIONS				
REVENUE				
Automotive operations	**179,117**	211,692	(32,575)	(15%)
Real estate sales and Interest income on real estate sales	**19,717**	15,406	4,311	28%
Equity in net income of associates and joint venture	**11,517**	8,699	2,818	32%
Rent income	**1,257**	940	317	34%
Interest income on deposits and investments	**873**	771	102	13%
Sale of goods and services	**778**	640	138	22%
Commission income	**108**	56	52	93%
Other income	**2,458**	1,607	851	53%
	215,825	239,811	(23,986)	(10%)
COSTS AND EXPENSES				
Cost of goods and services sold	**129,849**	147,713	(17,864)	(12%)
Cost of goods manufactured and sold	**31,809**	39,635	(7,826)	(20%)
General and administrative expenses	**14,040**	12,899	1,141	9%
Cost of real estate sales	**12,609**	10,035	2,574	26%
Interest expense	**4,965**	3,394	1,571	46%
Cost of rental	**476**	360	116	32%
	193,748	214,036	(20,288)	(9%)
INCOME BEFORE INCOME TAXES	**22,077**	25,775	(3,698)	(14%)
PROVISION FOR INCOME TAX	**4,171**	4,524	(353)	(8%)
NET INCOME	**17,906**	21,251	(3,345)	(16%)
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**13,390**	14,182	(792)	(6%)
Non-controlling interests	**4,516**	7,069	(2,553)	(36%)
	17,906	21,251	(3,345)	(16%)

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company declined by 6% from Php14.18 billion in 2017 to Php13.39 billion in 2018. The decline in net income growth was principally due to a 10% decline in total revenues.

The decline in revenue came from the following component companies:

(1) lower auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Manila Bay Corporation ("TMBC") as combined sales decreased by 15% from Php211.69 billion to Php179.12 billion accounting for 83% of total revenue; offset by:
(2) higher real estate sales and interest income on real estate sales from Federal Land Inc. (Fed Land) and Property Company of Friends, Inc. ("PCFI") which grew by 28% from Php15.41 billion to Php19.72 billion; and
(3) higher equity in net income of associates and joint venture which grew by 32% from Php8.70 billion to Php11.52 billion.

Core net income attributable to equity holders of the Parent Company reached Php13.66 billion in 2018 from Php15.02 billion in 2017. Core net income for 2018 amounted to Php13.66 billion after adding back the Php0.27 billion amortization of fair value adjustments arising from business combinations, taxes-related to lot sales, and non-recurring expenses, net of non-recurring gains. Core net income for 2017 amounted to Php15.02 billion after adding back the Php0.84 billion amortization of fair value adjustments arising from business combinations and non-recurring expenses.

The financial statements of Fed Land, PCFI, TMP, TMBC and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are consolidated in the financial statements of the Company. The other component companies Metro Pacific Investments Corporation ("MPIC"), Metropolitan Bank & Trust Company ("Metrobank" or "MBT'), Philippine AXA Life Insurance Corporation ("AXA Philippines), Toyota Financial Services Philippines Corporation ("TFSPH") and Sumisho Motor Finance Corporation ("SMFC") are accounted for through equity accounting.

Of the ten (10) component companies, Metrobank, PCFI, MPIC, TFSPH, AXA Philippines, and SMFC posted growths in their respective net income. TMP, TMBC, and Fed Land, reported declines in their respective net income for the year. GTCAD commenced commercial operations in November 2018.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts declined by 15% from Php211.69 billion to Php179.12 billion principally driven by the 15% decrease in wholesales volume from 183,209 units to 155,508 units.

Real estate sales and interest income on real estate sales rose by 28% from Php15.41 billion to Php19.72 billion. Fed Land contributed approximately 54% of total sales, mostly from middle-market development projects. PCFI's low cost and economic housing projects contributed the remaining balance.

Equity in net income of associates and jointly-controlled entities increased by 32% from Php8.70 billion to Php11.52 billion primarily due to increases in:

(1) net income of Metrobank which increased by 21% from Php18.22 billion to Php22.01 billion given full year impact of increased ownership from 26.47% to 36.09% effective May 1, 2017 and further increasing to 36.36% effective April 1, 2018;
(2) net income of MPIC which increased by 7% from Php13.15 billion to Php14.13 billion;
(3) net income of AXA Philippines which increased by 25% from Php2.47 billion to Php3.08 billion; and
(4) net income of TFSPC which increased by 14% rom Php0.69 billion to Php0.79 billion.

Rent income, mainly from Fed Land's GT Tower International office building and Blue Bay Walk, increased by 34% from Php0.94 billion to Php1.26 billion driven by rate escalation and higher occupancy for IMET.

Interest income on deposits and investments grew by 13% from Php0.77 billion to Php0.87 billion due to higher level of time deposit placements.

Sale of goods and services, consisting of the sale of petroleum products on a wholesale and retail basis, in the Blue Wave and Blue Baywalk malls and Roxas Boulevard situated in Pasay City and Marikina City, rose by 22% from Php0.64 billion to Php0.78 billion due an increase in retail fuel prices and new franchises.

Commission income increased by Php0.05 billion from Php0.06 billion to Php0.11 billion due to an increase in booked sales from Grand Hyatt Residences I.

Other income grew by 53% from Php1.61 billion to Php2.46 billion with: (1) Federal Land contributing Php0.87 billion comprising real estate forfeitures, management fees and other income; (2) TMP contributing Php0.61 billion consisting of gain on sale of fixed assets, and subscription and ancillary income from its dealer subsidiaries; (3) TMBC contributing Php0.44 billion consisting of ancillary income on finance and insurance commissions and other income; and (4) PCFI contributing Php0.33 billion consisting of management income and commercial recoveries. The remaining balance of Php0.21 billion came from GT Capital's dividend income from investments in Toyota Motor Corporation (TMC) and gain on FVPTL investments.

Consolidated costs and expenses decreased by 9% from Php214.04 billion to Php193.75 billion with the following breakdown:

(1) Php148.95 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
(2) Php20.37 billion from TMBC consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(3) Php11.29 billion from Fed Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses;
(4) Php8.94 billion from PCFI comprising cost of real estate sales, general and administrative expenses and interest expenses; and
(5) Php4.20 billion from GT Capital representing interest expenses and general and administrative expenses.

Cost of goods and services sold decreased by 12% from Php147.71 billion to Php129.85 billion with TMP, TMBC and GTCAD's completely built-up units (CBU) and spare parts accounting for Php110.25 billion, Php18.73 billion and Php0.20 billion, respectively. The balance of Php0.67 billion came from Federal Land's petroleum service station business.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP declined by 20% from Php39.64 billion in 2017 to Php31.81 billion in 2018.

General and administrative expenses grew by 9% from Php12.90 billion to Php14.04 billion. TMP accounted for Php6.49 billion consisting of salaries and wages, taxes and licenses, advertisements and promotional expenses, and delivery and handling expenses. PCFI contributed Php3.37 billion consisting of salaries and wages, advertising and promotional expenses, commission expenses, taxes and licenses and outside services. Federal Land accounted for Php2.37 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses; and TMBC contributed Php1.54 billion representing salaries and wages, commission expenses and taxes and licenses and advertising and promotional expenses. GT Capital contributed Php0.24 billion consisting of salaries and wages, professional fees and taxes and licenses. The remaining Php0.03 came from GTCAD which consists mainly of salaries and wages, depreciation and amortization, and taxes and licenses.

Cost of real estate sales increased by 26% from Php10.04 billion to Php12.61 billion arising from the increase in real estate sales. Fed Land contributed 59% of the cost while PCFI accounted for the remaining 41%.

Interest expense increased from Php3.39 billion to Php4.97 billion with GT Capital, PCFI, Fed Land, TMP, and TMBC accounting for Php3.95 billion, Php0.40 billion, Php0.33 billion, Php0.19 billion, and Php0.10 billion, respectively.

Cost of rental grew by 32% from Php0.36 billion to Php0.48 billion due to an increase in operating expenses incurred in the leasing business such as depreciation, utilities and other overhead expenses.

Provision for income tax declined by 8% from Php4.52 billion to Php4.17 billion due to lower taxable income.

Net income attributable to non-controlling interest decreased by 36% from Php7.07 billion to Php4.52 billion due decline in net income of non-wholly owned subsidiaries.

Consolidated net income attributable to equity holders of the Parent Company declined by 6% from Php14.18 billion in 2017 to Php13.39 billion in 2018.

Consolidated Statements of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2018**	2017 (As restated)	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**14,353**	20,155	(5,802)	(29%)
Short-term investments	**65**	1,666	(1,601)	(96%)
Financial assets at fair value through profit or loss	**3,181**	-	3,181	100%
Available-for-sale investments	**-**	611	(611)	(100%)
Receivables	**15,153**	24,374	(9,221)	(38%)
Contract asset	**8,329**	-	8,329	100%
Inventories	**77,469**	74,872	2,597	3%
Due from related parties	**666**	166	500	301%
Prepayments and other current assets	**9,790**	10,417	(627)	(6%)
Total Current Assets	**129,006**	132,261	(3,255)	(2%)
Noncurrent Assets				
Receivables – net of current portion	**932**	4,720	(3,788)	(80%)
Contract asset – net of current portion	**6,886**	-	6,886	100%
Financial assets at fair value through other comprehensive income	**10,948**	-	10,948	100%
Available-for-sale investments	-	2,103	(2,103)	(100%)
Investment properties	**17,728**	17,392	336	2%
Investments and advances	**163,739**	124,892	38,847	31%
Property and equipment	**13,638**	11,671	1,967	17%
Goodwill and intangible assets	**12,955**	13,012	(57)	(0%)
Deferred tax asset	**1,024**	731	293	40%
Other noncurrent assets	**2,894**	909	1,985	218%
Total Noncurrent Assets	**230,744**	175,430	55,314	32%
TOTAL ASSETS	**359,750**	307,691	52,059	17%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**25,411**	25,983	(572)	(2%)
Contract liabilities	**8,787**	-	8,787	100%
Short-term debt	**10,500**	6,033	4,467	74%
Current portion of long-term debt	**820**	2,467	(1,647)	(67%)
Current portion of liabilities on purchased properties	**416**	582	(166)	(29%)
Current portion of bonds payable	**2,994**	-	2,994	100%
Customers' deposits	**563**	4,941	(4,378)	(89%)
Dividends payable	**1,198**	589	609	103%
Due to related parties	**204**	189	15	8%
Income tax payable	**601**	777	(176)	(23%)
Other current liabilities	**843**	1,229	(386)	(31%)
Total Current Liabilities	**52,337**	42,790	9,547	22%

Consolidated Statements of Financial Position	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2018**	2017	**Amount**	**Percentage**
Noncurrent Liabilities				
Long term debt – net of current portion	**94,349**	57,021	37,328	65%
Bonds payable	**18,913**	21,877	(2,964)	(14%)
Liabilities on purchased properties - net of current	**2,877**	3,152	(275)	(9%)
Pension liabilities	**859**	1,399	(540)	(39%)
Deferred tax liabilities	**5,959**	5,594	365	7%
Other noncurrent liabilities	**2,169**	2,167	2	0%
Total Noncurrent Liabilities	**125,126**	91,210	33,916	37%
TOTAL LIABILITIES	**177,463**	134,000	43,463	32%
Equity attributable to equity holders of Parent Company				
Capital stock	**3,211**	3,143	68	2%
Additional paid-in capital	**85,592**	78,940	6,652	8%
Retained earnings				
Unappropriated	**53,459**	48,582	4,877	10%
Appropriated	**17,000**	19,000	(2,000)	(11%)
Other comprehensive loss	**(4,207)**	(5,975)	1,768	30%
Other equity adjustments	**2,322**	2,322	-	0%
	157,377	146,012	11,365	8%
Non-controlling interests	**24,910**	27,679	(2,769)	(10%)
TOTAL EQUITY	**182,287**	173,691	8,596	5%
TOTAL LIABILITIES AND EQUITY	**359,750**	307,691	52,059	17%

The major changes in GT Capital's consolidated statement of financial position from December 31, 2017 to December 31, 2018 are as follows:

Consolidated assets increased by 17% or Php52.06 billion from Php307.69 billion as of December 31, 2017 to Php359.75 billion as of December 31, 2018. Total liabilities increased by 32% or Php43.46 billion from Php134.00 billion to Php177.46 billion while total equity increased by 5% or Php8.60 billion from Php173.69 billion to Php182.29 billion.

Cash and cash equivalents declined by Php5.80 billion from Php20.16 billion to Php14.35 billion with TMP, GT Capital-Parent Company, PCFI, Federal Land, TMBC and GTCAD accounting for Php7.58 billion, Php3.67 billion, Php1.63 billion, Php1.24 billion, Php0.20 billion and Php0.03 billion, respectively.

Short-term investments declined by 96% from Php1.67 billion to Php0.07 billion comprising short-term money market placements of TMP.

Financial assets at fair value through profit or loss (FVTPL) amounting to Php3.18 billion pertaining to the Parent Company's investment in Unit Investment Trust Fund (UITF) following the classification under Philippine Financial Reporting Standards (PFRS) 9 effective January 1, 2018. Under the old standard, investments in UITF are classified under Available for sale (AFS) investments.

Receivables-current decreased by 38% or Php9.22 billion from Php24.37 billion to Php15.15 billion with TMP contributing Php8.15 billion consisting of trade and non-trade receivables; PCFI contributing Php2.78 billion comprising of installment contract receivables and other receivables; Federal Land contributing Php1.74 billion, a majority of which were installment contract receivables, rent receivable and other receivables; TMBC and GTCAD accounting for Php2.35 billion and Php0.12 billion, respectively, representing trade receivables from the sale of automobiles and after-sales maintenance services, and GT Capital contributing the remaining balance of Php0.01 billion.

Contract assets-current amounting to Php8.33 billion 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.

Inventories grew by 3% from Php74.87 billion to Php77.47 billion with Federal Land contributing Php38.58 billion comprising land and improvements, condominium units for sale and inventory with construction-in-progress; PCFI contributing Php29.66 billion comprising land and improvements, material inventory, ongoing construction of house inventory and condominium units for sale; TMP contributing Php8.43 billion mostly finished goods; and the balance of Php0.69 billion and Php0.11 billion coming from TMBC and GTCAD, respectively, representing automobiles and spare parts.

Due from related-parties increased by Php0.50 billion from Php0.17 billion to Php0.67 billion mainly Fed Land's related-parties.

Prepayments and other current assets decreased by 6% from Php10.42 billion to Php9.79 billion comprising advances to contractors and suppliers, prepaid expenses, deposit to land owners, input VAT, and creditable withholding taxes from Federal Land, (Php4.85 billion); PCFI, (Php3.61 billion); TMP, (Php1.22 billion); TMBC, (Php0.04 billion); and GT Capital, (Php0.07 billion).

Receivables - net of current portion decreased by Php3.79 billion from Php4.72 billion to Php0.93 billion mainly due to reclassification to non-current contract asset following the provisions of PFRS 15.

Contract assets - net of current portion amounting to Php6.89 billion pertain to the non-current portion of the excess of progress of work over the right to an amount of consideration that is unconditional.

Financial assets at fair value through other comprehensive income (FVOCI) amounted to Php10.95 billion mainly the Parent Company's acquisition of Toyota Motor Corporation common shares in the Tokyo Stock Exchange following the reclassification under PFRS 9 effective January 1, 2018. Under the old standard, investments in equity shares were classified under AFS investments.

Investments and advances increased by 31% from Php124.89 billion to Php163.74 billion primarily due to the following:

1) Php29.63 billion additional and initial investments broken down as follows:
    - Php22.45 billion additional investment in Metrobank arising from the latter's stock rights offering;
    - Php4.33 billion additional investment in Sunshine Fort of Federal Land;
    - Php1.58 billion initial investment in North Bonifacio Landmark Realty Development Corporation (NBLRDI), net of Php0.11 billion advances in 2017 converted to equity in 2018 of Federal Land ;
    - Php0.72 billion additional investment in TFSPC arising from its equity call;
    - Php0.47 billion additional investment in ST 6747 of Federal Land; and
    - Php0.08 billion initial investment in Magnificat and HSL South Food, Inc. of Federal Land.
2) Php11.52 billion share in net income of associates and joint ventures in 2018;
3) Php3.73 billion share in other comprehensive income arising from the adoption of PFRS 9 in January 1, 2018.

These were offset by the following:

1) Php2.44 billion share in other comprehensive loss of associates;
2) Php2.11 billion dividend income received from Metrobank, MPIC, AXA Philippines, and Crown Central; and
3) Php1.48 billion impact of intra-group elimination.

Property and equipment grew by 17% from Php11.67 billion to Php13.64 billion mostly from the newly completed building of TMP and TMBC (Marikina facility).

Deferred tax asset increased by 40% from Php0.73 billion to Php1.02 billion with TMP, Fed Land, TMBC and PCFI accounting for Php0.45 billion, Php0.43 billion, Php0.08 billion and Php0.06 billion, respectively.

Other noncurrent assets increased by Php1.98 billion from Php0.91 billion to Php2.89 billion comprising long-term deposits, non-current input tax, derivative asset, non-current prepaid rent and other assets from TMP, (Php1.55 billion), PCFI, (Php0.82 billion); Federal Land, (Php0.43 billion); GTCAD, (Php0.06 billion); TMBC, (Php0.02 billion); and GT Capital, (Php0.01 billion).

Contract liabilities amounting to Php8.79 billion 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.

Short-term debt increased by Php4.47 billion from Php6.03 billion to Php10.50 billion due to loan availments of GT Capital, (Php10.75 billion); Federal Land, (Php9.20 billion); TMP, (Php2.42 billion); TMBC, (Php5.92 billion); PCFI, (Php3.85 billion); and GTCAD (Php0.17 billion). These were offset by loan payments by GT Capital, (Php10.75 billion); Federal Land, (Php7.61 billion); TMBC, (Php5.65 billion); TMP, (Php2.33 billion); and PCFI, (Php1.50 billion).

Current portion of long-term debt declined by 67% from Php2.47 billion to Php0.82 billion primarily due to loan payment by PCFI (Php3.51 billion) offset by reclassification from noncurrent portion of long-term debt (Php1.85 billion) and amortization of deferred financing cost and fair value adjustment (Php0.01 billion).

Current portion of liabilities on purchased properties decreased by 29% from Php0.58 billion to Php0.42 billion due to a reclassification from non-current to current for the loan portion due within one year.

Current portion of bonds payable increased by Php2.99 billion due to reclassification from noncurrent portion of bonds payable maturing in November 2019.

Customers' deposits pertaining to reservation deposits and collections for accounts which do not qualify for revenue recognition decreased by 89% from Php4.94 billion to Php0.56 billion.

Dividends payable increased by Php0.61 billion from Php0.59 billion to Php1.20 billion due to cash dividends payable to noncontrolling shareholders of non-wholly owned subsidiaries.

Due to related parties increased by 8% from Php0.19 billion to Php0.20 billion primarily due to Federal Land's related parties.

Income tax payable decreased by 23% from Php0.78 billion to Php0.60 billion due to decrease in taxable income in 2018 as compared to the taxable income in 2017.

Other current liabilities declined by Php0.39 billion from Php1.23 billion to Php0.84 billion primarily due to the settlement of withholding taxes and output tax as of December 31, 2017 which were paid in the first quarter of 2018.

Long-term debt increased by Php37.33 billion from Php57.02 billion to Php94.35 billion primarily due to the: 1) Php25 billion long-term loan availment by the Parent Company to fund its participation in the Metrobank stock rights offering, net of Php0.19 billion documentary stamp tax of, 2) P11.05 billion long-term loan availment by Parent Company denominated in foreign currency, net of Php0.09 billion transaction cost; 3) Php3.25 billion long term loan availment by Federal Land, net of Php0.03 billion transaction cost; 4) Php0.19 billion translation loss of foreign currency-denominated loans; and 5) Php0.07 billion amortization of deferred financing cost; offset by the 1) Php1.85 billion reclassification to current portion of long-term debt; and 2) the Php0.07 billion loan payments.

Non-current portion of bonds payable decreased by Php2.96 billion due to reclassification to current portion of bonds payable maturing in November 2019.

Non-current portion of liabilities on purchased properties declined by Php0.27 billion from Php3.15 billion to Php2.88 billion mainly due to reclassification to current portion.

Pension liabilities declined by 39% from Php1.40 billion to Php0.86 billion mainly due to increased funding in 2018.

Deferred tax liabilities grew by 7% from Php5.59 billion to Php5.96 billion due to an increase in taxable temporary differences.

Capital stock increase of Php67.41 million pertain to the par value of the 6.74 million common shares representing 3.5% stock dividends declared and issued by GT Capital in 2018.

Additional paid in capital increase of Php6.65 billion pertain to the excess over par value of the 3.5% stock dividends declared and issued by GT Capital in 2018 at Php997.00 per share.

Unappropriated retained earnings increased by Php4.88 billion from Php48.58 billion to Php53.46 billion due to the (1) Php13.39 billion net income attributable to equity holders of the Parent Company; and (2) Php19.00 billion retained earnings reverted back to unappropriated retained earnings from appropriated retained earnings; partially offset by the (1) Php1.17 billion cash dividends declared to shareholders of common and preferred stock; (2) Php6.72 billion stock dividends; (3) Php17.00 billion appropriation of retained earnings for strategic investment in financial services; (4) Php2.58 billion effect of the adoption of PFRS 9 and 15; and (5) and Php0.04 billion realized loss on sale of financial assets at FVOCI.

The Php17.00 billion appropriated retained earnings as of December 31, 2018 pertains to the appropriation of retained earnings earmarked for strategic investments in property development in 2019.

Other comprehensive loss improved by Php1.77 billion from a negative Php5.98 billion to a negative Php4.21 billion primarily due to the (1) Php5.54 billion equity in other comprehensive income of associates arising from adoption of PFRS 9; (2) Php0.07 bilion gain on remeasurement of cash flow hedge reserve; (3) Php0.13 billion gain on remeasurement of pension liabilities; and (4) Php0.04 billion effect of adoption of PFRS 9; offset by (1) Php2.44 billion equity in other comprehensive loss of associates; and (2) Php1.57 billion mark-to-market loss on FVOCI investments.

Non-controlling interest (NCI) declined by 10% from Php27.68 billion to Php24.91 billion due to the Php4.52 billion net income attributable to NCI, Php0.17 billion other comprehensive income attributable to NCI, Php0.04 billion share of NCI in capital call; offset by Php6.93 billion NCI share in dividends declared by majority-owned subsidiaries and Php0.57 billion effect of adoption of PFRS 9 and 15.

Key Performance Indicators of the Company and its component companies

The following are the key performance indicators of the Company for the years ended December 31, 2016, 2017 and 2018.

	In Million Pesos, except for percentages		
Income Statement	**2016**	**2017**	**2018**
Total Revenues	202,124	239,811	215,825
Net Income attributable to Equity Holders of GT Capital Holdings	14,634	14,182	13,390
Balance Sheet			
Total Assets	265,446	307,691	359,750
Total Liabilities	124,208	134,000	177,463
Equity attributable to GT Capital Holdings, Inc.	114,805	173,691	182,287
Return on Equity *	11.99%	12.10%	9.32%

**Core net income attributable to GT Capital's common stockholders divided by the average equity where average equity is the sum of equity attributable to GT Capital's common stockholders at the beginning and end of the year divided by 2.*

Banking

Metrobank

In Billion Pesos, except for percentages and ratios			
	2016	**2017**	**2018**
Net income attributable to equity holders	18.1	18.2	22.0
Net interest margin on average earning assets	3.5%	3.8%	3.8%
Operating efficiency ratio	56.7%	56.8%	58.5%
Return on average assets	1.0%	0.9%	1.02%
Return on average equity	9.3%	9.2%	9.1%

	2016	**2017**	**2018**
Total assets	1,876.0	2,080.3	2,243.7
Total liabilities	1,670.5	1,876.2	1,953.0
Equity attributable to equity holders of the parent company	196.0	202.0	283.0
Tier 1 capital adequacy ratio	12.5%	11.8%	14.6%
Total capital adequacy ratio	15.5%	14.4%	17.0%
Non-performing loans ratio	0.9%	1.0%	1.2%
Non-performing loans coverage ratio	113.0%	89.0%	105.0%

Notes:

(1) Operating efficiency ratio is the ratio of total operating expenses (excluding provisions for credit and impairment loss and income tax) to total operating income (excluding share in net income of associates and joint venture).
(2) Return on average asset is the net income attributable to equity holders of the parent company divided by the average total assets
(3) Return on average equity is the net income attributable to equity holders of the parent company divided by the average total equity attributable to equity holders of the parent company

(4) Capital adequacy ratios as of December 31, 2016, 2017 and 2018 were computed based on Basel III standards.
(5) Non-performing loans ratio is the ratio of net non-performing loans divided by total loans – excluding interbank loans.
(6) Non-performing loans coverage ratio is the ratio of the total allowance for probable losses on loans divided by gross non-performing loans

Metrobank consolidated net income grew by 20.8% from Php18.2 billion in 2017 to Php22.0 billion in 2018. This was primarily due to the 9.9% growth in loans and receivables, and acquisition of the remaining 20% in Metrobank Card Corporation (MCC) from ANZ.

Net interest income grew by 12.1% from Php61.4 billion in 2017 to Php68.8 billion in 2018, comprising 74.0% of total operating income. This was driven by strong loan demand from the commercial and consumer segments. CASA ratio maintained at 62.0% of total deposits, thereby, improving net interest margin by 7 basis points to 3.8%.

Non-interest income grew by 3.4% from Php22.1 billion in 2017 to Php22.9 billion in 2018 driven by increases in service charges, fees and commissions and miscellaneous income offset by lower trading and securities, and foreign exchange gains.

Total assets grew by 7.9% from Php2.1 trillion as of December 31, 2017 to Php2.2 trillion as of December 31, 2018 primarily due to increases in loans and receivables, investment securities, Interbank Loans Receivable and Securities Purchased Under Resale Agreements, and Due from Other Banks offset by a decrease in due from Bangko Sentral ng Pilipinas.

Total liabilities, likewise, grew by 4.1% from Php1.9 trillion as of December 31, 2017 to Php2.0 trillion as of December 31,2018 trillion due to increases in deposit liabilities, bills payable, Securities Sold Under Repurchase Agreement and bonds payable offset by a decrease in other liabilities. CASA grew by 1.5% from Php950.2 billion to Php964.9 billion. On August 9, 2018 and October 4, 2018, PSBank and Metrobank issued Php5.1 billion and Php8.7 billion of Long-term Negotiable Certificate of Deposits (LTNCD), respectively. As of December 31, 2018, outstanding LTNCD amounted to Php43.8 billion. Further, Metrobank issued Php10.0 billion fixed rate bonds on November 9, 2018 and additional Php18.0 billion fixed rate bonds on December 17, 2018. Both bonds bear an interest rate of 7.15% and will mature on November 9, 2020.

Equity attributable to equity holders of the parent company grew by 40.1% from Php202.0 billion as of December 31, 2017 to Php283.0 billion as of December 30, 2018 due to the Php60.0 billion stock rights, net income earned and effect of adoption of PFRS 9 offset by Php3.7 billion cash dividends, and Php5.1 billion translation adjustment from settlement of non-controlling interest.

Property Development

Federal Land and Property Company of Friends

	In Million Pesos, except for percentages and ratios		
	2016*	**2017**	**2018**
Real Estate Sales*	14,218.4	15,406.4	20,074.4
Revenues	17,285.1	18,226.5	23,766.2
Net income attributable to equity holders of the parent	2,995.0	2,104.9	2,382.7
	2016*	**2017**	**2018**
Total assets	107,936.9	115,683.2	124,369.7
Total liabilities	48,214.0	55,791.4	65,082.9
Total equity attributable to equity holders of the parent	59,618.3	59,781.5	59,181.0
Current ratio	5.0x	4.0x	3.3x
Debt to equity ratio	0.5x	0.6x	0.7x

** GT Capital invested an additional 28.32% increasing its direct equity stake to 51% in PCFI as of June 30, 2016*

Notes:

(1) Current ratio is the ratio of total current assets divided by total current liabilities.
(2) Debt to equity ratio is the ratio of total loans divided by total equity attributable to equity holders of the parent company

GT Capital's property companies recorded a 30.4% growth in consolidated revenues from Php18.2 billion in 2017 to Php23.8 billion in 2018. Of total revenues, Federal Land accounted for 56%, while the balance came from PCFI. Consolidated real estate sales grew by 30.3% from Php15.4 billion to Php20.1 billion, as booked sales of Federal Land grew by 16.4% and PCFI by 50.2% on a year-on-year basis. Together, the two property developers reported a 13.2% growth in consolidated net income from Php2.1 billion in 2017 to Php2.4 billion in 2018.

Consolidated assets of the property companies grew by 7.5% from Php115.7 billion as of December 31, 2017 to Php124.4 billion as of December 31, 2018. For Federal Land, the growth mainly came from increases in investments in associates and joint ventures, and receivables from real estate sales. For PCFI, total assets grew mainly due to an increase in receivables arising from higher real estate sales recognized during the period.

In 2018, Federal Land launched six (6) projects namely: (i) Palm Beach West – Baler, a vertical residential condominium project located in Macapagal Boulevard, Pasay City; (ii) Peninsula Garden Midtown Homes – Mimosa, a vertical residential condominium project located in Paco, Manila; (iii) Florida Sun Estates – Orlando, a horizontal residential condominium project located in General Trias, Cavite; (iv) Quantum Residences – Aqua, a vertical residential condominium project located in Taft Avenue, Pasay City; (v) Four Season Riviera – Peony, a vertical residential condominium project located in Binondo, Manila; and (vi) Valencia Hills – Tower E, a vertical residential condominium project located in N. Domingo St., Quezon City .

In addition, Federal Land successfully launched two (2) joint venture projects, both in located in Grand Central, Bonifacio Global City, Taguig City. The first project was the second tower of Grand Hyatt Gold Residences (South Tower) in October 2018, a joint venture with Orix of Japan; and the second was the first tower of The Seasons Residences (Haru), a joint venture with Nomura Real Estate Development Co. Ltd.

Federal Land's average overall percentage-of-completion of ongoing development projects declined from 53.0% in 2017 to 46.0% in 2018.

For PCFI, new retail outlets such as Shopwise, HealthWealth (Medical Clinics and Diagnostics) and Turks Shawarma were opened in Lancaster New City (LNC), another flagship project. MC Home Depot will open a branch in LNC in 2019. As of December 31, 2018, commercial and retail establishments reached an aggregate of 64 outlets.

<u>Life and Non-Life Insurance</u>

Philippine AXA Life Insurance Corporation and Subsidiary (AXA Philippines)

The following are the major performance measures used by AXA Philippines for the period ended 2016, 2017 and 2018.

In Million Pesos, except ratios				
	AXA Philippines			Consolidated
	2016	2017	2018	2018
Gross Premiums	21,624.9	26,359.1	29,708.4	35,374.1
Net income after tax	1,666.0	2,360.6	2,745.9	3,084.1
Net Profit Margin (%)[1]	7.2%	8.4%	8.7%	
Total Assets	90,316.7	114,378.6	116,107.2	126,794.1
Total Liabilities	83,853.2	106,814.5	106,580.4	117,559.5
Total Equity	6,463.5	7,564.2	9,526.8	9,234.7

Solvency ratio[2]	220%	341%	473.0%	

Notes:

(1) Net profit margin (%) is the ratio of Net profit over Total Revenues.

(2) Solvency ratio is calculated as the insurance company's net worth divided by the Risk-based Capital (RBC) requirement of the Insurance Commission based on Memorandum Circular (IMC) No. 6-2006. Net worth shall include the company's paid-up capital, contributed and contingency surplus, and unassigned surplus.

New business from the life insurance sector of AXA Philippines grew by 13.2% expressed in Annualized Premium Equivalent (APE) 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 was changed to 52%/48% in 2018 from the previous 56%/44% in 2017 (Single Premium vs. Regular Premium). By distribution platform, bancassurance and sales agency accounted for 71% and 29% of premium revenues, respectively. On the other hand, gross written premiums from the non-life sector is flat in 2018 at Php5.7 billion.

Consolidated net income reached Php3.1 billion in 2018. Excluding CPAIC, AXA Philippines grew its net income by 16.4% from Php2.4 billion in 2017 to Php2.7 billion in 2018. The net income growth is primarily driven by the: (1) improvement in the life insurance sector's premium margins by 33.7% equivalent to Php8.2 billion and (2) increase in asset management fees by 16.1% reaching Php1.8 billion.

<u>Infrastructure and Utilities</u>

Metro Pacific Investments Corporation (MPIC)

In Million Pesos, except for Percentage			
	2016	**2017**	**2018**
Core net income	12,106	14,104	15,060
Net income attributable to equity holders	11,456	13,151	14,130
	2016	**2017**	**2018**
Total assets	351,602	503,751	557,946
Total liabilities	163,521	288,072	318,943
Total equity attributable to owners of Parent Company	152,032	161,244	173,311

MPIC's share in the consolidated operating core income increased by 10% from Php17.8 billion in 2017 to Php19.6 billion in 2018, primarily reflecting the following:

- Expanded power portfolio through the increase in effective shareholding in Meralco from 32.48% to 41.22% (beginning May 30, 2016) and investment in GBPC representing 47.78% effective interest (acquired last May 27, 2016); Effective July 1, 2017, MPIC acquired the remaining 25% stake in Beacon Electric Asset Holdings, Inc. (Beacon Electric) from PLDT Communications and Energy Ventures (PCEV) bringing its effective stake in Meralco from 41.22% to 45.5% and in GBPC from 47.78% to 62.5%; Core net income contribution from Meralco and GBPC in 2018 increased by 15% from Php9.4 billion in 2017 to Php10.8 billion

- Increased share in the Tollway business arising from strong traffic growth on all domestic roads held by Metro Pacific Tollways Corporation (MPTC); Core net income contribution of MPTC increased by 13% from Php3.9 billion in 2017 to Php4.4 billion in 2018

- Steady volume growth coupled with inflation-linked tariff increase in Maynilad; Core net income contribution of Maynilad increased by 2% from Php3.7 billion in 2017 to Php3.8 billion in 2018

Reported net income attributable to equity holders grew by 7% from Php13.2 billion in 2017 to Php14.1 billion in 2018. Excluding head office, interest, forex and non-recurring income or expenses, core income grew by 7% from Php14.1 billion to Php15.1 billion.

Automobile Assembly and Importation, Dealership and Financing

Toyota Motor Philippines (TMP)

	In Million Pesos, except for ratios		
	2016	**2017**	**2018**
Sales	155,832.5	185,337.1	159,150.1
Gross Profit	21,072.3	23,058.8	16,694.7
Operating Profit	15,669.0	16,798.2	10,377.5
Net income attributable to Parent	11,929.0	13,186.1	7,952.4
	2016	**2017**	**2018**
Total Assets	36,003.4	42,158.3	36,427.5
Total Liabilities	18,511.1	23,010.7	21,189.8
Total Equity	17,492.3	19,147.6	15,237.6
Total Liabilities to Equity ratio*	1.1x	1.2x	1.4x

**Total Liabilities to Equity ratio is a measure of the company's financial leverage which is calculated by dividing total liabilities by total equity*

TMP's consolidated sales declined by 14.1% from Php185.3 billion in 2017 to Php159.2 billion in 2018 as wholesales volume declined by 15% from 183,209 units to 155,508 units. TMP retail sales volume, likewise, declined by 17% from 183,908 units to 153,004 units, while industry retail sales volume declined by 15% from 473,376 units to 400,298 units. As a result, TMP market share slightly declined from 38.9% in 2017 to 38.2% in 2018 as demand slowed down attributed to the new auto excise tax law implementation, suspension of the issuance for new franchise to TNVS effective August 2017, supply limitation for commercial vehicles in the first quarter of 2018 and run-out of old Vios effective May 2018.

TMP launched two models in 2018: i) All-New Rush, leading the subcompact SUV segment in May 2018; and ii) the Full Model Change Vios, it's official entry to the government's CARS program in July 2018.

As of December 2018, TMP increased its auto dealership complement from 63 to 69 outlets. Last November 8, 2018, TMP inaugurated its 69th dealership - Toyota Subic, Inc., situated in Marshaling Yard, Subic Gateway District, Subic Bay Freeport Zone, Olongapo City, Zambales.

The lower sales volume, unfavorable foreign exchange for the Philippine Peso vis-à-vis the US dollar, higher sales of low profit models and increased operating and overhead costs, resulted in a decline in gross profit, operating profit, net income margins, from 12.4%, 9.3% and 7.2% to 10.5%, 6.9% and 5.1%, respectively. Likewise, consolidated net income attributable to equity holders declined by 39.7% from Php13.2 billion to Php8.0 billion mainly due to the above mentioned profit decreasing factors.

As of December 31, 2018, TMP directly owns seven (7) dealer outlets namely Toyota Makati with one (1) branch Toyota Bicutan, Toyota San Fernando in Pampanga with two (2) branches in Plaridel Bulacan and Toyota Tarlac in Tarlac City, Lexus Manila, situated in Bonifacio Global City, Taguig City and Toyota Santa Rosa, situated in Sta. Rosa, Laguna, which commenced operations in August 2017.

Toyota Financial Services Philippines Corporation (TFSPC)

	In Million Pesos, except for ratios		
	2016	**2017**	**2018**
Gross Interest Income	3,641.7	4,920.6	6,164.7
Net Interest Income	2,148.8	2,860.8	3,254.7
Net Income	555.1	687.6	786.8
Finance Receivable	43,789.9	60,412.6	67,427.4
	2016	**2017**	**2018**
Total Assets	55,581.4	58,742.0	83,509.3
Total Equity	4,941.5	5,051.7	7,656.5

TFSPC recorded a 25.3% growth in gross interest income from Php4.9 billion in 2017 to Php6.2 billion in 2018, as loans and receivables increased by 12% from Php60.4 billion to Php67.4 billion on a year-on-year basis.

Booking volume, however, declined from 36,365 units to 31,827 units in 2018 attributable to the overall demand slowdown in the auto industry. This, however, resulted in slightly improved penetration rate from 20% to 21%.

Net income increased by 14.4% from Php687.6 million to Php786.8 million due to the 16.4% growth in operating income from Php995.9 million to Php1.2 billion, as provisions for credit and impairment losses merely increased by 1.7% driven by the change in provisioning policy and shift to the IFRS 9 model, higher ROPA reversals and written off accounts and improvement in delinquency ratio.

Toyota Manila Bay Corporation (TMBC)

	In Million Pesos, except for ratios		
	2016	**2017**	**2018**
Net Sales	23,995.6	26,312.0	20,488.8
Gross Profit	1,421.8	1,787.9	1,438.4
Net Income	297.4	390.2	176.7
	2016	**2017**	**2018**
Total Assets	4,896.7	6,059.9	6,563.9
Total Liabilities	3,551.6	3,839.8	4,084.6
Total Equity	1,345.1	2,220.1	2,289.2

Consolidated sales, comprising of vehicle sales, spare parts and maintenance services, declined by 22.1% from Php26.3 billion in 2017 to Php20.5 billion in 2018. Vehicle sales, accounting for 90.7% of TMBC's revenues, decreased by 23.2% from Php24.2 billion to Php18.6 billion arising from lower sales booking.

Retail sales volume declined by 29.0% from 22,870 units to 16,231 units due to overall market slowdown attributed to the implementation of the new auto excise tax, suspension of the issuance for new franchise to TNVS effective August 2017, low supply of commercial vehicles in the first quarter of 2018 and old Vios model run-out effective May 2018. Sales from spare parts and maintenance services, accounting for a combined 9.3% of revenues, increased by 4.7%.

Consolidated net income in 2018 decreased by 54.7% from Php390.2 million to Php176.7 million, as gross profit on vehicle sales declined by 33.3%, along with the decline in ancillary income by 20.3% and interest expense increased by 37.3% due to the outright recognition of interest expenses arising from the start of commercial operations of the new Manila Bay and Marikina dealership facilities, inaugurated last October 2017 and May 2018, respectively and working capital financing.

TMBC currently owns five (5) dealer outlets namely Toyota Manila Bay, Toyota Abad Santos, Toyota Cubao and Toyota Marikina, all situated within Metro Manila; and Toyota Dasmariñas in Cavite.

Sumisho Motor Finance Corporation (SMFC)

	In Million Pesos, except for ratios		
	2016	**2017**	**2018**
Gross Interest Income	597.4	836.7	1,153.4
Net Interest Income	588.3	804.7	1,064.9
Net Income	86.0	205.5	262.2
Finance Receivable	2,405.40	3,292.9	4,758.8
	2016	**2017**	**2018**
Total Assets	2,606.75	3,533.5	5,053.6
Total Equity	1,509.52	2,024.0	2,304.8

On August 9, 2017, GT Capital completed the acquisition of a 20% direct equity stake in SMFC from Philippine Savings Bank ("PS Bank") and the PS Bank Retirement Fund for a total consideration of Php379.92 million. The acquisition was GT Capital's entry into micro-financing, specifically motorcycle financing, a high growth sector in the Philippines. The investment will also strengthen the Group's strategic relationship with Sumitomo Corporation, one of Japan's leading conglomerates.

SMFC recorded a 37.8% growth in gross interest income from Php836.7 million in 2017 to Php1.2 billion in 2018, as finance receivable increased by 44.5% from Php3.3 billion to Php4.8 billion on a year-on-year basis. Bookings also grew by 39.9% from 37,421 units to 52,356 units in 2018. This outperformed the strong performance of the Philippine motorcycle industry, which increased by 20.6% from 1,319,084 to 1,590,333 units, as disclosed by the Motorcycle Development Program Participants Association, Inc. ("MDPPA") in the Federation of Asian Motorcycle Industries ("FAMI") website.

Net income increased by 27.6% from Php205.5 million to Php262.2 million, despite the increase in provisions for credit losses due to loan portfolio increase.

Except for (ii), (vi) and (vii), the Company does not know of:

(i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;
(ii) Any events that would trigger direct or contingent financial obligation (including contingent obligation) that is material to the Company, including any default or acceleration of an obligation except those disclosed in the notes to the financial statements;
(iii) Any material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
(iv) Any material commitments for capital expenditures, their purpose and sources of funds for such expenditures;
(v) Any known trends, events or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
(vi) Any significant elements of income or loss that did not arise from the Company's continuing operations except those disclosed in the audited financial statements;
(vii) The causes of any material change from period to period including vertical and horizontal analysis of any material item, the causes of material changes are discussed in the MD & A; and
(viii) Any seasonal aspects that had a material effect on financial condition or results of operation of the Company.

CALENDAR YEAR ENDED DECEMBER 31, 2017 VERSUS YEAR ENDED DECEMBER 31, 2016

GT Capital Consolidated Statements of Income	**Audited Year Ended December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2017**	2016	**Amount**	**Percentage**
REVENUE				
Automotive operations	**211,692**	177,709	33,983	19%
Real estate sales and Interest income on real estate sales	**15,406**	13,731	1,675	12%
Equity in net income of associates and joint venture	**8,699**	6,366	2,333	37%
Sale of goods and services	**640**	620	20	3%
Rent income	**940**	826	114	14%
Interest income on deposits and investments	**771**	969	(198)	(20%)
Commission income	**56**	192	(136)	(71%)
Gain on revaluation of previously held interest	**-**	125	(125)	(100%)
Other income	**1,607**	1,586	21	1%
	239,811	202,124	37,687	19%
COSTS AND EXPENSES				
Cost of goods and services sold	**147,713**	122,060	25,653	21%
Cost of goods manufactured and sold	**39,635**	33,792	5,843	17%
General and administrative expenses	**12,899**	12,837	62	0%
Cost of real estate sales	**10,035**	7,586	2,449	32%
Interest expense	**3,394**	3,326	68	2%
Cost of rental	**360**	326	34	10%
	214,036	179,927	34,109	19%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**25,775**	22,197	3,578	16%
PROVISION FOR INCOME TAX	**4,524**	4,586	(62)	(1%)
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	**21,251**	17,611	3,640	21%
NET INCOME FROM DISCONTINUED OPERATIONS	**-**	4,916	(4,916)	(100%)
NET INCOME	**21,251**	22,527	(1,276)	(6%)
ATTRIBUTABLE TO:				
Equity holders of the parent company				
Profit for the year from continuing operations	**14,182**	10,631	3,551	33%
Profit for the year from discontinued operations	**-**	4,003	(4,003)	(100%)
	14,182	14,634	(452)	(3%)
Non-controlling interest				
Profit for the year from continuing operations	**7,069**	6,980	89	1%
Profit for the year from discontinued operations	**-**	913	(913)	(100%)
	7,069	7,893	(824)	(10%)
	21,251	22,527	(1,276)	(6%)

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company declined by 3% from Php14.63 billion in 2016 to Php14.18 billion in 2017. The decline was principally due to the recognition of non-recurring gains from the sale of investments in 2016. Despite this, revenues still grew by 19% from Php202.12 billion in 2016 to Php239.81 billion in 2017.

The revenue growth came from the following component companies:

(1) auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Manila Bay Corporation ("TMBC") as combined sales increased from Php177.71 billion to Php211.69 billion accounting for 88% of total revenue;
(2) higher real estate sales and interest income on real estate sales from Federal Land Inc. (Fed Land) and Property Company of Friends, Inc. ("PCFI") which grew by 12% from Php13.73 billion to Php15.41 billion; and
(3) higher equity in net income of associates and joint venture which grew by 37% from Php6.37 billion to Php8.70 billion.

Core net income attributable to equity holders of the Parent Company improved by 29% from Php11.67 billion to Php15.03 billion. Core net income for 2017 amounted to Php15.03 billion, after adding back the (1) Php0.70 billion amortization of fair value adjustments arising from various business combinations; and (2) Php0.15 billion non-recurring gains. Core net income for 2016 amounted to Php11.67 billion, after excluding the Php3.20 billion one-time gains from the sale of investments in shares of stock of Global Business Power Corporation (GBPC) and Charter Ping An Insurance Corporation ("CPAIC"), among others, net of related taxes and expenses; and adding back the (1) Php0.20 billion non-recurring reinsurance cost of CPAIC; and (2) Php0.04 billion amortization of fair value adjustments arising from various business combinations.

The financial statements of Fed Land, PCFI, TMP, TMBC and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are consolidated in the financial statements of the Company. The other component companies Metro Pacific Investments Corporation ("MPIC"), Metropolitan Bank & Trust Company ("Metrobank" or "MBT'), Philippine AXA Life Insurance Corporation ("AXA Philippines), Toyota Financial Services Philippines Corporation ("TFSPH") and Sumisho Motor Finance Corporation ("SMFC") are accounted for through equity accounting.

Of the ten (10) component companies, TMP, TMBC, Metrobank, MPIC, TFSPH, AXA Philippines, and SMFC posted growths in their respective net income. Fed Land, and PCFI, reported declines in their respective net income for the year. GTCAD has not commenced commercial operations.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 19% from Php177.71 billion to Php211.69 billion principally driven by the 13% increase in wholesales volume from 162,085 units to 183,209 units and continued expansion in the dealer outlets from 52 to 63.

Real estate sales and interest income on real estate sales rose by 12% from Php13.73 billion to Php15.41 billion. Fed Land contributed approximately 59% of total sales, mostly from middle-market development projects. PCFI's low cost and economic housing projects contributed the remaining balance.

Equity in net income of associates and joint venture, increased by 37% from Php6.37 billion to Php8.70 billion due to increases in: (1) net income of MPIC increasing by 15% from Php11.46 billion to Php13.15 billion which contributed full year in 2017 as compared to seven (7) months in 2016; (2) net income of Metrobank increasing by 1% from Php18.09 billion to Php18.22 billion with increased ownership from 26.47% to 36.09% effective May 1, 2017; and (3) net income of AXA Philippines more than doubled from Php1.13 billion to Php2.47 billion.

Rent income, mainly from Fed Land's GT Tower International office building and Blue Bay Walk, increased by 14% from Php0.83 billion to Php0.94 billion.

Interest income on deposits and investments declined by 20% from Php0.97 billion to Php0.77 billion due to a decline in cash available for short-term placements by GT Capital and subsidiaries.

Commission income declined by Php0.14 billion from Php0.19 billion to Php0.05 billion due to a decline in booked sales of Grand Hyatt Residences.

Gain on revaluation of previously-held interest in 2016 amounted to Php0.12 billion, representing one-time gains arising from the re-measurement of GT Capital's investment in TMBC, (Php0.07 billion); and Fed Land's investment in Federal Land Orix Corporation (FLOC), (Php0.05 billion), which were previously accounted for as investment in jointly-controlled entities.

Consolidated costs and expenses increased by 19% from Php179.93 billion to Php214.04 billion with the following breakdown:

(1) Php169.34 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
(2) Php25.91 billion from TMBC consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(3) Php9.29 billion from Fed Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses;
(4) Php6.62 billion from PCFI comprising cost of real estate sales, general and administrative expenses and interest expenses; and
(5) Php2.88 billion from GT Capital representing interest expenses and general and administrative expenses.

Cost of goods and services sold increased by 21% from Php122.06 billion to Php147.71 billion with TMP's and TMBC's completely built-up units and spare parts accounting for Php147.15 billion and the balance of Php0.56 billion from Fed Land's petroleum service station business.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP grew by 17% from Php33.79 billion in 2016 to Php39.63 billion in 2017.

Cost of real estate sales increased by 32% from Php7.59 billion to Php10.04 billion arising from the increase in real estate sales. Fed Land contributed 61% of the cost while PCFI accounted for the remaining 39%.

Interest expenses increased from Php3.33 billion to Php3.39 billion with GT Capital, PCFI, TMP, Fed Land, and TMBC accounting for Php2.61 billion, Php0.47 billion, Php0.12 billion, Php0.12 billion and Php0.07 billion, respectively.

General and administrative expenses grew from Php12.84 billion in 2016 to Php12.90 billion in 2017. TMP accounted for Php6.66 billion consisting of salaries and wages, advertisements and promotional expenses, taxes and licenses and delivery and handling expenses. PCFI contributed Php2.24 billion consisting of salaries and wages, commission expenses, advertising and promotional expenses, outside services and taxes and licenses. Fed Land accounted for Php2.13 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses. TMBC contributed Php1.60 billion representing salaries and wages, commission expenses and advertising and promotional expenses and taxes and licenses and GT Capital contributed Php0.27 billion consisting of salaries and wages, professional fees and taxes and licenses.

Cost of rental grew by 10% from Php0.33 billion to Php0.36 billion due to an increase in depreciation of the building leased out.

Income from discontinued operations in 2016 amounted to Php4.92 billion consisting of non-recurring gains from sale of the Parent Company's investment in GBPC and CPAIC amounting to Php3.44 billion and Php0.25 billion, respectively, and net income contribution of GBPC amounted to Php1.39 billion offset by Php0.16 billion losses incurred by CPAIC.

Net income attributable to non-controlling interest decreased by 10% from Php7.89 billion to Php7.07 billion due to the sale of GBPC in 2016, which is a majority-owned subsidiary.

Consolidated net income attributable to equity holders of the Parent Company declined by 3% from Php14.63 billion in 2016 to Php14.18 billion in 2017.

Consolidated Statements of Financial Position	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2017**	2016	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**20,155**	20,954	(799)	(4%)
Short-term investments	**1,666**	1,598	68	4%
Available-for-sale investments	**611**	1,284	(673)	(52%)
Receivables	**24,374**	22,798	1,576	7%
Inventories	**56,594**	52,060	4,534	9%
Due from related parties	**166**	80	86	108%
Prepayments and other current assets	**10,417**	6,992	3,425	49%
Total Current Assets	**113,983**	105,766	8,217	8%
Noncurrent Assets				
Available-for-sale investments	**2,103**	1,443	660	46%
Receivables – net of current portion	**4,720**	7,141	(2,421)	(34%)
Land held for future development	**18,278**	18,464	(186)	(1%)
Investment properties	**17,392**	14,314	3,078	22%
Investments and advances	**124,892**	94,828	30,064	32%
Property and equipment	**11,671**	9,367	2,304	25%
Goodwill and intangible assets	**13,012**	12,802	210	2%
Deferred tax asset	**731**	540	191	35%
Other noncurrent assets	**909**	781	128	16%
Total Noncurrent Assets	**193,708**	159,680	34,028	21%
TOTAL ASSETS	**307,691**	265,446	42,245	16%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**25,983**	21,177	4,806	23%
Short term debt	**6,033**	6,697	(664)	(10%)
Current portion of long term debt	**2,467**	1,581	886	56%
Current portion of liabilities on purchased properties	**582**	166	416	251%
Customers' deposits	**4,941**	3,839	1,102	29%
Dividends payable	**589**	589	-	0%
Due to related parties	**189**	195	(6)	(3%)
Income tax payable	**777**	202	575	285%
Other current liabilities	**1,229**	638	591	93%
Total Current Liabilities	**42,790**	35,084	7,706	22%
Noncurrent Liabilities				
Long term debt – net of current portion	**57,021**	56,475	546	1%
Bonds payable	**21,877**	21,848	29	0%
Liabilities on purchased properties - net of current	**3,152**	1,993	1,159	58%
Pension liabilities	**1,399**	1,671	(272)	(16%)
Deferred tax liabilities	**5,594**	5,052	542	11%
Other noncurrent liabilities	**2,167**	2,085	82	4%
Total Noncurrent Liabilities	**91,210**	89,124	2,086	2%
TOTAL LIABILITIES	**134,000**	124,208	9,792	8%

	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2017**	2016	**2017**	2016
EQUITY				
Equity attributable to equity holders of Parent Company				
Capital stock	**3,143**	2,960	183	6%
Additional paid-in capital	**78,940**	57,437	21,503	37%
Retained earnings				
Unappropriated	**48,582**	39,961	8,621	22%
Appropriated	**19,000**	14,900	4,100	28%
Other comprehensive loss	**(5,975)**	(2,775)	(3,200)	(115%)
Other equity adjustments	**2,322**	2,322	-	0%
	146,012	114,805	31,207	27%
Non-controlling interests	**27,679**	26,433	1,246	5%
TOTAL EQUITY	**173,691**	141,238	32,453	23%
TOTAL LIABILITIES AND EQUITY	**307,691**	265,446	42,245	16%

The major changes in GT Capital's consolidated statement of financial position from December 31, 2016 to December 31, 2017 are as follows:

Consolidated assets of the Group grew by 16% or Php42.24 billion from Php265.45 billion as of December 31, 2016 to Php307.69 billion as of December 31, 2017. Total liabilities increased by 8% or Php9.79 billion from Php124.21 billion to Php134.00 billion while total equity improved by 23% or Php32.45 billion from Php141.24 billion to Php173.69 billion.

Cash and cash equivalents declined by 4% from Php20.95 billion to Php20.15 billion with TMP, PCFI, Fed Land, TMBC, GTCAD and GT Capital-Parent Company accounting for Php17.17 billion, Php1.44 billion, Php1.02 billion, Php0.25 billion, Php0.21 billion and Php0.06 billion, respectively.

Short-term investments grew by 4% from Php1.60 billion to Php1.67 billion mainly TMP's short-term money market placements.

Available-for-sale (AFS) investments classified as current declined by Php0.67 billion from Php1.28 billion to Php0.61 billion due to the withdrawal of the Unit Investment Trust Fund (UITF) by GT Capital Parent to fund its acquisitions.

Receivables-current grew by 7% from Php22.80 billion to Php24.37 billion with: 1) TMP contributing Php7.75 billion consisting of trade receivables with credit terms ranging from one (1) to thirty (30) days; 2) Fed Land contributing Php7.63 billion, majority of which were installment contract receivables, rent receivables and other receivables; 3) PCFI contributing Php6.50 billion consisting of installment contract receivables and other receivables; and 4) TMBC contributing Php2.49 billion comprising trade receivables from the sale of vehicles, spare parts and after-sales service.

Inventories increased by 9% from Php52.06 billion to Php56.59 billion with Fed Land contributing Php38.09 billion comprising land and improvements, condominium units for sale and inventory with construction-in-progress; PCFI contributing Php11.55 billion comprising land and improvements, materials inventory, ongoing construction of house inventory and condominium units for sale; TMP contributing Php6.64 billion mostly finished goods; and the balance of Php0.31 billion came from TMBC representing automobiles and spare parts for sale.

Due from related-parties increased by Php0.09 billion from Php0.08 billion to Php0.17 billion mainly Fed Land's related-parties.

Prepayments and other current assets rose by 49% from Php6.99 billion to Php10.42 billion comprising advances to contractors and suppliers, prepaid expenses, input VAT, deposit to land owners and creditable withholding tax from Fed Land (Php4.96 billion); PCFI (Php4.20 billion); TMP (Php1.14 billion); TMBC (Php0.08 billion); and GT Capital (Php0.04 billion).

Available-for-sale (AFS) investments classified as non-current grew by 46% from Php1.44 billion to Php2.10 billion due to mark-to-market gains as of December 31, 2017.

Non-current receivables declined by 34% from Php7.14 billion to Php4.72 billion mainly bank take-out of installment contract receivables.

Investment properties grew by 22% from Php14.31 billion to Php17.39 billion, comprising of properties held for lease and capital appreciation from Fed Land (Php11.84 billion), PCFI (Php3.03 billion), TMP (Php2.22 billion) and TMBC (Php0.30 billion).

Investments and advances increased by 32% from Php94.83 billion to Php124.89 billion primarily due to: (1) Php24.74 billion additional 9.62% ownership over Metrobank; (2) Php8.70 billion equity in net income for 2017; (3) Php0.78 billion additional investment in ST 6747 Resources Corporation; (4) Php0.48 billion additional investment in TFS; (5) Php0.38 billion initial 20% investment in SMFC; (6) Php0.29 billion initial investment in Sunshine Fort; and (7) Php0.10 billion advances to North Bonifacio Landmark Realty Development Corporation; offset by (1) Php3.82 billion equity in other comprehensive loss and (2) cash dividends received from Metrobank (Php0.84 billion), MPIC (Php0.50 billion) and Phil AXA (Php0.25 billion).

Property and equipment grew by 25% from Php9.37 billion to Php11.67 billion mostly from the newly completed building of TMP and TMBC.

Deferred tax assets increased by 35% from Php0.54 billion to Php0.73 billion with TMP, PCFI, TMBC and Fed Land accounting for Php0.48 billion, Php0.14 billion, Php0.08 billion and Php0.03 billion, respectively.

Other noncurrent assets grew by 16% from Php0.78 billion to Php0.91 billion comprising long-term deposits, non-current input tax, non-current prepaid rent, other assets and retirement assets from PCFI (Php0.41 billion), Fed Land (Php0.33 billion), TMP (Php0.12 billion), GTCAD (Php0.04 billion) and TMBC (Php0.01 billion).

Accounts and other payables increased by 23% from Php21.18 billion to Php25.98 billion with TMP, Fed Land, PCFI, TMBC and GT Capital accounting for Php16.54 billion, Php5.04 billion, Php2.83 billion, Php1.41 billion and Php0.16 billion, respectively.

Short-term debt declined by 10% from Php6.70 billion to Php6.03 billion due to loan payments by GT Capital-Parent Company (Php3.00 billion), TMBC (Php4.87 billion), TMP dealership subsidiaries (Php1.75 billion), and Fed Land (Php1.23 billion); offset by availments of short-term loans by TMBC (Php5.11 billion), TMP dealer subsidiaries (Php2.57 billion); PCFI (Php1.25 billion) and Fed Land (Php1.25 billion).

Current-portion of long-term debt grew by Php0.89 billion from Php1.58 billion to Php2.47 billion due to a reclassification from non-current to current for the loan portion due within one year.

Current-portion of liabilities on purchased properties grew by Php0.42 billion from Php0.17 billion to Php0.58 billion due to a reclassification from non-current to current for the loan portion due within one year.

Customers' deposits grew by 29% from Php3.84 billion to Php4.94 billion mainly due to an improvement in reservation sales for the year.

Income tax payable grew by Php0.58 billion from Php0.20 billion to Php0.78 billion due to an increase in taxable income for the fourth quarter of 2017 vis-a-vis the fourth quarter of 2016.

Other current liabilities increased by Php0.59 billion from Php0.64 billion to Php1.23 billion due to an increase in VAT payable and withholding taxes payable as of year-end for remittance to the BIR in January 2018.

Pension liabilities declined by 16% from Php1.67 billion to Php1.40 billion with TMP, PCFI, TMBC and FLI accounting for Php1.09 billion, Php0.14 billion, Php0.09 billion and Php0.08 billion, respectively .

Non-current portion of liabilities on purchased properties grew by Php1.16 billion from Php1.99 billion to Php3.15 billion due to acquisition of lots.

Deferred tax liabilities grew by 11% from Php5.05 billion to Php5.59 billion due to an increase in taxable temporary differences.

Capital stock increased by 6% from Php2.96 billion to Php3.14 billion due to the issuance of 18.3 million new common shares to Grand Titan Capital Holdings, Inc. ("Grand Titan") in April 2017.

The Php21.50 billion increase in additional paid-in capital pertain to the excess of issue price over par value for the 18.3 million new common shares issued by GT Capital-Parent Company to Grand Titan.

Unappropriated retained earnings increased by Php8.62 billion from Php39.96 billion to Php48.58 billion due to the (1) Php14.18 billion net income attributable to equity holders of the Parent Company; and (2) Php14.90 billion retained earnings reverted back to unappropriated retained earnings from appropriated retained earnings; partially offset by the (1) Php1.46 billion cash dividends declared to shareholders of common and preferred stock and (2) Php19.00 appropriation of retained earnings for strategic investment in financial services.

The Php19.00 billion appropriated retained earnings as of December 31, 2017 pertains to the appropriation of retained earnings earmarked for strategic investments in financial services in 2018.

Other comprehensive loss increased by Php3.20 billion from a negative Php2.77 billion to a negative Php5.97 billion primarily due to the (1) Php1.49 billion net mark-to-market loss recorded on available-for-sale investments of subsidiaries and associates; 2) Php1.38 billion negative translation adjustment in associates; (3) Php0.19 billion mark-to-market loss on remeasurement of life insurance reserve; (4) Php0.13 billion mark-to-market loss on remeasurement of retirement liabilities; and (5) Php0.01 billion mark-to-market loss on cash flow hedge reserve.

Non-controlling interest (NCI) improved by 5% from Php26.43 billion to Php27.68 billion due to the Php7.07 billon NCI share in net income earned in 2017 offset by (1) Php5.79 billion NCI share in dividends declared by subsidiaries and (2) Php 0.03 billion NCI share in other comprehensive loss.

CALENDAR YEAR ENDED DECEMBER 31, 2016 VERSUS YEAR ENDED DECEMBER 31, 2015

GT Capital Consolidated Statements of Income	**Audited Year Ended December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2016**	2015	**Amount**	**Percentage**
REVENUE				
Automotive operations	**177,709**	120,802	56,907	47%
Real estate sales and Interest income on real estate sales	**13,731**	10,636	3,095	29%
Equity in net income of associates and joint venture	**6,366**	5,616	750	13%
Sale of goods and services	**620**	547	73	13%
Rent income	**826**	840	(14)	(2%)
Interest income on deposits and investments	**969**	154	815	529%
Commission income	**192**	194	(2)	(1%)
Gain on revaluation of previously held interest	**125**	-	125	100%
Other income	**1,586**	1,160	426	37%
	202,124	139,949	62,175	44%
COSTS AND EXPENSES				
Cost of goods and services sold	**122,060**	74,941	47,119	63%
Cost of goods manufactured and sold	**33,792**	27,838	5,954	21%
General and administrative expenses	**12,837**	7,482	5,355	72%
Cost of real estate sales	**7,586**	6,512	1,074	16%
Interest expense	**3,326**	2,164	1,162	54%
Cost of rental	**326**	272	54	20%
	179,927	119,209	60,718	51%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**22,197**	20,740	1,457	7%
PROVISION FOR INCOME TAX	**4,586**	4,299	287	7%
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	**17,611**	16,441	1,170	7%
NET INCOME FROM DISCONTINUED OPERATIONS	**4,916**	4,500	416	9%
NET INCOME	**22,527**	20,941	1,586	8%
ATTRIBUTABLE TO:				
Equity holders of the parent company				
Profit for the year from continuing operations	**10,631**	10,396	235	2%
Profit for the year from discontinued operations	**4,003**	1,719	2,284	133%
	14,634	12,115	2,519	21%
Non-controlling interest				
Profit for the year from continuing operations	**6,980**	6,045	935	15%
Profit for the year from discontinued operations	**913**	2,781	(1,868)	(67%)
	7,893	8,826	(933)	(11%)
	22,527	20,941	1,586	8%

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company grew by 21% from Php12.11 billion in 2015 to Php14.63 billion in 2016. The increase was principally due to the 44% increase in consolidated revenues from Php139.95 billion in 2015 to Php202.12 billion in 2016.

The revenue growth came from the following component companies:

(1) auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Manila Bay Corporation ("TMBC") as combined sales increased from Php120.80 billion to Php177.71 billion accounting for 88% of total revenue;
(2) higher real estate sales and interest income on real estate sales from Federal Land Inc. (Fed Land) and Property Company of Friends, Inc. ("PCFI") which grew by 29% from Php10.64 billion to Php13.73 billion; and
(3) higher equity in net income of associates and joint venture which grew by 13% from Php5.62 billion to Php6.37 billion.

Core net income attributable to equity holders of the Parent Company recorded 2% growth from Php11.44 billion to Php11.67 billion after excluding the Php3.20 billion one-time gains from the sale of investments in shares of stock of GBPC and Charter Ping An Insurance Corporation ("CPAIC"), among others, net of related taxes and expenses; and adding back the following:

(1) Php0.20 billion non-recurring reinsurance cost of CPAIC; and
(2) Php0.04 billion amortization of fair value adjustments arising from various business combinations.

On April 4, 2016, the Parent Company completed the sale of CPAIC for a final consideration of Php2.10 billion. This transaction resulted in a Php0.17 billion gain representing the excess of the cash consideration received over the carrying value of the non-current asset held for sale. Following the sale, the assets, liabilities and reserve of disposal group were derecognized .

In May 2016, GT Capital increased its direct equity stake in GBPC from 51.27% to 56% and subsequently sold the entire 56% equity stake to Beacon Powergen Holdings, Inc., a wholly-owned subsidiary of Beacon Electric Asset Holdings, Inc., a joint venture between Metro Pacific Investment Corporation ("MPIC") and PLDT Communications and Energy Ventures, Inc. As a result, GT Capital relinquished control over GBPC and it ceased to be a subsidiary of GT Capital effective May 31, 2016. Accordingly, GT Capital reflected the results of operations of GBPC up to May 31, 2016 and did not consolidate its financial statements starting June 1, 2016. Philippine Financial Reporting Standards (PFRS) 5 prescribe the presentation of GBPC's results of operations separate from the "Income from Continuing Operations", wherein all income, expenses and income taxes of GBPC in 2016 are presented under "Income from Discontinued Operations". For comparability, 2015 and 2014 Consolidated Statements of Income were also restated to show GBPC's 2015 and 2014 results of operations separate from the "Income from Continuing Operations". The details of the deconsolidation are discussed in the Notes to the Financial Statements.

Also, in May 2016, GT Capital acquired a 15.55% direct equity stake in MPIC.

GT Capital Auto Dealership Holdings, Inc. ("GTCAD") was incorporated on June 13, 2016 and has not commenced commercial business operations. GTCAD has 55% ownership in Toyota Subic, Inc. ("TSI"). TSI was incorporated on July 14, 2016 and has not started business operations.

On June 30, 2016, GT Capital accelerated its subscription in PCFI by subscribing to an additional 28.32% direct equity stake in PCFI for a total consideration of Php8.76 billion. This subscription increased the Parent Company's direct ownership stake in PCFI from 22.68% to 51.00%.

Fed Land, PCFI, TMP, TMBC and GTCAD are consolidated in the financial statements of the Company. The other component companies MPIC, Metropolitan Bank & Trust Company ("Metrobank" or "MBT'), AXA Philippines, and Toyota Financial Services Philippines Corporation ("TFSPH") are accounted for through equity accounting.

Of the nine (9) component companies, TMP, MPIC, TFSPH, Fed Land, and TMBC posted growths in their respective net income. Metrobank, AXA Philippines, and PCFI, reported declines in their respective net income for the year. GTCAD has not commenced commercial operations.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 47% from Php120.80 billion to Php177.71 billion principally driven by the 32% increase in wholesales volume from 122,817 units to 162,085 units and continued expansion in the dealer outlets from 49 to 52.

Real estate sales and interest income on real estate sales rose by 29% from Php10.64 billion to Php13.73 billion. Fed Land contributed approximately 50% of the sales, mostly from its middle-market development projects. PCFI's low cost and economic housing projects contributed the remaining balance.

Equity in net income of associates and joint venture, increased by 13% from Php5.62 billion to Php6.37 billion as MPIC contributed for the first time effective June and the improved net income contribution of TFSPC offset the respective declines in the net income contributions of MBT and AXA Philippines.

Sale of goods and services, consisting of the sale of petroleum products on a wholesale and retail basis, at the Blue Wave malls situated in Pasay City and Marikina City, increased by 13% from Php0.55 billion to Php0.62 billion due to increase in fuel sales.

Interest income on deposits and investments increased by Php0.82 billion from Php0.15 billion to Php0.97 billion due to an increase in cash available for short-term placements by GT Capital and subsidiaries.

Gain on revaluation of previously-held interest amounted to Php0.12 billion, representing one-time gains on the re-measurement of GT Capital's investment in TMBC (Php0.07 billion) and Fed Land's investment in Federal Land Orix Corporation (FLOC) (Php0.05 billion), which were previously accounted for as investment in jointly-controlled entities. TMBC, thus, became a subsidiary of GT Capital upon SEC's approval of the merger of TMBC and Toyota Cubao, Inc. ("TCI") with TMBC as the surviving entity in March 2016. FLOC became a subsidiary of Fed Land when the latter acquired the remaining 40% of the former in December 2016.

Other income increased by 37% from Php1.16 billion to Php1.59 billion mainly due to increase in ancillary income realized from the TMPC-owned dealerships.

Consolidated costs and expenses increased by 51% from Php119.21 billion to Php179.93 billion with the following breakdown:

(1) Php140.62 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
(2) Php22.03 billion from TMBC/TCI consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(3) Php7.30 billion from Fed Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses;
(4) Php6.05 billion from PCFI comprising cost of real estate sales, general and administrative expenses and interest expenses; and
(5) Php3.93 billion from GT Capital representing interest expenses and general and administrative expenses.

Cost of goods and services sold increased by 63% from Php74.94 billion to Ph122.06 billion with TMP's and TMBC's completely built-up units and spare parts accounting for Php121.56 billion and the balance of Php0.50 billion from Fed Land's petroleum service station business.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP grew by 21% from Php27.84 billion in 2015 to Php33.79 billion in 2016.

General and administrative expenses rose by 72% from Php7.48 billion to Php12.84 billion. TMP accounted for Php5.92 billion comprising advertising and sales promotion expenses, salaries, taxes and licenses and delivery and handling. PCFI contributed P2.36 billion comprising of salaries, commissions, advertising and promotions, outside services, and taxes and licenses. Fed Land contributed Php2.16 billion comprising salaries, commissions, taxes and licenses, advertising expenses and repairs and maintenance expenses. TMBC/TCI accounted for Php1.22 billion consisting of salaries, commissions, taxes and licenses, advertising and promotions, and other general and administrative expenses. The remaining Php1.18 billion came from GT Capital's salaries, professional fees and taxes and licenses.

Cost of real estate sales increased by 16% from Php6.51 billion to Php7.59 billion arising from the increase in real estate sales. Fed Land contributed 56% of the cost while PCFI accounted for the remaining 44%.

Interest expense increased by 54% from Php2.16 billion to Php3.33 billion with GT Capital, PCFI, Fed Land, TMP, and TMBC/TCI accounting for Php2.73 billion, Php0.31 billion, Php0.12 billion, Php0.12 billion and Php0.04 billion, respectively.

Income from discontinued operations amounted to Php4.92 billion consisting of non-recurring gains from sale of the Parent Company's investment in GBPC and CPAIC amounting to Php3.44 billion and Php0.25 billion, respectively, and net income contribution of GBPC amounted to Php1.39 billion offset by Php0.16 billion losses incurred by CPAIC.

Net income attributable to non-controlling interest decreased by 11% from Php8.83 billion to Php7.89 billion due to a decline in the net income of subsidiaries which are not wholly-owned.

Consolidated net income attributable to equity holders of the Parent Company increased by 21% from Php12.11 billion in 2015 to Php14.63 billion in 2016.

GT Capital Consolidated Statements of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2016**	2015	Amount	Percentage
ASSETS				
Current Assets				
Cash and cash equivalents	**20,954**	37,861	(16,907)	(45%)
Short-term investments	**1,598**	1,861	(263)	(14%)
Available-for-sale investments	**1,284**	-	1,284	100%
Receivables	**22,798**	27,056	(4,258)	(16%)
Inventories	**52,060**	51,490	570	1%
Due from related parties	**80**	370	(290)	(78%)
Prepayments and other current assets	**6,992**	7,673	(681)	(9%)
Assets of disposal group classified as held for sale	**-**	8,434	(8,434)	(100%)
Total Current Assets	**105,766**	134,745	(28,979)	(22%)
Noncurrent Assets				
Available-for-sale investments	**1,443**	3,195	(1,752)	(55%)
Receivables – net of current portion	**7,141**	6,682	459	7%
Land held for future development	**18,464**	15,357	3,107	20%
Investment properties	**14,314**	10,797	3,517	33%
Investments in associates and joint venture	**94,828**	60,265	34,563	57%
Property and equipment	**9,367**	51,972	(42,605)	(82%)
Goodwill and intangible assets	**12,802**	19,727	(6,925)	(35%)
Deferred tax asset	**540**	748	(208)	(28%)
Other noncurrent assets	**781**	878	(97)	(11%)
Total Noncurrent Assets	**159,680**	169,621	(9,941)	(6%)
TOTAL ASSETS	**265,446**	304,366	(38,920)	(13%)
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**21,177**	22,129	(952)	(4%)
Short term debt	**6,697**	7,318	(621)	(8%)
Current portion of long term debt	**1,581**	6,924	(5,343)	(77%)
Current portion of liabilities on purchased properties	**166**	637	(471)	(74%)
Customers' deposits	**3,839**	3,691	148	4%
Dividends payable	**589**	2,861	(2,272)	(79%)
Due to related parties	**195**	174	21	12%
Income tax payable	**202**	1,013	(811)	(80%)
Other current liabilities	**638**	520	118	23%
Liabilities of disposal group classified as held for sale	**-**	6,444	(6,444)	(100%)
Total Current Liabilities	**35,084**	51,711	(16,627)	(32%)

(In Million Pesos, Except for Percentage)	**Audited December 31**		**Increase (Decrease)**	
	2016	2015	**2016**	2015
Noncurrent Liabilities				
Long term debt – net of current portion	**56,475**	81,847	(25,372)	(31%)
Bonds payable	**21,848**	21,801	47	0%
Liabilities on purchased properties – net of current portion	**1,993**	2,146	(153)	(7%)
Pension liabilities	**1,671**	2,219	(548)	(25%)
Deferred tax liabilities	**5,052**	5,501	(449)	(8%)
Other noncurrent liabilities	**2,085**	2,609	(524)	(20%)
Total Noncurrent Liabilities	**89,124**	116,123	(26,999)	(23%)
TOTAL LIABILITIES	**124,208**	167,834	(43,626)	(26%)
EQUITY				
Equity attributable to equity holders of Parent Company				
Capital stock	**2,960**	1,760	1,200	68%
Additional paid-in capital	**57,437**	46,695	10,742	23%
Treasury shares	**-**	(6)	6	(100%)
Retained earnings				
Unappropriated	**39,961**	33,264	6,697	20%
Appropriated	**14,900**	8,760	6,140	70%
Other comprehensive loss	**(2,775)**	(918)	(1,857)	202%
Other equity adjustments	**2,322**	576	1,746	303%
	114,805	90,131	24,674	27%
Non-controlling interests	**26,433**	46,401	(19,968)	(43%)
TOTAL EQUITY	**141,238**	136,532	4,706	3%
TOTAL LIABILITIES AND EQUITY	**265,446**	304,366	(38,920)	(13%)

The major changes in the balance sheet items of the Company from December 31, 2015 to December 31, 2016 are as follows:

Total assets of the Group decreased by 13% or Php38.92 billion from Php304.37 billion as of December 31, 2015 to Php265.45 billion as of December 31, 2016. Total liabilities decreased by 26% or Php43.63 billion from Php167.83 billion to Php124.21 billion while total equity slightly increased by 3% or Php4.71 billion from Php136.53 billion to Php141.24 billion.

The decline in consolidated assets and liabilities is mainly attributable to the sale of GBPC on May 27, 2016. As a result, GBPC ceased to be a subsidiary of GT Capital. Accordingly, GT Capital deconsolidated all the assets, liabilities, and non-controlling interest of GBPC effective May 31, 2016.

Cash and cash equivalents declined by Php16.91 billion reaching Php20.95 billion with TMP, GT Capital Parent, PCFI, Fed Land, GTCAD and TMBC accounting for Php13.22 billion, Php2.47 billion, Php3.02 billion, Php1.69 billion, Php0.32 billion and Php0.23 billion, respectively.

Short-term investments declined by Php0.26 billion from Php1.86 billion to Php1.60 billion, with TMP and TMBC accounting for Php1.58 billion and Php0.02 billion, respectively.

Available-for-sale (AFS) investments classified as current pertain to the Parent Company's investment in UITF.

Receivables declined by 16% from Php27.06 billion to Php22.80 billion with PCFI contributing Php8.56 billion comprising of installment contract receivables and other receivables; Fed Land contributing Php5.77 billion, a majority of which were installment contract receivables, rent receivable and other receivables; TMP contributing Php6.10 billion consisting of trade and non-trade receivables; and TMBC accounting for Php2.37 billion representing trade receivables from the sale of automobiles and after-sales maintenance services.

Due from related parties declined by Php0.29 billion from Php0.37 billion to Php0.08 billion mainly FLI's related parties.

Prepayments and other current assets dropped by 9% from Php7.67 billion to Php6.99 billion primarily due to the deconsolidation of GBPC's input tax, partially offset by increase in advances to contractors, ad valorem tax and creditable withholding tax.

Assets of disposal group classified as held-for-sale comprising CPAIC's current and non-current assets including reinsurance assets, receivables and available for sale was derecognized in Apri 2016 upon consummation of the sale of the Parent Company's investment in CPAIC to AXA Philippines.

Available-for-sale investments classified as non-current declined by 55% from Php3.20 billion to Php1.44 billion primarily due to the deconsolidation of GBPC's AFS investments.

Noncurrent receivables from Fed Land (Php4.03 billion) and PCFI (Php3.11 billion) unit buyers who opted for long-term payment arrangements rose by 7% from Php6.68 billion to Php7.14 billion.

Land held for future development consisting of PCFI's undeveloped land increased by 20% from Php15.36 billion to Php18.46 billion due to additional landbank acquired by PCFI.

Investments in associates and joint venture increased by 57% from Php60.26 billion to Php94.83 billion due to: 1) acquisition of 15.55% ownership over MPIC amounting to Php30.17 billion; 2) equity in net income amounting to Php6.37 billion; 3) Php3.04 billion additional investment in Metrobank; 4); Php1.92 billion realized gain on sale of subsidiaries; 5) Php0.25 billion initial investment in ST 6747 Resources Corporation; and 6)Php0.02 billion additional investment in Alveo Federal Land Communities, Inc. offset by 1) disposal of indirect investment in GBPC amounting to Php3.56 billion; 2) equity in other comprehensive loss amounting to Php1.39 billion; 3) Php1.22 billion effect of business combination of TMBC and FLOC from a jointly-controlled corporation to a fully consolidated subsidiary; 4) Php0.81 billion cash dividends received from Metrobank; 5) Php0.16 billion cash dividends received from MPIC; and 6) Php0.06 billion elimination of gain on sale of CPAIC to AXA Philippines.

Investment properties increased by 33% or Php3.52 billion from Php10.80 billion to Php14.31 billion due to the completion of Fed Land's projects intended for commercial purposes.

Property and equipment declined by 82% or Php42.61 billion from Php51.97 billion to Php9.37 billion mainly due to the deconsolidation of GBPC's power plant assets.

Goodwill and intangible assets declined by 35% from Php19.73 billion to Php12.80 billion due to the deconsolidation of GBPC's intangible assets comprising power purchase agreements.

Deferred tax assets decreased by 28% from Php0.75 billion to Php0.54 billion due to the deconsolidation of GBPC's deferred tax assets.

Other noncurrent assets declined by 11% from Php0.88 billion to Php0.78 billion due to the deconsolidation of GBPC's non-current input tax.

Short-term debt dropped by Php0.62 billion from Php7.32 billion to Php6.70 billion as TMBC partially prepaid its short term loans.

Current portion of long-term debt dropped by 77% from Php6.92 billion to Php1.58 billion primarily due to the deconsolidation of GBPC's current portion of long-term debt.

Current portion of liabilities on purchased properties declined by 74% from Php0.64 billion to Php0.17 billion due to Fed Land's scheduled annual principal amortization.

Customers' deposits increased by 4% from Php3.69 billion to Php3.84 billion mainly due to increased reservation sales in Fed Land and PCFI's horizontal development projects.

Dividends payable decreased by 79% from Php2.86 billion to Php0.59 billion as cash dividends declared by GBPC were fully paid in April 2016 and GT Capital declared dividends of Php0.59 billion to its holders of perpetual preferred shares.

Due to related parties increased by 12% from Php174 million to Php195 million mainly Fed Land's related parties.

Income tax payable declined by 80% from Php1.01 billion to Php0.20 billion due to the payment of previous year's income tax payable in April 2016.

Other current liabilities increased by 23% from Php0.52 billion to Php0.64 billion mainly due to the increase in output tax.

Liabilities of disposal group classified as held for sale dropped by Php6.44 billion due to the completion of the sale of CPAIC to AXA Philippines.

Long-term debt-net of current portion declined by Php25.37 billion from Php81.85 billion to Php56.48 billion due to the deconsolidation of GBPC's long-term debt.

Liabilities on purchased properties, net of current portion, declined by 7% from Php2.15 billion to Php1.99 billion due to Fed Land's scheduled principal payments.

Pension liabilities declined by 25% from Php2.22 billion to Php1.67 billion due to the deconsolidation of GBPC's pension liability.

Deferred tax liabilities decreased by 8% from Php5.50 billion to Php5.05 billion due to the deconsolidation of GBPC's deferred tax liabilities.

Other noncurrent liabilities declined by 20% from Php2.61 billion to Php2.09 billion due to the deconsolidation of GBPC's decommissioning liabilities and reversal of TMP's provisions.

Capital stock increased by Php1.20 billion due to GT Capital's issuance of perpetual preferred shares in October 2016.

Treasury shares representing investment in shares of stock in GT Capital, held by CPAIC, were derecognized due to GT Capital's sale of its investment in CPAIC in April 2016.

Unappropriated retained earnings increased by 20% from Php33.26 billion to Php39.96 billion due to: 1) the Php14.63 billion consolidated net income earned in 2016; and 2) Php9.36 billion reversal of appropriation of retained earnings, offset by 1) Php1.64 billion cash dividends declared in March and December 2016; 2) Php15.50 billion appropriation of retained earnings; and 3) Php0.16 billion effect of closing to retained earnings the cumulative other comprehensive income arising from the remeasurement of the retirement liabilities of GBPC, CPAIC and TMBC.

Appropriated retained earnings increased by Php6.14 billion from Php8.76 billion to Php14.90 billion due to the Php15.50 billion appropriation of retained earnings in 2016 composed of: investment in financial services (Php13.90 billion), capital call from TFSPC (Php0.50 billion), dividends on common (Php0.50 billion) and preferred shares (Php0.60 billion); offset by Php9.36 billion reversal of appropriation composed of: 2015 appropriation for additional investments in PCFI (Php8.76 billion) and appropriation for dividends on preferred shares (Php0.60 billion).

Other comprehensive loss increased by Php1.86 billion from Php0.92 billion to Php2.78 billion primarily due to mark-to-market losses incurred on available-for-sale investments of GT Capital's associates.

Other equity adjustments grew by Php1.75 billion due to GT Capital's acquisition of an additional 28.32% direct equity interest in PCFI.

Non-controlling interest (NCI) declined by Php19.97 billion from Php46.40 billion to Php26.43 billion primarily due to: 1) Php19.39 billion NCI of GBPC deconsolidated; 2) Php3.75 billion acquisition of 28.32% NCI in PCFI and PCFI's redemption of Series B of Non-Voting Preferred Shares; and 3) Php5.91 billion NCI share in dividends declared by subsidiaries; offset by 1) Php7.89 billion NCI share in the net income earned in 2016 ; 2) Php0.50 billion NCI share in the other comprehensive income of subsdiaries earned in 2016; and 3) Php0.69 billion set-up of NCI in TMBC (Php0.53 billion) and GTCAD (Php0.16 billion).

LIQUIDITY AND CAPITAL RESOURCES

In 2016, 2017 and 2018, GT Capital's principal source of liquidity came from cash dividends received from the investee companies, availment of loans, issuance of bonds and issuance of preferred shares of stock. As of December 31, 2018, GT Capital's cash and cash equivalents reached Php14.35 billion.

The following table sets forth selected information from GT Capital's statement of cash flows for the periods indicated.

	In Million Pesos		
	2016	**2017**	**2018**
Net cash provided by operating activities	2,849	6,977	482
Net cash used in investing activities	(33,933)	(30,505)	(45,923)
Net cash provided by financing activities	14,645	23,114	39,785
Effects of exchange rate changes on cash and cash equivalents	(468)	(385)	(146)
Net increase (decrease) in cash and cash equivalents	(16,907)	(799)	(5,802)
Cash and cash equivalents at the beginning of the period	37,861	20,954	20,155
Cash and cash equivalents of continuing operations at end of the period	20,954	20,155	14,353

Cash flows from operating activities

Net cash provided by operating activities amounted to Php2.85 billion in 2016, Php6.98 billion in 2017 and Php0.48 billion in 2018. In 2016, operating cash amounting to Php22.71 billion was used to increase inventories by Php7.09 billion and prepayments and other current assets by Php1.80 billion and pay dividends, income taxes and interest amounting to Php9.82 billion, Php5.46 billion and Php4.45 billion, respectively. In 2017, operating cash amounting to Php21.10 billion was used to increase inventories by Php8.12 billion, prepayments and other current assets by Php2.36 billion and pay dividends, income taxes and interest amounting to Php7.25 billion, Php3.70 billion and Php3.43 billion, respectively. In 2018, operating cash amounting to Php15.95 billion was used to increase receivables by Php2.21 billion and inventories by Php2.83 billion and to pay dividends, income taxes and interest amounting to Php7.48 billion, Php4.38 billion and Php4.63 billion, respectively.

Cash flows used in investing activities

Net cash used in investing activities amounted to Php33.93 billion in 2016, Php30.50 billion in 2017 and Php45.92 billion in 2018. In 2016, cash flows used in investing activities went to increase investment in associates and a joint venture by Php33.77 billion, investment properties by Php0.65 billion, property and equipment by Php6.40 billion, and AFS investments by Php1.28 billion. In 2017, cash flows used in investing activities went to increase investment in associates and a joint venture by Php26.78 billion, investment properties by Php0.66 billion, property and equipment by Php3.48 billion, AFS investments by Php1.74 billion and intangible assets by Php0.23 billion. In 2018, cash flows used in investing activities went to pay for additional investment in associates and a joint venture by Php29.63 billion, financial assets at FVOCI by Php10.48 billion, property and equipment by Php3.92 billion, and investment properties by Php0.22 billion.

Cash flows from financing activities

Net cash provided by financing activities amounted to Php14.64 billion in 2016, Php23.11 billion in 2017 and Php39.79 billion in 2018. In 2016, cash flows from financing activities came from Php46.65 billion in new loans and issuance of perpetual preferred shares of Php11.94 billion which were used to partially settle Php41.38 billion in outstanding loans, Php0.62 billion in liabilities on purchased properties and Php1.84 billion in redemption of non-controlling interest. In 2017, cash flows from financing activities came from Php38.35 billion in new loans and issuance of capital stock of Php21.69 billion which were used to partially settle Php38.40 billion in outstanding loans. In 2018, cash flows from financing activities came from loan availments of Php71.29 billion which were used to partially settle Php31.43 billion in outstanding loans and Php0.50 billion in liabilities on purchased properties.

A.iv Brief Description of the General Nature and Scope of the Corporation's Business and Its Subsidiaries

GT Capital Holdings, Inc. (GT Capital or the Company or the Parent Company or the Group) was incorporated in the Republic of the Philippines on July 26, 2007. The Company's registered office address and principal place of business is at 43/F GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa St., Makati City, Metro Manila, Philippines. GT Capital is a listed company, of which 56.2% is owned by Grand Titan Capital Holdings, Inc. and the directors and senior officers of GT Capital, while the balance of 43.8% is publicly-owned as of December 31, 2018.

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

As a testament to its market position, GT Capital was listed on the Philippine Stock Exchange (PSE) in April 2012, included in the PSE Index in September 2013, in the Financial Times Stock Exchange (FTSE) All-World Index in March 2014, and in the Morgan Stanley Capital International (MSCI) Philippine Index in May 2015.

GT Capital's portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The portfolio as of December 31, 2018 comprises directly-held interests in the following GT Capital component companies:

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

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

GT Capital provides financing for the acquisition of Toyota motor vehicles through its 40.0% interest in Toyota Financial Services Philippines Corporation (TFSPH). TFSPH offers retail loans and finance lease to its individual and corporate clients for the acquisition of brand-new and/or certified pre-owned Toyota vehicles.

On June 13, 2016, SEC approved the incorporation of GT Capital Auto Dealership Holdings, Inc. (GTCAD). GTCAD will be a holding entity for future auto dealerships of the Company. On July 14, 2016, SEC approved the incorporation of

Toyota Subic, Inc. (TSI), a joint venture between GTCAD and JBT Global Holdings Inc. (JBT Global), with GTCAD owning 55.0% and JBT Global owning 45.0% of TSI's issued and outstanding capital stock.

Banking – GT Capital conducts banking services through its 36.09% interest in Metropolitan Bank & Trust Company (MBT or Metrobank). MBT is a universal bank that provides, through itself and other members of the MBT Group, a full range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking, and trust services. Metrobank has been listed on the Philippine Stock Exchange since 1981. As of December 31, 2018, the MBT Group had a total of 952 branches in the Philippines, of which 703 were operated by MBT and 249 were operated by Philippine Savings Bank (PSBank); and over 2,300+ automated teller machines (ATMs).

Property Development – GT Capital engages in property development business through its wholly-owned subsidiary Federal Land, Inc. (Fed Land or Federal Land) and its 51.00% interest in affordable housing subsidiary, Property Company of Friends, Inc. (Pro-Friends). Fed Land primarily focuses on the development of high-rise, vertical residential condominium projects, as well as on master-planned communities that offer residential, retail, office, and commercial space. It caters mainly to the upper mid-end market segment with projects in key strategic urban communities. Pro-Friends, on the other hand, focuses on housing developments in key strategic and urbanizing areas. Pro-Friends primarily targets the most optimal property development client base (i.e. "sweet spot") that mainly comprises of the economic and low-cost segment of the residential market.

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

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

Motorcycle Financing – GT Capital, through its 20.00% stake in Sumisho Motor Finance Corporation (SMFC), offers end-user financing for Japanese motorcycle brands. SMFC is a joint venture among GT Capital, PSBank, and Sumitomo Corporation of Japan. Sumisho provides a total financing package that hopes to deliver simple, convenient and hassle-free motorcycle ownership for its clients.

A.v Corporation's Directors and Executive Officers

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Corporation's directors and executive officers including their principal occupation or employment, name, and principal business of any organization by which such persons are employed.

A.vi Market Price, Shareholder and Dividend Information

Market Information

The Company's common shares have been listed and traded at the PSE since April 20, 2012. The high and low sales prices for each period within the last two calendar years are as follows:

In Php	High	Low
	2017	
1st Quarter (Jan 1 to Mar 31)	1,381	1,145
2nd Quarter (Apr 1 to June 30)	1,300	1,120
3rd Quarter (July 1 to Sept 30)	1,257	1,105
4th Quarter (Oct 1 to Dec 31)	1,293	1,127
	2018	
1st Quarter (Jan 1 to Mar 31)	1,401	1,100
2nd Quarter (Apr 1 to June 30)	1,138	840
3rd Quarter (July 1 to Sept 30)	1,010	764
4th Quarter (Oct 1 to Dec 31)	1,010	661
	2019	
1st Quarter (Jan 1 to Mar 31)	1,131	920

Source: Bloomberg

As of December 28, 2018, the closing price of the Company's shares of stock is Php975.00 per share.

Shareholder and Dividend Information:

The top 20 stockholders of the Corporation's Common Shares as of December 31, 2018 are as follows:

NAME OF STOCKHOLDER	NO. OF SHARES *	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1. GRAND TITAN CAPITAL HOLDINGS, INC.	111,494,128	55.9323%
2. PCD NOMINEE CORP. (NON-FILIPINO)	61,696,894	30.9510%
3. PCD NOMINEE CORP. (FILIPINO)	25,512,240	12.7985%
4. TY, GEORGE SIAO KIAN	207,000	0.1038%
5. TY, ARTHUR VY	103,500	0.0519%
TY, ALFRED VY	103,500	0.0519%
6. TY, MARY VY	102,465	0.0514%
7. BLOOMINGDALE ENTERPRISES, INC.	31,723	0.0159%
8. DE CASTRO, SALUD D.	20,700	0.0104%
9. CHUA, JOSEPHINE TY	9,677	0.0049%
10. CHAN, ASUNCION C.	6,210	0.0031%
11. CHOI, ANITA C.	4,140	0.0021%
12. MAR, PETER OR ANNABELLE C. MAR	3,105	0.0016%
13. BAGUYO, DENNIS G.	2,329	0.0012%
14. CHOI, DAVIS C.	2,070	0.001%
CHOI, DENNIS C.	2,070	0.001%
CHOI, DIANA C.	2,070	0.001%
CROSLO HOLDINGS, CORP.	2,070	0.001%
15. SYCIP, WASHINGTON Z.	1,863	0.0009%
16. CHUA, ROBERT S.	1,242	0.0006%
17. ANG, GERRY	1,035	0.0005%
BAUTISTA, CARMELO MARIA LUZA	1,035	0.0005%
BELMONTE, MIGUEL	1,035	0.0005%
CUA, SOLOMON	1,035	0.0005%
PARAS, WILFREDO A.	1,035	0.0005%
PUNO, RODERICO	1,035	0.0005%
VALENCIA, RENATO C.	1,035	0.0005%
18. TSUMURA, ELEONOR OR MARY HARTI	776	0.0004%
19. CHAM, MARGARET T. ITF INIGO	725	0.0004%
CHAM, MARGARET T. ITF MARGARIT	725	0.0004%
CHAM, MARGARET T. ITF PAOLO	725	0.0004%
CHUA, ALEXANDER GABRIEL TY ITF	725	0.0004%
CHUA, ALEXANDER GABRIEL TY ITF	725	0.0004%

CHUA, KENNETH GABRIEL TY ITF	725	0.0004%
CHUA, KENNETH GABRIEL TY ITF	725	0.0004%
DY BUNCIO, ANJANETTE TY ITF	725	0.0004%
DY BUNCIO, ANJANETTE TY ITF	725	0.0004%
DY BUNCIO, ANJANETTE TY ITF	725	0.0004%
TY, ALESANDRA T. ITF ALEXA	725	0.0004%
TY, ALESANDRA T. ITF	725	0.0004%
TY, ALFRED VY ITF ANDREI	725	0.0004%
TY, ALFRED VY ITF ARYANE	725	0.0004%
TY, ALFRED VY ITF AUGUSTO	725	0.0004%
TY, ARTHUR VY ITF ALISA	725	0.0004%
TY, ARTHUR VY ITF ANDREW RYAN	725	0.0004%
TY, ARTHUR VY ITF ARIC JUSTIN	725	0.0004%
20. MEDIACOM EQUITIES, INC.	662	0.0003%

* Fully subscribed and paid up

As a policy, the Corporation has a target annual dividend payout of Php3.00 per share, payable out of its unrestricted retained earnings. Such declaration will take into consideration factors such as restrictions that may be imposed by current and prospective financial covenants; projected levels of operating results, working capital needs and long-term capital expenditures; and regulatory requirements on dividend payments, among others.

In 2016, 2017 and 2018, the Company paid cash dividends to its stockholders as follows:

Year	Common stock	Total	Voting Preferred Stock	Total	Record Date	Payment Date
2016	Php3.00 per share (regular) Php3.00 per share (special)	Php522.9 million (regular) Php522.9 million (special)	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 8, 2016	May 4, 2016
2017	Php3.00 per share (regular) Php2.00 per share (special)	Php522.9 million (regular) Php348.6 million (special)	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 4, 2017	April 20, 2017
2018	Php3.00 per share (regular)	Php577.8 million	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 4, 2018	April 13, 2018

On March 16, 2018, the Board of Directors approved the declaration of a 3.5% stock dividend in favor of GT Capital's stockholders of common stock as of record date equivalent to approximately 6,740,884 shares. On May 9, 2018, stockholders' approval has been obtained during the Annual Stockholders' Meeting. 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.

On March 26, 2019, the Board of Directors of the Company approved the declaration of cash dividends for common and voting preferred stockholders as follows. There are no restrictions limiting payment of dividends on common shares. Cash dividends for common and voting preferred stockholders are as follows:

Year	Common stock	Total	Voting Preferred Stock	Total	Record Date	Payment Date
2019	Php3.00 per share (regular)	Php598,012.752	3.77% PDST-R2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 10, 2019	April 25, 2019

A.vii Recent Sale of Unregistered or Exempt Securities

On June 2017, GT Capital issued 18,296,685 common shares out of its unissued common shares in favor of Grand Titan Capital Holdings, Inc. increasing its issued and outstanding common shares from 174,300,000 to 192,596,685 for approximately Php21.69 billion. No underwriter was engaged for this transaction. This transaction was exempt under SRC Rule 10.1€ sale to existing shareholders.

The closing price of both Perpetual Preferred Shares Series A and Series B is Php900 per share, as of December 31, 2018.

A.viii Legal Proceedings

There are no material pending legal proceedings to which the Corporation or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

A.ix. Corporate Governance

The Corporation adopted its Manual on Corporate Governance (the "Governance Manual") on December 2, 2011. It was last amended on June 7, 2018. The policy of corporate governance is based on the Governance Manual. The Governance Manual lays down the principles of good corporate governance in the entire organization. The Governance Manual provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance, to foster long-term success and to secure the Corporation's sustained competitiveness in a manner consistent with its fiduciary responsibility.

The Corporation's By-laws and Governance Manual provide that the Board shall have at least three (3) independent directors or such number as to constitute at least one-third (1/3) of the members of the board, whichever is higher. The Corporation espouses the definition of independence pursuant to the Securities Regulation Code. The Corporation considers as an independent director one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as an independent director of GT Capital Holdings.

The Governance Manual embodies the Corporation's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Governance Manual further provides for the rights of all shareholders and the protection of the interests of minority stockholders. Commission of any violation of the Governance Manual is punishable by a penalty ranging from reprimand to dismissal, depending on the frequency of commission as well as the gravity thereof.

The Board has constituted six (6) committees to effectively oversee the Corporation's operations: (i) the Executive Committee (ii) the Audit Committee; (iii) the Nominations Committee; (iv) the Compensation Committee; (v) the Corporate Governance Committee and Related Party Transactions Committee; and (vi) the Risk Oversight Committee.
There have been no deviations from the Corporation's Governance Manual as of this date.

A.x Undertaking to provide without charge a copy of the Corporation's Annual Report

The Corporation will provide without charge a copy of the Corporation's Annual Report on SEC Form 17-A to its stockholders upon receipt of a written request addressed to Mr. Francisco H. Suarez, Jr., Executive Vice President and Chief Financial Officer at 43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa St., 1227 Makati City, Metro Manila, Philippines.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RENATO C. VALENCIA,** Filipino, of legal age and a resident of [redacted]fter having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **GT CAPITAL HOLDINGS, INC**. and have been independent director since May 10, 2017. Prior to that, I was first elected as independent director on February 14, 2012 and served as independent director until May 14, 2013.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
i-People, Inc.	Chairman Director	2005-present 2003-present
Anglo Philippine Holdings Corporation	Independent Director	2007-present
EEI Corporation	Independent Director	2015-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **GT CAPITAL HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am **not** related to any director/officer/substantial shareholder of **GT CAPITAL HOLDINGS, INC.** and its subsidiaries and affiliates other than the relation provided under Rule 38.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the corporate secretary of GT Capital Holdings, Inc. of any changes in the abovementioned information within (5) days from its occurrence.

Done, this 26 day of March 2019, at Makati City.

original signed
RENATO C. VALENCIA
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this MAR 26 2019, affiant exhibiting to me his [redacted] No. [redacted] issued [redacted] at [redacted].

Doc No. 133;
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. 6618489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JAIME MIGUEL G. BELMONTE,** Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **GT CAPITAL HOLDINGS, INC.** and have been independent director since July 11, 2012.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
The Philippine Star	President and CEO	July 1998-present
Business World Publishing Corp.	President and CEO	June 2015-present
Pilipino Star Ngayon	President	February 1994-present
Pang Masa	President	January 2003-present
Pilipino Star Printing Co., Inc.	President	February 1994-present
The Freeman	President	August 2004-present
Banat News	President	August 2004-present
People Asia Magazine	Vice-Chairman	October 2014-present
Manila Tytana College	Member, Board of Advisers	2008-present
Nation Broadcasting Corp.	Director and President	2016-present
Cignal TV Inc.	Director	2016-present
Hastings Holdings Inc.	Director and President	2016-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **GT CAPITAL HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am **not** related to the following director/officer/substantial shareholder of **GT CAPITAL HOLDINGS, INC.** and its subsidiaries and affiliates other than the relation provided under Rule 38.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding, except for two (2) pending cases in my capacity as publisher of the *Philippine Star* and *Pilipino Star Ngayon*.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the corporate secretary of GT Capital Holdings, Inc. of any changes in the abovementioned information within (5) days from its occurrence.

Done, this 26 day of March 2019, at Makati City.

original signed

JAIME MIGUEL G. BELMONTE
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this MAR 2 6 2019, affiant exhibiting to me his [redacted] No. [redacted] issued on [redacted] at [redacted].

Doc No. 134;
Page No. 27;
Book No. II;
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. 6618483
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **WILFREDO A. PARAS**, Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **GT CAPITAL HOLDINGS, INC.** and have been independent director since May 14, 2013.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
WAP Holdings	President	2007-present
Philex Mining Corporation	Independent Director	2011-present
Dualtech Training Center Foundation, Inc.	Trustee	2012-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **GT CAPITAL HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am **not** related to the following director/officer/substantial shareholder of **GT CAPITAL HOLDINGS, INC.** and its subsidiaries and affiliates other than the relation provided under Rule 38.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the corporate secretary of GT Capital Holdings, Inc. of any changes in the abovementioned information within (5) days from its occurrence.

Done, this 26 day of March 2019, at Makati City.

original signed

WILFREDO A. PARAS
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this MAR 26 2019, affiant exhibiting to me his [redacted] No. [redacted] issued on [redacted] at [redacted].

Doc No. 132;
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. 6618489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RENE J. BUENAVENTURA,** Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **GT CAPITAL HOLDINGS, INC.**

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Lorenzo Shipping Corporation	Independent Director	2016-present
AIG Insurance, Philippines	Independent Director	2014-present
UBS Investments, Philippines, Inc.	Independent Director	2010-present
Consumer Creditscore Philippines, Inc.	Chairman	July 2016-present
Equitable Foundation	Trustee	2002-present
Go Kim Pah Foundation	Trustee	2006-present
Maxicare Healthcare Foundation	Director	2007-President
Algo Leasing and Finance Inc.	Vice Chairman	2007-President
Equicom Savings Bank	Vice Chairman	2007-President

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **GT CAPITAL HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am **not** related to any director/officer/substantial shareholder of **GT CAPITAL HOLDINGS, INC.** and its subsidiaries and affiliates other than the relation provided under Rule 38.2.3 of the Securities and Regulation Code.

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the corporate secretary of GT Capital Holdings, Inc. of any changes in the abovementioned information within (5) days from its occurrence.

Done, this 26 day of March 2019, at Makati City.

original signed

RENE J. BUENAVENTURA
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this MAR 26 2019, affiant exhibiting to me his [redacted] No. [redacted] issued on ______________ at [redacted].

Doc No. 135;
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. 6818489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

GT CAPITAL
HOLDINGS, INCORPORATED

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent 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 31, 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 of presentation upon completion of such examination.

Signature: original signed
Arthur V. Ty, Chairman of the Board

Signature: original signed
Carmelo Maria L. Bautista, President

Signature: original signed
Francisco H. Suarez, Jr., Chief Financial Officer

March 26, 2019

43rd Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City, Philippines
Tel: +632 836-4500 • Fax: +632 836-4159 • E-mail: gtcap@gtcapital.com.ph

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN to before me on MAR 26 2019, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Arthur V. Ty [redacted]
Carmelo Maria L. Bautista
Francisco H. Suarez, Jr.

original signed

Doc. No. 131
Page No. 20
Book No. 11
Series of 2019

ATTY. MELISSA D. REYES
Notary Public for Makati City until December 31, 2020
Roll No. 41639 / Appointment No. M-120
IBP 054764 / PTR No. 6618489
45/F GT Tower International, Ayala Avenue
Corner H.V. Dela Costa, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200711792

COMPANY NAME

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
gtcap@gtcapital.com.ph	836-4500	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
80	2nd Wednesday of May	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Francisco H. Suarez, Jr.	francis.suarez@gtcapital.com.ph	836-4500	

CONTACT PERSON's ADDRESS

43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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%. PFRS requires that when an entity acquires additional interest in an associate, the increase in the investment must be notionally split between goodwill and the additional interest in the fair value of the net assets of the associate. In 2017, the purchase price allocation was determined on a provisional basis. PFRS provides for a measurement period of one year from the date of acquisition wherein the acquirer may adjust provisional amounts.

The finalization of the purchase price allocation in 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 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 ₱18.81 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 PFRS, the Group is required to test goodwill and intangible assets with indefinite useful life for impairment at least on an annual basis. As of December 31, 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 58.68% to the consolidated net income of the Group in 2018, and accounted for 63.31% and 40.45% 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 ₱25.86 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.
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Partner
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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

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

	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.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except Earnings Per Share)

	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.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	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.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent Company									
(In Millions)	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Treasury Shares (Note 22)	Retained Earnings - Appropriated (Note 22)	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
Balance at January 1, 2018	**₱3,143**	**₱78,940**	**₱–**	**₱19,000**	**₱48,582**	**(₱5,975)**	**₱2,322**	**₱146,012**	**₱27,679**	**₱173,691**
Effect of adoption of PFRS 9, *Financial Instruments* (Note 2)	–	–	–	–	**(1,945)**	**5,453**	–	**3,508**	**(92)**	**3,416**
Effect of adoption of PFRS 15, *Revenue from Contracts with Customers* (Note 2)	–	–	–	–	**(635)**	–	–	**(635)**	**(559)**	**(1,194)**
At January 1, 2018, as restated	**3,143**	**78,940**	–	**19,000**	**46,002**	**(522)**	**2,322**	**148,885**	**27,028**	**175,913**
Cash dividend declared (Note 22)	–	–	–	–	**(1,167)**	–	–	**(1,167)**	**(6,925)**	**(8,092)**
Stock dividend declared (Note 22)	**68**	**6,652**	–	–	**(6,721)**	–	–	**(1)**	–	**(1)**
Appropriation during the period	–	–	–	**17,000**	**(17,000)**	–	–	–	–	–
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	**(19,000)**	**19,000**	–	–	–	–	–
Realized gain (loss) on sale of financial assets at FVOCI	–	–	–	–	**(45)**	**45**	–	–	–	–
Total comprehensive income	–	–	–	–	**13,390**	**(3,730)**	–	**9,660**	**4,762**	**14,422**
Effect of equity call of a majority-owned subsidiary	–	–	–	–	–	–	–	–	**45**	**45**
Balance at December 31, 2018	**₱3,211**	**₱85,592**	**₱–**	**₱17,000**	**₱53,459**	**(₱4,207)**	**₱2,322**	**₱157,377**	**₱24,910**	**₱182,287**
Balance at January 1, 2017	₱2,960	₱57,437	₱–	₱14,900	₱39,961	(₱2,775)	₱2,322	₱114,805	₱26,433	₱141,238
Issuance of capital stock	183	21,503	–	–	–	–	–	21,686	–	21,686
Dividends declared (Note 22)	–	–	–	–	(1,461)	–	–	(1,461)	(5,791)	(7,252)
Appropriation during the period	–	–	–	19,000	(19,000)	–	–	–	–	–
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	(14,900)	14,900	–	–	–	–	–
Acquisition of additional TMBC shares	–	–	–	–	–	–	–	–	(1)	(1)
Total comprehensive income	–	–	–	–	14,182	(3,200)	–	10,982	7,038	18,020
Balance at December 31, 2017	₱3,143	₱78,940	₱–	₱19,000	₱48,582	(₱5,975)	₱2,322	₱146,012	₱27,679	₱173,691
Balance at January 1, 2016	₱1,760	₱46,695	(₱6)	₱8,760	₱33,264	(₱918)	₱576	₱90,131	₱46,401	₱136,532
Issuance of capital stock	1,200	10,742	–	–	–	–	–	11,942	–	11,942
Effect of business combination (Notes 10 and 31)	–	–	–	–	(11)	11	–	–	687	687
Dividends declared (Note 22)	–	–	–	–	(1,636)	–	–	(1,636)	(5,910)	(7,546)
Acquisition of 28.32% of PCFI shares (Note 22)	–	–	–	–	–	–	1,746	1,746	(1,746)	–
Acquisition of 4.73% of GBPC shares (Note 12)	–	–	–	–	–	–	–	–	(1,322)	(1,322)
Appropriation during the period	–	–	–	15,500	(15,500)	–	–	–	–	–
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	(9,360)	9,360	–	–	–	–	–
Effect of asset disposal (CPAIC) (Note 12)	–	–	6	–	(57)	56	–	5	–	5
Effect of asset disposal (GBPC) (Note 12)	–	–	–	–	(93)	(1,106)	–	(1,199)	(18,068)	(19,267)
Total comprehensive income	–	–	–	–	14,634	(818)	–	13,816	8,391	22,207
Effect of PCFI's redemption of Pref B shares (Note 22)	–	–	–	–	–	–	–	–	(2,000)	(2,000)
Balance at December 31, 2016	₱2,960	₱57,437	₱–	₱14,900	₱39,961	(₱2,775)	₱2,322	₱114,805	₱26,433	₱141,238

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	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.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
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.

<u>Business Combinations Involving Entities Under Common Control</u>
A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The

combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

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

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

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

Change in Ownership without Loss of Control

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies
The accounting policies adopted in preparation of the consolidated financial statements are consistent with those of the previous year except for the following new and amended 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.

Amendments

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 FVPL. 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	(611)	–	–	–
Receivables	E, G	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	–	–	(144)	10,273
Noncurrent Assets						
Financial assets at FVOCI	B, C	–	1,939	–	–	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.

Note	Description
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.

<u>Derecognition</u>
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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Real estate inventories
Property acquired that are being developed or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory. Real estate inventories consist of land and improvements, condominium units held for sale and residential units.

Land and improvements are carried at the lower of cost or net realizable value (NRV). Cost includes the acquisition cost of the land and those costs incurred for development and improvement of the properties.

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

Construction in progress (CIP) includes development or construction costs incurred for real estate projects that have not yet reached the preliminary stage of completion and/or not yet launched. This account also includes owner supplied materials. Upon reaching the preliminary stage of completion, these are transferred to ‘Condominium units held for sale’.

Costs of condominium units held for sale includes the carrying amount of the land transferred from 'Land and improvements' at the commencement of its real estate projects and those costs incurred for construction, development and improvement of the properties, including capitalized borrowing costs.

Costs of residential units include land cost, land improvement costs, borrowing costs, amounts paid to contractors for construction and development, planning and design cost, cost of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Gasoline retail, petroleum products and chemicals
Cost is determined using first-in, first-out method. The costs of oil, petroleum products and chemicals include cost incurred for acquisition and freight charges.

Automotive inventories
These are inventories of the Toyota Group which are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and spare parts	− Purchase cost on a weighted average cost
Finished goods and work-in-process	− Cost of direct material and labor and proportion of fixed and overhead manufacturing costs allocated based on normal operating capacity
Raw materials and spare parts in-transit	− Cost is determined using the specific identification method

<u>Investments in Associates and Joint Venture</u>
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.

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

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

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

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

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

Goodwill is presented together with the intangible assets in the consolidated statement of financial position.

Impairment of Non-financial Assets
The Group assesses at each financial reporting date whether there is an indication that their nonfinancial assets (e.g., investments in associates and joint venture, investment properties, property and equipment, goodwill and intangible assets), may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

This accounting policy applies primarily to the Group's property and equipment and investment properties. Additional considerations for other non-financial assets are discussed below.

Investments in associates and joint venture
After application of the equity method, the Group determines whether it is necessary to recognize goodwill or any additional impairment loss with respect to the Group's net investment in its associates and joint venture. The Group determines at each financial reporting date whether there is any objective evidence that the investments in associates and joint venture are impaired.

If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and joint venture and the carrying cost and recognizes the amount in the consolidated statement of income.

Intangible assets
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.

Pension Costs

The Parent Company and its subsidiaries have funded, noncontributory defined benefit retirement plans, administered by trustees, covering their permanent employees.

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting dates.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefit of unused tax credits from MCIT and NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Foreign Currency Transactions
The Group's consolidated financial statements are presented in Philippine pesos, which is also the Parent Company's functional currency. Each entity within the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions denominated in foreign currency are recorded using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated using the closing exchange rates prevailing at reporting date. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange difference are taken to the consolidated statements of income.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 35.

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

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

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

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

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

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

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

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

Earnings Per Share
Basic earnings per share is calculated by dividing the net income for the year attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted earnings per share attributable to owners of the Parent Company is calculated in the same manner assuming that, the weighted average number of common shares outstanding is adjusted for potential common shares from the assumed exercise of dilutive instruments.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued But Not Yet Effective
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective beginning on or after January 1, 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 PFRS requires the Group's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of reporting date. Actual results could differ from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Assessment of control over investees
The determination on whether the Group has control over an investee requires significant judgment. For this, the Group considers the following factors: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. In assessing whether the Group has power over the investee, the Group assesses whether it has existing rights that give it the current ability to direct the relevant activities of the investee.

Joint arrangements
The Group has investments in joint arrangements. The Group has joint control over these arrangements as under the contractual arrangements, unanimous consent is required from all the parties to the agreements for all relevant activities.

Determination of significant influence over another entity
The determination of significant influence over another entity, other than the rebuttable presumption of ownership over twenty percent (20.0%), requires significant judgment. In making judgment, the Group evaluates existence of the following:

- representation on the BOD or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

As at December 31, 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.

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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			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			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
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.

<u>TMBC Short -Term Loans</u>
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.

<u>GTCAD Group Short -Term Loans</u>
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.

<u>Affiliated Short -Term Loans</u>
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.

<u>Federal Land - Corporate Notes</u>
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
<u>Parent Company Long -Term Loans</u>
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 ₱62.2 million in 2018. As of December 31, 2018 the negative fair value of the interest rate swap amounted ₱62.2 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.

<u>Federal Land Long-Term Loans</u>

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**

Maturity Dates	Interest rate	Par Value	Carrying 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
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	**Direct Ownership**		**Effective Ownership**	
	Business	**2018**	2017	**2018**	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

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2018		
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
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
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

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2017		
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
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

(Forward)

	2018	2017
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**	**Level3**	**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**
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.

Significant Unobservable Inputs

Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

33. **Financial Risk Management and Objectives**

The Group's principal financial instruments are composed of cash and cash equivalents, short-term investments, receivables, due from related parties, financial assets at FVOCI and financial assets at FVTPL/AFS investments, accounts and other payables, due to/from related parties, loans payable and derivative liabilities.

Exposures to credit, liquidity, foreign currency, interest rate, and equity price risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's respective financing and treasury functions focus on managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit Risk
The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise cash and cash equivalents, short-term investments, receivables, due from related parties and 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								
		Past Due but not Individually Impaired							
	Neither Past Due nor Individually Impaired	<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	Total
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).

Reasonably Possible Changes in Interest Rates	Increase (decrease) in income before tax		
	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 (%)	.852%	.852%	.852%	.852%	.852%	.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 PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Segment Assets

Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group as of and for the years ended December 31, 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

(Forward)

	2018	2017	2016
Liabilities			
Accounts and other payables	₱–	₱–	₱5,200
Customer's deposits	–	–	1
Income tax payable	–	–	3
Other current liabilities	–	–	74
Pension liabilities	–	–	675
Long-term debt	–	–	37,200
Deferred tax liabilities	–	–	970
Other noncurrent liabilities	–	–	251

The following are the changes in liabilities in 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.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GT Capital Holdings, Inc. and Subsidiaries (the Group) as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A and have issued our report thereon dated March 26, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules I to IV listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

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

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2018

GT CAPITAL HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2018
(In Millions)

Unappropriated Retained Earnings, as previously reported, beginning		₱2,762
Add: Effect of adoption of PFRS 9, *Financial Instruments*		6
Unappropriated Retained Earnings, as restated, beginning		2,768
Add: Net income actually earned during the period		
Net income during the period closed to Retained earnings		5,832
Subtotal		8,600
Add (Less):		
Appropriations during the period	(17,000)	
Reversal of appropriation upon completion of the expansion and acquisition	19,000	
Dividend declaration during the period	(1,167)	
Stock dividends distribution	(6,721)	(5,888)
Total Retained Earnings, end available for dividend declaration		₱2,712

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS

AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Millions)

Schedule A. Financial Assets

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Investment securities				
Financial assets at FVTPL	Various	₱3,181	₱3,181	₱–
Financial assets at FVOCI				
Quoted	Various	10,631	10,631	178
Unquoted	Various	317	317	252

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
A.R. Alcid	Senior Manager	₱–	₱2	(₱2)	–	–	₱–	₱–
C.T. Alfonso	Senior Manager	–	1	(1)	–	–	–	–
M.Z. Amamangpang	Assistant Vice President	–	1	(1)	–	–	–	–
S.C. Iyog	Senior Vice President	–	1	–	–	–	1	1
P.N. Moralde	Assistant Vice President	1	–	–	–	–	1	1
R.M. Quiza	Senior Manager	1	–	–	–	–	1	1
R.G. Oña	Rank & File / Supervisor	1	–	–	–	–	1	1
M.L. Gopez	Officer	1	–	–	–	–	1	1
P.C. Castro	Officer	–	1	–	–	–	1	1
I.E. Claudio	Officer	1	–	–	–	–	1	1
R.B. De Grano	Officer	1	–	–	–	–	1	1
I.O. Elopre	Rank & File / Supervisor	–	1	–	–	–	1	1
L.B. Aguilera	Rank & File / Supervisor	–	1	–	–	–	1	1
M.W. Guieb	Rank & File / Supervisor	1	–	–	–	–	1	1
R.B. Dugang	Officer	1	–	–	–	–	1	1
A.R. Bicaldo	Rank & File / Supervisor	1	–	–	–	1	–	1
A.E. Capoquian, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
C.B. Limcuando	Rank & File / Supervisor	1	–	–	–	–	1	1
H.G. De Guzman	Officer	1	–	–	–	–	1	1
M.S. Villanueva	Rank & File / Supervisor	–	1	–	–	–	1	1
A.S. Abuan	Rank & File / Supervisor	–	1	–	–	–	1	1
A.S. Bonifacio	Officer	1	–	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
R.H. Aguila	Rank & File / Supervisor	–	1	–	–	–	1	1
W.A. Endaya	Rank & File / Supervisor	1	–	–	–	–	1	1
R.S. Maaño	Rank & File / Supervisor	1	–	–	–	–	1	1
M.D. Mendoza	Rank & File / Supervisor	1	–	–	–	–	1	1
R.N. Gaspar	Officer	1	–	–	–	–	1	1
J.R. Ubaña	Rank & File / Supervisor	1	–	–	–	–	1	1
G.E. Amoranto	Officer	1	–	–	–	–	1	1
A.G. Lopez	Officer	1	–	–	–	–	1	1
N.O. Pante	Officer	–	1	–	–	–	1	1
G.G. Deangkinay	Officer	1	–	–	–	–	1	1
L.Y. Fernandez	Rank & File / Supervisor	1	–	–	–	–	1	1
R.B. Dotollo	Rank & File / Supervisor	–	1	–	–	–	1	1
V.P. Constantino, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
C.M. Aberin, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
L.C. Jimenez	Officer	1	–	–	–	–	1	1
J.J. Contreras, Jr.	Officer	–	1	–	–	–	1	1
R.T. Rodriguez	Officer	1	–	–	–	–	1	1
A.A. Oblea	Officer	1	–	–	–	–	1	1
G.A. Javier	Rank & File / Supervisor	1	–	–	–	–	1	1
P.B. Amoroso	Rank & File / Supervisor	1	–	–	–	–	1	1
E.E. Embile	Rank & File / Supervisor	1	–	–	–	–	1	1
F.C. Escrimadora	Rank & File / Supervisor	2	–	(1)	–	–	1	1
F.M. Mercado, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
V.M. Perlas, Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
E.J. Nil	Rank & File / Supervisor	1	–	–	–	–	1	1
A.M. Prado, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Tuscano, Jr.	Rank & File / Supervisor	–	1	–	–	1	–	1
R.M. Gayorgor	Rank & File / Supervisor	1	–	–	–	–	1	1
B.V. De Leon	Rank & File / Supervisor	1	–	–	–	–	1	1
M.D. Garcia	Rank & File / Supervisor	1	–	–	–	–	1	1
A.A. Nazareth	Rank & File / Supervisor	1	–	–	–	–	1	1
N.R. Amboy	Rank & File / Supervisor	1	–	–	–	–	1	1
R.Q. Villanueva	Rank & File / Supervisor	1	–	–	–	–	1	1
R.B. Fortuna	Rank & File / Supervisor	1	–	–	–	–	1	1
E.O. Garcia	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
B.C. Punzalan, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
A.E. Delmo	Rank & File / Supervisor	–	1	–	–	–	1	1
M.B. Candelario	Rank & File / Supervisor	–	1	–	–	–	1	1
A.L. Cansicio	Rank & File / Supervisor	1	–	–	–	–	1	1
M.M. Legaspi	Rank & File / Supervisor	1	–	–	–	–	1	1
E.P. Ramos	Rank & File / Supervisor	1	–	–	–	–	1	1
R.G. Jaspe	Rank & File / Supervisor	1	–	–	–	–	1	1
A.L. Laureta	Rank & File / Supervisor	–	1	–	–	–	1	1
A.C. Prado	Rank & File / Supervisor	1	–	–	–	–	1	1
L.F. Ternate	Rank & File / Supervisor	1	–	–	–	–	1	1
C.G. Sevilla	Rank & File / Supervisor	1	–	–	–	–	1	1
A.L. Bautista	Rank & File / Supervisor	1	–	–	–	–	1	1
J.A. Maraña	Rank & File / Supervisor	–	1	–	–	–	1	1
A.B. Nuñez	Rank & File / Supervisor	1	–	–	–	–	1	1
R.C. Castillo	Rank & File / Supervisor	1	–	–	–	–	1	1
L.B. Sison	Rank & File / Supervisor	1	–	–	–	–	1	1
N.A. Dedicatoria	Rank & File / Supervisor	1	–	–	–	–	1	1
E.M. Lacibal	Rank & File / Supervisor	1	–	–	–	–	1	1
R.P. Prado	Rank & File / Supervisor	–	1	–	–	–	1	1
J.M. Tardeo	Rank & File / Supervisor	–	1	–	–	–	1	1
A.M. Brecia	Rank & File / Supervisor	1	–	–	–	–	1	1
E.P. Agbay, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
A.E. Rizaldo	Rank & File / Supervisor	1	–	–	–	–	1	1
R.B. Fabula	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Simon	Rank & File / Supervisor	1	–	–	–	–	1	1
O.N. Muya	Rank & File / Supervisor	–	1	–	–	–	1	1
J.F. Gaa Jan	Rank & File / Supervisor	–	1	–	–	–	1	1
W.V. Gonzales	Officer	1	–	–	–	–	1	1
J.L. Orteza	Officer	1	–	–	–	–	1	1
R.S. Ladines	Rank & File / Supervisor	–	1	–	–	1	–	1
R.M. Valenzuela	Rank & File / Supervisor	1	–	–	–	–	1	1
R.P. Gabiana	Rank & File / Supervisor	1	–	–	–	–	1	1
J.O. Benaid	Rank & File / Supervisor	1	–	–	–	–	1	1
J.E. Erfe	Rank & File / Supervisor	1	–	–	–	–	1	1
J.P. Almario	Rank & File / Supervisor	1	–	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
J.L. Agustin	Rank & File / Supervisor	1	–	–	–	–	1	1
E.H. Magat	Rank & File / Supervisor	–	1	–	–	–	1	1
J.A. Aligada	Officer	1	–	–	–	–	1	1
R.R. Gutierrez	Officer	1	–	–	–	–	1	1
D.R. Escuro	Officer	2	-	(1)	–	–	1	1
L.T. Gilbuena	Officer	1	–	–	–	1	–	1
F.Y. Flores, Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
I.C. Sincioco	Officer	1	–	–	–	–	1	1
M.T. Esplana	Officer	1	–	–	–	–	1	1
R.B. Valdez	Officer	–	2	–	–	–	2	2
A.G. Tepora	Rank & File / Supervisor	1	–	–	–	–	1	1
M.C. Buena	Officer	1	–	–	–	–	1	1
A.M. Sabido	Rank & File / Supervisor	1	–	–	–	–	1	1
M.B. Antonio	Officer	1	–	–	–	–	1	1
A.B. Bautista	Officer	1	–	–	–	–	1	1
V.B. Delos	Officer	–	1	–	–	–	1	1
C.S. Claro	Rank & File / Supervisor	1	–	–	–	–	1	1
J.G. Jimenez	Rank & File / Supervisor	1	–	–	–	–	1	1
M.M. Faustino	Rank & File / Supervisor	2	–	(1)	–	–	1	1
J.C. Villanueva	Officer	2	–	(1)	-	-	1	1
J.T. Arias	Officer	1	–	–	–	–	1	1
E.U. De La Peña	Rank & File / Supervisor	1	–	–	–	–	1	1
P.L. Peñaflorida	Rank & File / Supervisor	1	–	–	–	–	1	1
M.Y. Santoalla	Officer	–	1	–	–	–	1	1
J.T. Calimbahin	Rank & File / Supervisor	1	–	–	–	–	1	1
E.G. Chavez	Rank & File / Supervisor	–	1	–	–	–	1	1
E.P. Chua	Rank & File / Supervisor	1	–	–	–	–	1	1
J.M. Atienza	Officer	1	–	–	–	–	1	1
J.O. Sandoval	Officer	1	–	–	–	–	1	1
M.C. Capco	Rank & File / Supervisor	1	–	–	–	–	1	1
B.L. Aquino	Rank & File / Supervisor	1	–	–	–	–	1	1
S.T. Chua-Lim	Officer	1	–	–	–	–	1	1
J.S. Matsuo	Officer	–	1	–	–	–	1	1
D.C. Cruz	Officer	1	–	–	–	–	1	1
J.M. Gecolea	Rank & File / Supervisor	1	–	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
D.R. Villacorta	Rank & File / Supervisor	1	–	–	–	–	1	1
E.C. Delizo	Rank & File / Supervisor	–	1	–	–	–	1	1
E.O. Marcellana	Rank & File / Supervisor	1	–	–	–	–	1	1
B.E. Dionela	Officer	1	–	–	–	–	1	1
M.J. Rosario	Officer	1	–	–	–	–	1	1
D.Z. Robosa	Officer	1	–	–	–	–	1	1
C.R. Ofilada	Rank & File / Supervisor	1	–	–	–	–	1	1
R.A. Kalambacal	Rank & File / Supervisor	1	–	–	–	–	1	1
C.C. Santiago	Rank & File / Supervisor	1	–	–	–	–	1	1
M.C. Masamayor	Rank & File / Supervisor	–	1	–	–	–	1	1
A.A. Marcellana	Rank & File / Supervisor	1	–	–	–	–	1	1
J.A. Maunte	Rank & File / Supervisor	–	1	–	–	–	1	1
A.D. Bargo	Rank & File / Supervisor	1	–	–	–	–	1	1
R.P. Pedregosa	Rank & File / Supervisor	1	–	–	–	–	1	1
J.C. Albay	Rank & File / Supervisor	1	–	–	–	–	1	1
S.D. Gumabao, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
A.E. Pancho	Officer	–	1	–	–	–	1	1
E.D. Lucio	Rank & File / Supervisor	1	–	–	–	–	1	1
E.M. Caisip	Rank & File / Supervisor	1	–	–	–	–	1	1
M.G. Canlobo	Rank & File / Supervisor	1	–	–	–	–	1	1
E.I. Manzanero	Rank & File / Supervisor	1	–	–	–	–	1	1
H.L. Buendia	Officer	1	–	–	–	–	1	1
R.B. Santilles	Rank & File / Supervisor	1	–	–	–	–	1	1
R.S. Mercado	Rank & File / Supervisor	1	–	–	–	–	1	1
R.P. Ocampo	Rank & File / Supervisor	1	–	–	–	–	1	1
E.D. Forteza	Rank & File / Supervisor	–	1	–	–	–	1	1
V.A. Nazareth	Rank & File / Supervisor	1	–	–	–	–	1	1
J.M. Mañalac	Rank & File / Supervisor	1	–	–	–	–	1	1
R.O. Romero	Rank & File / Supervisor	1	–	–	–	–	1	1
A.P. Peralta	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Inanoria	Rank & File / Supervisor	–	1	–	–	–	1	1
I.E. Borsigue	Rank & File / Supervisor	1	–	–	–	–	1	1
D.C. Rosales	Rank & File / Supervisor	1	–	–	–	–	1	1
C.M. Alcantara	Rank & File / Supervisor	1	–	–	–	–	1	1
V.Y. Margallo, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
D.M. Miranda	Rank & File / Supervisor	1	–	–	–	–	1	1
T.A. Echano	Rank & File / Supervisor	1	–	–	–	–	1	1
G.F. Pante	Rank & File / Supervisor	1	–	–	–	–	1	1
A.B. Parilla	Rank & File / Supervisor	–	1	–	–	–	1	1
R.R. De Guzman	Rank & File / Supervisor	1	–	–	–	–	1	1
F.A. Pagaspas	Rank & File / Supervisor	1	–	–	–	–	1	1
N.B. De La Cueva	Rank & File / Supervisor	1	–	–	–	–	1	1
A.F. Parayno	Rank & File / Supervisor	1	–	–	–	–	1	1
B.L. Abraham	Rank & File / Supervisor	1	–	–	–	–	1	1
D.A. Carpio	Rank & File / Supervisor	1	–	–	–	–	1	1
M.C. Visaya	Rank & File / Supervisor	1	–	–	–	–	1	1
E.E. Sto Tomas	Rank & File / Supervisor	1	–	–	–	–	1	1
A.M. Abante	Rank & File / Supervisor	–	1	–	–	–	1	1
L.R. Olaco, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
R.D. Andal	Rank & File / Supervisor	1	–	–	–	–	1	1
J.M. Broqueza	Rank & File / Supervisor	1	–	–	–	–	1	1
R.O. Obmina	Rank & File / Supervisor	1	–	–	–	–	1	1
R.S. Macasieb	Rank & File / Supervisor	1	–	–	–	–	1	1
J.C. Soto	Rank & File / Supervisor	–	1	–	–	–	1	1
A.Z. Alam	Rank & File / Supervisor	–	1	–	–	–	1	1
C.V. Aldea	Rank & File / Supervisor	1	–	–	–	–	1	1
M.A. Calderon	Rank & File / Supervisor	1	–	–	–	–	1	1
G.G. Castillo	Officer	–	1	–	–	–	1	1
A.C. Hayag	Rank & File / Supervisor	1	–	–	–	–	1	1
R.V. Liwanag	Rank & File / Supervisor	1	–	–	–	–	1	1
A.M. Marquez	Rank & File / Supervisor	1	–	–	–	–	1	1
R.T. Pahati, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
R.E. Pineda	Rank & File / Supervisor	–	1	–	–	–	1	1
C.L. Rodelas	Rank & File / Supervisor	1	–	–	–	–	1	1
W.M. Solas	Rank & File / Supervisor	1	–	–	–	–	1	1
E.B. Tatad	Rank & File / Supervisor	1	–	–	–	–	1	1
L.D. Tejano	Officer	1	–	–	–	–	1	1
D.A. Casas	Rank & File / Supervisor	1	–	–	–	–	1	1
N.F. Fuedan	Rank & File / Supervisor	1	–	–	–	–	1	1
L.L. Cabauatan	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
R.B. Turico	Rank & File / Supervisor	1	–	–	–	–	1	1
R.G. Waje	Rank & File / Supervisor	1	–	–	–	–	1	1
G.D. Baybay	Rank & File / Supervisor	1	–	–	–	–	1	1
V.P. Gozo	Rank & File / Supervisor	1	–	–	–	–	1	1
T.V. Pinca	Rank & File / Supervisor	1	–	–	–	–	1	1
E.E. Aguila	Rank & File / Supervisor	1	–	–	–	–	1	1
O.S. Tirador	Rank & File / Supervisor	1	–	–	–	–	1	1
P.R. Santos	Rank & File / Supervisor	–	1	–	–	–	1	1
L.G. Perey	Rank & File / Supervisor	1	–	–	–	–	1	1
E.M. Caancan	Rank & File / Supervisor	1	–	–	–	–	1	1
R.A. Parado	Rank & File / Supervisor	1	–	–	–	–	1	1
G.V. Rodriguez	Rank & File / Supervisor	1	–	–	–	–	1	1
J.M. Santiago	Rank & File / Supervisor	1	–	–	–	–	1	1
R.C. Bay	Rank & File / Supervisor	1	–	–	–	–	1	1
N.C. Abang	Rank & File / Supervisor	1	–	–	–	–	1	1
R.S. Aquino	Rank & File / Supervisor	–	1	–	–	–	1	1
C.T. Biscocho	Rank & File / Supervisor	-	1	–	–	–	1	1
I.B. Del Mundo	Rank & File / Supervisor	1	–	–	–	–	1	1
F.A. Macatangay	Rank & File / Supervisor	1	–	–	–	–	1	1
G.S. Espinosa	Officer	1	–	–	–	–	1	1
J.L. Pareja	Rank & File / Supervisor	-	1	–	–	–	1	1
E.T. Lambio	Rank & File / Supervisor	1	–	–	–	–	1	1
A.B. Divinagracia	Rank & File / Supervisor	1	–	–	–	–	1	1
A.G. Go	Rank & File / Supervisor	2	–	(1)	-	-	1	1
G.T. Laural	Rank & File / Supervisor	1	–	–	–	–	1	1
R.C. Vargas	Rank & File / Supervisor	1	–	–	–	–	1	1
R.V. Barcos	Rank & File / Supervisor	1	–	–	–	–	1	1
J.D. Bernardo	Rank & File / Supervisor	1	–	–	–	–	1	1
M.P. De Leon	Rank & File / Supervisor	1	–	–	–	–	1	1
R.P. Ugates	Rank & File / Supervisor	-	1	–	–	–	1	1
J.C. Mandras	Rank & File / Supervisor	1	–	–	–	–	1	1
R.C. Delos Santos, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
T.T. Lopez, Jr.	Officer	1	–	–	–	–	1	1
E.A. Rogador	Rank & File / Supervisor	–	1	–	–	–	1	1
A.I. Manongsong	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
F.M. Aspuria	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Mercado	Rank & File / Supervisor	–	1	–	–	–	1	1
L.C. Capidos	Rank & File / Supervisor	1	–	–	–	–	1	1
A.D. Cruzado	Rank & File / Supervisor	-	1	–	–	–	1	1
R.A. Adorador	Rank & File / Supervisor	1	–	–	–	–	1	1
A.D. Gimang	Rank & File / Supervisor	1	–	–	–	–	1	1
F.C. Hermosa	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Cantalejo	Rank & File / Supervisor	1	–	–	–	–	1	1
E.C. Cruz	Rank & File / Supervisor	1	–	–	–	–	1	1
F.B. De Guzman, Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
G.C. Cruzado	Rank & File / Supervisor	–	1	–	–	–	1	1
R.T. Ramos	Rank & File / Supervisor	–	1	–	–	–	1	1
A.A. Andallo	Rank & File / Supervisor	1	–	–	–	–	1	1
D.L. Samson	Rank & File / Supervisor	1	–	–	–	–	1	1
J.V. Orcajada	Rank & File / Supervisor	1	–	–	–	–	1	1
B.P. Oclarino	Rank & File / Supervisor	1	–	–	–	–	1	1
H.H. Hara	Rank & File / Supervisor	1	–	–	–	–	1	1
C.T. Dionela	Officer	–	1	–	–	–	1	1
L.M. De Leon	Rank & File / Supervisor	–	1	–	–	–	1	1
A.L. Avenido	Rank & File / Supervisor	–	1	–	–	–	1	1
R.G. Pane	Rank & File / Supervisor	–	1	–	–	–	1	1
J.M. Lamberte	Rank & File / Supervisor	–	1	–	–	–	1	1
R.S. Camo	Rank & File / Supervisor	–	1	–	–	–	1	1
L.G. Esguerra	Rank & File / Supervisor	–	1	–	–	–	1	1
D.T. Tagubase	Officer	–	1	–	–	–	1	1
N,R, Buenavidez	Rank & File / Supervisor	–	1	–	–	–	1	1
R.V. Salao, Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
A.C. Feliciano	Rank & File / Supervisor	–	1	–	–	–	1	1
R.M. Mercado	Rank & File / Supervisor	–	1	–	–	–	1	1
C.E. Cobilla	Rank & File / Supervisor	–	1	–	–	–	1	1
A.D. Dueñas	Rank & File / Supervisor	–	1	–	–	–	1	1
N.T. Espejon	Rank & File / Supervisor	–	1	–	–	–	1	1
J.D. De Leon	Rank & File / Supervisor	–	1	–	–	–	1	1
A.B. Aspiras	Rank & File / Supervisor	–	1	–	–	–	1	1
C.G. Alcancia	Rank & File / Supervisor	–	1	–	–	–	1	1

Name of debtor	Designation of debtor	Balance of beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
M.V. Ulanday	Rank & File / Supervisor	–	1	–	–	–	1	1
J.P. Sto Domingo, Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
J.C. Alicabo	Rank & File / Supervisor	–	1	–	–	–	1	1
E.D. Parala	Rank & File / Supervisor	–	1	–	–	–	1	1
R.A. Peña	Rank & File / Supervisor	–	1	–	–	–	1	1
C.B. Nalaunan	Rank & File / Supervisor	–	1	–	–	–	1	1
R.R. Bayot	Rank & File / Supervisor	–	1	–	–	–	1	1
J.V. Dizon	Rank & File / Supervisor	–	1	–	–	–	1	1
A.B. Alvarez	Rank & File / Supervisor	–	1	–	–	–	1	1
M.A. Quinto	Rank & File / Supervisor	–	1	–	–	–	1	1
R.B. Magdaong	Rank & File / Supervisor	–	1	–	–	–	1	1
J.A. Berdin	Rank & File / Supervisor	–	1	–	–	–	1	1
M.N. Caraan	Rank & File / Supervisor	–	1	–	–	–	1	1
A.D. Bautista	Rank & File / Supervisor	–	1	–	–	–	1	1
		₱198	₱90	(₱10)	₱–	₱3	₱275	₱278

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements:

Name of debtor	Relationship	Balance at beginning of period	Net Transaction	Current	Not Current	Balance at end of period
Topsphere Realty Development Co. Inc.	Subsidiary of Federal Land, Inc.	₱835	(12)	823	–	823
Omni Orient Management Corp.	-do-	4	–	4	–	4
Central Realty & Dev't Corp.	-do-	328	–	328	–	328
Horizon Land Property Development Corp.	-do-	2,367	(400)	1,967	–	1,967
Micara Land Inc.	Subsidiary of Property Company of Friends, Inc.	928	(525)	403	–	403
Firm Builders Realty Development Corporation	-do-	164	9	173	–	173
Marcan Development Corporation	-do-	1	(4)	(3)	–	(3)
Williamton Holdings Inc.	-do-	(173)	(926)	(1,099)	–	(1,099)
Toyota San Fernando Pampanga, Inc.	Subsidiary of Toyota Motor Philippines Corp.	80	115	195	–	195
Toyota Makati, Inc.	-do-	191	8	199	–	199
Lexus Manila, Inc.	-do-	1	309	310	–	310
Toyota Sta. Rosa Laguna Inc.	-do-	16	39	55	–	55
TMP Logistics, Inc.	-do-	–	14	14	–	14
TMBC Insurance Agency Corporation	Subsidiary of Toyota Manila Bay Corp.	–	1	1	–	1
Oxfordshire Holdings, Inc.	-do-	–	26	26	–	26
		₱4,742	(₱1,346)	₱3,396	₱–	₱3,396

Schedule D. Intangible Assets - Other Assets

Description (i)	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)*	Ending balance
Goodwill	₱8,767	₱–	₱–	₱–	₱–	₱8,767
Customer relationship	3,883	–	–	–	–	3,883
Software cost and license - net	360	62	(119)	–	–	303
Franchise - net	2	–	–	–	–	2
	₱13,012	₱62	(119)	₱–	₱–	₱12,955

**Other changes (Additions/deductions) pertains to reclassification.*

Schedule E. Long Term Debt

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Other details
Bonds payable	₱3,900	₱–	₱3,892	Interest rate of 4.8371% and will mature on February 27, 2020
Bonds payable	6,100	–	6,069	Interest rate of 5.0937% and will mature on February 27, 2023
Bonds payable	3,000	2,994	–	Interest rate of 4.7106% and will mature on November 7, 2019
Bonds payable	5,000	–	4,978	Interest rate of 5.1965% and will mature on August 7, 2021
Bonds payable	4,000	–	3,974	Interest rate of 5.6250% and will mature on August 7, 2024
	22,000	2,994	18,913	
Note Facility Agreement	4,875	25	4,850	Annual payment of ₱25 million from 2014 to 2020, ₱5 million payable in years 2021 and 2022; P955 million payable on July 5, 2023
Loans payable	2,000	–	1,995	Interest rate of 2.80% and will mature on August 25, 2021
Loans payable	200	–	199	Interest rate of 2.60% and will mature on November 22, 2021
Loans payable	536	–	534	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	300	–	299	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	200	–	199	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	3,264	–	3,251	Interest rate of 2.60 to 2.90% and will mature in 2021 and 2022
Loans payable	6,600	88	6,512	₱2,000.00 million with fixed interest rate of 5.8422% per annum will mature on December 20, 2024; ₱1,500.00 million with fixed interest rate of 5.8591% per annum will mature on December 22, 2024; ₱2,000.00 million payable at 40% quarterly payment starting at the end of 5th year and 60% on December 23, 2024 with fixed interest rate of 5.6658% per annum; ₱1,100.00 payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on December 20, 2024 with fixed interest rate of 5.05% per annum.
Loans payable	2,200	–	2,200	Fixed interest rate of 5.05%. Principal payment of the loan will start on December 31, 2020 to 2024 at the amount of ₱176 million per year and the remaining balance will be paid on maturity date.
Loans payable	800	–	800	Interest rate of 6.07% with a term of 20 years and will be paid in full on maturity date.
Loans payable	200	–	200	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	335	–	335	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	140	–	140	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	120	–	120	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	200	–	199	Interest rate of 5.8633%, subject to equal annual principal amortization amounting to ₱0.20 million starting on May 29, 2021 and fully payable on May 29, 2026
Loans payable	250	12	225	Interest rate of 5.25%, due in annual payment of ₱12.5 million starting on September 2018 and fully payable on September 5, 2021
Loans payable	100	–	100	Interest rate of 5.725% and will mature on March 16, 2022
Loans payable	500	–	497	Interest rate of 5.9625% and will mature on November 4, 2022
Loans payable	2,500	–	2,490	Interest rate of 4.25% and will mature on June 29, 2023
Loans payable	713	38	669	Interest rates of 6.6728% and 6.7097% and will mature on September 5, 2021
Loans payable	79	–	79	Interest rate of 4.2% and will mature on February 26, 2021
Loans payable	91	–	91	Interest rate of 2.7% and will mature on September 28, 2025
Loans payable	₱76	₱–	₱76	Interest rate of 2.7% and will mature on October 23, 2026

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Other details
Loans payable	1,100	75	1,022	Interest rates ranging from 4.85% to 5.94% and will mature on May 29, 2026
Loans payable	4,700	552	3,434	Interest rate of 6.0% and will mature in 2025 and 2026
Loans payable	3,000	30	3,104	Interest rate of 5.13% and will mature on June 25, 2027
Loans payable	7,000	–	6,978	Interest rate of 5.556% and will mature on March 26, 2025
Loans payable	6,000	–	5,981	Interest rate of 5.0500% and will mature on March 26, 2025
Loans payable	2,000	–	1,993	Interest rate of 5.8081% and will mature on December 4, 2027
Loans payable	4,000	–	3,984	Interest rate of 5.8075% and will mature on December 3, 2027
Loans payable	2,000	–	1,992	Interest rate of 5.9343% and will mature on December 22, 2028
Loans payable	4,000	–	3,984	Interest rate of 5.5556% and will mature on December 22, 2026
Loans payable	10,000	–	9,928	Interest rate of 7.3232% and will mature on March 27, 2030
Loans payable	15,000	–	14,894	Interest rate of 6.5687% and will mature on March 27, 2028
Loans payable	11,075	–	10,995	Interest rate of 3-month JPY Libor plus 0.65% spread and will mature in July 2024
	96,154	820	94,349	
	₱118,154	₱3,814	₱113,262	

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period	Remarks
Metropolitan Bank & Trust Co.	₱6,500	₱9,000	
Metropolitan Bank & Trust Co.	2,965	2,970	Will be used as part of the working capital
Toyota Aisin Philippines, Inc.	79	79	
TRP Inc.	91	91	Will be used as part of the working capital
Philippine HKR Inc.	76	76	
Metropolitan Bank & Trust Co.	647	850	

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
None				

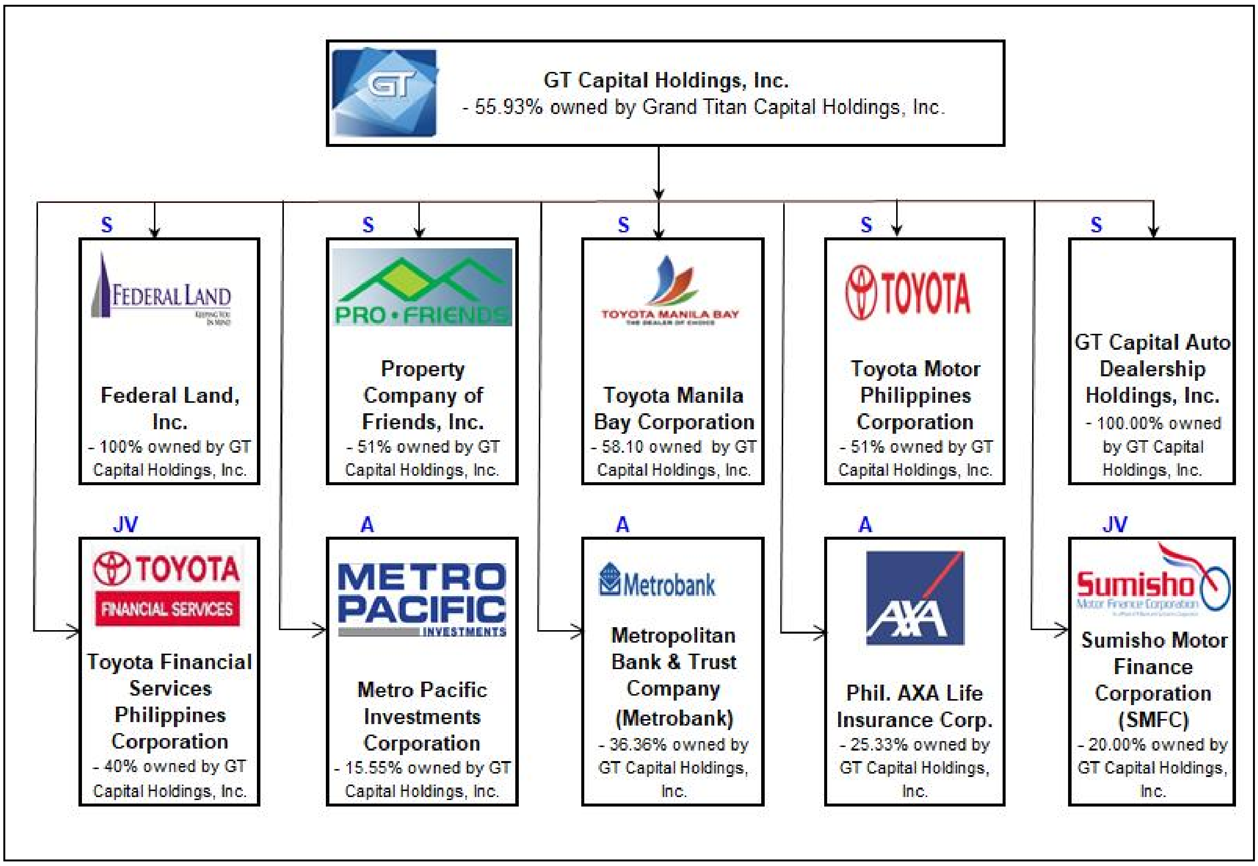
Schedule H. Capital Stock (in absolute amounts)

Title of issue	Number of Shares authorized	Number of Shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	298,257,000	199,337,584	–	111,494,128	415,941	–
Voting preferred stock	174,300,000	174,300,000	–	170,490,640	722,548	–
Perpetual preferred stock	20,000,000	12,000,000	–	–	4,400	–

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT COMPANY AND ITS ULTIMATE PARENT, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

AS OF DECEMBER 31, 2018



LEGEND:

Subsidiary (S)

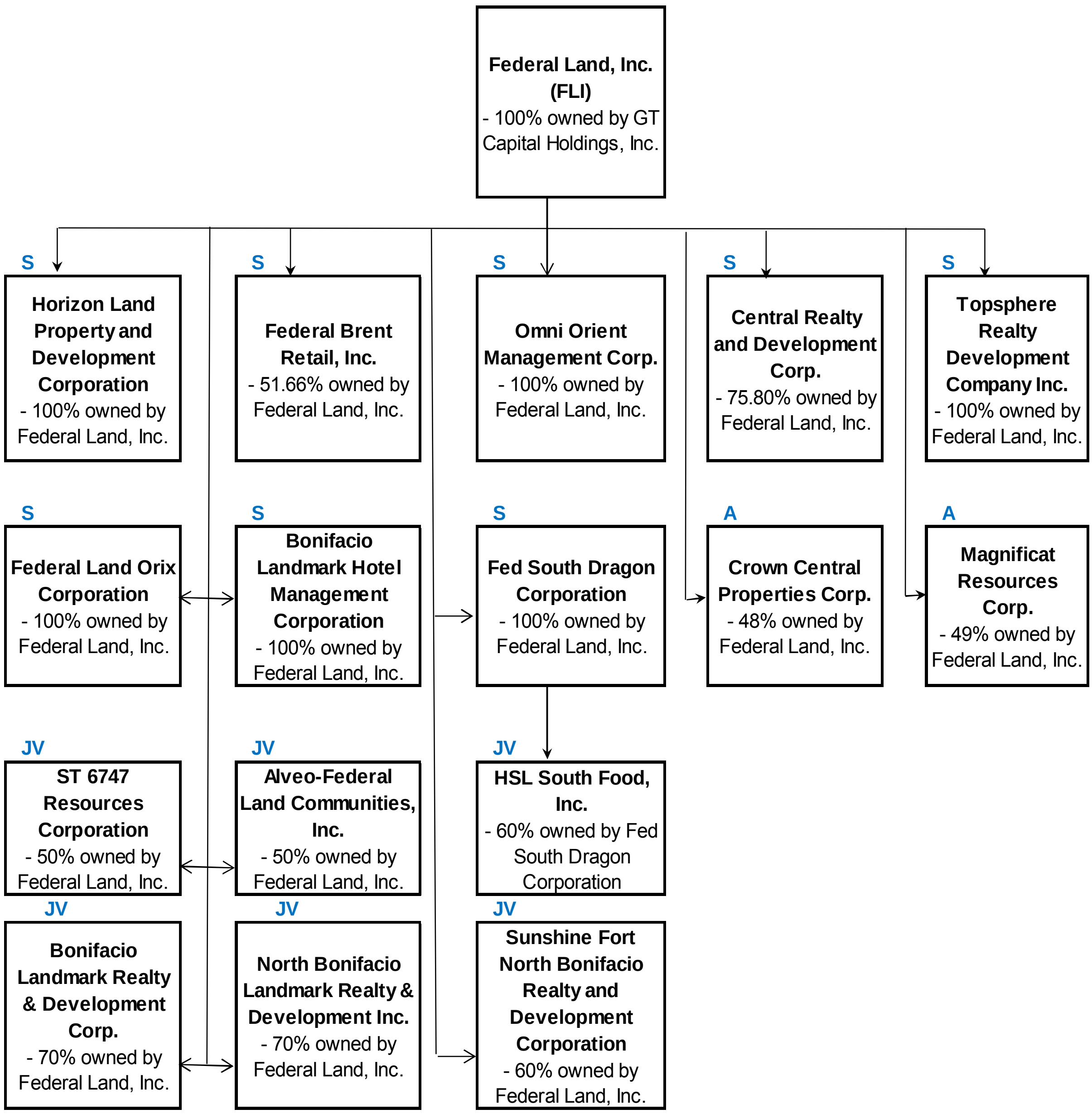
Associate (A)

Joint Venture (JV)

FEDERAL LAND, INC.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

AS OF DECEMBER 31, 2018



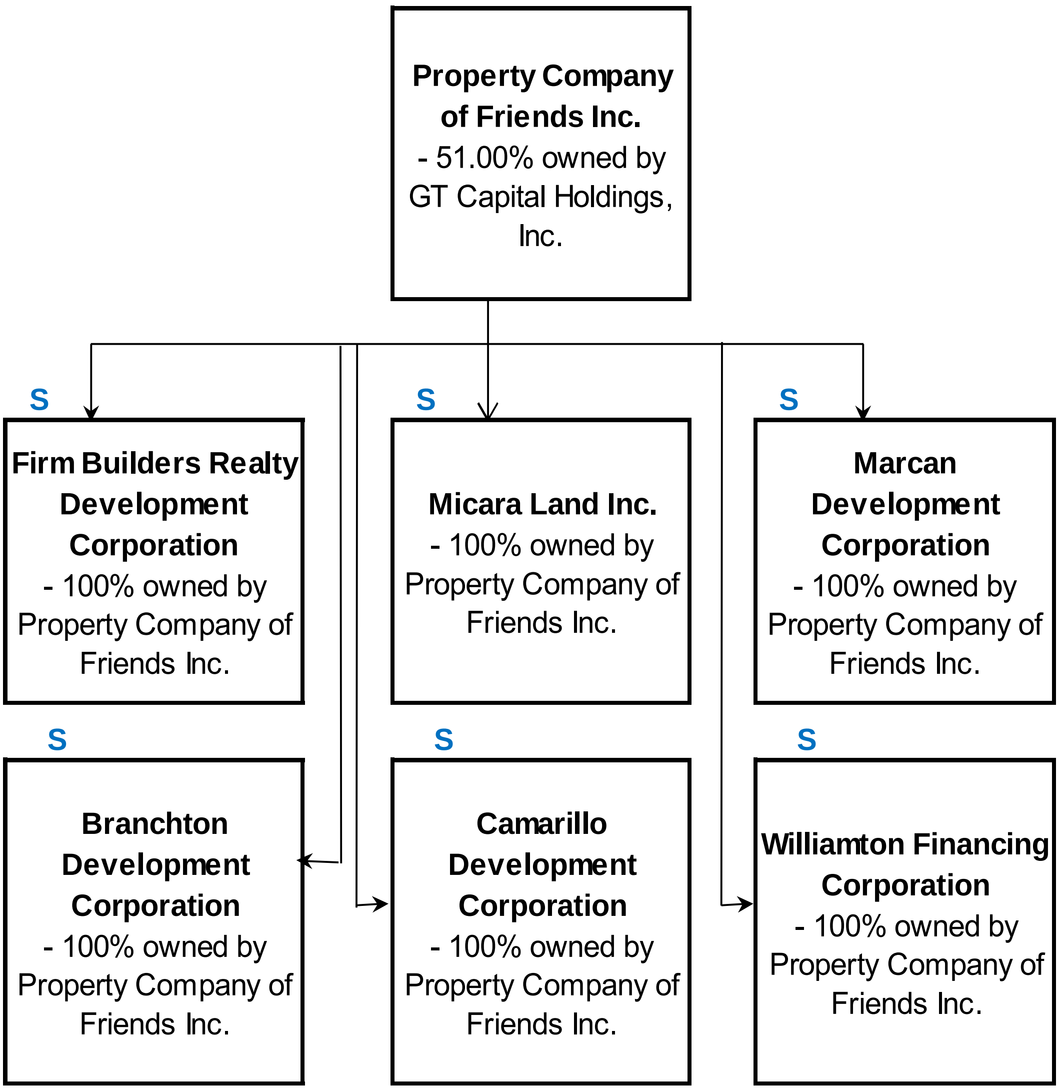
LEGEND:

Subsidiary (S)
Associate (A)
Joint Venture (JV)

PROPERTY COMPANY OF FRIENDS, INC.

SUBSIDIARIES

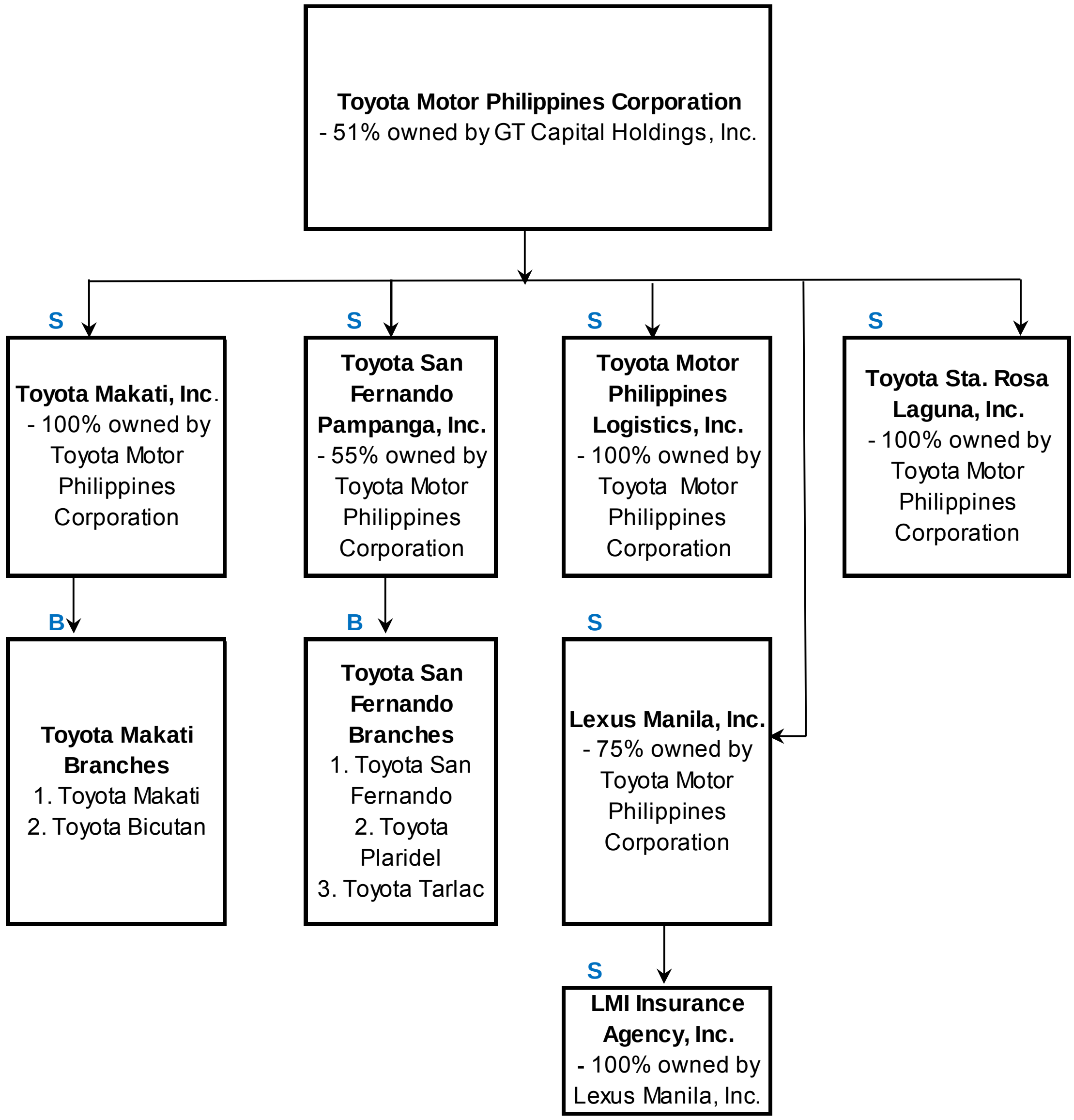
AS OF DECEMBER 31, 2018



LEGEND:

Subsidiary (S)

TOYOTA MOTOR PHILIPPINES CORPORATION
SUBSIDIARIES
AS OF DECEMBER 31, 2018

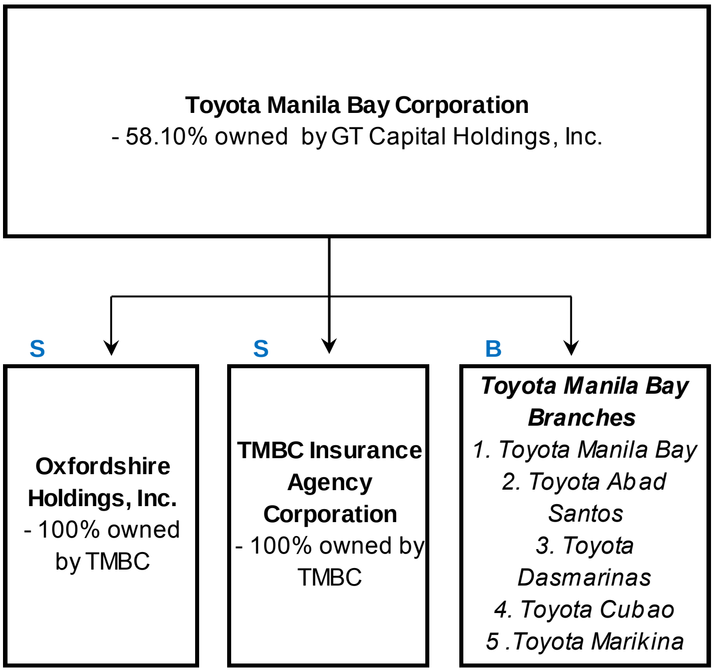


LEGEND:
Subsidiary (S)
Branch (B)

TOYOTA MANILA BAY CORPORATION

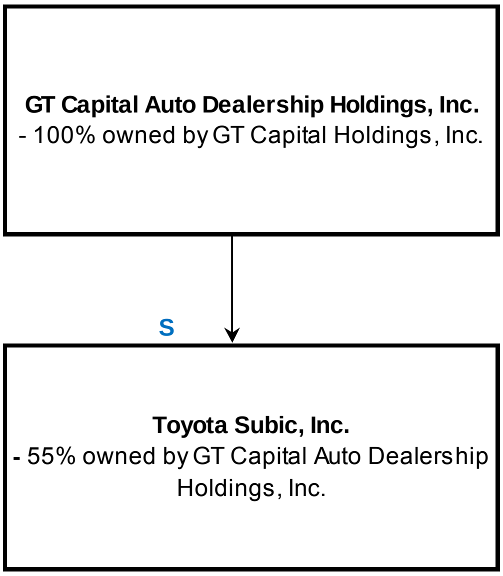
SUBSIDIARIES

AS OF DECEMBER 31, 2018



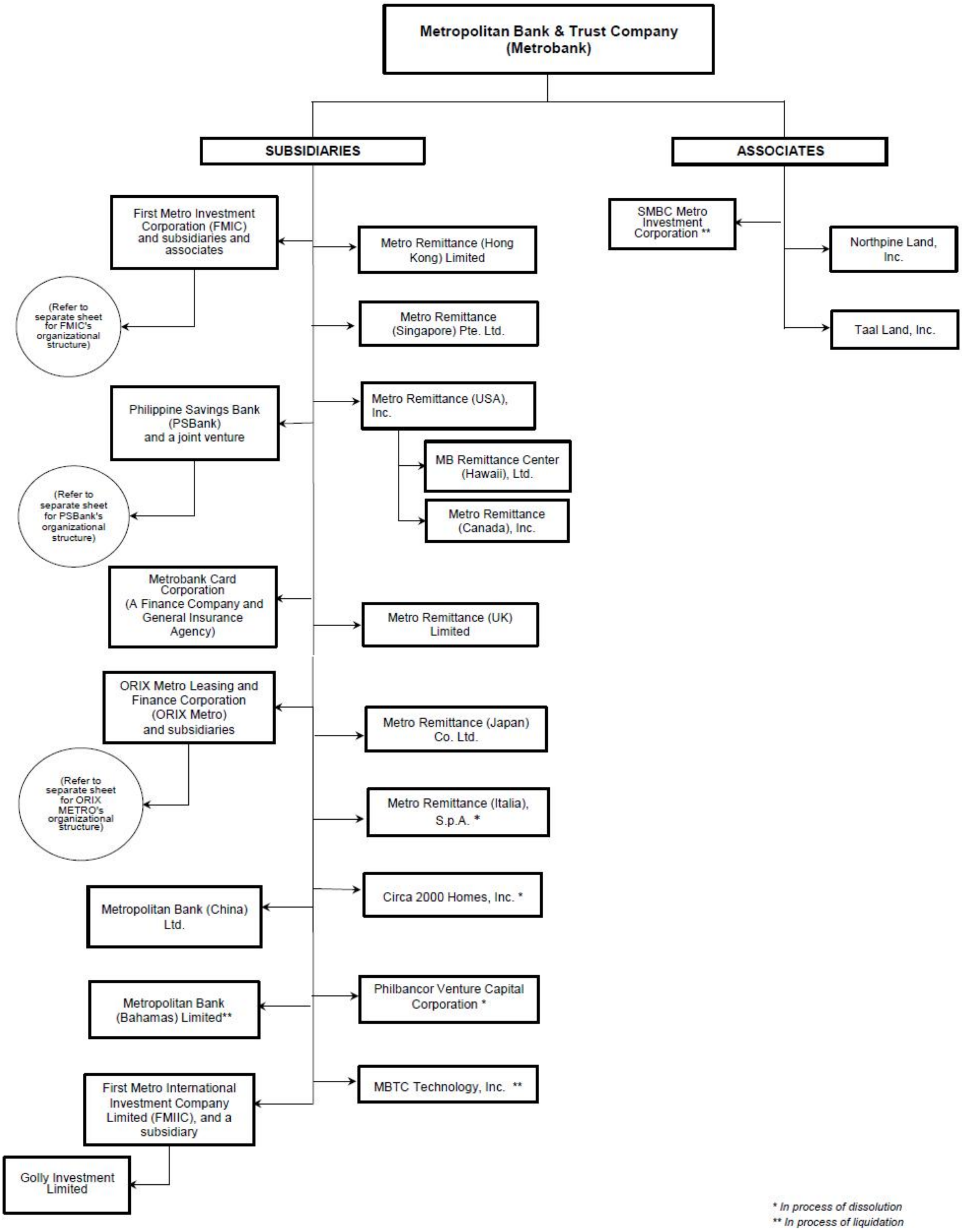
LEGEND:
Subsidiary (S)
Branch(B)

GT CAPITAL AUTO DEALERSHIP HOLDINGS, INC.
SUBSIDIARY
AS OF DECEMBER 31, 2018

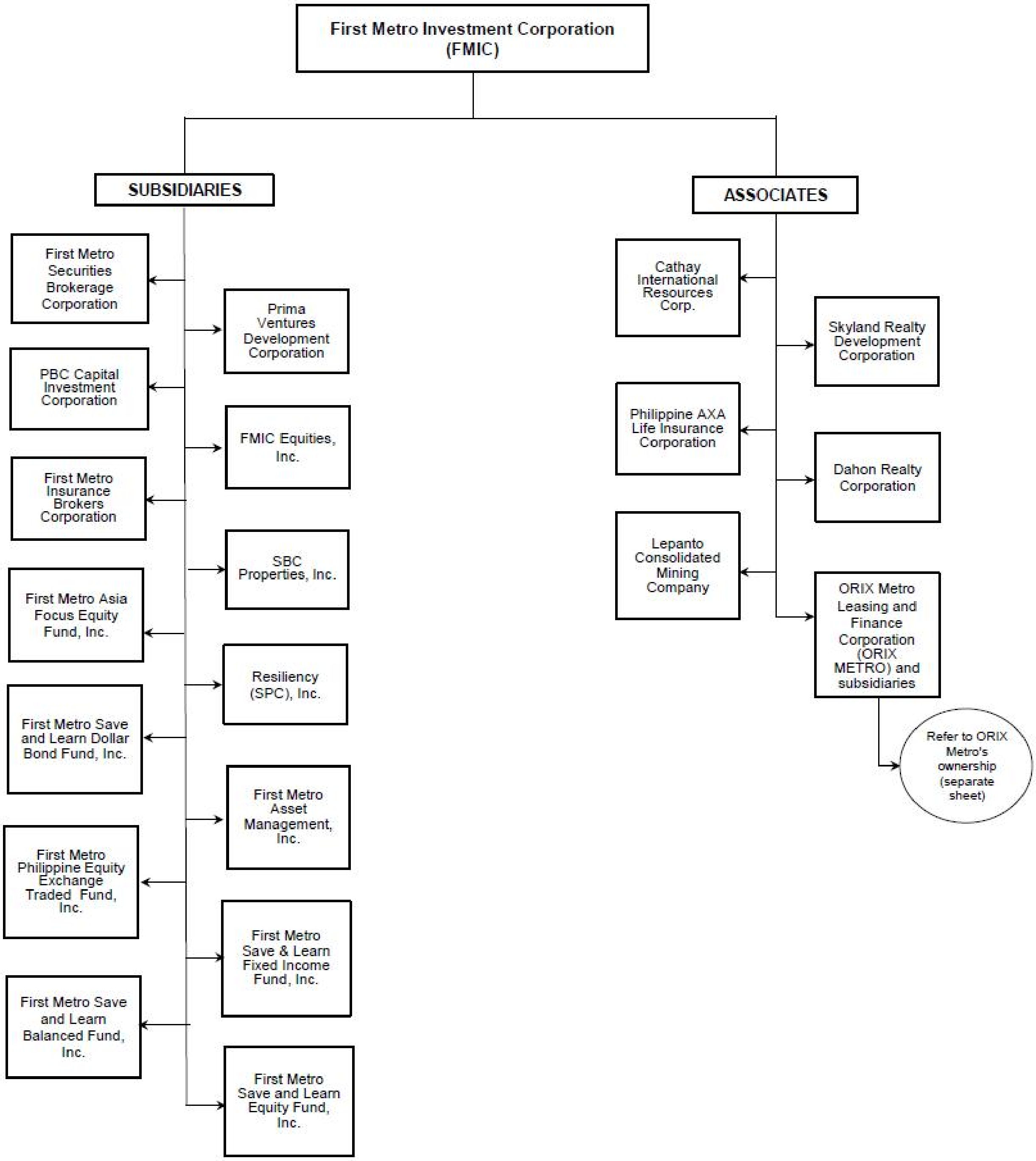


LEGEND:
Subsidiary (S)

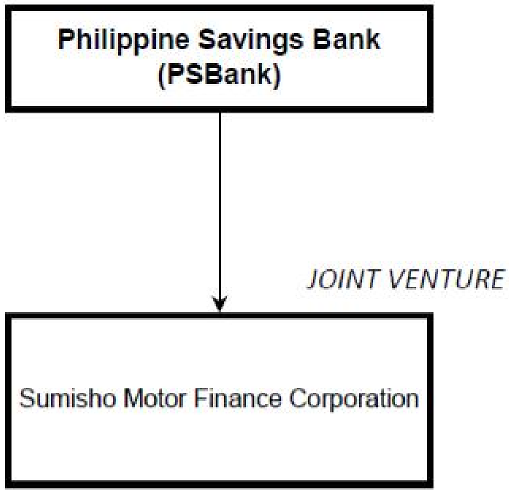
METROPOLITAN BANK AND TRUST COMPANY
SUBSIDIARIES AND ASSOCIATES
AS OF DECEMBER 31, 2018



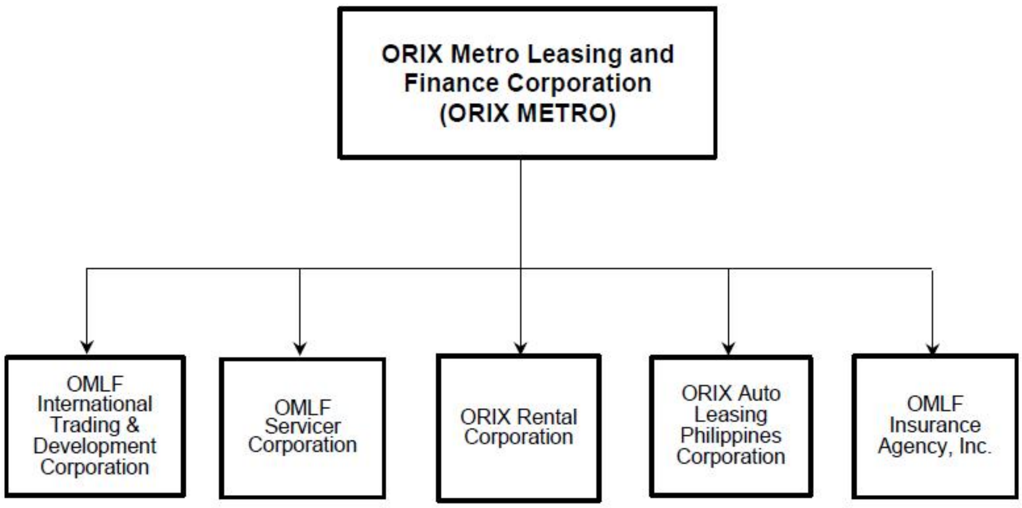
First Metro Investment Corporation
Subsidiaries, Joint Venture and Associates
As of December 31, 2018



Philippine Savings Bank
Joint Venture
As of December 31, 2018



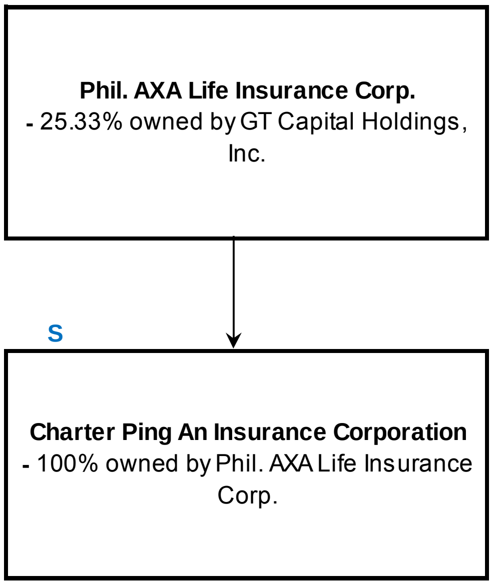
ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2018



PHIL. AXA LIFE INSURANCE CORPORATION

SUBSIDIARY

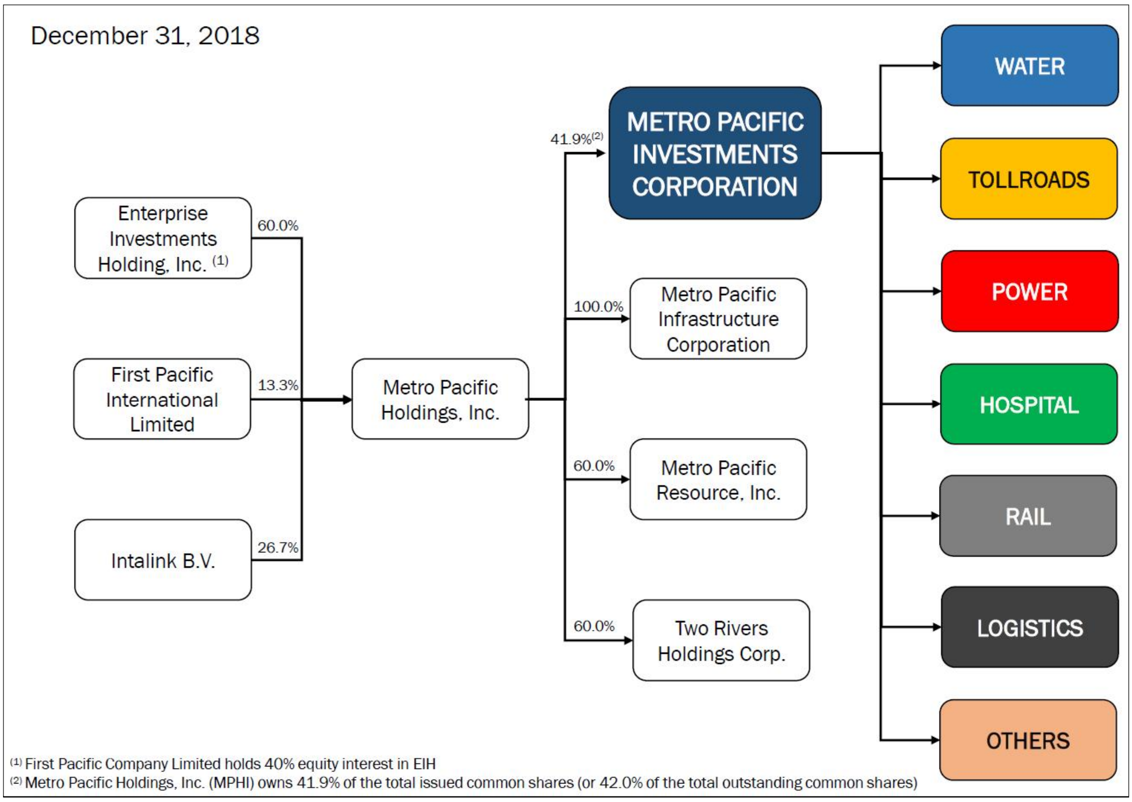
AS OF DECEMBER 31, 2018

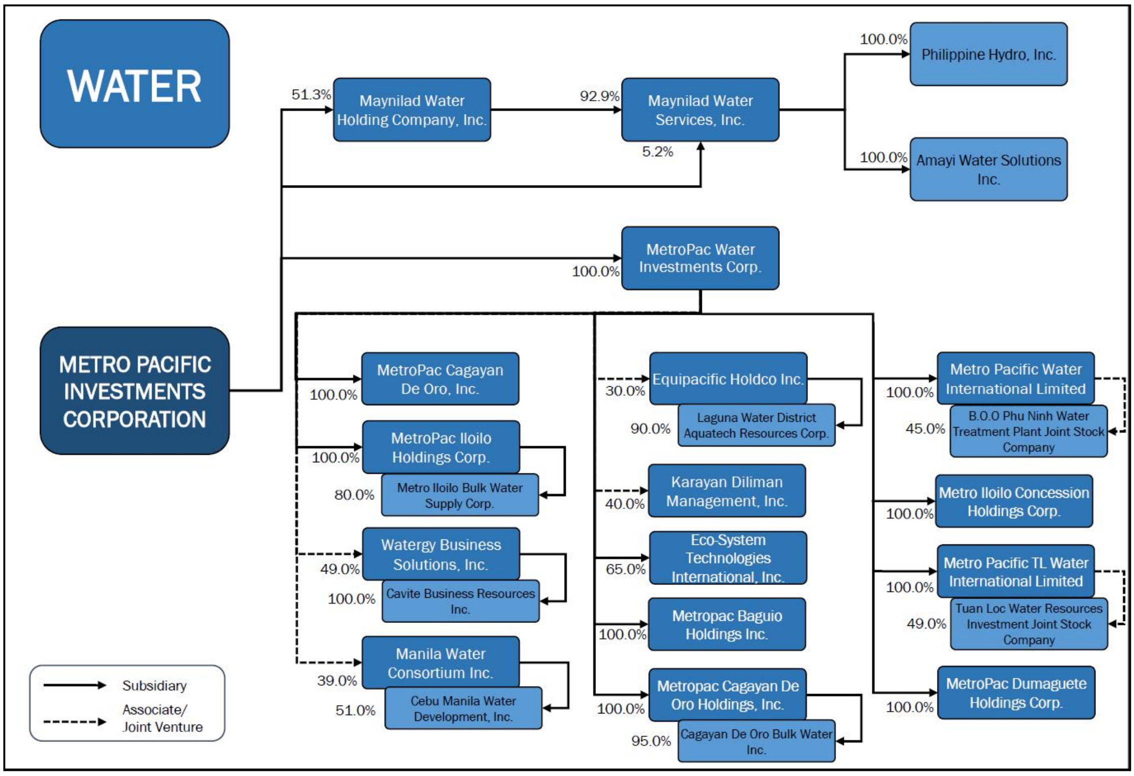


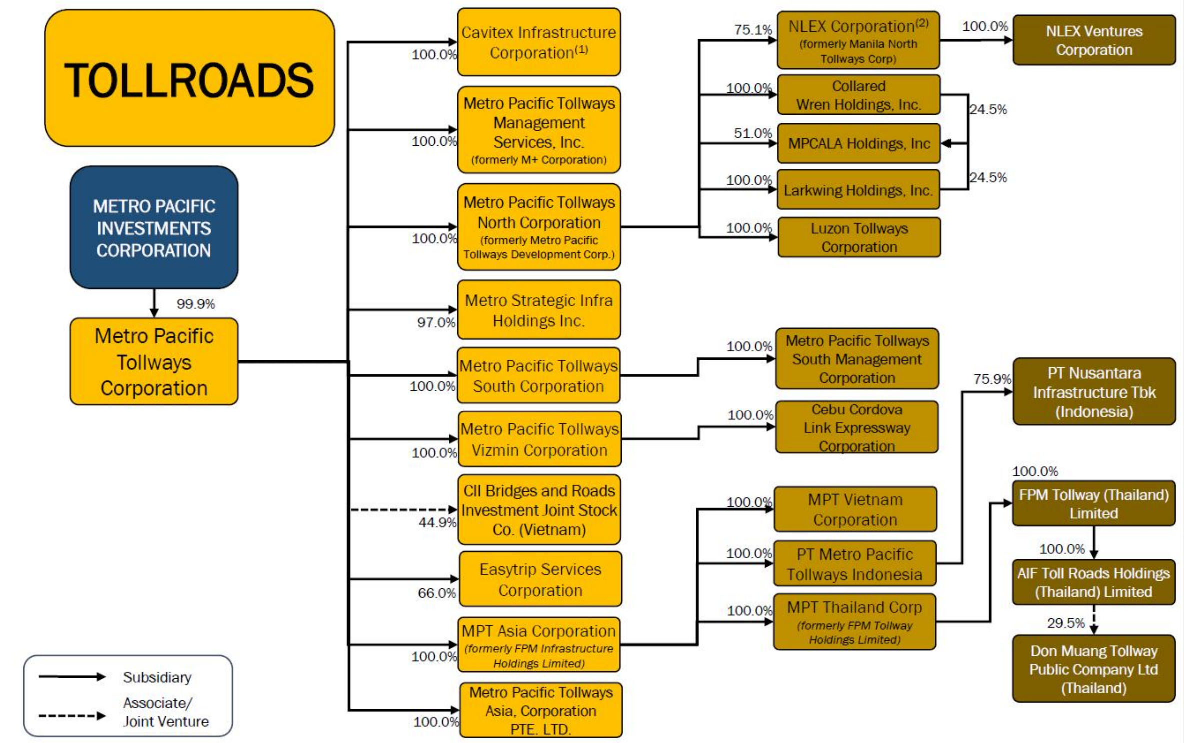
LEGEND:

Subsidiary (S)

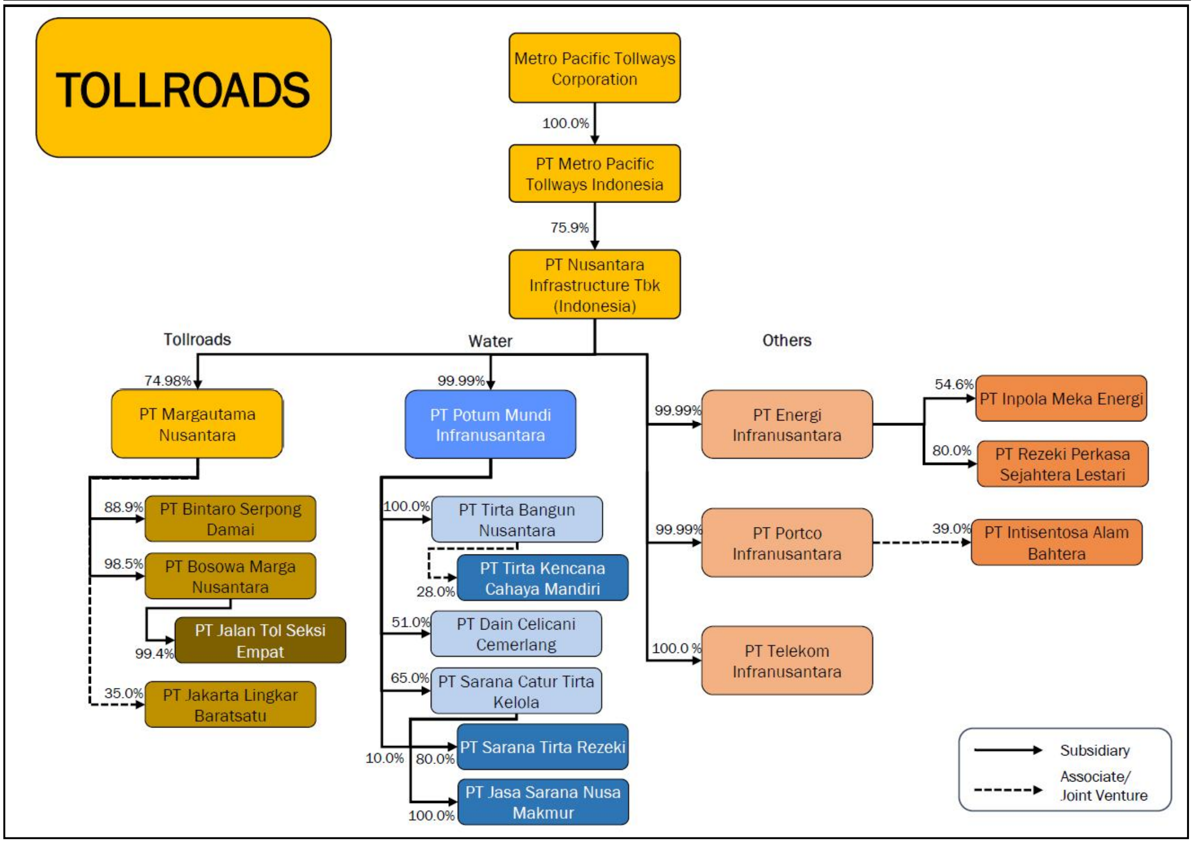
METRO PACIFIC INVESTMENTS CORPORATION
SUBSIDIARIES
AS OF DECEMBER 31, 2018

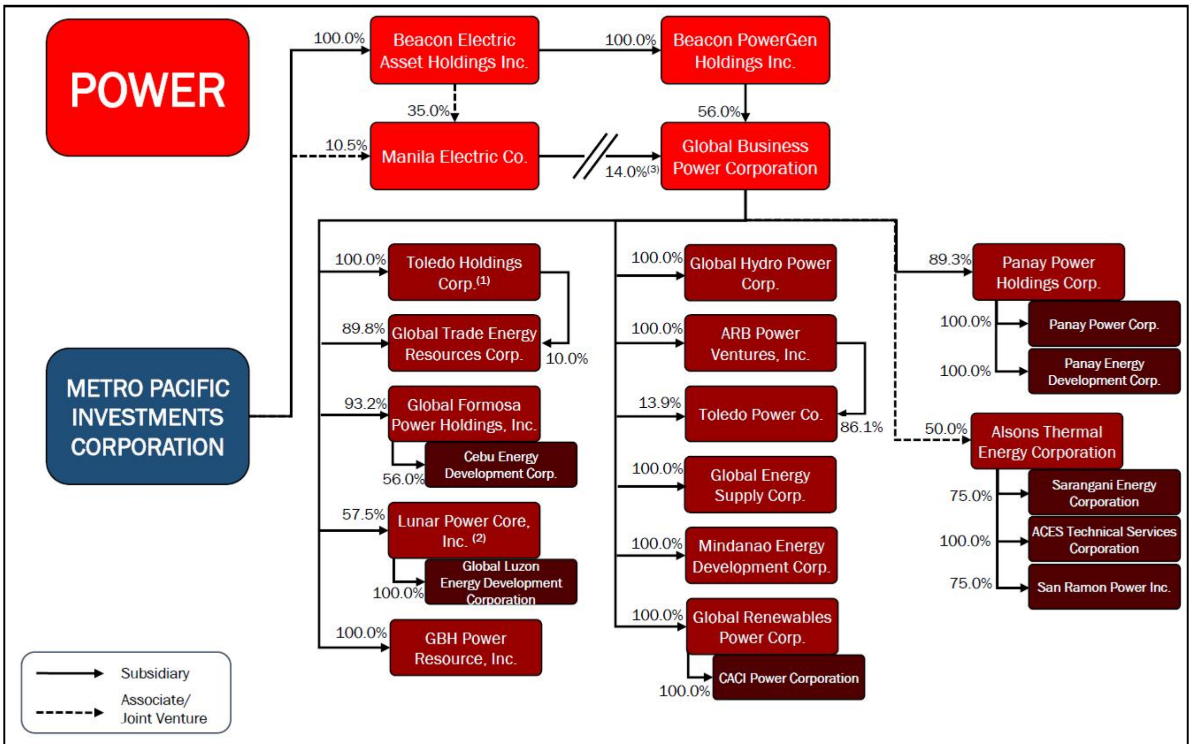




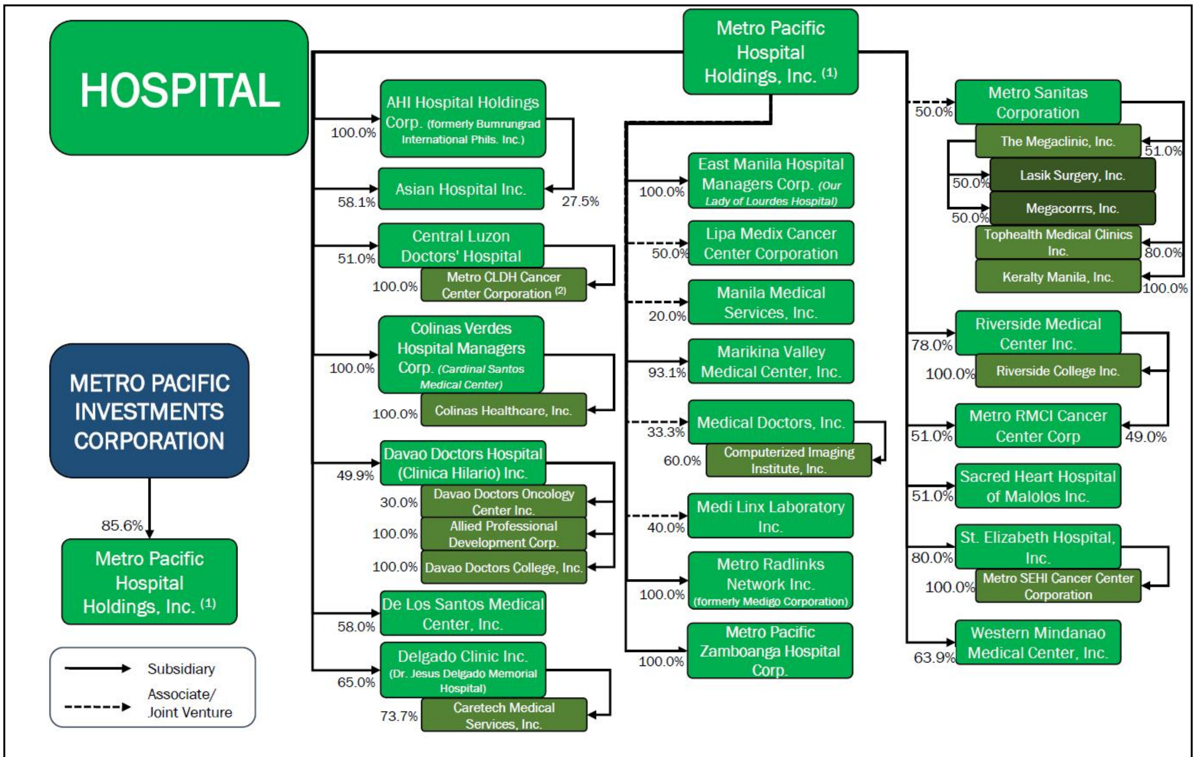


(1) By virtue of the Management Letter-Agreement, MPTC acquired control over CIC effective Jan 2, 2013.
(2) 4.3% is owned through 42.8% ownership in Egis Investment Partners Philippines Inc. The SEC approved the merger between NLEX Corp. and Tollways Management Corp. effective December 14, 2018.

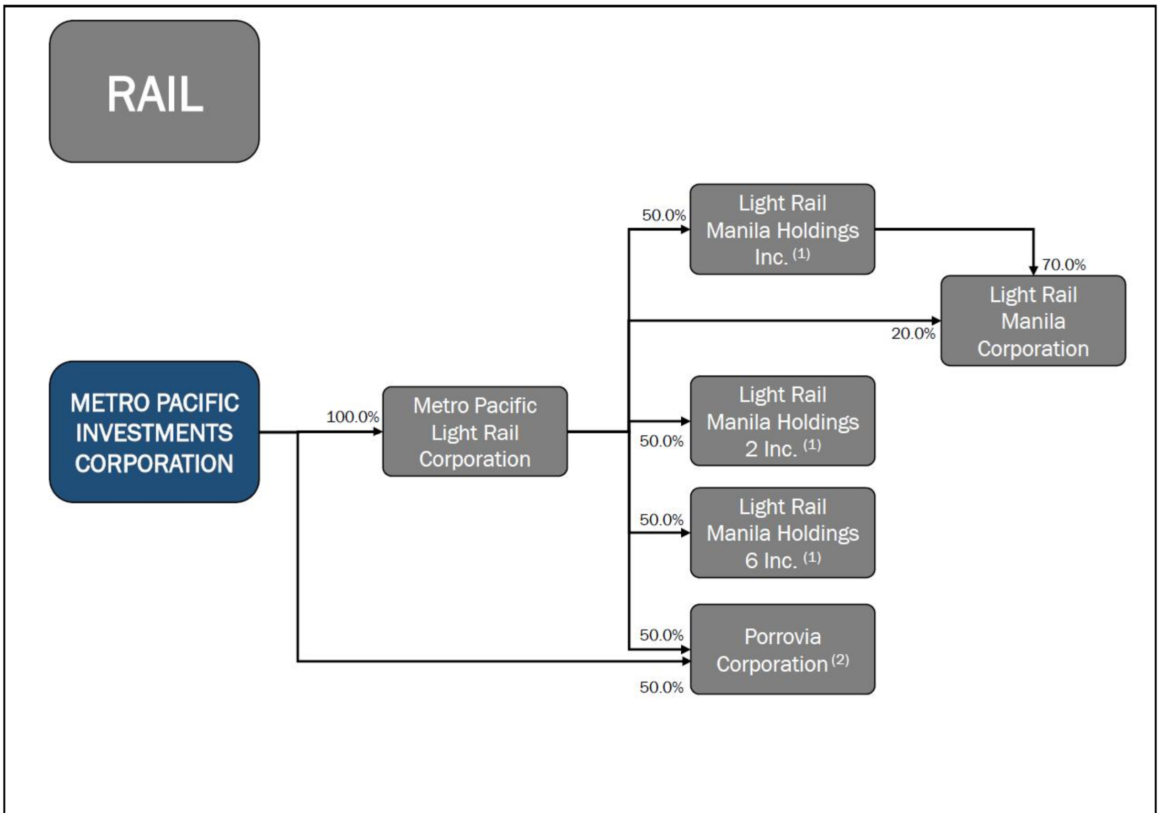




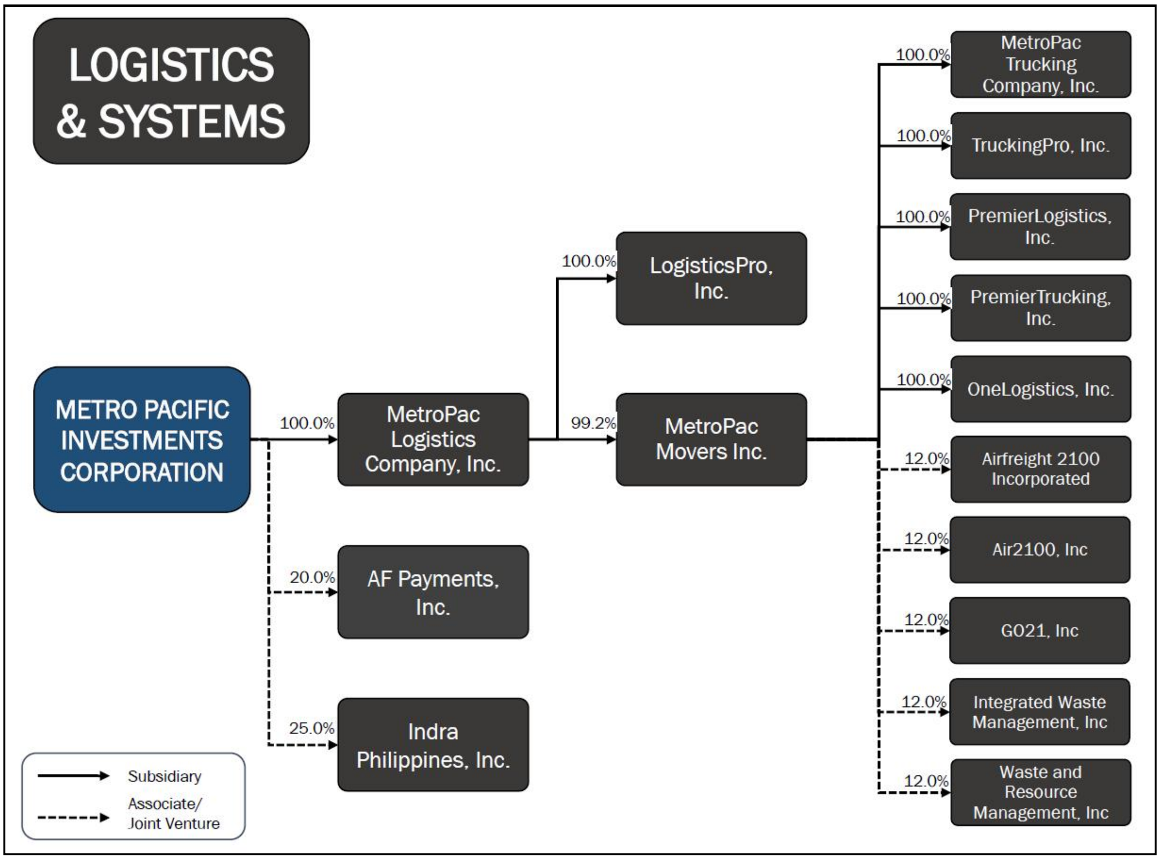
(1) Includes 16% shares owned by GBH Cebu Limited Duration Company which was assigned to GPBC but pending issuance of BIR Certificate Authorizing Registration.
(2) GBPC owns 56.5% of common (voting) shares, and thus exercises 56.5% voting rights.
(3) MERALCO owns 14% effective interest in GBPC through a wholly owned subsidiary Meralco PowerGen Corporation.

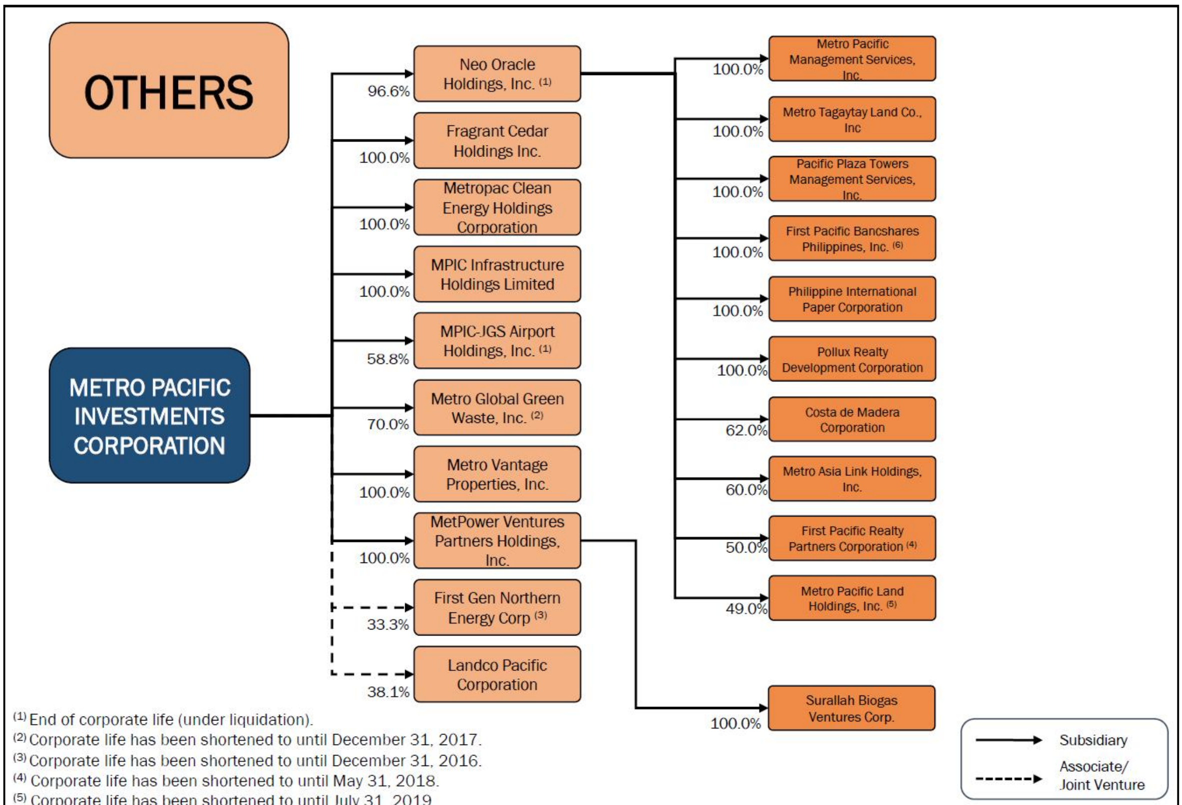


(1) GIC also holds an Exchangeable Bond issued by MPIC which can be exchanged into a 25.5% stake in MPHHI in the future, subject to certain conditions.
(2) As at December 31, 2018, Metro CLDH Cancer Center Corp is 100% owned by Central Luzon Doctors' Hospital. In December 2017, MPHHI subscribed for 51% ownership in MCCCC diluting CLDH to 49% pending filing to and approval of the increase in Authorized Capital Stock by the SEC.



(1) Controlling interest in LRMHI, LRMH2 and LRMH6. Equity interest of 50% plus one share.
(2) Corporate life has been shortened to until March 31, 2019.





(1) End of corporate life (under liquidation).
(2) Corporate life has been shortened to until December 31, 2017.
(3) Corporate life has been shortened to until December 31, 2016.
(4) Corporate life has been shortened to until May 31, 2018.
(5) Corporate life has been shortened to until July 31, 2019.
(6) Corporate life has been shortened to until October 31, 2019.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018	2017 (As restated)
Liquidity Ratio		
Current ratio	**2.46**	3.09
Current assets	**₱129,006**	₱132,261
Current liabilities	**52,337**	42,790
Solvency Ratio		
Total liabilities to total equity ratio	**0.97**	0.77
Total liabilities	**177,463**	134,000
Total equity	**182,287**	173,691
Debt to equity ratio	**0.72**	0.52
Total debt	**130,869**	91,132
Total equity	**182,287**	173,691
Asset to Equity Ratio		
Asset to equity ratio	**1.97**	1.77
Total assets	**359,750**	307,691
Total equity	**182,287**	173,691
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	**5.03**	7.98
Earnings before interest and taxes (EBIT)	**24,960**	27,084
Interest expense	**4,965**	3,394
Profitability Ratio		
Return on average assets	**4.01%**	4.95%
Net income attributable to Parent Company	**13,390**	14,182
Average assets	**333,721**	286,569
Return on Average Equity	**8.83%**	10.88%
Net income attributable to Parent Company	**13,390**	14,182
Average equity attributable to Parent Company	**151,695**	130,409
Income before income tax	**22,077**	25,775
Interest expense	**4,965**	3,394
Interest income	**2,082**	2,085
EBIT	**24,960**	27,084

*computed as EBIT/Interest Expense
**consist of continuing and discontinued operations