GT CAPITAL
HOLDINGS, INCORPORATED

Notice of Annual Stockholders' Meeting
May 09, 2018 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 2018 annual stockholders' meeting of GT Capital Holdings, Inc. will be held on May 09, 2018 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:

AGENDA

1. Call to order
2. Certification of notice and quorum
3. Approval of minutes of the annual meeting of stockholders held on May 10, 2017
4. Annual Report for the Year 2017
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 2018 – 2019
7. Appointment of external auditor
8. Approval of Stock Dividends for Common Shares
9. Adjournment

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on April 03, 2018 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 27, 2018.

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 28, 2018.

BY THE ORDER OF THE BOARD OF DIRECTORS

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 09, 2018** 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 10, 2017

   ___ Yes ___ No ____ Abstain

2. Approval of Annual Report for the year 2017

   ___ 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. 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 27, 2018,** 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 03, 2018 Record Date and that a quorum exists for the valid transaction of the business in the agenda.

3. **Approval of minutes of the May 10, 2017 Annual Stockholders' Meeting**
   The Chairman of the Board will entertain a motion to approve the minutes of the May 10, 2017 Annual Stockholders' Meeting. The draft minutes were posted on the GT Capital website on the next working day after the May 10, 2017 meeting.

4. **Annual Report for the Year 2017**
   The Chairman of the Board will call on the President, Mr. Carmelo Maria Luza Bautista, to render his report for the year 2017. 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 2017 annual stockholders' meeting up to May 09, 2018.

6. **Election of directors for 2018 – 2019**
   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 ten (10) 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 3.50% stock dividend equivalent to approximately 6,740,884 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 09, 2018 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 17, 2018**

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	**192,596,685**
Series A Perpetual Preferred Shares (GTPPA)	**4,839,240**
Series B Perpetual Preferred Shares (GTPPB)	**7,160,760**
Amount of Debt Outstanding	**21,877,330,142**

    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 09, 2018 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 17, 2017.

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 3, 2018. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 366,896,685 shares composed of 192,596,685 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 Corporation Code.

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

Pursuant to Section 81 of the 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; and

(c) In case of merger or consolidation.

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. 86), 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, 2017, 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)	192,596,685	77,038,674	62,313,474	130,283,211
Preferred (Unlisted)	174,300,000	69,720,000	1,326,161	172,973,839
Total	366,896,685	146,758,674	63,639,635	303,257,050
Percentage	100%	40%	17.35%	82.65%

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 3, 2018.

(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 24 of the Corporation Code of the Philippines.

(d) Security Ownership of Certain Record and Beneficial Owners as of December 31, 2017:

As of December 31, 2017, 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	107,723,975	55.93%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients[1]	Foreign	62,546,866	32.476%
Common	PCD Nominee Corp. (Filipino)	Various Clients[1]	Filipino	40,018,397	20.778%
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, 2017:

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/ (I) indirect	Citizenship	Percent of Class
Common	Dr. George S. K. Ty	200,000 (D)	Filipino	0.1038%
Common	Arthur V. Ty	100,000 (D) 2,100 (I)	Filipino	0.0519% 0.0011%
Common	Alfred V. Ty	100,000 (D) 2,100 (I)	Filipino	0.0519% 0.0011%
Common	Anjanette T. Dy Buncio	46,547 (I)	Filipino	0.0242%
Common	Francisco C. Sebastian	100 (D) 50,000 (I)	Filipino	0.0000% 0.0260%
Common	Carmelo Maria Luza Bautista	1,000 (D) 12,000 (I)	Filipino	0.0005% 0.0062%

Common	Francisco H. Suarez, Jr.	5,000 (I)	Filipino	0.0026%
Perpetual Preferred Shares (GTPPA)		1000 (I)	Filipino	0.0207%
Common	Alesandra T. Ty	1,700 (I)	Filipino	0.0009%
Perpetual Preferred Share (GTPPA)		1900 (I)	Filipino	0.0393%
Perpetual Preferred Shares (GTPPB)		1100 (I)	Filipino	0.0154%
Common	Roderico V. Puno	1,000 (D)	Filipino	0.0005%
Common	Jaime Miguel G. Belmonte	1,000 (D)	Filipino	0.0005%
Common	Wilfredo A. Paras	1,000 (D)	Filipino	0.0005%
Common	Renato C. Valencia	1,000(D)	Filipino	0.0005%
Common	Winston Andrew L. Peckson	271 (I)	Filipino	0.0001%
Common	David T. Go	100 (D)	Filipino	0.0000%
Common	Renee Lynn Miciano-Atienza	45(I)	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		50 (I)	Filipino	0.0007%
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	Reyna Rose P. Manon-Og	0	Filipino	0.0000%
Common	Susan E. Cornelio	0	Filipino	0.0000%
Common	Richel D. Mendoza*	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**		**405,200 (D)** **119,763(I)** **2,900(I)** **1,500(I)** **529,363 (D) and (I)**		**0.2726%** **0.0599%** **0.0209%**

**Resigned effective March 01, 2018*

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of December 31, 2017.

(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) Board of Directors

Board of Directors

Office	Name	Age	Citizenship
Group Chairman	Dr. George S.K. Ty	85	Filipino
Chairman	Arthur Vy Ty	51	Filipino
Co-Vice Chairman	Francisco C. Sebastian	63	Filipino
Co-Vice Chairman	Alfred Vy Ty	50	Filipino
Director/President	Carmelo Maria Luza Bautista	60	Filipino
Director	Roderico V. Puno	55	Filipino
Director	David T. Go	64	Filipino
Lead Independent Director	Renato C. Valencia	76	Filipino
Independent Director	Jaime Miguel G. Belmonte	54	Filipino
Independent Director	Wilfredo A. Paras	71	Filipino
Board Advisers			
Adviser	Pascual M. Garcia III	64	Filipino
Adviser	Mary Vy Ty	77	Filipino
Adviser	Guillermo Co Choa	58	Filipino

Period of Directorship

Name	Date First Elected
Dr. George S.K. Ty	June 3, 2011
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
Roderico V. Puno	August 5, 2011
David T. Go	May 12, 2014
Renato C. Valencia	May 10, 2017*
Jaime Miguel G. Belmonte	December 2, 2011
Wilfredo A. Paras	May 14, 2013

**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
Jaime Miguel G. Belmonte	- Member
Pascual M. Garcia III	- Adviser

The members of the Risk Oversight Committee are:

Renato C. Valencia	- Chairman
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
Jaime Miguel G. Belmonte	- Member

The members of the Corporate Governance Committee are:

Renato C. Valencia	- Chairman
Wilfredo A. Paras	- Member
Jaime Miguel G. Belmonte	- Member

Mr. Peter B. Favila resigned as an Independent Director of the Corporation effective July 04, 2017.

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

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

Arthur Vy Ty, 51 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 MBT, a listed company, from 2006 to 2012 and was appointed as its Chairman in April 2012. He also serves as the Chairman of Metropolitan Bank (China) Ltd., Inc.; Vice Chairman and Director of Philippine Savings Bank ("PSBank"), a listed company; Vice Chairman of First Metro Investment Corporation ("FMIC"), and MBFI and Director of Philippine AXA Life Insurance Corporation ("AXA Philippines") and Federal Land, Inc. ("Fed Land"). He earned his Bachelor of Science degree in Economics from the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York in 1991.

Francisco C. Sebastian, 63 years old, Filipino, is one of the Corporation's Vice Chairman in May 2016. Prior to assuming this post, he was Chairman of GT Capital since June 2014 when he was first elected to the board. He joined the Metrobank Group in 1997 as President of FMIC, the investment arm of Metrobank, a post he held for 14 years until he became its Chairman in 2011. Mr. Sebastian concurrently serves as Vice Chairman of Metrobank since 2006. He is also a director of Metro Pacific Investments Corporation ("MPIC"), Federal Land Inc. and Property Company of Friends, Inc. ("PCFI"), subsidiaries of the Corporation. He worked in Hong Kong for 20 years from 1977, initially as an investment banker in Ayala International Finance Limited and Filinvest Finance (HK) Ltd. From 1984, until he joined the Metrobank Group, he owned and managed his own business services and financial advisory firm in Hong Kong. He earned his Bachelor of Arts in Economics (Honors) from the Ateneo de Manila University and graduated Magna Cum Laude in 1975.

Alfred Vy Ty, 50 years old, Filipino, has been a Vice Chairman of the Corporation since February 14, 2012 and has served as a Director of the Corporation since 2007. He is also a Director of Metropolitan Bank and Trust Company (MBTC) 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. Some of his other current roles and positions include: Chairman, Lexus Manila; Chairman, Federal Land, Inc.; Chairman, Bonifacio Landmark Realty and Development Corporation; Chairman, PCFI; Chairman, Cathay International Resources Corp.; Vice-Chairman, Toyota Motor School of Technology, Inc.; Vice Chairman, Federal Land Orix Corp.; Member of the Board of Trustees, MBFI; and Director of Metro Pacific Investment Corporation, a listed company.

Carmelo Maria Luza Bautista, 60 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 40 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Masters Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista has no directorships in other listed companies aside from GT Capital, however, he is currently serving as Chairman of Toyota Financial Services Philippines Corporation ("TFSPH"), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation ("TMP"), Property Company of Friends, Inc. ("PCFI"), GT Capital Auto Dealership Holdings, Inc. ("GTCAD") and Toyota Subic, Inc. ("TSB"). He is also an Adviser to the Board of Trustees of GT Foundation, Inc.

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

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

Renato C. Valencia, 76 years old, Filipino, is currently Chairman of iPeople Inc. and Independent Director of EEI Corporation, Anglo Philippine Holdings, Inc. and Vulcan Industrial and Mining, Inc. His past positions include the following: President/CEO, Social Security System (SSS); Chairman/CEO, Union Bank of the Philippines; President/CEO, Roxas Holdings, Inc.; Vice Chairman/Director, San Miguel Corporation (SMC); Independent Director, Metropolitan Bank and Trust Company; Director, Philippine Long Distance Telephone Company (PLDT); Manila Electric Company (MERALCO); Philex Mining Corporation; Far East Bank and Trust Company; Roxas and Company, Inc.; Bases Conversion 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, 54 years old, Filipino, was elected as Independent Director of GT Capital on July 11, 2012. He is also the President and Chief Executive Officer of The Philippine Star (since 1998); President and Chief Executive Officer of 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, 71 years old, Filipino, was elected as Independent Director of GT Capital on May 14, 2013. He currently holds various positions in Philippine corporations, such as: Independent Director of Philex Mining Corporation, a listed company, (2011-present); Member of the Board of Trustees of Dualtech Training Center (2012-present); and President of WAP Holdings, Inc. (2007-present). He also served as the Executive Vice President/Chief Operating Officer and Director of JG Summit Petrochemical Corporation; President of Union Carbide Philippines; President/Director of Union Carbide-Indonesia; Managing Director of Union Carbide Singapore; and Business Director for Union Carbide Asia-Pacific. Mr. Paras holds a Bachelor of Science (BS) Industrial Pharmacy degree from the University of the Philippines and a Masters Degree in Business Administration (MBA) from the De la Salle University Graduate School of Business. He finished a Management Program from the University of Michigan, Ann Arbor, Michigan, USA. He is also a Fellow of the Institute of Corporate Directors.

** 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:

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

Mary Vy Ty, 77 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2014. Prior to this, she served as the Corporation's Treasurer since its incorporation in 2007. Mrs. Ty has more than 50 years of experience in banking and general business. She currently holds the following positions: Assistant to the Group Chairman, MBT; Adviser, MBFI and Fed Land; Vice Chairman, Manila Medical Services, Inc.; Adviser, Horizon Land Development Corporation; Director, Grand Titan Capital Holdings, Inc.; and Chairman, Philippine Securities Corporation, Tytana Corporation and Federal Homes, Inc.. Previously, Mrs. Ty held the position of Director for FMIC. She earned her collegiate degree from the University of Santo Tomas.

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. Mr. Renato C. Valencia was nominated by Mr. Francisco H. Suarez, Jr., Mr. Wilfredo A. Paras was nominated by Ms. Maria G. Ang, Mr. Jaime Miguel G. Belmonte was nominated by Ms. Maria Andrea R. Panganiban and Mr. Rene J. Buenaventura was nominated by Leila Rowena Limbo. 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 and Atty. Regis V. Puno.

All the nominees, except Mr. Rene J. Buenaventura and Atty. Regis V. Puno, are incumbent directors of GT Capital. The experience and qualifications of the nominated incumbent directors are found above. The experience and qualifications of Mr. Rene J. Buenaventura and Atty. Regis V. Puno are as follows:

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.; Director of Strategic Equities Corporation; 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.

Atty. Regis V. Puno, 59 years old, Filipino, is a former Undersecretary of the Department of Justice (1998-2001), Mr. Puno obtained his Bachelor's Degree in Economics from the University of the Philippines. He graduated with Honors from the Ateneo de Manila University College of Law in 1985 and obtained his Masters of Laws degree from the Georgetown University Law Centre in Washington D.C. in 1987. Mr. Puno is currently Co-Vice-Chairperson of the Board and Director of Metrobank Credit Card Corporation; Director, Lepanto Consolidated Mining Co.; Director of LMG Chemicals Corp; Chairman, Alumni Admission Program (AAP) Philippine Committee, Georgetown University; Director, The Rockwell Club; Director and Corporate Secretary, Laura Vicuna Foundation for Street Children; Director and Chairman of Trust Committee, Philippine Savings Bank, (2004-2010); Director, Sithe Global Camaya Holdings, Inc. (2008-2016); Director/Vice-President, GN Power Holdings Philippines GP Corp., (2007-2016); Board of Trustees, Hands on Manila Foundation , (2014-2016); President, Georgetown University Alumni Club of the Philippines,(2006-2008); Board of Trustees, Rockwell Residential Tower Condominium Corp., (2008-2013); Director, Regency Investment and Development Holdings, Inc., (2008-2011); Director/President, Napnapan Mineral Resources, Inc., (2007-2011); Corporate Secretary, BDO Private Bank, (2003-2004); Director/Corporate Secretary, Banco Santander, Philippines, (1996-1998, 2001-2003).

Review of qualifications of candidates nominated as Directors, including Independent Directors, is conducted by the Nominations Committee prior to the stockholders' 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 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

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) **Executive Officers**

Name	**Office**	**Age**	**Citizenship**
Carmelo Maria Luza Bautista	President	60	Filipino
Francisco H. Suarez, Jr.	Executive Vice President/Chief Financial Officer	58	Filipino
Anjanette T. Dy Buncio	Treasurer	49	Filipino
Alesandra T. Ty	Assistant Treasurer	38	Filipino
Antonio V. Viray	Corporate Secretary	78	Filipino
Jocelyn Y. Kho	Assistant Corporate Secretary	63	Filipino
Winston Andrew L. Peckson	First Vice President/Chief Risk Officer	66	Filipino
Jose B. Crisol, Jr.	First Vice President/Head, Investor Relations and Corporate Communication	51	Filipino
Reyna Rose P. Manon-og	First Vice President/Controller and Head, Accounting and Financial Control	35	Filipino
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	46	Filipino
Richel D. Mendoza*	Vice President/Chief Audit Executive	46	Filipino
Elsie D. Paras	Vice President/Deputy Chief Financial Officer	45	Filipino
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	35	Filipino

**Resigned effective March 01, 2018*

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
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 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
Richel D. Mendoza	Vice President/Chief Audit Executive	2013-February 28, 2018
Elsie D. Paras	Vice President/Deputy Chief Financial Officer	2015-Present
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	2016-Present

Francisco H. Suarez Jr., 58 years old, Filipino, serves as GT Capital's Executive Vice President and Chief Financial Officer (CFO). He was appointed to the position on February 16, 2012. He is also a Director and the Treasurer of GTCAD and the Corporate Secretary of TFSPH and TMBC. Over his tenure, he has successfully supervised over the launch of the Corporation's initial public offering, a top-up private placement, two retail bond issuances, bilateral fixed rate term loans and two series of perpetual preferred shares. Mr. Suarez brings to the Company over 35 years of solid and extensive experience in investment banking and financial management. Prior to joining GT Capital, he was the CFO of three subsidiaries of the ATR KimEng Group. For a time, he also served as Executive Director of ATR KimEng Capital Partners, Inc. Before this, he was appointed as the CFO of PSI Technologies, Inc., and, prior to that, of SPi Technologies, Inc. Previously, he was a Director for Corporate Finance at Asian Alliance Investment Corp. 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 V. Viray, 78 years old, Filipino, joined the Corporation as Assistant Corporate Secretary and became Corporate Secretary in 2009. Concurrently, he is the Corporate Secretary of Metropolitan Bank & Trust Co. (MBT) and Property Company of Friends, Inc. (PCFI). He was formerly Senior Vice-President, General Counsel, Assistant Corporate Secretary and Director of MBT. He was also Senior Vice-President & General Counsel of PSBank and Director of Solidbank. At present, he is also the Corporate Secretary of Global Treasure Holdings, Inc. and Grand Titan Capital Holdings, Inc. He is also Of Counsel of Feria Tantoco Daos Law Office. He obtained his Bachelor of Laws from the University of Sto. Tomas and Master of Laws from Northwestern University in Chicago, U.S.A.

Jocelyn Y. Kho, 63 years old, Filipino, has served as the Corporation's Assistant Corporate Secretary since June 2011 and formerly the Corporation's Controller until 2010. She served as Vice President under the Office of the Assistant to the Group Chairman of MBT from 1978 to 2009. She concurrently holds the following positions: Assistant Corporate Secretary, 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, 49 years old, Filipino, was appointed as GT Capital's Treasurer in May 2015. Prior to this, she served as the Corporation's Assistant Treasurer since 2007. She holds several other positions in other companies among which are: Vice Chairman and Director of Metrobank Card Corporation; Director, Treasurer and Senior Vice President of Federal Land, Inc.; Adviser and Treasurer of Property Company of Friends, Inc.; Treasurer and Vice Chairman of Manila Medical Services Inc.; Corporate Secretary of Metrobank Foundation Inc.; Vice President of GT Foundation Inc.; and Executive Vice President and Corporate Secretary of Pro Oil Corporation. She graduated from the International Christian University in Tokyo, Japan with a Bachelor of Social Science Degree in Economics.

Alesandra T. Ty, 38 years old, Filipino, was appointed Assistant Treasurer of GT Capital on February 14, 2012. She graduated from the Ateneo de Manila University with a Bachelor of Science degree in Legal Management. She then earned her Masters in Business Administration from the China Europe International Business School in Shanghai, China. She is currently Director and Corporate Treasurer of AXA Philippines; Director of ORIX Metro Leasing and Finance Corporation and Sumisho Motorcycle Finance Corp.; Corporate Secretary and Corporate Treasurer of FMIC; Corporate Secretary of GT Foundation, Inc.; Director and Assistant Treasurer of Federal Homes, Inc.; and Executive Vice President of Grand Titan Capital Holdings, Inc.

Winston Andrew L. Peckson, 66 years old, Filipino, serves as First Vice President and Chief Risk Officer of GT Capital. He was appointed to the position in February 2016. Mr. Peckson brings to the Corporation over 40 years of experience in banking. Concurrent to his position, he is a Director of the First Metro Philippine Equity Exchange Traded Fund, Inc. and a Fellow of the Institute of Corporate Directors. Before joining GT Capital, he served as a Consultant for the Treasury and Investment Banking Group of FMIC. Prior to his stint with FMIC, he was the Head of Treasury Marketing of Philippine National Bank. Before this, he was also Vice President and General Manager of ABN AMRO Bank NV's Manila Offshore Branch, a position he held for 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., 51 years old, Filipino, serves as First Vice President and Head of the Investor Relations and Corporate Communication Department of GT Capital. He was appointed to the position on July 26, 2012. Before joining the Corporation, he was the Assistant Vice President for Investor Relations of SM Investments Corporation ("SM"). Prior to working with SM, he was a Director IV at the Department of Trade and Industry ("DTI"), heading its Trade and Industry Information Center. He also served for a time, on a concurrent basis, as Head of DTI's Office of Operational Planning. His other past employment includes occupying various positions at The Philippine American Life Insurance Company and Merrill Lynch Philippines, Inc., among others. He holds a Bachelor of Science degree in Economics from the University of the Philippines in Diliman, and completed the Strategic Business Economics Program (SBEP) of the University of Asia and the Pacific. He finished his primary and secondary education at the Ateneo De Manila University.

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

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

Reyna Rose P. Manon-og, 35 years old, Filipino, was appointed the Corporation's controller in October 2011. She is a Certified Public Accountant and a cum laude graduate of Bicol University with a Bachelor of Sicence degree in Accountancy. Before joining the Corporation, she was the Assistant Vice President and Head of the Financial Accounting Department of United Coconut Planters Bank. Prior to this, she was a Director in SGV & Co. where she gained seven years of experience in external audit.

Elsie D. Paras, 45 years old, Filipino, serves as GT Capital's Vice President for Corporate Planning and Business Development and Deputy Chief Finance Officer. She was appointed to the position on January 5, 2015. Prior to joining the Corporation, she served as Finance Manager and Deputy CFO of SIA Engineering Philippines, a joint venture of Cebu Air and SIA Engineering of Singapore. Before this, she was a Manager for Strategic Consulting for Jones Lang 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, 35 years old, Filipino, is Vice President and Head of the Legal & Compliance Department of the Corporation. She was appointed to her position on May 11, 2016 and has been with GT Capital since August 2012. She concurrently holds the following positions: Director, GTCAD and TSI; Assistant Corporate Secretary, PCFI; Corporate Secretary, Micara Land, Inc., Marcan Development Corporation, Camarillo Development Corporation, Williamton Financing Corporation, Branchton Development Corporation, and Firm Builders Realty Development Corporation. Prior to joining the Corporation, she was the Head of the Investigation and Enforcement Department of the Capital Markets Integrity Corporation ("CMIC"). Before joining CMIC, she was the Officer-in-Charge of the Prosecution and Enforcement Department of the PSE. She was also Legal Counsel of the Office of Senator Miguel Zubiri, and prior to entering law school, a trader for United Coconut Planters Bank. She earned her Bachelor of Science degree in Management from the Ateneo De Manila University and finished her Juris Doctor degree in the same university.

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
George S.K. Ty	
Toyota Motor Philippines Corporation	Chairman/Director
Metropolitan Bank & Trust Company	Director
Philippine AXA Life Insurance Corporation	Director
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

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

Roderico V. Puno

LMG Chemicals Corp.	Director

Renato C. Valencia

iPeople, Inc.	Chairman
EEI Corporation	Independent Director
Anglo Philippine Holdings Corporation	Independent Director
Vulcan Industrial and Mining, Inc.	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

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

Winston Andrew L. Peckson

First Metro Philippine Equity Exchange Traded Fund, Inc.	Director

Renee Lynn Miciano-Atienza

GT Capital Auto Dealership Holdings, Inc.	Director
Toyota Subic, Inc.	Director

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

Office	Name
Group Chairman	Dr. George S. K. Ty
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.
Head, Investor Relations & 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
Deputy Chief Financial Officer	Elsie D. Paras
Head, Legal and Compliance	Renee Lynn Miciano-Atienza

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

Adviser	Pascual M. Garcia III
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 1.14 million	Php 7.22 million	Php 4.55 million
Bonuses	PhP 0.60 million	PhP 6.08 million	PhP 2.60 million
Transportation Allowance			PhP 0.64 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 2016, 2017, and 2018. The amounts (in P millions) set forth in the table below have been prepared based on what the Corporation paid its executive officers in 2016 and 2017, and what the Corporation expects to pay in 2018.

Name and Principal Position Compensation	Year	Salary	Bonus	Other Annual
Named Executive Officers*....................................	2016	35.032	17.932	-
	2017	39.85	15.21	-
	2018**	43.44	16.57	
			-	
All other Officers as a Group	2016	18.787	3.324	-
	2017	26.12	10.15	-
	2018**	28.47	11.06	

** Named executive officers include: Carmelo Maria Luza Bautista (President), Francisco H. Suarez, Jr. (Chief Financial Officer), Winston Andrew L. Peckson (Chief Risk Officer), Jose B. Crisol (Head, Investor Relations and Corporate Communications), and Elsie D. Paras (Deputy Chief Financial Officer)*
*** Figures for the year 2018 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 2017. 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 Ms. Vicky Lee Salas of SGV & Co. for the examination of the Corporation's financial statements for the calendar year 2017. 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. Miguel U. Ballelos, Jr. of SGV & Co. will replace Ms. Vicky Lee Salas as signing partner for the calendar year 2018.

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

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

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

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**

(a) Title and amount of securities to be issued

Declaration of a 3.50% stock dividend to its common stockholders as of record date equivalent to approximately 6,740,884 shares. The record date shall be disclosed after stockholder approval.

(b) 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 3.50% stock dividends equivalent to approximately 6,740,884 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.

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

Declaration and payment of the 3.50% stock dividend to common stockholders as of record date.

(d) Reason for proposed issuance

Declaration and payment of the 3.50% stock dividend to common stockholders as of record date.

(e) 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.

(f) The 3.50% stock dividend was approved by the Board of Directors during its March 16, 2018 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 10, 2017

The following was the agenda of the said meeting:

- Call to order
- Certification of notice and quorum
- Approval of minutes of annual meeting of stockholders held on May 11, 2016
- Annual Report for the Year 2016
- 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 2017 – 2018
- Appointment of external auditor
- Adjournment

(b) Annual Report for the Year 2017

(c) General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting (May 10, 2017) up to the date of this meeting (May 09, 2018), including offer of new shares, acquisition and disposition of shares of another corporation, declaration of dividends, election of directors and appointment of officers.

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 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 43 of the 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 not less than 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 2016 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 28, 2018.

By:

A V. Viray

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, 2017 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, 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%)

(Forward)

GT Capital Consolidated Statements of Income	Audited Year Ended December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2017**	2016	**Amount**	**Percentage**
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%

(Forward)

Consolidated Statements of Financial Position	Audited December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2017**	2016	**Amount**	**Percentage**
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%
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.

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, 2015, 2016 and 2017.

	In Million Pesos, except for percentages		
Income Statement	**2015**	**2016**	**2017**
Total Revenues	139,949	202,124	239,811
Net Income attributable to Equity Holders of GT Capital Holdings	12,115	14,634	14,182
Balance Sheet			
Total Assets	304,366	265,446	307,691
Total Liabilities	167,834	124,208	134,000
Equity attributable to GT Capital Holdings, Inc.	90,131	114,805	173,691
Return on Equity *	13.51%	11.99%	12.22%

**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			
	2015	2016	2017
Net income attributable to equity holders	18.6	18.1	18.2
Net interest margin on average earning assets	3.5%	3.5%	3.8%
Operating efficiency ratio	59.4%	56.7%	56.8%
Return on average assets	1.1%	1.0%	0.9%
Return on average equity	10.8%	9.3%	9.2%

	2015	2016	2017
Total assets	1,760.7	1,876.0	2,080.3
Total liabilities	1,557.4	1,670.5	1,876.2
Equity attributable to equity holders of the parent company	193.8	196.0	202.0
Tier 1 capital adequacy ratio	14.3%	12.5%	11.8%
Total capital adequacy ratio	17.8%	15.5%	14.4%
Non-performing loans ratio	1.0%	0.9%	1.0%
Non-performing loans coverage ratio	110.7%	113.0%	89.0%

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, 2015, 2016 and 2017 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 from Php18.1 billion in 2016 to Php18.2 billion in 2017. This was primarily due to the 19.3% growth in loans and receivables, and manageable increase in operating expenses offset by higher provision for credit and impairment losses.

Net interest income grew by 16.0% from Php53.0 billion in 2016 to Php61.4 billion in 2017, comprising 73.5% of total operating income. This was driven by strong loan demand from the commercial and consumer segments and higher CASA ratio at 62.2% of total deposits. As a result, net interest margin improved from 3.5% to 3.8%.

Non-interest income dropped by 13.7% from Php25.7 billion in 2016 to Php22.1 billion in 2017 due to lower trading and securities, and foreign exchange gains offset by an increase in service charges, fees and commissions, and miscellaneous income.

Total assets grew by 10.9% from Php1.9 trillion as of December 31, 2016 to Php2.1 trillion as of December 31, 2017 primarily due to increases in loans and receivables, investment securities, and due from Bangko Sentral ng Pilipinas offset by decreases in Interbank Loans Receivable and Securities Purchased Under Resale Agreements, and Due from Other Banks.

Total liabilities, likewise, grew by 12.3% from Php1.7 trillion as of December 31, 2016 to Php1.9 trillion as of December 31,2017 due to increases in deposit liabilities, bills payable and Securities Sold Under Repurchase Agreement offset by a decrease in bonds payable and subordinated debts. CASA and time deposits increased by 12.3% and 6.3% from Php846.1 billion to Php950.2 billion and from Php520.3 billion to Php547.7 billion, respectively. For the year, Metrobank issued Php7.1 billion of Long-term Negotiable Certificate of Deposits (LTNCD). The first tranche amounting to Php3.4 billion was issued on January 30, 2017 and another tranche of Php3.7 billion was issued on July 20, 2017. As of December 30, 2017, outstanding LTNCDs amounted to Php30.0 billion.

Equity attributable to equity holders of the parent company improved by 3.0% from Php196.0 billion as of December 31, 2016 to Php202.0 billion as of December 30, 2017 due to the net income earned offset by Php5.7 billion increase in net unrealized losses on available-for-sale investment securities, Php3.2 billion cash dividends, and Php4.7 billion translation adjustment and from acquisition of non-controlling interest.

Property Development

Federal Land and Property Company of Friends

	In Million Pesos, except for percentages and ratios		
	2015**	**2016*****	**2017**
Real Estate Sales *	10,287.4	14,218.4	15,406.4
Revenues	13,258.9	17,285.1	18,226.5
Net income attributable to equity holders of the parent	2,824.3	2,995.0	2,104.9
	2015***	**2016*****	**2017**
Total assets	100,425.4	107,936.9	115,683.2
Total liabilities	48,483.0	48,214.0	55,791.4
Total equity attributable to equity holders of the parent	51,838.1	59,618.3	59,781.5
Current ratio	3.6x	5.0x	4.0x
Debt to equity ratio	0.7x	0.5x	0.6x

* Includes interest income on real estate sales

** GT Capital invested 22.68% in direct equity in PCFI in August 2015

*** 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.
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 5.4% growth in consolidated revenues from Php17.3 billion in 2016 to Php18.2 billion in 2017. Of total revenues, Federal Land accounted for 62%, while the balance came from PCFI. Consolidated real estate sales grew by 8.4% from Php14.2 billion to Php15.4 billion, as booked sales of Federal Land grew by 21% on a year-on-year basis. Together, the two property developers reported a consolidated net income of Php2.1 billion in 2017.

Consolidated assets of the property companies grew by 7.2% from Php107.9 billion as of December 31, 2016 to Php115.7 billion as of December 31, 2017. For Federal Land, the growth came from increase in receivables from real estate sales, inventories from on-going project developments and increase in investment properties. For PCFI, total assets declined due to receivables takeout by the banks, change in accounting policy for the measurement of investment property, and prepayment of loans offset by increase in inventories from on-going projects and house construction.

In 2017, Federal Land launched four (4) projects namely: (i) Park Avenue, a vertical residential condominium project located in Grand Central, Bonifacio Global City, Taguig City ; (ii) Siena Towers, a two (2) tower residential condominium project located in Marikina City ; (iii) Palm Beach West - Siargao, a vertical residential condominium project located in Macapagal Boulevard, Pasay City; and (iv) Palm Beach West - Coron, a vertical residential condominium project located in Macapagal Boulevard, Pasay City.

On July 10, 2017, Federal Land launched Sunshine Fort, a joint venture project with Nomura Real Estate Development Co. Ltd. The project is a $400 million Japanese-inspired residential and retail complex located in Grand Central Park Bonifacio Global City, Taguig City.

For the year, Federal Land completed the i-Met Building, the first PEZA accredited BPO Building in the Metro Park development located in Macapagal Boulevard, Pasay City.

Federal Land's average overall percentage-of-completion of ongoing development projects improved from 49.0% in 2016 to 53.0% in 2017.

For PCFI, new retail outlets such as SM Appliance, Watsons, Handyman and McDonalds were opened in Lancaster New City (LNC), Another flagship project. Shopwise, will open a branch in LNC with the third quarter of 2018. As of December 31, 2017, commercial and retail establishments reached an aggregate of 53 outlets. On the other hand, an IT-based locator has fully leased out the first commercial building of Suntech iPark, which, with three shifts, can potentially employ up to 3,000 employees. Suntech iPark is the only PEZA-accredited I.T. park in Cavite.

Life and Non-Life Insurance

Philippine AXA Life Insurance Corporation and Subsidiary (AXA Philippines)

The following are the major performance measures used by AXA Philippines for the period ended 2015, 2016 and 2017.

In Million Pesos, except ratios				
	AXA Philippines			Consolidated
	2015	2016	2017	2017
Gross Premiums	22,923.3	21,624.9	26,359.1	31,630.1
Net income after tax	1,383.5	1,666.0	2,360.6	2,472.8
Premium Margin (%)[1]	17.3%	20.5%	23.9%	
Net Profit Margin (%)[2]	5.7%	7.2%	8.4%	
Total Assets	79,978.1	90,316.7	114,378.6	123,424.7
Total Liabilities	74,810.4	83,853.2	106,814.5	116,397.2
Total Equity	5,167.7	6,463.5	7,564.2	7,027.5
Solvency ratio[3]	477%	220%	341%	

Notes:

(1) *Premium margin (%) is the ratio of Premium margin over Premium Revenues.*
(2) *Net profit margin (%) is the ratio of Net profit over Total Revenues.*
(3) *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. 2015 and 2016 ratios are based on RBC 1 framework, while 2017 already reflects the new RBC 2 framework.*

New business from the life insurance sector of AXA Philippines grew by 27.1% expressed in Annualized Premium Equivalent (APE) from Php5.0 billion in 2016 to Php6.3 billion in 2017. The increase in APE was driven by the growth in Regular Premium and Single Premium of 29.4% and 19.8%, respectively. The reported sales mix of life insurance, thus, was changed to 54%/46% in 2017 from the previous 55%/45% in 2016 (Single Premium vs. Regular Premium). By distribution platform, bancassurance and sales agency accounted for 74% and 26% of premium revenues, respectively.

CPAIC gross earned premiums rose by 13.2% from Php4.7 billion in 2016 to Php5.3 billion in 2017 mainly due to the growth in motor car and property insurance lines. As a result, consolidated gross earned premiums of AXA Philippines increased by 20.3% from Php26.3 billion in 2016 to Php31.6 billion in 2017.

2017 consolidated net income reached Php2.5 billion. This included a Php112.2 million net income contribution from CPAIC and the Php343.1 million post-tax impact of the gain on restatement of AXA Philippines's reserves arising from a change in accounting policy beginning July 2017 under the RBC 2 framework. Excluding CPAIC, AXA Philippines grew its net income by 41.7% from Php1.7 billion in 2016 to Php2.4 billion in 2017. The net income growth is primarily driven by the: (1) improvement in the life insurance sector's premium margins by 42.1% equivalent to Php6.3 billion and (2) increase in asset management fees by 21.6% reaching Php1.5 billion.

**For comparison purposes, prior year figures of CPAIC are based on pro-forma FS for the full year of 2016. AXA Philippines completed the acquisition of CPAIC from GT Capital on April 4, 2016.*

Infrastructure and Utilities

Metro Pacific Investments Corporation (MPIC)

	In Million Pesos, except for Percentage			
	2016	**2017**	**Inc (Dec)**	**%**
Core net income	12,106	14,104	1,998	*17%*
Net income attributable to equity holders	11,456	13,151	1,695	*15%*
	2016	**2017**	**Inc (Dec)**	**%**
Total assets	351,602	503,751	152,149	*43%*
Total liabilities	163,521	288,072	124,551	*76%*
Total equity attributable to owners of Parent Company	152,032	161,244	9,212	*6%*

On May 27, 2016, GT Capital subscribed to 3.6 billion common shares of MPIC for a total subscription price of Php21.96 billion. On the same day, GT Capital entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with GT Capital as the buyer and MPHI as the seller of 1.3 billion common shares of MPIC for a total consideration of Php7.93 billion. After said transactions, GT Capital owned 4.9 billion common shares of MPIC, representing 15.55% of the total issued and outstanding common shares of MPIC.

GT Capital and MPHI signed on the same date, a Shareholder's Agreement whereby GT Capital was entitled to nominate at least two (2) out of fifteen (15) directors of MPIC. GT Capital was also entitled to nominate one (1) out of three (3) members in each of the Audit and Risk Management Committee (ARMC) and Governance Committee (GC) of MPIC. In addition, GT Capital has veto rights on the certain corporate acts such as the declaration or payment of any dividend or other distribution with respect to the shares of capital stock of MPIC and the adoption of an Annual Budget or Business Plan, including plans for capital calls, and any amendment to such.

The combination of GT Capital's 15.55% ownership over MPIC, representation in the Board of Directors (BOD), ARMC and GC of MPIC, and veto rights on certain corporate acts provided GT Capital with the ability to exercise significant influence over the operating and financial policies of MPIC. Through its presence and participation at the board and its sub-committees, GT Capital can influence the operating and financial policies of MPIC. Accordingly, GT Capital accounted for its investment in MPIC as an associate using equity method of accounting.

MPIC is the Philippines' largest infrastructure conglomerate, which has exposure in high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics. Among MPIC's portfolio is 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 Region, Maynilad Water Services, Inc. (Maynilad), which manages Metro Manila's widest water distribution network, and Metro Pacific Tollways Corporation (MPTC), operator of the country's largest toll road network.

MPIC's share in the consolidated operating core income increased by 18% from Php15.1 billion in 2016 to Php17.8 billion in 2017, 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 2017 increased by 30% from Php7.2 billion in 2016 to Php9.4 billion

- Increased share in the Tollway business arising from strong traffic growth on each of the roads held by Metro Pacific Tollways Corporation (MPTC); Core net income contribution of MPTC increased by 11% from Php3.5 billion in 2016 to Php3.9 billion in 2017

- Continuing growth in the Hospital group mainly due to the increase in number of patients served across all hospitals and contributions from new hospital acquisitions namely, Marikina Valley Medical Center (acquired in July 29, 2016) and Dr. Jesus C. Delgado Memorial Hospital (acquired in January 31, 2017); Core net income contribution of the Hospital group increased by 16% from Php0.6 billion in 2016 to Php0.7 billion in 2017.

Reported net income attributable to equity holders grew by 15% from Php11.5 billion in 2016 to Php13.2 billion in 2017. Excluding head office, interest, forex and non-recurring income or expenses, core income grew by 17% from Php12.1 billion to Php14.1 billion.

Automobile Assembly and Importation, Dealership and Financing

Toyota Motor Philippines (TMP)

	In Million Pesos, except for ratios		
	2015	**2016**	**2017**
Sales	114,289.4	155,832.5	185,337.1
Gross Profit	18,298.5	21,072.3	23,058.8
Operating Profit	13,909.0	15,669.0	16,798.2
Net income attributable to Parent	10,194.6	11,929.0	13,186.1
	2015	**2016**	**2017**
Total Assets	32,278.3	36,003.4	42,158.3
Total Liabilities	17,049.9	18,511.1	23,010.7
Total Equity	15,228.4	17,492.3	19,147.6
Total Liabilities to Equity ratio*	1.1x	1.1x	1.2x

**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 registered an 18.9% growth from Php155.8 billion in 2016 to Php185.3 billion in 2017 as wholesales volume grew by 13% from 162,085 units to 183,209 units. TMP retail sales volume, likewise, grew by 16% from 158,728 units to 183,908 units, slightly lower than industry retail sales volume which grew by 18% from 402,461 units to 473,376 units.

Overall market share slightly declined from 39.4% in 2016 to 38.9% in 2017 despite the sustained sales volume growth arising from the launching of the Full Model Change (FMC) Fortuner (↑39%) and Innova (↑35%), in April 2016 and May 2016, respectively. As of December 31, 2017, TMP increased its auto dealership complement from 52 to 63 outlets.

Higher cost of sales due to unfavorable foreign exchange, increased advertising/promotion expenses, operating and overhead expenses resulted in a decline in gross profit, operating profit, net income margins, from 13.5%, 10.0% and 7.8% to 12.4%, 9.1% and 7.2%, respectively. However, consolidated net income attributable to equity holders increased by 10.7% from Php11.9 billion to Php13.2 billion mainly due to higher sales volume and price increases implemented in March and September 2017.

As of December 31, 2017, TMP directly owns a total of seven dealer outlets namely Toyota Makati with one (1) branch Toyota Bicutan, Toyota San Fernando in Pampanga with one (1) branch in Plaridel Bulacan, Toyota Tarlac in Tarlac City and Lexus Manila, situated in Bonifacio Global City, Taguig City. Toyota Santa Rosa, the seventh dealer TMP-owned facility, commenced operations in August 2017.

Toyota Financial Services Philippines Corporation (TFSPC)

	In Million Pesos, except for ratios		
	2015	**2016**	**2017**
Gross Interest Income	3,026.7	3,641.7	4,920.6
Net Interest Income	1,767.7	2,148.8	2,860.8
Net Income	515.5	555.1	687.6
Finance Receivable	33,304.4	43,789.9	59,036.5
	2015	**2016**	**2017**
Total Assets	44,278.4	55,581.4	71,724.27
Total Equity	4,369.4	4,941.5	6,850.14

TFSPC recorded a 35.1% growth in gross interest income from Php3.6 billion in 2016 to Php4.9 billion in 2017, as gross loans and receivables increased by 30.8% from Php45.4 billion to Php59.4 billion on a year-on-year basis.

Booking volume grew by 25.0% from 29,101 units to 36,365 units in 2017 attributed to the strong sales bookings of Toyota vehicles. This was equivalent to an improved penetration rate from 18% to 20%.

Net income, likewise, increased by 23.9% from Php555.1 million to Php687.6 million due to 28.3% growth in operating income from Php776.5 million to Php995.9 million and the abovementioned profit increasing factors.

Toyota Manila Bay Corporation (TMBC)

	In Million Pesos, except for ratios		
	2015*	**2016**	**2017**
Net Sales	18,593.8	23,995.6	26,312.0
Gross Profit	1,288.5	1,421.8	1,788.7
Net Income	168.0	297.4	383.5
	2015*	**2016**	**2017**
Total Assets	3,863.8	4,896.7	6,059.9
Total Liabilities	2,797.2	3,551.6	3,764.7
Total Equity	1,066.6	1,345.1	2,220.1

**pro-forma consolidated figures of TMBC and TCI*

On March 7, 2016, the SEC approved the merger of TMBC and TCI. TMBC is the surviving corporation and absorbed the entire assets and liabilities of TCI.

Consolidated sales, comprising of vehicle sales, spare parts and maintenance services, grew by 9.7% from Php24.0 billion in 2016 to Php26.3 billion in 2017. Vehicle sales, accounting for 93.0% of TMBC's revenues, increased by 7.9% from Php22.7 billion to Php24.5 billion.

Retail sales volume grew by 4.9% from 21,797 units to 22,870 units due to strong demand of FMC Fortuner and Innova. Sales from spare parts and maintenance services, accounting for a combined 7.0% of revenues, increased by 17.0% and 20.1%, respectively.

Consolidated net income in 2017 increased by 29.0%, from Php297.4 million to Php383.5 million due to higher vehicle sales, improved vehicle margins due to price increases effective March 1 and September 1, and increased ancillary income from financing and insurance commissions.

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. TMBC recently inaugurated its new and bigger Manila Bay dealership facility last October 2017.

Sumisho Motor Finance Corporation (SMFC)

	In Million Pesos, except for ratios		
	2015	**2016**	**2017**
Gross Interest Income	438.5	597.4	829.3
Net Interest Income	443.4	588.3	797.3
Net Income	50.5	86.0	205.5
Finance Receivable	1,689.70	2,405.40	3,292.90
	2015	**2016**	**2017**
Total Assets	1,887.60	2,606.75	3,533.49
Total Equity	1,728.50	1,509.52	2,023.97

On August 9, 2017, GT Capital completed its 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 38.8% growth in gross interest income from Php597.4 million in 2016 to Php829.3 million in 2017, as finance receivable increased by 36.9% from Php2.4 billion to Php3.3 billion on a year-on-year basis. Bookings volume also grew by 22.9% from 30,446 units to 37,423 units in 2017 driven by increased demand for Japanese brand motorcycles.

Net income more than doubled from Php86.0 million to Php205.5 million due to a 34.7% decrease in provisions for credit losses driven by a declining provisions ratio from 4.7% to 3.7% in 2016 and 2017, respectively and well controlled operating expenses.

Except for (ii), (iv), (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;

The GT Capital Group's 2018 capital expenditures ("capex") budget is presented as follows:

Component Company	**In Php Billion**	**Nature**	**Funding source**
Metrobank[1]	63.0 - 65.0	Php60 billion SRO to improve capital ratios and support loan expansion; Systems upgrades, expansion of electronic banking channels, ATM installation, renovation/relocation of branch premises and investments for new branches	Internal
Federal Land[2]	9.0	Capital calls in JVs and office buildings	Internal and Debt
PCFI[2]	7.9	Land bank, land development, PPE and Investment Property	Internal and Debt
TMP	6.3	New models and logistics expansion	Internal
TMBC	1.0	Dealership expansion and renovation	Internal and Debt
TFS[1]	1.9	Php1.8 billion capital call to improve capital ratios and support loan expanision; Provincial expansion and leasehold improvements	Internal
SMFC	0.1	Leasehold improvements and IT upgrade	Debt
AXA Philippines[3]	0.7	Branch expansion, refurbishments and IT upgrade	Internal
GTCap-Parent	20.0	Potential investments	Internal and Debt
Total	**109.9 - 111.9**		

(1) GT Capital will participate in the capital calls based on its pro-rata share in MBT (Php25B) and TFS (Php720M)
(2) Excludes construction of vertical residential buildings and house construction
(3) Includes CPAIC

(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, 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%

(Forward)

GT Capital Consolidated Statements of Income	Audited Year Ended December 31		Increase (Decrease)	
(In Million Pesos, Except for Percentage)	**2016**	2015	**Amount**	**Percentage**
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%)

(Forward)

(In Million Pesos, Except for Percentage)	Audited December 31 2016	2015	Increase (Decrease) Amount	Percentage
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).

CALENDAR YEAR ENDED DECEMBER 31, 2015 VERSUS YEAR ENDED DECEMBER 31, 2014

GT Capital Consolidated Statements of Income	**Audited Year Ended December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2015**	2014	**Amount**	**Percentage**
REVENUE				
Automotive operations	**120,802**	108,816	11,986	11%
Real estate sales and interest income on real estate sales	**10,636**	6,998	3,638	52%
Equity in net income of associates and joint venture	**5,616**	3,421	2,195	64%
Sale of goods and services	**547**	583	(36)	(6%)
Rent income	**840**	764	76	10%
Interest income on deposits and investments	**154**	223	(69)	(31%)
Commission income	**194**	80	114	143%
Other income	**1,160**	1,002	158	16%
	139,949	121,887	18,062	15%
COSTS AND EXPENSES				
Cost of goods and services sold	**74,941**	70,597	4,344	6%
Cost of goods manufactured and sold	**27,838**	24,213	3,625	15%
General and administrative expenses	**7,482**	7,133	349	5%
Cost of real estate sales	**6,512**	4,334	2,178	50%
Interest expense	**2,164**	1,392	772	55%
Cost of rental	**272**	270	2	1%
	119,209	107,939	11,270	10%
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**20,740**	13,948	6,792	49%
PROVISION FOR INCOME TAX	**4,299**	2,569	1,730	67%
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	**16,441**	11,379	5,062	44%
NET INCOME FROM DISCONTINUED OPERATIONS	**4,500**	3,772	728	19%
NET INCOME	**20,941**	15,151	5,790	38%

(Forward)

GT Capital Consolidated Statements of Income *(In Million Pesos, Except for Percentage)*	**Audited** **Year Ended December 31**		**Increase (Decrease)**	
	2015	2014	**Amount**	**Percentage**
ATTRIBUTABLE TO:				
Equity holders of the parent company				
Profit for the year from continuing operations	**10,396**	7,776	2,620	34%
Profit for the year from discontinued operations	**1,719**	1,377	342	25%
	12,115	9,153	2,962	32%
Non-controlling interest				
Profit for the year from continuing operations	**6,045**	3,603	2,442	68%
Profit for the year from discontinued operations	**2,781**	2,395	386	16%
	8,826	5,998	2,828	47%
	20,941	15,151	5,790	38%

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 32% from Php9.15 billion in 2014 to Php12.12 billion in 2015. The increase was principally due to the 15% increase in consolidated revenues from Php121.89 billion in 2014 to Php139.95 billion in 2015.

The revenue growth came from the following component companies:

(1) auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Cubao, Inc. ("TCI') as combined sales increased from Php108.82 billion to Php120.81 billion accounting for 86% 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 52% from Php7.00 billion to Php10.64 billion;
(3) higher equity in net income of associates and joint venture which grew by 64% from Php3.42 billion to Php5.62 billion; and
(4) Increase in other income from Php1.00 billion to Php1.16 billion.

Core net income attributable to equity holders of the Parent Company recorded 26% growth from Php9.1 billion to Php11.4 billion after excluding the following:

(1) Php0.4 billion non-recurring income of Global Business Power Corporation ("GBPC") comprising collection of insurance proceeds;
(2) Php0.2 billion gain recognized by Fed Land from its land asset swap, net of tax; and
(3) Php0.1 billion amortization of fair value adjustments arising from business combination.

GT Capital finalized on August 20, 2015 the acquisition of an initial 22.68% of PCFI for Php7.24 billion, upon fulfillment of all closing conditions, including execution of an irrevocable proxy covering 51% of the total issued and outstanding capital stock of PCFI (the "Irrevocable Proxy") by Pro Friends Group, Inc. (the selling shareholder) in favor of GT Capital. By virtue of its payment for the 22.68% interest and the Irrevocable Proxy, GT Capital consolidated PCFI's financial statements beginning September 1, 2015.

On November 5, 2015, GT Capital signed a Sale and Purchase Agreement to sell 100% of its direct equity stake in Charter Ping An Insurance Corporation ("CPAIC") to Philippine AXA Life Insurance Corporation ("AXA Philippines"). The completion of the transaction is subject to closing conditions including receipt of regulatory approvals and is expected to be completed within the first half of 2016. With the impending sale, Philippine Financial Reporting Standards (PFRS) 5 prescribe the presentation of CPAIC's results of operations separate from the "Income from Continuing Operations", wherein all income, expenses and income taxes of CPAIC in 2015 are presented under "Income from Disposal Group". For comparability, 2014 and 2013 Consolidated Statements of Income were also restated to show CPAIC's 2014 and 2013 results of operations separate from the "Income from Continuing Operations".

Fed Land, PCFI, GBPC, TMP and TCI are consolidated in the financial statements of the Company. The other component companies Metropolitan Bank & Trust Company ("Metrobank" or "MBT'), AXA Philippines, Toyota Manila Bay Corporation ("TMBC"), and Toyota Financial Services Philippines Corporation ("TFSPH") are accounted for through equity accounting. As previously discussed, the operations of CPAIC is presented separately in the income statement under "Income from Disposal Group".

Of the ten (10) component companies, TMP, GBPC, AXA Philippines TFSPH, Fed Land, TMBC and TCI posted growths in their respective net income. Metrobank, PCFI, and CPAIC reported declines in their respective net income for the year.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 11% from Php108.8 billion to Php120.8 billion principally driven by the 13% increase in wholesales volume from 108,658 units to 122,817 units and continued expansion in the dealer outlets from 45 to 49.

Real estate sales and interest income on real estate sales rose by 52% from Php7.0 billion to Php10.64 billion. Fed Land's sales contributed 71%, mostly from its middle-market development projects. PCFI's low cost and economic housing projects contributed the remaining balance representing sales from September to December 2015.

Equity in net income of associates and joint venture, increased by 64% from Php3.4 billion to Php5.6 billion due to the following:

(1) Improved core net income of Metrobank from Php10.5 billion to Php18.0 billion;
(2) Growth in net income of AXA Philippines from Php1.2 billion to Php1.4 billion; and
(3) Higher net income of TFSPC from Php397.9 million to Php515.5 million.

Sale of goods and services decreased by 6% from Php583.1 million to Php547.0 million due to the decline in Fed Land's sale of petroleum products, on a wholesale and retail basis, in the Blue Wave malls.

Rent income from the lease of GT Tower International office building, the Blue Wave malls, Blue Bay Walk and Philippine AXA Life Center Condominium grew by 10% from Php764.5 million to Php840.5 million.

Interest income on deposits and investments declined by 31% from Php0.22 billion to Php0.15 billion due to decline in cash available for short-term placements.

Commission income more than doubled from Php79.5 million to Php194.2 million due to increases in the unit sales of Grand Hyatt Residences and Marco Polo Residences Tower 3.

Other income grew by 16% from Php1.0 billion to Php1.2 billion due to the following:

(1) Php787.3 million from Fed Land comprising real estate forfeitures, gain on asset swap, management fees and other income; and
(2) Php279.6 million from TMP's ancillary income from its majority-owned dealers, gain on sale of fixed assets, dividend income and other income.

Consolidated costs and expenses increased by 10% from Php107.9 billion to Php119.2 billion with the following breakdown:

(1) Php101.0 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
(2) Php8.1 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;
(3) Php6.4 billion from TCI consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
(4) Php2.0 billion from GT Capital representing interest expenses and general and administrative expenses; and
(5) Php1.7 billion from PCFI comprising cost of real estate sales, general and administrative expenses and interest expenses.

Cost of goods and services sold increased by 6% from Php70.6 billion to Php74.9 billion with TMP's and TCI's completely built-up units and spare parts accounting for Php74.4 billion and the balance of Php0.5 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 15% from Php24.2 billion in 2014 to Php27.8 billion in 2015.

General and administrative expenses rose by 5% from Php7.1 billion to Php7.5 billion. TMP accounted for Php4.6 billion comprising advertising and sales promotion expenses, salaries, taxes and licenses and delivery and handling. Fed Land contributed Php2.0 billion comprising salaries, commissions, taxes and licenses, advertising expenses and other general and administrative expenses. TCI accounted for Php0.4 billion consisting of salaries, advertising and promotions, commission and utilities expenses. PCFI contributed P0.3 billion comprising of salaries, commissions, professional fees, advertising and taxes and licenses. The remaining P0.2 billion came from GT Capital's salaries, professional fees and taxes and licenses.

Cost of real estate sales increased by 50% from Php4.3 billion to Php6.5 billion arising from the increase in real estate sales. Fed Land contributed 82% while PCFI accounted for the remaining balance.

Interest expense increased by 55% from Php1.4 billion to Php2.2 billion with GT Capital, Fed Land, TMP, PCFI and TCI accounting for Php1.8 billion, Php142.0 million, Php100.4 million, Php99.6 million and Php13.4 million, respectively.

Provision for income tax increased by 67% from Php2.6 billion to Php4.3 billion mainly increases in taxable income from TMP, Fed Land and GBPC.

Income from discontinued operations amounting to Php4.5 billion represent the after tax-operating income of CPAIC and GBPC.

Net income attributable to non-controlling interest grew by 47% from Php6.0 billion to Php8.8 billion due to an increase in the net income of subsidiaries which are not wholly-owned.

Consolidated net income attributable to equity holders of the Parent Company increased by 32% from Php9.2 billion in 2014 to Php12.1 billion in 2015.

GT Capital Consolidated Statement of Financial Position	**Audited December 31**		**Increase (Decrease)**	
(In Million Pesos, Except for Percentage)	**2015**	2014	**Amount**	**Percentage**
ASSETS				
Current Assets				
Cash and cash equivalents	**37,861**	29,702	8,159	27%
Short-term investments	**1,861**	1,309	552	42%
Reinsurance assets	-	3,879	(3,879)	(100%)
Receivables	**27,056**	16,223	10,833	67%
Inventories	**51,490**	31,426	20,064	64%
Due from related parties	**370**	171	199	116%
Prepayments and other current assets	**7,673**	5,468	2,205	40%
Assets of disposal group classified as held for sale	**8,434**	-	8,434	100%
Total Current Assets	**134,745**	88,178	46,567	53%
Noncurrent Assets				
Available-for-sale investments	**3,195**	4,127	(932)	(23%)
Receivables – net of current portion	**6,682**	4,897	1,785	36%
Land held for future development	**15,357**	-	15,357	100%
Investment properties	**10,797**	8,643	2,154	25%
Investments in associates and joint venture	**60,265**	47,451	12,814	27%
Property and equipment	**51,972**	44,801	7,171	16%
Goodwill and intangible assets	**19,727**	17,806	1,921	11%
Deferred tax asset	**748**	1,726	(978)	(57%)
Other noncurrent assets	**878**	634	244	38%
Total Noncurrent Assets	**169,621**	130,085	39,536	30%
TOTAL ASSETS	**304,366**	218,263	86,103	39%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	**22,129**	19,280	2,849	15%
Insurance contract liabilities	-	5,665	(5,665)	(100%)
Short term debt	**7,318**	2,347	4,971	212%
Current portion of long term debt	**6,924**	3,061	3,863	126%
Current portion of liabilities on purchased properties	**637**	783	(146)	(19%)
Customers' deposits	**3,691**	2,549	1,142	45%
Dividends payable	**2,861**	2,034	827	41%
Due to related parties	**174**	176	(2)	(1%)
Income tax payable	**1,013**	476	537	113%
Other current liabilities	**520**	882	(362)	(41%)
Liabilities of disposal group classified as held for sale	**6,444**	-	6,444	100%
Total Current Liabilities	**51,711**	37,253	14,458	39%

(Forward)

	Audited December 31		Increase (Decrease)	
	2015	2014	**Amount**	**Percentage**
Noncurrent Liabilities				
Long term debt – net of current portion	**81,847**	42,118	39,729	94%
Bonds payable	**21,801**	21,775	26	0%
Liabilities on purchased properties – net of current portion	**2,146**	2,729	(583)	(21%)
Pension liabilities	**2,219**	2,261	(42)	(2%)
Deferred tax liabilities	**5,501**	3,532	1,969	56%
Other noncurrent liabilities	**2,609**	2,653	(44)	(2%)
Total Noncurrent Liabilities	**116,123**	75,068	41,055	55%
TOTAL LIABILITIES	**167,834**	112,321	55,513	49%
EQUITY				
Equity attributable to equity holders of Parent Company				
Capital stock	**1,760**	1,743	17	1%
Additional paid-in capital	**46,695**	46,695	-	-
Treasury shares	**(6)**	(2)	(4)	200%
Retained earnings				
Unappropriated	**33,264**	24,431	8,833	36%
Appropriated	**8,760**	6,000	2,760	46%
Other comprehensive loss	**(918)**	(103)	(815)	791%
Other equity adjustments	**576**	583	(7)	(1%)
	90,131	79,347	10,784	14%
Non-controlling interests	**46,401**	26,595	19,806	74%
TOTAL EQUITY	**136,532**	105,942	30,590	29%
TOTAL LIABILITIES AND EQUITY	**304,366**	218,263	86,103	39%

The major changes in the balance sheet items of the Company from December 31, 2014 to December 31, 2015 are as follows:

Total assets of the Group increased by 39% or Php86.1 billion from Php218.3 billion as of December 31, 2014 to Php304.4 billion as of December 31, 2015. Total liabilities increased by 49% or Php55.5 billion from Php112.3 billion to Php167.8 billion while total equity rose by 29% or Php30.6 billion from Php105.9 billion to Php136.5 billion.
In August 2015, GT Capital acquired control over PCFI by virtue of the Irrevocable Proxy and the Php7.24 billion payment representing a 22.68% direct equity interest. As a result, GT Capital consolidated PCFI's balance sheet on a line-by-line basis.

In November 2015, GT Capital signed a Sale and Purchase Agreement with AXA Philippines to sell 100% of its direct equity stake in CPA. As a result, Philippine Financial Reporting Standards (PFRS) 5 prescribe a separate presentation of CPA's assets and liabilities under "Assets of disposal group classified as held for sale", and "Liabilities of disposal group classified as held for sale", respectively.

Cash and cash equivalents increased by Php8.2 billion reaching Php37.9 billion with GBPC, TMP, GT Capital, PCFI, Fed Land and TCI accounting for Php14.9 billion, Php13.5 billion, Php6.9 billion, Php1.4 billion, Php1.1 billion and Php69.8 million, respectively.

Short-term investments increased by 42% from Php1.3 billion to Php1.9 billion, with TMP and GBPC contributing Php1.8 billion and Php67.0 million, respectively.

Receivables increased by 67% from Php16.2 billion to Php27.1 billion with PCFI contributing Php11.0 billion comprising of installment contract receivables and other receivables; Fed Land contributing Php6.9 billion, a majority of which were installment contract receivables, rent receivable and other receivables: TMP contributing Php5.1 billion consisting of trade and non-trade receivables; GBPC contributing Php3.4 billion representing outstanding billings for energy fees and passed-through fuel costs arising from the delivery of power and other receivables; and TCI accounting for Php706.5 million representing trade receivables from the sale of automobiles and after-sales maintenance services.

Inventories increased by Php20.1 billion from Php31.4 billion to Php51.5 billion with Fed Land contributing Php34.2 billion comprising land and improvements, condominium units for sale and inventory with construction-in-progress; PCFI contributing Php9.6 billion comprising of landbank, land improvements, materials inventory, ongoing construction of house inventory and condominium units for sale; and TMP contributing Php6.0 billion mostly finished goods. The balance of Php1.8 billion came from GBPC representing coal and spare parts and supplies (Php1.5 billion) and TCI representing automobiles and spare parts (Php182 million).

Due from related parties increased by Php199 million from Php171 million to Php370 million primarily due to consolidation of PCFI's due from related parties amounting to Php218 million, which was offset by collections of Php19 million from Fed Land's related parties.

Prepayments and other current assets grew by 40% from Php5.5 billion to Php7.7 billion with Fed Land contributing Php4.0 billion consisting of advances to contractors and suppliers, prepaid expenses, current input tax, deferred input tax and creditable withholding taxes; GBPC contributing Php2.0 billion consisting advances to contractors and suppliers, current input tax, deferred input tax and prepaid expenses; PCFI contributing Php946.0 million comprising of advances to contractors and suppliers, cash advances to agents, and input tax; and TMP contributing Php711.7 million comprising of ad valorem tax deposit and prepaid expenses. The balance of Php82 million came from TCI (Php52 million) and GT Capital (Php30 million).

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 (AFS) investments amounted to Php8.4 billion.

Noncurrent receivables from Fed Land (Php4.1 billion) and PCFI (Php4.7 billion) unit buyers who opted for long-term payment arrangements and various GBPC electric cooperatives (Php0.4 billion) rose by 36% from Php4.9 billion to Php6.7 billion.

Land held for future development consisting of PCFI's undeveloped land amounted to Php15.4 billion.

Available-for-sale investments declined by 23% from Php4.1 billion to Php3.2 billion primarily due to a change in the presentation of CPAIC's available-for-sale investments to "Assets of Disposal Group Classified as Held-For-Sale", and offset by mark-to-market gain on GBP's AFS investments.

Investments in associates and joint venture increased by 27% from Php47.5 billion to Php60.3 billion due to: 1) Php8.3 billion additional investment in Metrobank via stock rights offering; 2) Php0.5 billion investment of Fed Land in a joint venture with Alveo Land Corporation, a wholly-owned subsidiary of Ayala Land, Inc., through Alveo Federal Land Communities, Inc.; 3) Php5.6 billion share in net income of associates and JCE; 4) Php1.1 billion share in other comprehensive loss; and 5) Php0.2 billion effect of intra-group elimination on sale of inventories and land within the group; offset by Php0.7 billion cash dividends received from associates and JCE.

Investment properties increased by 25% or Php2.2 billion from Php8.6 billion to Php10.8 billion due to the consolidation of PCFI's investment properties into GT Capital.

Property and equipment increased by 16% or Php7.2 billion from Php44.8 billion to Php52.0 billion mainly due to 1) Php5.7 billion of GBPC's ongoing construction in Panay Energy Unit 3 Plant Expansion, net of depreciation; 2) Php0.9 billion of TMP's ongoing capital expenditure projects, net of depreciation; and 3) Php0.6 billion from PCFI's fixed assets.

Other noncurrent assets reached Php878.1 million, consisting of: 1) Php462.6 million in non-current deposits of PCFI, Fed Land and TMPI; 2) Php342.3 million in non-current input tax of Fed Land, TMP and GBPC; and 3) Php73.2 million noncurrent prepaid expenses, retirement assets other assets.

Accounts and other payables increased by 15% from Php19.3 billion to Php22.1 billion with TMP, GBPC, Fed Land, PCFI, TCI and GT Capital accounting for Php11.4 billion, Php5.0 billion, Php3.7 billion, Php1.8 billion, Php355.4 million and Php186.2 million, respectively.

Short-term debt increased by Php5.0 billion from Php2.3 billion to Php7.3 billion due to the consolidation of PCFI's loans (Php4.5 billion), additional loan availments by Fed Land (Php480.0 million), TMP's dealer subsidiaries (Php1.1 billion) and TCI (Php1.8 billion) offset by loan payments made by TMP's dealer subsidiaries (Php1.0 billion) and TCI (Php1.9 billion).

Current portion of long-term debt more than doubled from Php3.1 billion to Php6.9 billion due the net effect of 1) consolidation of PCFI's current portion of long-term debt (Php1.3 billion), 2) reclassification of Fed Land's debt (Php2.0 billion) and GBPC's debt (Php2.9 billion) from non-current to current offset by payment of GBPC's debt (Php2.5 billion).

Current portion of liabilities on purchased properties declined by 19% from Php783.0 million to Php636.5 million due to principal payment made by Fed Land.

Customers' deposits increased by 45% from Php2.5 billion to Php3.7 billion mainly due to the consolidation of PCFI's customer deposits of Php1.2 billion.

Dividends payable increased by Php0.8 billion due to the net effect of GBPC's set-up of 2015 cash dividends payable in 2016 offset by the payment of 2014 cash dividends in April 2015.

Income tax payable increased by Php537.7 million from Php475.8 million to Php1.0 billion due to an increase in the subsidiaries' taxable income.

Other current liabilities declined by 41% from Php881.7 million to Php520.3 million mainly due to the Php298.8 million settlement of advances to GBPC's stockholders and Php125.1 million reclassification of CPAIC's other current liabilities to "Liabilities of disposal group classified as held for sale".

Liabilities of disposal group classified as held for sale amounted to Php6.4 billion comprising CPAIC's current and non-current liabilities such as Insurance Contract Liabilities.

Pension liabilities declined by 2% from Php2.3 billion to Php2.2 billion with TMP, GBPC, PCFI, Fed Land and TCI contributing Php1.3 billion, Php629.1 million, Php118.6 million, Php116.8 million and Php74.9 million, respectively.

Long-term debt-net of current portion increased by Php39.7 billion from Php42.1 billion to Php81.8 billion due to: 1) Php24.9 billion loan availment of GT Capital, net of Php0.1 billion deferred financing cost, to finance its investment in the Metrobank stock rights offering, investment in the Series B preferred shares of Fed Land and investment in PCFI; 2) Php6.8 billion loan availment of GBPC, net of Php0.2 billion transaction cost to partially finance the construction of GBPC's power plants; 3) Php3.8 billion availment of Fed Land to finance the acquisition of additional land bank and working capital requirements; 4) consolidation of Php9.8 billion long-term loans of PCFI to finance acquisition of land bank and working capital requirements, these were offset by 1) the reclassification of GBPC and Fed Land's debt amounting to Php2.9 billion and Php2.0 billion, respectively from non-current to current and 2) Php0.5 billion amortization of fair valued adjustments in GBPC's long-term debt.

Liabilities on purchased properties, net of current portion, declined by 21% from Php2.7 billion to Php2.1 billion due to Fed Land's scheduled principal payments.

Deferred tax liabilities increased by Php2.0 billion from Php3.5 billion to Php5.5 billion due to the set-up of deferred tax liability arising from the fair value increase in the net assets of PCFI as a result of the purchase price allocation and consolidation of PCFI.

Other noncurrent liabilities reached Php2.6 billion, composed of long-term accrued expenses of TMP, (Php1.4 billion); non-current retention payable and deferred output tax of Fed Land (Php1.0 billion); asset retirement obligation and decommissioning liability of GBPC (Php0.2 billion).

Capital stock increased by Php17 million due to GT Capital's issuance of voting preferred shares in April 2015.

Treasury shares amounted to Php6 million representing investment in shares of stock by CPAIC in GT Capital common shares of stock.

Unappropriated retained earnings increased by 36% from Php24.4 billion to Php33.3 billion due to: 1) the Php12.1 billion consolidated net income earned in 2015; and 2) Php6.0 billion reversal of 2014 appropriation of retained earnings, offset by Php0.5 billion cash dividends declared in March 2015 and Php8.8 billion appropriation of retained earnings.

Appropriated retained earnings increased by Php2.8 billion due to the Php8.8 billion 2015 appropriation for additional investments in PCFI offset by a Php6.0 billion reversal of 2014 appropriation of investment in Series "B" Fed Land's preferred shares.

Other comprehensive loss increased by Php815.4 million from Php102.5 million to Php917.9 million due to mark-to-market losses recorded on available-for-sale investments of GT Capital's subsidiaries and associates.

Non-controlling interest (NCI) increased by Php19.8 billion from Php26.6 billion to Php46.4 billion primarily due to: 1) Php17.0 billion set-up of non-controlling interest from the preliminary purchase price allocation of PCFI; 2) Php8.8 billion NCI share in the net income of TMP and GBP; and 3) Php0.3 billion NCI share in other comprehensive income offset by Php6.3 billion NCI share in dividends declared by TMP and GBPC.

LIQUIDITY AND CAPITAL RESOURCES

In 2015, 2016 and 2017, 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, 2017, GT Capital's cash and cash equivalents reached Php20.16 billion.

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

	In Million Pesos		
	2015	**2016**	**2017**
Net cash provided by (used in) operating activities	(469)	2,849	6,977
Net cash used in investing activities	(25,509)	(33,933)	(30,505)
Net cash provided by financing activities	35,120	14,645	23,114
Effects of exchange rate changes on cash and cash equivalents	(89)	(468)	(385)
Net increase (decrease) in cash and cash equivalents	9,053	(16,907)	(799)
Cash and cash equivalents at the beginning of the period	29,702	37,861	20,954
Cash and cash equivalents of disposal group at end of the period	(894)	-	-
Cash and cash equivalents of continuing operations at end of the period	37,861	20,954	20,155

Cash flows from operating activities

Net cash provided by (used in) operating activities amounted to (Php0.47 billion) in 2015, Php2.85 billion in 2016 and Php6.98 billion in 2017. In 2015, operating cash amounting to Php25.94 billion was used to increase receivables by Php1.52 billion, inventories by Php11.62 billion, land held for future development by Php0.83 billion and prepayments and other current assets by Php1.51 billion, partially settle other current liabilities by Php2.16 billion and pay dividends, income taxes and interest amounting to Php6.01 billion, Php4.22 billion and Php4.16 billion, respectively. In 2016, operating cash amounting to Php22.71 billion was used to increase inventories by Php4.24 billion, land held for future development by Php2.84 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 Php21.09 billion was used to increase inventories by Php6.89 billion, prepayments and other current assets by Php3.36 billion and pay dividends, income taxes and interest amounting to Php7.25 billion, Php3.70 billion and Php3.43 billion, respectively..

Cash flows used in investing activities

Net cash used in investing activities amounted to Php25.51 billion in 2015, Php33.93 billion in 2016 and Php30.50 billion in 2017. In 2015, cash flows used in investing activities went to increase investment in associates and a joint venture by Php8.83 billion, investment properties by Php0.48 billion, property and equipment by Php9.95 billion, AFS investments by Php0.53 billion and acquisition of subsidiary-net of cash acquired by Php6.90 billion. 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, and intangible assets by Php0.23 billion.

Cash flows from financing activities

Net cash provided by financing activities amounted to Php35.12 billion in 2015, Php14.64 billion in 2016 and Php23.11 billion in 2017. In 2015, cash flows from financing activities came from loan availments of Php57.83 billion and issuance of voting preferred shares of Php0.02 billion which were used to partially settle Php21.91 billion in outstanding loans and Php0.73 billion in liabilities in purchased properties. 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.

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, 2017.

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.

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, 2017 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 40.00% 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% and JBT Global owning 45% 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, 2017, 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 so-called property development "sweet spot" that mainly serves the economic and low-cost segment of the residential market.

- **Life and Non-Life Insurance** – GT Capital conducts its life and non-life 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) which offers non-life insurance products in the

Philippines that includes 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, has exposure in high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics. Among MPIC's portfolio is 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 Region; 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.

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 Corporation's shares of stock are traded in the Philippine Stock Exchange.

As of December 29, 2017, the closing price of the Company's shares of stock is Php1,292.00 per share.

The high and low sales prices for each period since the listing of the common shares are as follows:

	2013	
(In Php)	High	Low
1st Quarter (Jan 1 to March 31)	805.00	631.00
2nd Quarter (April 1 to June 30)	880.00	718.00
3rd Quarter (July 1 to Sept 30)	870.50	690.00
4th Quarter (Oct 1 to Dec 31)	884.50	734.00
	2014	
1st Quarter (Jan 1 to Mar 31)	850.00	718.00
2nd Quarter (April 1 to June 30)	890.00	785.00
3rd Quarter (July 1 to Sept 30)	1,060.00	853.00
4th Quarter (Oct 1 to Dec 31)	1,148.00	1,004.00
	2015	
1st Quarter (Jan 1 to Mar 31)	1,364.00	1,040.00
2nd Quarter (Apr 1 to June 30)	1,455.00	1,218.00
3rd Quarter (July 1 to Sept 30)	1,449.00	1,120.00
4th Quarter (Oct 1 to Dec 31)	1,377.00	1,215.00
	2016	
1st Quarter (Jan 1 to Mar 31)	1,456	1,215
2nd Quarter (Apr 1 to June 30)	1,520	1,340
3rd Quarter (July 1 to Sept 30)	1,620	1,401
4th Quarter (Oct 1 to Dec 31)	1,428	1,120

	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

Source: Bloomberg

Shareholder and Dividend Information:

The top 20 stockholders of the Corporation's Common Shares as of December 31, 2017 are as follows:

NAME OF STOCKHOLDER	NO. OF SHARES *	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1. GRAND TITAN CAPITAL HOLDINGS, INC.	89,427,110	46.432%
2. PCD NOMINEE CORP. (NON-FILIPINO)	62,546,886	32.476%
3. PCD NOMINEE CORP. (FILIPINO)	40,018,397	20.778%
4. TY, GEORGE SIAO KIAN	200,000	0.104%
5. TY, ARTHUR VY	100,000	0.052%
TY, ALFRED VY	100,000	0.052%
6. TY, MARY VY	99,000	0.051%
7. BLOOMINGDALE ENTERPRISES, INC.	30,650	0.016%
8. DE CASTRO, SALUD D.	20,000	0.010%
9. CHAN, ASUNCION C.	6,000	0.003%
10. CHOI, ANITA C.	4,000	0.002%
11. MAR, PETER OR ANNABELLE C. MAR	3,000	0.002%
12. BAGUYO, DENNIS G.	2,250	0.001%
13. CHOI, DAVIS C.	2,000	0.001%
CHOI, DENNIS C.	2,000	0.001%
CHOI, DIANA C.	2,000	0.001%
CROSLO HOLDINGS, CORP.	2,000	0.001%
14. SYCIP, WASHINGTON Z.	1,800	0.001%
15. CHUA, JOSEPHINE TY	1,500	0.001%
16. CHUA, ROBERT S.	1,200	0.001%
17. ANG, GERRY	1,000	0.001%
BAUTISTA, CARMELO MARIA LUZA	1,000	0.001%
BELMONTE, MIGUEL	1,000	0.001%
BESHOURI, CHRISTOPHER P.	1,000	0.001%
CUA, SOLOMON	1,000	0.001%
PARAS, WILFREDO A.	1,000	0.001%
PUNO, RODERICO	1,000	0.001%
VALENCIA, RENATO C.	1,000	0.001%
18. CHAM, MARGARET T. ITF INIGO	700	0.0003%
CHAM, MARGARET T. ITF MARGARIT	700	0.0003%
CHAM, MARGARET T. ITF PAOLO	700	0.0003%
CHUA, ALEXANDER GABRIEL TY ITF	700	0.0003%
CHUA, ALEXANDER GABRIEL TY ITF	700	0.0003%
CHUA, KENNETH GABRIEL TY ITF	700	0.0003%
CHUA, KENNETH GABRIEL TY ITF	700	0.0003%
DY BUNCIO, ANJANETTE TY ITF	700	0.0003%
DY BUNCIO, ANJANETTE TY ITF	700	0.0003%
DY BUNCIO, ANJANETTE TY ITF	700	0.0003%
TY, ALESANDRA T. ITF ALEXA	700	0.0003%
TY, ALESANDRA T. ITF	700	0.0003%
TY, ALFRED VY ITF ANDREI	700	0.0003%

TY, ALFRED VY ITF ARYANE	700	0.0003%
TY, ALFRED VY ITF AUGUSTO	700	0.0003%
TY, ARTHUR VY ITF ALISA	700	0.0003%
TY, ARTHUR VY ITF ANDREW RYAN	700	0.0003%
TY, ARTHUR VY ITF ARIC JUSTIN	700	0.0003%
19. MEDIACOM EQUITIES, INC.	640	0.0003%
20. CHUA, JEANNE FRANCES T. ITF	500	0.0002%
ESTEBAN, LINDA S.	500	0.0002%
KAWPENG, CHRISTOPHER C.	500	0.0002%
KAWPENG, DANIEL C.	500	0.0002%
KAWPENG, DAVID C.	500	0.0002%
KAWPENG, EDWIN C.	500	0.0002%
KAWPENG, TOMAS C.	500	0.0002%

* Fully subscribed and paid up

As a policy, GT Capital has an annual target dividend payout of ₱3.00 per share, payable out of its unrestricted retained earnings. GT Capital has consistently met this target, paying the following dividends to its common shareholders:

Year	Per share	Total amount (in millions)
2017	₱5.00	₱871.50
2016	6.00	1,045.80
2015	3.00	522.90

On March 16, 2018, the Board of Directors of the Corporation approved the declaration of (a) a regular cash dividend in the amount of Five Hundred Seventy Seven Million Seven Hundred Ninety Thousand Fifty Five Pesos (Php577,790,055.00) payable to its Common stockholders; and (b) a regular cash dividend in favor of its Voting Preferred stockholders in the amount of Pesos: Six Hundred Fifty Seven Thousand One Hundred Eleven (Php657,111.00), or Php0.00377 per share. The record date is as of April 4, 2018 and payable on or before April 13, 2018.

A.vii Recent Sale of Unregistered or Exempt Securities

On April 07, 2017, the Board of Directors of GT Capital authorized the issuance out of its outstanding and unissued common shares Eighteen Million Two Hundred Ninety Six Thousand and Six Hundred Eighty Five (18,296,685) common shares ("GTCAP shares") in favor of Grand Titan Holdings, Inc..

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 March 16, 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 331 Ma. Cristina Road, Ayala Alabang Village, Muntinlupa City, Philippines, 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 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
Vulcan Industrial & Mining Corporation	Independent Director	2009-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 16 day of March 2018, at Makati City.

RENATO C. VALENCIA
Affiant

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

SUBSCRIBED AND SWORN to before me this MAR 16 2018, affiant exhibiting to me his PASSPORT **No.** EB9878248 **issued on** 26 DEC 2013 **at** DFA NCR SOUTH.

Doc No. 170;
Page No. 34;
Book No. 10;
Series of 2018.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2018
ROLL NO. 41369 / APPOINTMENT NO. M-173
IBP NO. 0983825 / PTR. NO. 5909887
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JAIME MIGUEL G. BELMONTE,** Filipino, of legal age and a resident of 38 Banaba Road, South Forbes Park, Makati City, 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.	President	2016-present
Cignal TV Inc.	Director	2016-present
Hastings Holdings Inc.	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.

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 16 day of March 2018, at Makati City.

JAIME MIGUEL G. BELMONTE
Affiant

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

SUBSCRIBED AND SWORN to before me this MAR 16 2018, affiant exhibiting to me his PASSPORT No. EB8680963 issued on 16 JUL 2013 at DFA MANILA.

Doc No. 171;
Page No. 35;
Book No. 10;
Series of 2018.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2018
ROLL NO. 41369 / APPOINTMENT NO. M-173
IBP NO. 0983825 / PTR. NO. 5909887
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **WILFREDO A. PARAS,** Filipino, of legal age and a resident of 600 Palico St., Ayala Alabang Village, Muntinlupa City, 1780, 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 16th day of March 2018, at Makati City.

WILFREDO A. PARAS
Affiant

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

SUBSCRIBED AND SWORN to before me this MAR 16 2018, affiant exhibiting to me his PASSPORT No. P0966042A issued on 19 NOV 2016 at DFA NCR SOUTH.

Doc No. 169;
Page No. 34;
Book No. 10;
Series of 2018.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2018
ROLL NO. 41369 / APPOINTMENT NO. M-173
IBP NO. 0983825 / PTR. NO. 5909887
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RENE J. BUENAVENTURA,** Filipino, of legal age and a resident of 45 Cabildo Street, Urdaneta Village, Makati, 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
Equicom Group of Companies	Vice-Chairman	2007-President
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
Strategic Equities Corporation	Director	2014-present
Equitable Foundation	Trustee	2002-present
Go Kim Pah Foundation	Trustee	2006-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 21 day of March 2018, at Makati City.

RENE J. BUENAVENTURA
Affiant

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

SUBSCRIBED AND SWORN to before me this MAR 2 1 2018, affiant exhibiting to me his PASSPORT No. P4695621A issued on 12 OCT 2017 at DFA NCR EAST.

Doc No. 201;
Page No. 41;
Book No. 10;
Series of 2018.

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2018
ROLL NO. 41369 / APPOINTMENT NO. M-173
IBP NO. 0983825 / PTR. NO. 5909887
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA 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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, 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: ______________________
Arthur V. Ty, Chairman of the Board

Signature: ______________________
Carmelo Maria L. Bautista, President

Signature: ______________________
Francisco H. Suarez, Jr., Chief Financial Officer

March 16, 2018

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 2 6 2018, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Arthur V. Ty	TIN No. 121-526-580
Carmelo Maria L. Bautista	TIN No. 106-903-668
Francisco H. Suarez, Jr.	TIN No. 126-817-465

ATTY. MELISSA B. REYES
NOTARY PUBLIC FOR MAKATI CITY UNTIL DEC. 31, 2018
ROLL NO. 41369 / APPOINTMENT NO. M-173
IBP NO. 0283825 / PTR. NO. 5909887
45/F GT TOWER INTERNATIONAL, AYALA AVENUE
CORNER H.V. DE LA COSTA, MAKATI CITY

Doc. No. 214
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Book No. 10
Series of 2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	1	1	7	9	2

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)
72	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.*

SGV
Building a better working world

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,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

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

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

Audit Response

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

Revenue Recognition

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs account for 5.88% of total consolidated revenue and 4.69% of the total consolidated costs and expenses, respectively. The estimation of the total cost of the real estate project requires technical inputs by management's specialists (project development engineers). In addition, one of the criteria required to initiate revenue recognition is the collection of a certain percentage of buyer's payments of total selling price (buyer's equity). It is the reaching of this level of collection that management has assessed that it is probable that economic benefits will flow to the Group because of the buyers' continuing commitment with the sales agreement. The assessment of the stage of completion and level of buyer's equity involves significant management judgment as disclosed in Note 3 to the consolidated financial statements.

Audit Response

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

Impairment Testing of Goodwill and Intangible Assets

Under PFRS, the Group is required to test goodwill and intangible assets with indefinite useful life for impairment at least on an annual basis. As of December 31, 2017, the Group has goodwill and customer relationship intangible asset amounting to ₱8.77 billion and ₱3.88 billion, respectively, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically discounted future cash flows forecasts, expected gross margins, discount rates and long-term growth rates. The disclosures in relation to the significant assumptions and carrying value of goodwill and intangible assets are included in Note 13 to the consolidated financial statements.

Audit Response

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

Accounting for Acquisition of Additional Interest in an Associate

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

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

Audit Response

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

Accounting for Investments in Associates

The Group has effective ownership of 15.55% in MPIC and 36.09% in MBTC as of December 31, 2017. These investments are accounted for using the equity method. The application of equity method of accounting to these investments is a key audit matter because these investments in associates contributed ₱7.47 billion or 35.16% to the consolidated net income of the Group in 2017, and accounted for 58.03% and 36.53% of the consolidated total noncurrent assets and total assets, respectively, of the Group as of December 31, 2017.

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

In addition, MPIC's goodwill, mainly arising from its acquisition of long term investments in water and tollways business, amounted to ₱21.0 billion and this is allocated to different CGUs. MPIC has also entered into several service concession agreements (SCAs) with the Philippine Government and/or its agencies or instrumentalities, of which ₱34.5 billion of these SCAs are not yet available for use. Under PFRS, MPIC is required to perform annual impairment test on the amount of goodwill and the SCAs not yet available for use. This matter is important to our audit because the assessment of impairment of goodwill and SCAs involves significant management judgment and estimation of its impact could have a material effect on the Group's share in MPIC's net income.

The Group's share in MBTC's net income is significantly affected by the level of provisioning made on MBTC's loans and receivables. The determination of the allowance for credit losses is a key area of judgment as it requires the management to make assumptions about various factors that include the financial condition of the counterparty, estimated future cash flows from the loans and receivables and estimated net selling prices of the collateral. The use of different assumptions and provisioning methodologies could produce significantly different estimates of allowance for credit losses.

Audit Response

For MPIC, we obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption to the billing system, calculating billable amounts based on MWSS approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. In addition, we performed test recalculation of the billed amounts using the MWSS approved rates and 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.

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and the Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

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

March 16, 2018

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Millions)

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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, 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
Balance at January 1, 2015	₱1,743	₱46,695	(₱2)	₱6,000	₱24,432	(₱103)	₱582	₱79,347	₱26,595	₱105,942
Issuance of capital stock	17	–	–	–	–	–	–	17	–	17
Effect of business combination (Notes 10 and 31)	–	–	–	–	–	–	–	–	16,996	16,996
Dividends declared (Note 22)	–	–	–	–	(523)	–	–	(523)	(6,309)	(6,832)
Appropriation during the period	–	–	–	8,760	(8,760)	–	–	–	–	–
Reversal of appropriation upon completion of expansion and acquisition	–	–	–	(6,000)	6,000	–	–	–	–	–
Acquisition of treasury shares	–	–	(4)	–	–	–	–	(4)	–	(4)
Return of deposits	–	–	–	–	–	–	–	–	(15)	(15)
Acquisition of non-controlling interest	–	–	–	–	–	–	(6)	(6)	(5)	(11)
Total comprehensive income	–	–	–	–	12,115	(815)	–	11,300	9,139	20,439
Balance at December 31, 2015	₱1,760	₱46,695	(₱6)	₱8,760	₱33,264	(₱918)	₱576	₱90,131	₱46,401	₱136,532

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis except for available-for-sale (AFS) investments which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest million peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

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

	Country of Incorporation	Direct Percentages of Ownership December 31 2017	2016	Effective Percentages of Ownership December 31 2017	2016
Fed Land and Subsidiaries	Philippines	**100.00**	100.00	**100.00**	100.00
PCFI and Subsidiaries (Note 31)	-do-	**51.00**	51.00	**51.00**	51.00
Toyota and Subsidiaries	-do-	**51.00**	51.00	**51.00**	51.00
TMBC and Subsidiaries (Note 31)	-do-	**58.10**	58.05	**58.10**	58.05
GTCAD and Subsidiary*	-do-	**100.00**	100.00	**100.00**	100.00

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

Fed Land's Subsidiaries

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

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

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

PCFI's Subsidiaries

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

** On March 31, 2016, CDC was incorporated and has not started commercial business operations.*
*** On June 14, 2016, BDC was incorporated and has not started commercial business operations.*
**** On June 23, 2016, PCFI acquired 100% of WFC from Maplecrest Group, Inc. (formerly known as Profriends Group, Inc.).*

Toyota's Subsidiaries

	Percentages of Ownership	
	2017	2016
Toyota Makati, Inc. (TMI)	**100.00**	100.00
Toyota Sta. Rosa Laguna, Inc. (TSRLI)*	**100.00**	100.00
Toyota Motor Philippines Logistics, Inc. (TLI)**	**100.00**	100.00
Lexus Manila, Inc. (LMI)	**75.00**	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	**55.00**	55.00

** On June 24, 2015, TSRLI was incorporated and has started commercial business operations on August 17, 2017.*
*** On June 27, 2016, TLI was incorporated and has started commercial business operations on January 1, 2017.*

TMBC's Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

Business Combinations Involving Entities Under Common Control

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

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

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

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

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

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

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

Except as otherwise indicated, the following new and amended standards did not have a material impact on the accounting policies, financial position or performance of the Group.

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

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

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

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

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred income tax asset and liability are classified as noncurrent asset and liability, respectively.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

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

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

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

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

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

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

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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

Initial recognition of financial instruments

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

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

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

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

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

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to the accounts in the consolidated statement of financial position 'Receivables', 'Due from related parties', 'Cash and cash equivalents' and 'Short-term investments'.

Receivables are recognized initially at fair value which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group's AFS investments pertain to quoted and unquoted equity securities and other debt instruments.

After initial recognition, AFS investments are measured at fair value with gains or losses recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in equity are included in the consolidated statement of income. Dividends on AFS equity instruments are recognized in the consolidated statement of income when the entity's right to receive payment has been established. Interest earned on holding AFS debt instruments are reported in the consolidated statements of income as 'Interest income' using the effective interest method.

The fair value of investments that are traded in active markets is determined by reference to quoted market bid prices at the close of business on the reporting date. The unquoted equity instruments are carried at cost less any impairment losses because fair value cannot be measured reliably due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Other financial liabilities
These are financial liabilities not designated at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's 'Accounts and other payables', 'Short-term debt', 'Long-term debt', 'Liabilities on purchased properties', 'Due to related parties' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable). The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

Derivative Financial Instrument and Hedge Accounting
The Group uses derivative financial instruments such as cross currency interest rate swap to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized as OCI.

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedge item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly as OCI in the cash flow hedge reserve, while the ineffective portion is recognized directly in profit or loss.

Amounts recognized as OCI are transferred to profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in OCI are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in OCI remains in OCI until the forecast transaction or firm commitment affects profit or loss. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income continues to be recognized based on the original EIR of the asset.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost as at the reversal date.

AFS investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity instruments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the consolidated statement of changes in equity and recognized in the consolidated statement of income. Impairment losses on equity instruments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as 'Interest income' in the consolidated statements of income. If, in the subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;

b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
c. the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

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

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

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

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

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

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

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

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

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

Investments in Associates and Joint Venture
Investments in associates and joint venture are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. A joint venture (JV) is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

An investment is accounted for using the equity method from the day it becomes an associate or a joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is included as income in the determination of the share in the earnings of the investee.

Under the equity method, the investments in and advances to associates and joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value.

The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the investee companies and the Group's share on movements in the investee's other comprehensive income (OCI) are recognized directly in OCI in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the consolidated statement of income and consolidated statement of comprehensive income. The aggregate of the Group's equity in net income of associates and joint venture is shown on the face of the consolidated statement of income as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate and joint venture.

Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies, and for unrealized losses, to the extent that there is no evidence of impairment of the assets transferred. Dividends received from investee companies are treated as a reduction of the accumulated earnings included under 'Investments and advances' account in the consolidated statements of financial position.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint venture not recognized during the period the equity method was suspended.

Upon loss of significant influence over the associates or joint control over the joint venture, the Group measures and recognizes any retained investments at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal in retained investments and proceeds from disposal is recognized in profit or loss.

Land held for Future Development
Land held for future development consists of properties for future developments and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less cost to complete and costs of sale. Costs include cost incurred for development and improvements of the properties. Upon start of development, the related cost of the land is transferred to real estate inventories.

Investment Properties
Investment properties consist of properties that are held to earn rentals and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of the properties which is 5 to 41 years.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

CIP is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. CIP is not depreciated until such time as the relevant assets are in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including capitalized borrowing costs.

CIP is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are calculated on the straight-line basis over the following EUL of the property and equipment as follows:

	Years
Transportation equipment	5
Furniture, fixtures and equipment	3 to 5
Leasehold improvements	2 to 10 or lease term (whichever is shorter)
Machinery, tools and equipment	2 to 10
Building	15 to 41
Boilers and powerhouse	9 to 25
Turbine generators and desox system	9 to 25
Buildings and land improvements	9 to 25
Electrical distribution system	7 to 25
Other property and equipment	3 to 5

The assets' residual values, EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Transfers are made from property and equipment, when there is a change in use, evidenced by ending of owner-occupation, and with a view of sale.

Impairment or losses of items of property, plant and equipment, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated assets are still carried in the accounts until they no longer in use and no further depreciation is charged against current operations.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization

and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group's intangible assets consist of customer relationship, software costs and franchise. A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the consolidated statement of income when the intangible asset is derecognized.

Customer Relationship
Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers, which adds value to the operations of Toyota and enhances the latter's earnings potential. This is recognized initially at fair value and is assessed to have an indefinite useful life. Following initial recognition, the intangible asset is not amortized but assessed annually for impairment.

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

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

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

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

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

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

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

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

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

Impairment of Non-financial Assets

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

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

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

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

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

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

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

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

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the tax authority is included under 'Prepayments and other current assets' in the consolidated statement of financial position.

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

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

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

Assets held for sale are included under 'Prepayments and other current assets' in the consolidated statements of financial position.

Assets and liabilities of disposal group classified as held-for-sale are presented separately in the consolidated statements of financial position.

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

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

The disposal group is excluded from the results of continuing operations and is presented as a single amount as 'Net income from discontinued operations' in the consolidated statement of income.

Additional disclosures are provided in Note 12. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

Customers' Deposits
The Group requires buyers of real estate to pay a minimum percentage of the total selling price. The minimum percentage is on the basis of the level of buyer's commitment to pay and is part of the revenue recognition criteria. When the revenue recognition criteria are met, sales are then recognized and these deposits and downpayments will be applied against the related installment contracts receivable. In the event that the customer decides to terminate the purchase prior to recognition of sale, an amount equivalent to the cash surrender value of the deposit will be refunded to the buyer.

Customer's deposits consist of payment from buyers which have not reached the minimum required percentage and amounts that have not been applied against the related installment contract receivables.

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

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

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

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

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

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

Retained earnings
The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividend on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses that are recognized directly in equity. OCI items are either reclassified to profit or loss or directly to equity in subsequent periods.

Acquisition of Non-controlling Interest in a Subsidiary
Acquisition of non-controlling interest is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized in equity. When the consideration is less than the net assets acquired, the difference is recognized as a gain in the consolidated statement of income. In an acquisition without consideration involved, the difference between the share of the non-controlling interests in the net assets at book value before and after the acquisition is treated as transaction between equity owners.

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

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

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

Real estate sales
Real estate revenue and cost from completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the

Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage of completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

When the sale of real estate does not meet the requirements for revenue recognition, the sale is accounted under the deposit method until all the conditions are met. Under this method, revenue is not recognized, the receivable from the buyer is not recorded and the cash received from buyers are presented under the 'Customers' deposits' account in the liabilities section of the consolidated statement of financial position. The related real estate inventories continue to be reported in the consolidated statement of financial position as 'Inventories'.

Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Interest income
Interest is recognized as it accrues using the effective interest method.

Rent income
Rent income under noncancellable leases is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Sale of goods
Sale of goods is recognized from retail customers at the point of sale in the stores. This is measured at the fair value of the consideration received, excluding (or 'net of,' or 'reduced for') discounts, returns, rebates and sales taxes.

Rendering of services
Service fees from installation of parts and repairs and maintenance of vehicles are recognized as revenue when the related services have been rendered.

Commission income
Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement.

Management fees
Management fees from administrative, property management and other fees are recognized when services are rendered.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Other income
Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract. Other income also includes sale of scrap and sludge oil which is recognized when there is delivery of goods to the buyer, and recovery from insurance which is recognized when the right to receive payment is established.

<u>Expense Recognition</u>
Cost of goods and services sold
Cost of goods sold for vehicles and spare parts includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the costs of storing and transporting the products. Vendor returns and allowances are generally deducted from cost of goods and services sold.

Other cost of goods sold includes Fed Land's gasoline and food products, and are recognized when goods are delivered which is usually at the point of sale in stores. Cost of services are recognized when services are rendered.

Cost of goods manufactured and sold
Cost of goods manufactured and sold includes the purchase price of the products manufactured, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

Commissions
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized. These are recorded as 'Prepaid expenses' under 'Prepayments and other current assets' account.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's project and construction department.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Pension Costs

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that

offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 35.

Borrowing Costs

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

Provisions

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

Provision for product warranties

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

Leases

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2018

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

- Amendments to PAS 28, *Investment in Associate and Joint Venture - Measuring an associate or joint venture at fair value (Part of Annual Improvements to PFRSs* 2014 - 2016 Cycle*)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. Further if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value

measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2019

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall

apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  Philippine Interpretation IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Management's Judgments and Use of Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of reporting date. Actual results could differ from such estimates.

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

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

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

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

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

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

As at December 31, 2017 and 2016, the Group determined that it exercises significant influence over MPIC in which it holds a 15.55% ownership interest. Although the Group holds less than 20.0% of the ownership interest and voting rights in MPIC, the Group considers that it exercises significant influence through both its significant shareholding and its representation in MPIC's BOD.

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

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

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

Operating lease commitments – the Group as lessor
The Group entered into commercial property leases on its retail mall, investment properties and certain units of its real estate projects to different parties for a specific amount depending on the lease contracts. The Group has determined that based on the evaluation of the terms and conditions of the

arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset's economic life), that it retains all significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

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

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

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

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

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

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

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

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

Estimating allowance for impairment losses
The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required such as the financial condition of the counterparty and net selling prices of collateral. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The carrying values of these receivables and due from related parties are disclosed in Notes 5 and 27, respectively.

Evaluating net realizable value of inventories
Inventories are valued at the lower of cost and net realizable value. The Group reviews its inventory to assess NRV at least annually. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expense for any period would differ if different judgments were made or different estimates were utilized.

Estimating the useful life of non-financial assets
The Group determines the EUL of its intangibles assets based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of property and equipment, investment properties and intangible assets based on factors that include asset utilization, internal technical evaluation, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of intangible assets would increase the recorded amortization expense.

Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The said assessment is based on the track record of stability for the auto industry and the Toyota brand. Added to this is the commitment of management to continue to invest for the long term, to extend the period over which the intangible asset is expected to continue to provide economic benefits.

The carrying values of investment properties, property and equipment, intangible assets from customer relationship, software costs and franchise are disclosed in Notes 9, 11 and 13, respectively.

Evaluating impairment of non-financial assets
The Group reviews input VAT, investments in and advances to associates and joint venture, investment properties, creditable withholding tax, property and equipment, intangible assets from customer relationship, software costs and franchise, and other noncurrent assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

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

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

The carrying values of AFS investments is disclosed in Note 10. The change in fair value of AFS investments is recorded in the consolidated statements of comprehensive income. The net unrealized gain on AFS investments is disclosed in Note 10.

Impairment of goodwill and intangible assets with indefinite useful life
The Group conducts an annual review for any impairment in the value of goodwill and intangible assets with indefinite useful life (i.e., customer relationship). Goodwill is written down for impairment when the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group estimates key inputs such as discounted future cash flows forecasts, expected gross margins, discount rates and long-term growth rates. The Group uses the weighted average cost of capital in discounting the expected cash flows from specific CGUs.

Refer to Note 13 for the details regarding the carrying values of the Group's goodwill and intangible assets as well as details regarding the impairment review and assessment.

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred income tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The recognized and unrecognized deferred tax assets on temporary differences of the Group are disclosed in Note 29.

Estimating pension and other retirement benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 28 to the consolidated statement of financial position and include among others, discount rates, turnover rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations. The carrying values of pension asset, liability and expense are disclosed in Note 28.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Provision for product warranties
Estimated warranty costs are provided at the time of sale. The provision is based on the estimated costs of future servicing the products sold, the costs of which are not recoverable from customers. A provision is recognized for expected warranty claims on products sold during the last two (2) years, based on past experience of the level of returns and repairs. It is expected that most of these costs will be incurred in the next financial year and all will be incurred within three (3) years as of the reporting date. Provision for product warranty is disclosed in Note 21.

Purchase price allocation of investment in MPIC
The Parent Company is required to perform a purchase price allocation for its investment in MPIC. A significant portion of MPIC's net assets pertain to concession assets and the valuation of these concession assets require estimates from management. These estimates include revenue growth, gross margins, expected traffic volume and billed water volume, toll or tariff rates and discount rates.

Purchase price allocation of investment in MBTC
The Parent Company is required to perform a purchase price allocation for its investment in MBTC. A significant portion of MBTC's net assets pertain to loans and receivables and deposits, and the valuation of these assets require estimates from management. These estimates include future cash flows forecasts and discount rates.

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

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

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

Short-term Investments
These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than 3 months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.01% to 3.00% in 2017, from 0.75% to 2.50% in 2016, and from 0.16% to 1.70% in 2015 (Note 27).

5. Receivables

This account consists of:

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

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

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

Noncurrent receivables consist of:

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

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

The details of installment contracts receivables follow:

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

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

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

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

Trade Receivables
Trade receivables pertain to receivables from sale of vehicles and/or parts and services. These are noninterest-bearing and generally have 30 days to one year term.

Loans Receivable
Loans receivable from various counterparties pertain to long-term receivables as follows:

	2017	2016
Real estate	**₱962**	₱643

Loans receivable from Cathay International Resources Corp. (CIRC)
In 2012, Fed Land entered into a loan agreement with CIRC. Fed Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement. Fed Land used discounted cash flow analyses to measure the fair value of the loan. The 'Day 1' difference for this receivable amounted to ₱94.22 million at inception in 2012. Accretion of interest in 2017, 2016 and 2015 amounted to ₱8.52 million, ₱8.73 million, and ₱8.30 million, respectively.

On June 8, 2015, the Board of Fed Land approved the conversion of this receivable to equity in exchange for the common shares of CIRC. Fed Land is yet to apply with the SEC for the conversion as of report date. The outstanding balance of long term loans receivable as of December 31, 2017 and 2016 amounted to ₱652.17 million and ₱643.04 million, respectively (Note 27).

Loans receivable from Multi Fortune Holdings, Inc. (MFHI)
In 2017, Fed Land entered into a loan agreement with MFHI. Fed Land agreed to lend to MFHI a total amount of ₱290.00 million with nominal interest rate of 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

Fed Land used discounted cash flow analyses to measure the fair value of the loan. As discussed in Note 2, where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, Fed Land recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability.

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

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

Nontrade Receivables
Nontrade receivables mainly consist of vehicle acquisition plan loans extended to employees which are collectible within one year and expenses of the affiliates which were advanced by the Group (Note 27).

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

Management Fee Receivables
Management fee receivables pertain to management fee being charged by the real estate businesses for the conduct of relevant studies for the maintenance, upkeep and improvement of real estate properties and equipment of associates and affiliated companies.

Others
Other receivables include receivable from employees and retention, bond and guarantee fee receivables (Note 27).

Allowance for Credit Losses
Changes in the allowance for credit losses on receivables are as follows:

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

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

6. Inventories and Land Held for Future Development

Inventories
This account consists of:

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

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

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

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

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

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

Inventories charged to operations follow:

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

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

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

Land Held for Future Development

Land held for future development consist of properties of PCFI for future developments and is carried at cost.

The rollforward analysis of this account follow:

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

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

7. Prepayments and Other Current Assets

This account consists of:

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

Advances to contractors and suppliers pertain to the Group's advances and initial payments for the purchase of construction materials and supplies and contractor services. These are liquidated every progress billing payment and will be due and demandable upon breach of contract.

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

Input VAT arises from the Group's purchases of goods and services and will be applied against output VAT on sales in the succeeding periods.

Deposit for land purchases are deposits made for the acquisition of certain parcels of land that are intended for future development. The Deed of Absolute Sale (DOAS) for these properties will be executed upon fulfillment by both parties of certain undertakings and conditions.

CWT are attributable to taxes withheld by third parties arising from service fees, real estate revenue, auto sales and rental income.

The ad-valorem tax represents advance payments to the Bureau of Internal Revenue (BIR). This is applied against taxes on the manufacture and importation of vehicles which generally occurs within one year from the date the ad-valorem taxes are paid.

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

Others include deferred import charges, marginal deposits set aside for payment to the contractors and suppliers, security deposit for operating leases, ancillary services, and deposit for purchase of external services and materials.

8. Investments and Advances

This account consists of:

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

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

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

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

	2017	2016
Cost		
Balance at beginning of year	**₱6,527**	₱7,330
Acquisitions/additional investments	**1,931**	556
Effect of step-up acquisition of FLOC and TMBC (Note 31)	**–**	(1,359)
Balance at end of year	**8,458**	6,527

(Forward)

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

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

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

** On July 3, 2017, Fed Land entered into a Joint Venture Agreement with NREMI Development Company (NRE) to incorporate a joint venture company, Sunshine Fort in which Fed Land held 60% equity interest.*
*** On August 11, 2017, the Parent Company acquired 4.0 million common shares, representing 20% ownership in SMFC from Philippine Savings Bank (PSBank) and PSBank Retirement Fund.*

The following table summarizes cash dividends declared and paid by the Group's associates and joint venture (amount in millions, except for dividend per share):

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

Investment in MBTC

On various dates in 2016, the Parent Company acquired an aggregate of 39.83 million shares of MBTC for a total consideration of ₱3.04 billion. This increased the Parent Company's ownership interest in MBTC from 25.22% to 26.47%. Based on the final purchase price allocation, the difference between the total consideration and the net assets amounting to ₱585.63 million was allocated to notional goodwill, and is included in the carrying amount of the investment in MBTC.

On April 20, 2017, the Parent Company acquired a total of 306.00 million common shares of MBTC from Ty-Family Companies for a total purchase price of ₱24.72 billion. On April 21, 2017, the Parent Company paid the purchase price in cash. This increased the Parent Company's ownership in MBTC from 26.47% to 36.09%. As of December 31, 2017, the purchase price allocation relating to the Parent Company's acquisition of 9.62% ownership interest in MBTC has been prepared on a preliminary basis. The provisional fair value of the assets acquired and liabilities assumed as of date of acquisition is currently being finalized. The difference of ₱5.45 billion between the Parent Company's share in the carrying values of MBTC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MBTC's specific and identifiable assets and liabilities as follows: ₱1.44 billion for loans and receivables; ₱0.33 billion for investment properties; (₱0.35) billion for other assets; ₱0.41 billion for deposit liabilities; ₱0.18 billion for other liabilities; and the remaining balance of ₱4.62 billion for goodwill.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.02 billion as part of the cost of the investment.

Investment in MPIC

On May 27, 2016, the Parent Company subscribed to 3.60 billion common shares of MPIC for a total subscription price of ₱21.96 billion. On the same day, the Parent Company entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with the Parent Company as the buyer and MPHI as the seller of 1.3 billion common shares of MPIC for a total consideration of ₱7.94 billion. On August 5, 2016, the SEC approved the increase in the authorized capital stock of MPIC. As a result, the Parent Company's ownership interest is 15.55% of the issued and outstanding capital stock of MPIC.

In relation to the acquisition, the Parent Company capitalized advisory fees and other professional fees amounting to ₱0.24 billion and ₱0.04 billion, respectively, as part of the cost of the investment.

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

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

Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MPIC, the difference of ₱7.41 billion between the Parent Company's share in the carrying values of MPIC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MPIC's specific and identifiable assets and liabilities as follows: ₱2.83 billion for investments and advances; ₱2.48 billion for service concession assets; ₱297.50 million for service concession fees payable; ₱334.05 million for long-term debt; and the remaining balance of ₱2.73 billion for goodwill.

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

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

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

Investment in AFLCI
On April 29, 2015, Fed Land and Alveo Land Corp. executed a joint venture agreement for the organization of a joint venture, AFLCI, to manage the development of a 45-hectare property along Laguna Boulevard in Biñan, Laguna. AFLCI was incorporated on June 16, 2015. An initial investment amounting to ₱574.13 million was reflected as additions to the investment in associates and joint ventures in 2015. In 2016, an additional investment amounting to ₱17.00 million was made.

Investment in STRC
In June 2016, SM Development Corporation (SMDC) entered into an agreement with Fed Land to incorporate a joint venture company, STRC, in which Fed Land holds a 50% stake. STRC will develop a 3,200 square meter property located along Ayala Avenue as a high-end luxury residential tower. An initial investment amounting to ₱250.00 million was reflected as additions to the investment in associates and joint ventures in 2016.

On December 12, 2016, the BOD of Fed Land approved the additional investment in STRC amounting to ₱750.00 million divided into preferred shares in the amount of ₱712.50 million and common shares in the amount of ₱37.50 million. On January 10, 2017, Fed Land has fully paid its subscription to STRC. The percentage of ownership is retained as SMDC also invested an equivalent amount.

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

Investment in TFSPC

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

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

Investment in SMFC

On August 11, 2017, the Parent Company acquired 4.0 million common shares, representing 20% ownership in SMFC for a total consideration of ₱379.92 million from PSBank and PSBank Retirement Fund.

In relation to the acquisition, the Parent Company capitalized documentary stamp taxes amounting to ₱1.50 million as part of the cost of the investment.

Investment in TMBC

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

Investment in FLOC

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

Fair Value of Investment in Associates and Joint ventures

Phil AXA and CCPC as well as BLRDC, AFLCI, STRC, TFSPC, SMFC and Sunshine Fort are private companies and there are no quoted market prices available for their shares.

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

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

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

Investments in MBTC

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

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

Investments in MPIC

	2017	2016
Consolidated Statements of Comprehensive Income		
Revenues	**₱93,515**	₱72,715
Expenses	**68,839**	51,778
Net income	**19,027**	16,779
Other comprehensive income (loss)	**(466)**	1,468
Total comprehensive income	**18,561**	18,247

(Forward)

	2017	2016
Consolidated Statements of Financial Position		
Current assets	**₱74,945**	₱31,800
Noncurrent assets	**428,806**	319,802
Current liabilities	**(54,877)**	(27,044)
Noncurrent liabilities	**(233,195)**	(136,477)
Net assets	**215,679**	188,081
Equity attributable to NCI	**(54,435)**	(36,049)
Net assets attributable to common shareholders of MPIC	**161,244**	152,032
GT Capital's ownership interest in MPIC	**15.55%**	15.55%
GT Capital's share in net assets of MPIC	**25,073**	23,641
Capitalized transaction cost	**277**	277
Notional goodwill	**2,727**	2,727
Fair value and other adjustments	**4,289**	4,708
	₱32,366	₱31,353

Investments in Phil AXA

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

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

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

	2017		2016	
	BLRDC	**TFSPC***	BLRDC	TFSPC*
Selected Financial Information				
Cash and cash equivalents	**₱231**	**₱1,100**	₱312	₱523
Current financial liabilities	**2,389**		774	
Non-current financial liabilities	**4,334**		3,507	
Financial liabilities		**64,776**		50,550
Depreciation and amortization	**20**	**35**	3	26
Interest income	**86**	**4,921**	152	3,642
Interest expenses	**89**	**2,060**	–	1,493
Income tax expense	**82**	**308**	178	221
Statements of Comprehensive Income				
Revenues	**1,688**	**5,053**	1,565	3,680
Expenses	**1,450**	**4,057**	1,092	2,904
Net income	**157**	**688**	296	555
Other comprehensive income	**–**	**21**	–	30
Total comprehensive income	**157**	**709**	296	585
Statements of Financial Position				
Current assets	**3,833**		3,195	
Noncurrent assets	**9,612**		8,117	
Total assets	**13,445**	**71,724**	11,312	55,581
Current liabilities	**(2,715)**		(1,607)	
Noncurrent liabilities	**(4,508)**		(3,640)	
Total liabilities	**(7,223)**	**(64,874)**	(5,247)	(50,640)
Net assets	**6,222**	**6,850**	6,065	4,941
GT Capital's ownerhip interest	**70.00%**	**40.00%**	70.00%	40.00%
GT Capital's share in net assets	**4,355**	**2,740**	4,246	1,976
Notional goodwill and other adjustments	**240**	**894**	239	894
	₱4,595	**₱3,634**	₱4,485	₱2,870

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

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

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

Limitation on dividend declaration of associates and joint venture

Phil AXA

Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

MBTC

The Bangko Sentral ng Pilipinas (BSP) requires banks to keep certain levels of regulatory capital and liquid assets, limit their exposures to other parts of the Group and comply with other regulatory ratios.

As of December 31, 2017 and 2016, there were no agreements entered into by the associates and joint ventures of the Group that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group. MBTC's dividend declarations and payments are subject to the approval of BSP.

As of December 31, 2017 and 2016, accumulated equity in net earnings amounting to ₱32.91 billion and ₱25.81 billion, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

As of December 31, 2017 and 2016, the Group has no share on commitments and contingencies of its associates and joint ventures.

Advances

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

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2017			
	Land and Improvements	Building and Improvements	Construction In Progress	Total
Cost				
At January 1	₱6,861	₱5,424	₱2,901	₱15,186
Effect of business combination	484	–	–	484
Additions	184	265	210	659
Transfers to property and equipment (Note 11)	(1,067)	(421)	905	(583)
Transfers from (to) inventories (Note 6)	(5)	2,072	708	2,775
Reclassifications and others	648	252	(905)	(5)
At December 31	7,105	7,592	3,819	18,516

(Forward)

	December 31, 2017			
	Land and Improvements	**Building and Improvements**	**Construction In Progress**	**Total**
Accumulated Depreciation				
At January 1	**₱10**	**₱862**	**₱–**	**₱872**
Depreciation (Note 11)	**4**	**270**	**–**	**274**
Transfers to property and equipment (Note 11)	**–**	**(22)**	**–**	**(22)**
At December 31	**14**	**1,110**	**–**	**1,124**
Net Book Value at December 31	**₱7,091**	**₱6,482**	**₱3,819**	**₱17,392**

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

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱940.10 million, ₱826.59 million and ₱840.46 million in 2017, 2016 and 2015, respectively (Note 30).

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

The aggregate fair values of the Group's investment properties amounted to ₱36.55 billion and ₱30.20 billion as of December 31, 2017 and 2016, respectively. The fair values of the Group's investment properties have been determined based on valuations performed by Asian Appraisal Company (AAC) and Philippine Appraisal Co. Inc. (PACI), independent appraisers which are accredited by the SEC. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued by AAC and PACI in 2017.

10. **Available-for-sale Investments**

This account consists of:

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

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

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

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

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

Movements in the net unrealized gain on AFS investments follow:

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

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

11. Property and Equipment

The composition and rollforward analysis of this account follow :

	2017											
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
Cost												
At January 1	₱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

	2016											
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Boilers and Powerhouse	Turbine Generations and Desox System	Building and Land Improvements	Electrical Distribution System	Other Property and Equipment	Construction-in-Progress	Total
Cost												
At January 1	₱399	₱461	₱313	₱3,461	₱1,878	₱14,368	₱11,653	₱6,767	₱3,170	₱7,630	₱10,306	₱60,406
Effect of business combination (Note 31)	14	28	–	7	898	–	–	301	–	–	42	1,290
Effect of deconsolidation (Note 12)	(34)	(11)	(14)	(2,713)	(62)	(14,744)	(11,655)	(5,062)	(3,177)	(6,096)	(10,701)	(54,269)
Additions	314	253	5	220	45	2	–	289	–	2,731	2,537	6,396
Disposals	(150)	(6)	–	(1)	–	–	–	–	–	(281)	–	(438)
Reclassifications and others	(2)	(3)	–	7	–	374	2	48	7	(34)	(1,406)	(1,007)
At December 31	541	722	304	981	2,759	–	–	2,343	–	3,950	778	12,378
Accumulated Depreciation and Amortization												
At January 1	164	233	90	527	30	4,433	580	678	423	1,276	–	8,434
Effect of deconsolidation (Note 12)	(39)	(16)	(8)	(194)	(2)	(5,010)	(617)	(543)	(475)	(248)	–	(7,152)
Depreciation and amortization	145	113	36	210	40	577	37	208	51	841	–	2,258
Disposals	(86)	(6)	–	(1)	–	–	–	–	–	(281)	–	(374)
Reclassifications and others	3	(8)	–	(4)	–	–	–	–	1	(147)	–	(155)
At December 31	187	316	118	538	68	–	–	343	–	1,441	–	3,011
Net Book Value at December 31	₱354	₱406	₱186	₱443	₱2,691	₱–	₱–	₱2,000	₱–	₱2,509	₱778	₱9,367

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

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

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

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

Details of depreciation and amortization follow:

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

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

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

12. **Disposal of Assets**

Sale of Investment in GBPC

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

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

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

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

The aggregate consideration received consists of:

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

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* requires income and expenses from discontinued operations to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. **Goodwill and Intangible Assets**

Goodwill and intangible assets consist of:

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

Goodwill

Goodwill comprises the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Goodwill in relation to acquisitions has been attributed to the following CGUs:

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

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

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

Toyota

The recoverable amount of Toyota CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to cash flow projections is 12.68% in 2017 and 11.52% in 2016. Cash flows beyond the three-year period are extrapolated using a steady growth rate of 3.52% in 2017 and 2.66% in 2016. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2017 and 2016. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

The calculations of VIU for the Toyota CGU are most sensitive to the following assumptions:

- Budgeted gross margins – Gross margins are based on vehicle models mix per dealer and the foreign exchange movements between the Philippine Peso versus the United States (US) Dollar and the Japanese Yen versus the US Dollar.
- Growth rate – The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate for the global automotive industry; and
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the VIU of Toyota, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

PCFI
The recoverable amount of PCFI CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 9.41% in 2017 and 8.27% in 2016. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 2.0% in 2017 and 3.0% in 2016. The carrying value of goodwill amounted to ₱2.84 billion as of December 31, 2017 and 2016. No impairment loss was recognized on the goodwill arising from the acquisition of PCFI (Note 31).

The calculations of VIU for PCFI CGU are most sensitive to the following assumptions:

- Expected future cash inflows from real estate sales
- Growth rate; and
- Pre-tax discount rate - Discount rate reflects management's best estimate of the risks associated with the specific CGU.

Regarding the assessment of the VIU of PCFI, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

TMBC
The recoverable amount of TMBC CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 12.40% in 2017 and 10.55% in 2016. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.52% in 2017 and 2.66% in 2016. The carrying value of goodwill amounted to ₱241.06 million as of December 31, 2017 and 2016. No impairment loss was recognized on the goodwill arising from the acquisition of TMBC (Note 31).

The calculations of VIU for TMBC CGU are most sensitive to the following assumptions:

- Expected future cash inflows from automobile sales
- Growth rate; and
- Pre-tax discount rate - Discount rate reflects management's best estimate of the risks associated with the specific CGU.

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

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

Customer Relationship
Customer relationship pertains to Toyota's contractual arrangements with its top dealer customers which lay out the principal terms upon which its dealers agree to do business. Toyota's relationship with its top dealers adds value to the operations of Toyota and enhances the latter's earnings potential. Management assessed the useful life of the customer relationship to be indefinite since management is of the view that there is no foreseeable limit to the period over which the customer relationship is expected to generate net cash inflows to Toyota.

The recoverable amount of the customer relationship of the Group was based on VIU calculations using earnings projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to earnings projections is 15.83% and 11.52% in 2017 and 2016, respectively. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 3.52% in 2017 and 2.66% in 2016. The carrying value of the customer relationship amounted to ₱3.88 billion as of December 31, 2017 and 2016. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The VIU calculations for the customer relationship are most sensitive to the following assumptions:
- Attrition rate – Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- Earnings before interest and taxes (EBIT) margin on key customers – A 6.85% EBIT margin was used in projecting the net operating profit on sales to key customers for the three-year period; and
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

Regarding the assessment of the value-in-use of Toyota's customer relationship, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Software Cost
The Group's software costs pertain to software cost and licenses. The rollforward analysis of the Group's software cost is as follows:

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

Franchise

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

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

The amortization of the franchise fee amounting to ₱0.28 million, ₱0.46 million and ₱0.26 million in 2017, 2016 and 2015, respectively, is included in the 'General and administrative expenses' account in the consolidated statements of income (Note 26).

Details of amortization of intangible assets are as follows (Note 11):

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

14. Other Noncurrent Assets

This account consists of:

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

Rental and other deposits include rental deposits for the leased offices of the Group and deposits for the initial set-up of the services rendered by public utility companies. Rental deposits are to be applied on the last month's rent of the lease contract.

Escrow fund represents part of the proceeds from bank takeout that are required to be deposited in an escrow account until completion of certain documentation and other requirements of the bank.

15. Accounts and Other Payables

This account consists of:

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

The details of trade payables are as follows:

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

Trade payables of automotive pertain to the purchase of raw materials, spare parts and vehicles which are noninterest-bearing and are normally settled on one to 30 day-term.

Trade payables for real estate pertain to billings received from contractors for construction costs incurred on a per project basis and commissaries for food products ordered.

The details of accrued expenses are as follows:

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

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

Deferred output tax pertains mostly to VAT on the uncollected portion of the contract price of sold units.

Telegraphic transfers and drafts and acceptance payable pertain to the liabilities of Toyota Group arising from importations of materials, spare parts and/or vehicles. These payables are normally settled after a 30-day term.

Accrued commissions are settled within one (1) year.

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

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

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

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

Royalty payables represent cost of license for the use of technical know-how and information on data. The fees are calculated at 6.00% of the local value-added (LVA) of vehicles under production. The LVA represents the selling price less all costs for the knock-down parts, related taxes such as excise and sales tax and a certain percentage of administrative and selling costs. The fees also include charges from related affiliates and third party suppliers representing initial costs of testing materials and trial parts and tools, sample molds and jigs that were utilized to test TMPC's present technical feasibility for the commercial production of newer car models.

Due to landowners represents liabilities to various real estate property sellers. These are noninterest-bearing and will be settled within one year.

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

Others include refunds from cancelled sales from Fed Land and other government-related payables which are non-interest bearing and are normally settled within one year. These also include other non-interest bearing payables which are all due within one year.

16. **Short-term Debt and Long-term Debt**

This account consist of:

2017

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

2016

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

Short-term Debt

Parent Company Short -Term Loans

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

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

Fed Land Group Short -Term Loans

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

PCFI Group Short -Term Loans

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

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

Toyota Group Short -Term Loans

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

TMBC Short -Term Loans

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

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

Fed Land - Corporate Notes

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

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

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

Long-term Loans

Parent Company Long -Term Loans

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

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

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

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

Fed Land Long-Term Loans
Non-affiliated loans
On December 22, 2014, Fed Land obtained unsecured loans from various non-affiliated banks amounting to ₱6.60 billion. The loan will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.86% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40.00% quarterly payment starting at the end of 5th year and 60.00% on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion payable at 40% quarterly payment at the end of 5th year to 9th year and 60.00% on maturity date with fixed interest rate of 5.05% per annum.

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

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

Affiliated loans (Note 27)
On August 25, 2011, Fed Land obtained both partially secured and fully secured peso-denominated loans with an aggregate amount of ₱2.00 billion from an affiliated bank with interest at prevailing market rate ranging from 3.75% to 4.00% with spread of 85-100 basis points, payable in lump sum after five (5) years or on August 25, 2016. MBTC is an associate of the Parent Company. These loans are secured by Phil Exim Guarantee under Mortgage Participation Certificate. The loans were fully paid on August 25, 2016.

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

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

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

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

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

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

Interest expense charged to operations amounted to nil, ₱4.12 million and nil in 2017, 2016 and 2015, respectively. Interest expense capitalized from the above-mentioned loans payable amounted to ₱774.17 million, ₱784.83 million and ₱535.90 million, in 2017, 2016 and 2015, respectively.

PCFI Group Long-Term Loans
Non-affiliated Loans
On January 10, 2012, PCFI issued ₱3.00 billion 5-year fixed rate notes to non-affiliated banks which were used to fund the acquisition of real estate properties, finance project development and construction costs and fund other general corporate purposes. The notes are payable quarterly and bear fixed rate of 7.18% plus 5% gross receipts tax are secured by various real estate properties (Note 6). The notes were paid in full on January 26, 2017.

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

On July 1, 2015, PCFI entered into a three-year Promissory Note Line facility with a non-affiliated bank amounting to ₱1.00 billion. The note bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital requirement. The note was fully paid in 2017.

On December 11, 2015, PCFI entered into a 5-year Loan Facility Agreement with a non-affiliated bank. The approved credit line was ₱6.00 billion of which ₱4.00 billion was drawn as of December 31, 2015 and ₱2.00 billion was drawn as of December 31, 2016. The loan availment bears 6.00% interest rate payable quarterly in arrears with a grace period on the payment of principal for one year, thereafter, the principal shall be payable on quarterly installment. The net proceeds from the loan pursuant to the loan facility were used for working capital expenditures. As of December 31, 2017 and 2016, the outstanding balance of the note amounted to ₱4.56 billion and ₱5.97 billion, respectively.

On December 19, 2016, WFC issued ₱3.00 billion 5-year fixed rate term loan to non-affiliated banks which were used as permanent working capital in relation to the purchase of sales receivable from PCFI. The notes are payable quarterly and bear fixed rate of 6.00%. As of December 31, 2017 and 2016, the outstanding balance of the note amounted to ₱1.45 billion and ₱2.99 billion, respectively.

Affiliated Loans (Note 27)
In March 2011, PCFI entered into a Notes Facility Agreement with an affiliated bank whereby PCFI issued ₱1.50 billion 5-year fixed rate corporate notes to finance their general corporate operations including land banking. The note is payable in 20 quarterly installment commencing on March 2, 2011 with interest rate based on the latest Philippine Dealing System Treasury - Fixing Rate (PDST-F) plus 2.50% plus gross receipts tax. The note was paid in full on March 2, 2016.

On July 1, 2015, the Company entered into a three-year Promissory Note Line facility with an affiliated bank amounting to ₱1.50 billion (Note 27). The note bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital requirement. As of December 31, 2017 and 2016, the outstanding balance of the note amounted to ₱1.50 billion for both years.

On June 22, 2017, WFC entered into a US Dollar denominated loan agreement with an affiliated bank. On the same day, WFC also entered into a cross-currency swap (CCS) agreement with an affiliated bank to hedge the foreign currency and interest rate risks in the US Dollar loan. WFC received $19.89 million on each tranche made in July, August and September 2017 for a total of $59.67 million but will pay in peso equivalent to ₱3.00 billion within 10 years in accordance with the CCS agreement. Also, WFC, on a semi-annual basis, will pay fixed interest rate of 5.13% per annum on the peso principal amounting to ₱3.00 billion and will receive floating interest rate at 6-month US Dollar LIBOR plus 0.75% on $59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. Effectively, under the swap agreement, WFC swaps its US Dollar-denominated floating rate loans into peso fixed rate loans. On the same date, WFC designated the swap as effective hedging instrument under a cash flow hedge relationship. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to ₱26.78 million. As of December 31, 2017, the negative fair value of the currency swap amounting to ₱47.07 million is included in 'Derivative liabilities' under 'Other noncurrent liabilities' (Note 21).

The loan has one-year grace period on principal payments and the partial payment on principal will be computed as follows:

i. 1% of original loan amount at the end of the 2nd year
ii. 3% of original loan amount at the end of 3rd, 4th and 5th year
iii. 18% of original loan amount at the end of 6th, 7th, 8th, 9th and 10th year

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

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

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

Debt Covenants
The agreements covering the above mentioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends);

making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; sustaining current ratio of at least 1.75; debt-to-equity financial ratio should not be more than 2.00 and entering into any partnership, merger, consolidation or reorganization.

These restrictions and requirements were complied with by the Group as of December 31, 2017 and 2016.

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

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

The loan from TAPI bears a fixed interest rate of 4.20% per annum. This loan is for a period of five years up to February 26, 2021 which is automatically renewed upon maturity for another period of 5 years to 10 years (Note 27).

The other long-term unsecured interest-bearing loans consist of a 2.7% interest-bearing 10-year term loan with a maturity date of September 28, 2025 and October 23, 2026. These loans are automatically renewed upon maturity for another 10 years.

The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.82 million in 2017, 2016 and 2015.

TMBC Long-Term Loans
On March 21, 2016, TMBC entered into a Term Loan Facility with a non-affiliated local bank amounting to ₱1.50 billion to finance the construction of building, with interest rates ranging from 4.85% to 5.94% and payable for a period of 10 years, inclusive of three (3) years grace period on principal repayments subject to interest rate based on 10-year PDST-R2 plus a minimum spread of 1.25%. TMBC loan is secured by a real estate mortgage. The carrying value of the mortgaged properties amounted to ₱392.70 million and ₱392.68 million as of December 31, 2017 and 2016, respectively.

TMBC is required to maintain the following financial ratios during the term of the loans:

- Minimum current ratio (CR) of 1.0x - defined as Current Assets divided by Current Liabilities
- Maximum debt to equity ratio (DER) of 4.0x - defined as Total Liabilities divided by Total Tangible Net Worth (Total Equity - Intangibles)
- Minimum debt service ratio (DSR) of 1.2x - defined as Earnings before Interest, Taxes, Depreciation and Amortization divided by Interest Expense plus current portion of Long-term debt of the previous year

As of December 31, 2017 and 2016, TMBC has complied with the required financial ratios.

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

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

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

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

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

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

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

17. Bonds Payable

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

₱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 an interest rate of 4.84% and 5.09%, respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net

of deferred financing cost of ₱0.10 billion. The bonds were listed on the Philippine Dealing and Exchange Corporation on February 27, 2013.

The net proceeds were utilized for general corporate requirements which included various equity calls (e.g., Toledo plant and Panay plant) and refinancing of corporate notes.

Prior to the relevant maturity dates, the Parent Company may redeem (in whole but not in part) any series of the outstanding bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on the fourth (4th) anniversary date for the seven-year bonds and the seventh anniversary date for the 10-year bonds (the relevant Optional Redemption Dates). The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds at the relevant Optional Redemption Date.

₱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 interest rates of 4.71%, 5.20% and 5.63% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. The bonds were listed on August 7, 2014.

The net proceeds were utilized for general corporate requirements which included financing of ongoing projects (e.g., Veritown Fort and Metropolitan Park), refinancing of outstanding loans, and for working capital requirement.

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third month after the fifth anniversary from issue date and (ii) for the series C bonds: the seventh anniversary from issue date (the relevant Optional Redemption Dates). The redemption price is equal to 100.00% of the principal amount together with the accrued and unpaid interest. The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

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

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

Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2017 and 2016, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2017, 2016 and 2015 amounted to ₱1.15 billion (including amortization of deferred financing cost of ₱28.98 million), ₱1.15 billion (including amortization of deferred financing cost of ₱27.51 million), and ₱1.15 billion (including amortization of deferred financing cost of ₱26.11 million), respectively.

18. Customers' Deposits

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

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

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

19. Other Current Liabilities

This account consists of:

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

Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one year.

20. Liabilities on Purchased Properties

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

In 2017, Fed Land entered into a contract with Kabayan Realty Corporation (KRC) to acquire certain land for ₱2.26 billion. Upon execution of the contract, Fed Land paid KRC with 22% downpayment amounting to ₱500.00 million and the outstanding balance amounting to ₱1.76 billion shall be paid in five installments with 3.00% interest per annum based on the outstanding balance. The outstanding balance was discounted at the prevailing market rate of 4.75% and the discounted liability as of December 31, 2017 amounted to ₱1.66 billion.

In 2017, HLPDC entered into various contracts to acquire parcels of land for ₱161.37 million. Upon execution of the contracts, HLPDC paid ₱93.99 million and the outstanding balance amounting to ₱67.37 million shall be paid in 2018. The outstanding balance as of December 31, 2017 amounted to ₱67.37 million.

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

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

21. Other Noncurrent Liabilities

This account consists of:

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

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors after an agreed period commencing the completion of the project.

Provisions consist of:

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

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five to ten years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied to the unpaid rentals upon termination of the lease contract.

22. Equity

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

	Shares		Amount	
	2017	2016	**2017**	2016
Voting Preferred stock -				
₱0.10 par value				
Authorized	**174,300,000**	174,300,000		
Issued and outstanding	**174,300,000**	174,300,000	**₱17**	₱17
Perpetual Preferred stock -				
₱100.00 par value				
Authorized	**20,000,000**	20,000,000		
Issued and outstanding	**12,000,000**	12,000,000	**1,200**	1,200
Common stock - ₱10.00 par value				
Authorized	**298,257,000**	298,257,000		
Issued and outstanding	**192,596,685**	174,300,000	**1,926**	1,743
Additional paid-in capital			**78,940**	57,437
			₱82,083	₱60,397

The Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange on April 20, 2012.

Amendment to Articles of Incorporation to Create Voting Preferred Shares of Stock
On October 23, 2014, the BOD approved the proposed amendment to Article Seven of the Parent Company's Amended Articles of Incorporation to create a new class of shares – Voting Preferred Shares, to be taken from existing authorized capital stock of ₱5.00 billion. The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible.

On January 9, 2015, the stockholders of the Parent Company by the affirmative vote of over two-thirds (2/3) of the outstanding capital stock of the Parent Company, approved the amendment to Article Seventh of the Parent Company's Articles of Incorporation to create of a new class of shares – voting preferred shares, taken out of the Parent Company's existing and unissued portion of the Authorized Capital Stock. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on February 18, 2015.

Voting Preferred Shares Stock Rights Offering
On March 13, 2015, the BOD of the Parent Company approved the issuance of 174,300,000 Voting Preferred Shares with a par value of ₱0.10 per share through a 1:1 Stock Rights Offering, to all stockholders of record as of March 25, 2015, offered from April 1 to 8, 2015 and issued on April 13, 2015.

Amendment to Articles of Incorporation to Create Perpetual Preferred Shares of Stock
On March 13, 2015, the BOD of the Parent Company approved the amendment to Article Seven of its amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the corporation of ₱5.00 billion in lawful money of the Philippines, will be divided into 298,257,000 common shares with a par value of ₱10.00 per share, 20,000,000 perpetual preferred shares with a par value of ₱100.00 per share and 174,300,000 voting preferred shares with a par value of ₱0.10 per share.

On October 14, 2016, the Philippine SEC approved the offering of up to 12.00 million cumulative, non-voting, non-participating, non-convertible, redeemable peso-denominated perpetual preferred shares ('the Offer') with a par value of ₱100.00 per share at an offer price of ₱1,000.00 per share for a total offer price of ₱12.00 billion. The Offer consists of Series A and Series B with dividend rates per annum of 4.6299% and 5.0949%, respectively. Both series of said perpetual preferred shares were listed on the Philippine Stock Exchange on October 27, 2016. The proceeds from the Offer will be used to refinance short-term loans and fund strategic acquisitions.

Common Shares
On April 20, 2017, the Parent Company and Grand Titan signed a subscription agreement for the subscription of 18.30 million common shares of the Parent Company for a total subscription price of ₱21.69 billion. On April 26, 2017, Grand Titan paid the subscription price in cash.

As of December 31, 2017 and 2016, the total number of stockholders of common shares of the Parent Company is 72 and 73, respectively.

Retained Earnings
On December 7, 2017, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱19.00 billion to be earmarked for strategic investment in financial services.

On December 15, 2016, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱15.50 billion to be earmarked for the following:

Project Name	Timeline	Amount
Strategic investment in Financial Services	2017	₱13.90 billion
Dividends on Perpetual Preferred Shares	2017	0.60 billion
Dividends on Common Shares	2017	0.50 billion
Capital Call from TFSPC	2017	0.50 billion
		₱15.50 billion

Appropriation of retained earnings amounting to ₱14.90 billion and ₱0.60 billion were reversed in 2017 and 2016, respectively, upon completion of the purpose of appropriation.

On December 17, 2015, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱8.76 billion to be earmarked for the following:

Project Name	Timeline	Amount
Tranche 2 of PCFI Acquisition	2016	₱6.26 billion
Tranche 3 of PCFI Acquisition	2017	2.50 billion
		₱8.76 billion

Subsequent to the completion of Tranches 2 and 3 of the PCFI acquisition, the said appropriation was reversed in July 2016.

Details of the Parent Company's dividend distributions to preferred shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
Voting preferred shares				
March 21, 2017	₱0.00377	₱0.66	April 4, 2017	April 20, 2017
March 10, 2016	0.00377	0.66	April 8, 2016	May 4, 2016
Perpetual Preferred Shares				
Series A				
December 7, 2017	11.57475	56.01	January 3, 2018	January 29, 2018
December 7, 2017	11.57475	56.01	April 3, 2018	April 27, 2018
December 7, 2017	11.57475	56.01	July 3, 2018	July 27, 2018
December 7, 2017	11.57475	56.01	October 3, 2018	October 29, 2018
December 15, 2016	11.5748	56.01	January 3, 2017	January 27, 2017
December 15, 2016	11.5748	56.01	March 30, 2017	April 27, 2017
December 15, 2016	11.5748	56.01	July 3, 2017	July 27, 2017
December 15, 2016	11.5748	56.01	October 3, 2017	October 27, 2017
Series B				
December 7, 2017	12.73725	91.21	January 3, 2018	January 29, 2018
December 7, 2017	12.73725	91.21	April 3, 2018	April 27, 2018
December 7, 2017	12.73725	91.21	July 3, 2018	July 27, 2018
December 7, 2017	12.73725	91.21	October 3, 2018	October 29, 2018
December 15, 2016	12.7373	91.21	January 3, 2017	January 27, 2017
December 15, 2016	12.7373	91.21	March 30, 2017	April 27, 2017
December 15, 2016	12.7373	91.21	July 3, 2017	July 27, 2017
December 15, 2016	12.7373	91.21	October 3, 2017	October 27, 2017

Details of the Parent Company's dividend distributions to common shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
March 21, 2017	₱5.00	₱871.50	April 4, 2017	April 20, 2017
March 10, 2016	6.00	1,045.80	April 8, 2016	May 4, 2016
March 13, 2015	3.00	522.90	April 17, 2015	May 4, 2015

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2017 and 2016.

In addition, certain amount of retained earnings is required to be maintained to enable the Group to meet certain financial ratios as stipulated in the loan covenants.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Class of stock	Total amount (in millions)	Record date	Payment date
Fed Land	December 15, 2017	Preferred Shares-A	₱240.00	December 15, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-B	272.58	December 15, 2017	February 28, 2018
	February 17, 2017	Common	100.00	February 17, 2017	March 15, 2017
	December 12, 2016	Preferred Shares-A	240.00	December 12, 2016	February 28, 2017
	December 12, 2016	Preferred Shares-B	272.58	December 12, 2016	February 28, 2017
	February 22, 2016	Common	94.00	December 31, 2015	March 31, 2016
	December 7, 2015	Preferred Shares-A	240.00	December 31, 2015	January 15, 2016
	December 7, 2015	Preferred Shares-B	249.24	December 31, 2015	January 15, 2016

	Date of declaration	Class of stock	Total amount (in millions)	Record date	Payment date
PCFI	December 13, 2016	Preferred Shares-A	1,334.64	June 29, 2016	December 15, 2016
Toyota	May 23, 2017	Common	11,573.15	December 31, 2016	May 2017
	May 4, 2016	Common	9,890.73	December 31, 2015	May 2016
	May 13, 2015	Common	7,025.38	December 31, 2014	May 2015

Other comprehensive income
Other comprehensive income consists of the following, net of applicable income taxes:

	2017	2016	2015
Net unrealized gain on available-for-sale investments	**₱841**	₱186	₱823
Net unrealized loss on remeasurement of retirement plan	**(236)**	(221)	(305)
Cash flow hedge reserve (Note 16)	**(14)**	–	–
Cumulative translation adjustments	**(2)**	–	–
Equity in other comprehensive income of associates:			
Equity in net unrealized loss on AFS investments	**(4,689)**	(2,547)	(969)
Equity in net unrealized loss on remeasurement of retirement plan	**(987)**	(869)	(898)
Equity in cumulative translation adjustments	**(705)**	677	502
Equity in remeasurement on life insurance reserves	**(190)**	–	–
Equity in cash flow hedge reserves	**20**	12	4
Equity in other equity adjustments of associates	**(13)**	(13)	–
Reserve of disposal group classified as held-for-sale	**–**	–	(75)
	(₱5,975)	(₱2,775)	(₱918)

The movements and analysis of the other comprehensive income are presented in the consolidated statements of comprehensive income.

Other Equity Adjustments
PCFI
In accordance with the Master Subscription Agreement dated August 6, 2015, the Parent Company subscribed to the final 28.32% of PCFI for a total subscription price of ₱8.76 billion on June 30, 2016. This subscription increased the Parent Company's direct ownership stake in PCFI from 22.68% to 51.00%. This subscription is accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of other equity adjustments amounting to ₱1.75 billion.

TCI
In June 2015, the Parent Company acquired 2,705,295 shares of TCI for a total consideration of ₱13.50 million, resulting in 53.80% ownership over TCI. This acquisition was accounted for as an equity transaction and resulted in the recognition of negative other equity adjustments amounting to ₱7.12 million.

Non-controlling interests
The following table presents the rollforward of non-controlling interests:

	2017	2016	2015
Beginning balance	**₱26,433**	₱46,401	₱26,595
Share of non-controlling interest shareholders on:			
Net income	**7,069**	7,893	8,826
Other comprehensive income	**(31)**	498	313
Cash dividends paid to non-controlling interest shareholders	**(5,791)**	(5,910)	(6,309)
Acquisition of additional interests in a subsidiary	**(1)**	(1,746)	–
Preferred shares redemption of a subsidiary	–	(2,000)	–
Sale of direct interest in a subsidiary (Note 12)	–	(19,390)	–
Effect of business combination (Note 31)	–	687	16,996
Acquisition of non-controlling interests in consolidated subsidiaries	–	–	(5)
Return of deposits	–	–	(15)
	₱27,679	₱26,433	₱46,401

<u>Financial Information of Subsidiaries</u>

The financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interests held by non-controlling interests

	Nature of Business	Direct Ownership		Effective Ownership	
		2017	2016	**2017**	2016
TMPC	Motor	**49.00**	49.00	**49.00**	49.00
PCFI	Real Estate	**49.00**	49.00	**49.00**	49.00

Carrying value of material non-controlling interests

	2017	2016
PCFI	**₱14,157**	₱13,967
TMPC	**12,278**	11,390

Net income for the period allocated to material non-controlling interests

	2017	2016
TMPC	**₱6,712**	₱6,030
PCFI	**176**	814
GBPC	–	913

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2017 and 2016:

	2017		2016	
	TMPC	**PCFI**	TMPC	PCFI
Statement of Financial Position				
Current assets	**₱34,436**	**22,829**	₱29,226	₱21,391
Non-current assets	**7,723**	**16,057**	6,778	18,884
Current liabilities	**20,936**	**7,425**	16,059	6,034
Non-current liabilities	**2,074**	**8,265**	2,452	11,658
Dividends paid to non-controlling interests	**5,776**	**–**	4,858	1,032
Statement of Comprehensive Income				
Revenues	**186,282**	**6,941**	156,693	4,126
Expenses	**169,051**	**6,370**	140,761	3,767
Net income	**13,431**	**723**	12,130	233
Total comprehensive income	**13,334**	**751**	12,165	213
Statement of Cash Flows				
Net cash provided by operating activities	**16,945**	**1,275**	12,164	2,597
Net cash used in investing activities	**(2,065)**	**(2,098)**	(2,865)	(3,183)
Net cash provided by (used in) financing activities	**(10,922)**	**(745)**	(9,605)	2,235

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2017 and 2016.

The Parent Company considers total equity as its capital amounting to ₱105.27 billion and ₱78.28 billion as of December 31, 2017 and 2016, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

23. Interest and Other Income

Interest Income

This account consists of:

	2017	2016	2015
Interest income on:			
Installment contract receivables (Note 5)	**₱1,723**	₱1,721	₱1,462
Short-term investments (Note 4)	**316**	26	20
Cash and cash equivalents (Note 4)	**4**	373	268
Receivables	**–**	119	–
Others	**42**	23	40
	₱2,085	₱2,262	₱1,790

Interest income on installment contract receivables consist of accretion of unamortized discount of Fed Land and interest income from collections of Fed Land and PCFI. Accretion of unamortized discount amounted to ₱1.32 billion in 2017 and ₱1.29 billion in 2016 and 2015. Interest income from collections amounted to ₱0.41 billion, ₱0.43 billion and ₱0.17 billion in 2017, 2016 and 2015, respectively.

Other Income
This account consists of:

	2017	2016	2015
Ancillary income	**₱769**	₱665	₱306
Real estate forfeitures, charges and penalties	**201**	235	266
Subscription income	**95**	–	–
Management fee (Note 27)	**76**	234	64
Gain on disposal of property and equipment (Note 11)	**23**	50	30
Dividend income	**8**	–	14
Gain on asset swap	–	–	337
Others	**435**	402	143
	₱1,607	₱1,586	₱1,160

Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee includes services rendered by Fed Land and PCFI in the administration of different projects related to the joint venture (Note 27).

Gain on asset swap came from the deed of exchange entered into by Fed Land with Bases Conversion Development Authority (BCDA) in 2015 wherein Fed Land transferred to BCDA its road access lot in exchange of BCDA's two parcels of land which was valued at ₱0.10 million per square meter. Others also include charges from tenants of Fed Land pertaining to electricity and other utilities; these were recorded by Fed Land as other income upon receipt of the payments from the tenants.

24. Cost of Goods and Services Sold

Cost of goods and services sold consists of:

	2017	2016	2015
Beginning inventory			
Automotive	**₱6,861**	₱1,891	₱2,293
Gasoline, retail and petroleum products	**9**	7	6
Food	**1**	1	1
	6,871	1,899	2,300
Add: Net purchases	**145,571**	125,624	73,386
Total inventories available for sale	**152,442**	127,523	75,686
Less: Ending inventory (Note 6)			
Automotive	**4,734**	6,861	1,891
Gasoline, retail and petroleum products	**10**	9	7
Food	**7**	1	1
Subtotal (Note 6)	**147,691**	120,652	73,787
Cost adjustments	**(202)**	764	712
Internal and other transfers	**(368)**	(82)	(357)
Direct labor	**365**	38	27
Overhead (Note 30)	**227**	688	772
	₱147,713	₱122,060	₱74,941

Overhead includes rent expense and common usage and service area charges.

25. Cost of Goods Manufactured and Sold

Cost of goods manufactured and sold consists of:

	2017	2016	2015
Raw materials, beginning	**₱1,329**	₱1,382	₱885
Purchases	**35,350**	29,486	25,184
Total materials available for production	**36,679**	30,868	26,069
Less: Raw materials, end	**1,423**	1,329	1,382
Raw materials placed in process	**35,256**	29,539	24,687
Direct labor	**400**	372	329
Manufacturing overhead	**4,084**	3,876	2,901
Total cost of goods placed in process	**39,740**	33,787	27,917
Work-in-process, beginning	**13**	68	43
Total Cost of goods in process	**39,753**	33,855	27,960
Less: Work-in-process, ending	**12**	13	68
Total cost of goods manufactured	**39,741**	33,842	27,892
Finished goods, beginning	**66**	63	21
Total goods available for sale/transfer	**39,807**	33,905	27,913
Less: Finished goods, ending	**19**	66	63
Other transfers	**153**	47	12
	₱39,635	₱33,792	₱27,838

26. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and employee benefits (Notes 27 and 28)	**₱3,347**	₱2,866	₱1,920
Advertising and promotions	**1,915**	1,838	1,313
Taxes and licenses	**1,608**	2,010	991
Commissions	**1,536**	1,394	725
Delivery and handling	**709**	586	427
Depreciation and amortization (Note 11)	**655**	495	344
Light, water and other utilities	**496**	420	352
Office supplies	**418**	244	138
Outside services	**388**	223	70
Unrealized foreign exchange losses	**385**	468	89
Repairs and maintenance	**311**	258	108
Professional fees	**236**	429	133
Transportation and travel	**232**	183	132
Rent (Note 30)	**159**	149	74
Provision of product warranties	**121**	121	119
Communications	**82**	93	45
Entertainment, amusement and recreation	**72**	89	65
Administrative and management fees	**59**	55	16
Insurance	**44**	40	27
Provision for (recoveries from) credit losses (Note 5)	**13**	(6)	95
Royalty and service fees	**11**	13	10
Donation	**3**	–	–
Provisions for other expenses	**–**	353	136
Others	**99**	516	153
	₱12,899	₱12,837	₱7,482

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, joint venture, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associates, joint venture and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates.

As of December 31, 2017 and 2016, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The following table shows the related party transactions included in the consolidated financial statements.

	December 31, 2017		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Significant investor			
Rent income	₱1		Lease of office space
Associates			
Cash and cash equivalents	881	₱9,367	Due and demandable; fixed rate; 0.38% to 3.50%; 14 days to 35 days
Short-term investments	16	597	Various; fixed rate; 0.01%; 181 days
Vehicle receivables (Note 5)		226	Non-interest bearing, unsecured, no impairment; 30 days
Commission receivable		11	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable		22	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing expenses		33	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables		3	Non-interest bearing; due and demandable; Unsecured; no impairment
Available-for-sale investments (Note 10)		611	Investment in unit investment trust fund invested in money market placements sponsored by the trust department of an associate
Due from related parties		11	Non-interest bearing; due and demandable; Unsecured; no impairment
Other noncurrent assets	1	46	Unsecured; Fixed; 2.00%; 1261 days
Property and equipment		26	Purchased of properties
Loans payable (Note 16)	6,264	11,000	2.55% to 5. 29% interest rate
Other payables		159	Non-interest bearing; due and demandable; Unsecured
Due to related parties		17	Non-interest bearing; due and demandable; Unsecured
Interest income	26		Various; fixed rate
Rent income	124		Lease of office space
Dividend income	1,597		Dividend income from associates
Interest expense	139		Various; fixed rate
Gain on sale of AFS investments (Note 10)	15		Realized gain on UITF
Joint ventures			
Cash and cash equivalents	3	7	Savings, current and time deposits accounts earning annual interest rate ranging from 0.38% to 1.75%
Commission receivable		74	Non-interest bearing; due and demandable; Unsecured; no impairment
Financing receivables		268	Non-interest bearing; Unsecured; no impairment; 30 days
Rent receivable		5	Non-interest bearing; due and demandable; Unsecured; no impairment
Management fee receivable		37	Non-interest bearing; due and demandable; Unsecured; no impairment
Due from related parties	100	100	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables		20	Non-interest bearing; due and demandable; Unsecured; no impairment
Investment and advances	1,656	1,656	Initial/additional investment in joint ventures
Other payables		23	Non-interest bearing; due and demandable; Unsecured

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2017		
Commission income	₱33		Commission fee received from selling or marketing the real estare units
Management fee income (Note 23)	37		Service fee in the administration of different project related to the JV
Rent income	49		Lease of office space
Interest income	7		Interest income from cash and cash equivalents
Other related parties			
Cash and cash equivalents	19	₱1,003	Due and demandable, unsecured, no impairment; Fixed; 2.70%; 29 days
Financing receivables		160	Non-interest bearing, unsecured, no impairment; 30days
Service receivables		50	Non-interest bearing, unsecured, no impairment; 30days
Vehicle receivables		198	Non-interest bearing, unsecured, no impairment; 30days
Management receivables		182	Due and demandable
Commission receivable		5	Non-interest bearing; due and demandable; Unsecured; no impairment
Interest receivable		30	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing expenses		2	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable		14	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables		16	Non-interest bearing; due and demandable; Unsecured; no impairment
Prepaid expenses and others		1	Car plan insurance and directors and officers liability insurance premium
Long-term loans receivable (Note 5)		652	With interest of 3.15%; payable in 2022; Unsecured; no impairment
Investments and advances (Note 8)	25,120	25,120	Additional investment in MBTC and initial investment in a joint venture
Due from related parties		55	Non-interest bearing; due and demandable; Unsecured; no impairment
Advances		9	Due and demandable
Property and equipment		101	Purchased of properties
Insurance premium payable		181	Non-interest bearing, unsecured; 90days
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 estare units
Interest income	102		Interest income from cash and cash equivalents
Rent income	74		Lease of office space
Interest expense	44		Various; fixed rate
Insurance expense	2		Car plan insurance and directors and officers liability insurance paid to a subsidiary of an associate

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2016		
Associates			
Cash and cash equivalents	₱2,173	₱13,468	Savings, current and time deposits accounts earning annual interest rate ranging from 0.1% to 2.5%
Short-term investments	14	1,310	Within one (1) year, interest rates ranging from 0.1% to 3.0%
Commission receivable		11	Non-interest-bearing; unsecured; no impairment
Rent receivables		12	Non-interest-bearing; unsecured; no impairment
Vehicle receivables		345	Non-interest-bearing; unsecured; no impairment
Due from related parties		21	Non-interest-bearing; unsecured; no impairment
Receivables from sharing of expenses	30	27	Non-interest-bearing; unsecured; no impairment
Other receivables		6	Non-interest-bearing; unsecured; no impairment

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
	December 31, 2016		
Available-for-sale investments (Note 10)	₱1,284	₱1,284	Investment in UITF
Investments and advances (Note 8)	32,934	32,934	Initial investment in MPIC and additional investment in MBTC
Investments and advances (Note 8)	241	241	Advisory fees of FMIC
Other noncurrent assets		47	Unsecured; no impairment
Accounts and other payables	6	10	Within one (1) year, non-interest-bearing
Customers' deposits		18	Refundable deposits
Due to related parties		20	Non-interest bearing; due and demandable; Unsecured, no impairment
Loans payable	128	5,901	With interest ranging from 2.55% to 5.29%; Unsecured, no impairment
Vehicle & service sales	263	65	Sale of transportation equipment
Commission income	2		Commission fee received from selling or marketing the real estare units
Interest income	60		Interest from bank deposits with an associate at 0.38% to 2.5% per annum
Management fee income (Note 23)	3		Services related to administering the different projects of the group
Rent income	67		
Dividend income	964		Dividend income from associate
Gain on sale of AFS investments (Note 10)	16		Realized gain on UITF
Joint ventures			
Cash and cash equivalents		44	Savings, current and time deposits accounts earning annual interest rate ranging from 0.38% to 1.75%
Management fee receivables		39	Unsecured; no impairment
Commission receivable		74	Unsecured; no impairment
Financing receivables		251	Unsecured; no impairment
Other receivables		6	Unsecured; no impairment
Investments and advances (Note 8)	556	556	Initial/additional investment in joint ventures
Management fee income (Note 23)	39		
Rent income	33		Lease of office space
Commission income	115		
Vehicle & service sales	81		
Other related parties			
Cash and cash equivalents	457	5,198	Savings, current and time deposits accounts earning annual interest rate ranging from 0.25% to 2.5%
Commission receivable		15	Non-interest-bearing; unsecured; no impairment
Trade receivables	7,890	691	Non-interest-bearing; unsecured; no impairment
Rent receivables		1	Non-interest-bearing; unsecured; no impairment
Vehicle receivables		169	Non-interest-bearing; unsecured; no impairment
Nontrade receivables	3	5	Receivable arising from reimbursable expenses and other nontrade transactions
Receivables from sharing of expenses	7	6	Non-interest-bearing; unsecured; no impairment
Prepaid expenses and others	1	3	Unsecured; no impairment
Due from related parties		59	Non-interest-bearing; unsecured; no impairment
Financing receivables		70	Unsecured; no impairment
Other receivables		436	Non-interest-bearing; unsecured; no impairment
Loans receivables		643	With interest of 3.15%; payable in 2022; unsecured
Accounts and other payables	110,625	7,054	Non-interest-bearing; unsecured; no impairment
Customers' deposits		22	Non-interest-bearing; unsecured; no impairment
Due to related parties		175	Non-interest-bearing; unsecured; no impairment
Royalty payable	83	7	Non-interest-bearing; unsecured; no impairment
Loans payable	3	79	5 years, with interest of 4.20%
Liabilities on purchased properties (Note 20)		2,159	With 3.00% interest; payable annually until 2026; unsecured
Bonds payable	20	20	GT Capital bonds held by a subsidiary of an associate
Additional paid-in capital	25	25	Underwriting selling,and management fee
Vehicle & service sales	536	149	
Interest income	259		Interest from promissory note with subsidiary of an associate
Commission income	23		
Rent income	40		
Insurance expense	5		
Interest expense	102		
Advisory fee	178		Advisory fee paid to FMIC for acquisitions of the Parent Company

Details of the transactions with affiliates are as follows:

Cash and cash equivalents and short-term investments
The Group maintains cash and short-term deposits accounts with MBTC, an associate. The Group also has cash and short-term deposits with other related parties such as Metrobank Card Corporation and PSBank, which are subsidiaries of MBTC. Cash and cash equivalents earn interest at the prevailing investment rates.

Available-for-sale investments
In 2016, the Parent Company invested in UITF products of MBTC. As of December 31, 2017 and 2016, the Parent Company's investment in UITF amounted to ₱0.61 billion and ₱1.28 billion, respectively (Note 10).

Operating advances
Due from and to related parties consist mostly of operating advances which are non-interest bearing and due and demandable.

Long-term loans receivable
In 2012, Fed Land entered into a loan agreement with CIRC. Fed Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The outstanding balance of long-term loans receivable as of December 31, 2017 and 2016 amounted to ₱652.17 million and ₱643.04 million, respectively (Note 5).

Affiliated bank loans
The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 2.50% to 5.13%, 2.55% to 5.29% and 3.75% to 6.20% per annum for 2017, 2016 and 2015, respectively.

Management fee
Management fee amounting to ₱37.48 million, ₱41.76 million and ₱52.76 million in 2017, 2016 and 2015, respectively, pertains to the income received from a joint venture of Fed Land with BLRDC and STRC (Note 23).

Lease agreements
Fed Land entered into operating lease agreements for the use of office spaces in GT Tower International Building. The terms of lease range from 5 to 10 years and are generally renewable for 5 years. The rent is payable monthly with annual rent escalation rates ranging from 5% to 8%. The rental income on these leases amounted to ₱130.34 million, ₱179.47 million and ₱195.25 million in 2017, 2016 and 2015, respectively (Note 30).

Disposal of assets
On May 26, 2016, the Parent Company acquired 4.73% direct equity stake in GBPC for a total consideration of ₱3.26 billion from FMIC, a subsidiary of MBTC. This increased the Parent Company's direct ownership in GBPC from 51.27% to 56.00%. On May 27, 2016, the Parent Company sold its entire 56.00% investment in GBPC to Beacon for a total consideration of ₱22.06 billion. Beacon is a 100%-owned subsidiary of Beacon Electric Asset Holdings, Inc. (Beacon Electric). MPIC owns 75% of Beacon Electric (Note 12).

On November 5, 2015, the Parent Company signed an agreement to sell 100.00% of CPAIC to AXA Philippines for ₱2.30 billion, subject to closing conditions that are usual and customary. On April 4, 2016, the Parent Company completed the sale of CPAIC for a final consideration of ₱2.10 billion (Note 12).

Compensation of key management personnel for the years ended December 31, 2017, 2016 and 2015 follow:

	2017	2016	2015
Short-term employee benefits	**₱643**	₱606	₱590
Post-employment benefits	**81**	59	102
	₱724	₱665	₱692

Transactions with the Group Retirement Funds
The retirement funds of the Group's employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2017 and 2016 amounted to ₱2.04 billion and ₱1.51 billion, respectively. The assets and investments of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2017 and 2016 (in absolute amounts):

	December 31, 2017		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/Nature**
Associate			
Savings deposit		**₱34,361**	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		**379,851,411**	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		**80,083,375**	Unsecured with no impairment
Investment in UITF		**8,591,147**	Unsecured with no impairment
Interest income	**₱5,198,953**		Income earned from savings and time deposit
Gain on sale of shares	**430,978**		Income from sale of shares
Gain on sale of UITF	**368,493**		Income from sale of UITF

	December 31, 2016		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Associate			
Savings deposit		₱73,792	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		99,134,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Money market		4,007,832	
Investment in equity securities		8,349,000	Unsecured with no impairment
Investment in UITF		7,603,581	Unsecured with no impairment
Interest income	₱323,091		Income earned from savings and time deposit
Gain on sale of shares	230,060		Income from sale of shares
Gain on sale of UITF	115,820		Income from sale of UITF
Mark-to-market gain	484,811		Gain from mark-to-market of shares
Parent			
Investment in equity securities		7,366,000	Unsecured with no impairment
Gain on sale of shares	281,865		Income from sale of shares

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made annually.

Principal actuarial assumptions used to determine pension obligations follow:

		2017		
		Actuarial Assumptions		
	Date of Actuarial Valuation	**Expected Return on Plan Assets**	**Salary Rate Increase**	**Discount Rate**
Real estate	**December 31, 2017**	**3.00%**	**7.00% to 9.00%**	**4.69% to 6.69%**
Automotive	**-do-**	**4.00%**	**5.00% to 7.00%**	**5.28% to 6.05%**
Financial	**-do-**	**3.50%**	**8.00%**	**5.74%**

		2016		
		Actuarial Assumptions		
	Date of Actuarial Valuation	Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2016	3.50%	8.00%	5.31%
Automotive	-do-	4.25 to 8.00%	5.00% to 7.00%	5.21% to 5.86%
Financial	-do-	3.50%	7.00%	5.53%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Net retirement liability (asset) included in the consolidated statement of financial position follow:

	2017	2016
Retirement asset (Note 14)	**(₱7)**	(₱2)
Retirement liability	**1,399**	1,671
Net retirement liability	**₱1,392**	₱1,669

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, 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**

2016															
					Net benefit cost					Remeasurements in other comprehensive income					
	January 1, 2016	Effect of business combination (Note 31)	Effect of sale of a subsidiary (Note 12)	Balance after business combination	Current service cost	Net interest	Past service cost	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions paid	December 31, 2016
Present value of defined benefit obligation	₱3,523	₱88	(₱771)	₱2,840	₱214	₱187	₱6	₱407	(₱79)	₱–	₱96	(₱13)	(₱68)	₱15	₱–	₱3,183
Fair value of plan assets	(1,309)	(21)	96	(1,234)	–	(58)	–	(58)	76	3	–	–	–	3	(301)	(1,514)
Net defined benefit liability	₱2,214	₱67	(₱675)	₱1,606	₱214	₱129	₱6	₱349	(₱3)	₱3	₱96	(₱13)	(₱68)	₱18	(₱301)	₱1,669

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	2017	2016
Cash and cash equivalents	**₱334**	₱46
Investment in government securities	**1,181**	966
Investment in equity securities	**362**	258
Investment in debt and other securities	**112**	86
Receivables	**22**	125
Investment in mutual funds	**33**	21
Others	**(1)**	15
Liabilities	**(2)**	(3)
	₱2,041	₱1,514

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

		2017	2016
	Possible Fluctuations	**Increase (Decrease)**	Increase (Decrease)
Discount rates	**+1%**	**(₱244)**	(₱202)
	-1%	**276**	232
Future salary increase rate	**+1%**	**290**	244
	-1%	**(260)**	(216)

The Group expects to contribute ₱405.44 million to its defined benefit pension plan in 2018.

The average duration of the defined benefit retirement liability at the end of the reporting period is 16.02 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments:

Less than 1 year	**₱292**
More than 1 year to 5 years	**1,248**
More than 5 years to 10 years	**2,431**
More than 10 years to 15 years	**2,093**
More than 15 years to 20 years	**1,721**
More than 20 years	**7,005**

The Group does not currently have any asset-liability matching study.

29. Income Taxes

Provision for income tax account consists of:

	2017	2016	2015
Current	**₱4,209**	₱4,377	₱4,241
Deferred	**248**	126	(5)
Final	**67**	83	63
	₱4,524	₱4,586	₱4,299

The components of the Group's deferred taxes as of December 31, 2017 and 2016 are as follows:

Net deferred tax asset:

	2017	2016
Deferred tax asset on:		
Retirement benefit obligation	**₱505**	₱439
Deferred gross profit	**114**	2
Accrued expenses	**77**	32
Warranties payable and other provisions	**66**	60
Allowance for inventory obsolescence	**25**	20
Unamortized past service cost from pension obligation	**24**	–
Allowance for impairment losses	**22**	9
NOLCO	**7**	–
Unrealized foreign exchange gain	**40**	–
Accrued dealers' incentives, support and promotions	**–**	18
Others	**14**	2
	894	582
Deferred tax liability on:		
Capitalized custom duties	**28**	23
Unearned gross profit on ending inventories	**11**	–
Unearned gross profit on real estate sales	**5**	–
Unrealized foreign exchange gain	**–**	13
Capitalized borrowing cost and guarantee fees	**–**	3
Deferred financing cost	**–**	2
Others	**119**	1
	163	42
Net deferred tax asset	**₱731**	₱540

Net deferred tax liability:

	2017	2016
Deferred tax asset on:		
Unrealized gain on sale of land	**₱725**	₱718
Excess of cost over fair value of investment property	**107**	108
Prepaid commission	**79**	89
Unearned income	**52**	34
Retirement benefit obligation	**48**	109
Accrued expenses	**32**	194
Interest expense on Day 1 loss	**20**	18
Unearned gross profit on ending inventories	**13**	24
Allowance for probable losses	**6**	5
NOLCO	**–**	68
Fair value adjustment on acquisition	**–**	15
Others	**6**	10
	1,088	1,392

(Forward)

	2017	2016
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent Company	**₱5,133**	₱5,437
Capitalized borrowing cost and guarantee fees	**933**	768
Excess of book basis over tax basis of deferred gross profit	**255**	112
Fair value adjustment on acquisition - by subsidiaries	**219**	–
Unamortized discount on long-term payable	**83**	33
Lease differential	**20**	15
Deferred financing costs – bonds	**17**	–
Accrued income	**13**	–
Retirement asset	**2**	1
Others	**7**	78
	6,682	6,444
Net deferred tax liability	**₱5,594**	₱5,052

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

The Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2017	₱2,891	₱–	₱2,891	2020
2016	3,149	(101)	3,048	2019
2015	1,882	(100)	1,782	2018
2014	1,002	(1,002)	–	2017
	₱8,924	(₱1,203)	₱7,721	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2016	₱2	₱–	₱2	2019

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2017	2016	2015
Provision for income tax computed at statutory rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	**(0.18)**	(0.06)	(0.36)
Nondeductible interest and other expenses	**0.85**	1.05	0.71
Change in unrecognized deferred tax assets	**3.97**	5.05	3.38
Nontaxable income	**(10.27)**	(17.28)	(9.11)
Operating income within ITH	**(7.10)**	(1.99)	(6.32)
Others	**0.28**	0.26	(0.53)
Effective income tax rates	**17.55%**	17.03%	17.77%
Continuing operations	**17.55%**	16.89%	16.88%
Disposal group	**–**	0.14%	0.89%
	17.55%	17.03%	17.77%

Board of Investments (BOI) Incentives

Fed Land

The BOI issued a Certificate of Registration as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: PGMH - Narra Tower and PGMH - Mandarin Tower are entitled to ITH from 2013 to 2016 and Axis Residences Tower A is entitled to ITH from 2015 to 2018.

PCFI

On various dates, the BOI issued in favor of PCFI the Certificates of Registration (COR) as a new developer of Mass Housing Project for its 31 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects were granted an ITH for a period of three (3) to four (4) years commencing on various dates from 2014 to 2017 and expiring on various dates from 2017 to 2020.

TMP

TMP is registered with the BOI as a:

- Participant in the Car Development Program and Commercial Vehicle Development Program.
- Pioneer status for the production of Vios. Under its terms and conditions, TMP shall be entitled to Income Tax Holiday (ITH) from July 2, 2013 to July 1, 2019 for revenues generated from this vehicle model subject to achievement of certain percentage of local value added.
- Non-pioneer status for the production of Innova. Under its terms and conditions, TMP shall be entitled to ITH from April 2016 to April 2020 for portion (as determined by its Logistic Efficiency Index) of revenues generated from this vehicle model.
- Participant in Comprehensive Automotive Resurgence Strategy (CARS) Program. BOI approved TMP's enrollment of its locally-produced vehicle model to the CARS Program on June 27, 2016. Under the terms of registration, TMP shall be entitled to Fixed Investment Support and Production Volume Incentive subject to achievement of production volume and localization of body shells and large plastic parts.

30. Lease Commitment

The Group as a lessee
The Group is a party under various lease agreements including the lease of premises occupied by the Parent Company, office space leased for the Group's branches, land leased for Fed Land Group's mall and gasoline station and lease of parking spaces with terms ranging from one (1) to 10 years. Rent expense included under 'General and administrative expenses' amounted to ₱158.78 million, ₱149.49 million and ₱73.80 million in 2017, 2016 and 2015, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the 'Cost of goods and services sold' account, amounting to ₱22.12 million, ₱23.66 million and ₱20.57 million in 2017, 2016 and 2015, respectively (Note 24).

As of December 31, 2017 and 2016, the future minimum rental payments are as follows:

	2017	2016
Within one year	**₱118**	₱103
After one year but not more than five years	**478**	261
More than five years	**42**	263
	₱638	₱627

The Group as a lessor
The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from five (5) to ten (10) years. The Group's rental income on these leases amounted to ₱940.10 million, ₱826.59 million and ₱840.46 million, in 2017, 2016 and 2015, respectively (Note 9). The cost of rental services amounting ₱360.43 million, ₱326.35 million and ₱271.61 million in 2017, 2016 and 2015, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses.

As of December 31, 2017 and 2016, the future minimum rental receipts from these lease commitments are as follows:

	2017	2016
Within one year	**₱676**	₱586
After one year but not more than five years	**1,066**	1,118
More than five years	**521**	534
	₱2,263	₱2,238

31. Business Combinations and Disposals

Acquisition of TRDCI
On February 10, 2017, FLI acquired 100.00% interest in TRDCI from Solid Share Holdings Philippines, Inc.

The fair values of the net liabilities assumed as of acquisition date, are as follow:

Current assets	₱433
Current liabilities	(847)
Noncurrent assets	486
Noncurrent liabilities	(100)
Fair value of net liabilities assumed	(28)
Consideration paid in cash	60
Goodwill (Note 13)	**₱88**

The gross contractual amount of receivables acquired amounted to ₱44.60 million. The goodwill of ₱0.09 billion comprises the value of the expected synergies arising from having TRDCI within the Group. Goodwill is allocated entirely to the acquisition of TRDCI and none of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, TRDCI contributed gross revenues and net income amounting to ₱16.35 million and ₱27.86 million, respectively, to the Group for the year ended December 31, 2017.

Acquisition of TMBC

On March 7, 2016, the SEC approved the merger of TMBC and TCI, with TMBC as the surviving corporation and TCI as the absorbed corporation. The merger resulted in GT Capital owning 58.05% of the merged corporation. Pursuant to the merger, GT Capital has majority representation in the BOD and the Executive Committee (ExCom) of TMBC. Management has assessed that it has the ability to direct the relevant activities of TMBC that most significantly affect its returns based on its majority representation in the BOD and the ExCom. As a result, the Group obtained control over TMBC and the financial statements of TMBC were consolidated in the financial statements of the Parent Company.

The consideration given to obtain control over TMBC was the carrying value of existing TCI shares exchanged for new TMBC shares. The transaction was accounted for as a business combination using the purchase method. The Parent Company's previously held interest was remeasured at fair value and a gain from remeasurement amounting to ₱73.76 million was recognized.

The Group elected to measure the NCI in TMBC at the proportionate share of the NCI in the identifiable net assets of TMBC. The cost of consideration included the proportionate share of NCI, the fair value of previously held interest and carrying value of existing TCI shares exchanged for new TMBC shares.

The fair values of the identifiable assets and liabilities of TMBC as of acquisition date are as follows:

Assets	
Cash and cash equivalents	₱177
Receivables	906
Inventories	467
Prepayments and other current assets	35
Property and equipment	1,290
Deferred tax assets	39
Other noncurrent assets	22
	2,936

(Forward)

Liabilities	
Accounts and other payables	₱526
Loans payable	810
Customer's deposits	32
Income tax payable	22
Other current liabilities	18
Deferred tax liabilities	198
Pension liabilities	67
	1,673
Net assets	₱1,263

The gross contractual amount of receivables acquired amounted to ₱913.06 million.

The aggregate consideration transferred consists of:

Proportionate share of non-controlling interests	₱530
Fair value of previously held interest in TMBC	969
	₱1,499

The business combination resulted in goodwill computed as follows:

Total consideration transferred	₱1,499
Less: Fair values of identifiable net assets	1,263
Goodwill (Note 13)	₱236

The goodwill of ₱236.06 million comprises the value of expected synergies arising from the acquisition of the dealership business. Goodwill is allocated entirely to the operations of TMBC, and none of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, TMBC contributed gross revenues and net income attributable to equity holders of the Parent Company amounting to ₱21.35 billion and ₱0.16 billion, respectively, for the year ended December 31, 2016. If the business combination with TMBC took place at the beginning of the year, total revenues and net income attributable to equity holder of the Parent Company from TMBC for the year ended December 31, 2016 would have been ₱24.30 billion and ₱0.17 billion, respectively.

Acquisition of FLOC

On December 23, 2016, Fed Land acquired 40.00% ownership in FLOC from ORPI amounting to ₱289.00 million in exchange for the 220,000,000 common shares of ORPI. As a result of the purchase, Fed Land gained control in FLOC and accounted for its investment as an investment in subsidiary as of December 31, 2016. Fed Land recognized a gain on revaluation of previously held interest amounting to ₱51.06 million. The goodwill recognized from the acquisition amounted to to ₱9.14 million.

Acquisition of WFC

On June 23, 2016, PCFI purchased 1,409,995 common shares and 2,499,996 preferred shares of WFC for a total consideration of ₱49.56 million. Subsequently, in various dates in June 2016, PCFI entered into a Subscription Agreement with WFC for the subscription of a total 200,000,000 common shares of WFC for ₱2.00 billion. The net assets of WFC are short-term financial instruments. The carrying values of the net assets of WFC approximate their fair values due to the short-term maturities of these financial instruments.

Acquisition of PCFI
On August 6, 2015, the Parent Company, Profriends Group Inc. (PGI) and PCFI entered into a Master Subscription Agreement (the Agreement). Subject to the terms of the Agreement, the Parent Company agreed to subscribe to PCFI's series A preferred shares representing 51.00% of all issued and outstanding capital stock over a three (3) year term ending on the third year from the execution of the Agreement.

The Parent Company finalized the acquisition of the initial 22.68% of PCFI for ₱7.24 billion on August 20, 2015, upon fulfillment of all Tranche 1 closing conditions. This includes the execution of an irrevocable proxy in favor of the Parent Company, covering 51.00% of the total issued and outstanding capital stock of PCFI ("the Irrevocable Proxy") by PGI, the selling shareholder. The Irrevocable Proxy gives the Parent Company the ability to direct the relevant activities of PCFI that will affect the amount of returns that the Parent Company will receive from its investment in PCFI. The Parent Company assessed that it has control over PCFI by virtue of the Irrevocable Proxy and payment for the 22.68% equity interest and accounted for PCFI as a subsidiary.

Assets acquired and liabilities assumed
The acquisition was accounted for as a business combination using the acquisition method. The Group elected to measure the non-controlling interest at the proportionate share of the non-controlling interest in the identifiable net assets of PCFI.

As permitted under the standards, the Group finalized its purchase price allocation of PCFI to consider additional information in 2016. The final purchase price allocation was retroactively adjusted in the 2016 financial statements. The effects of the retrospective adjustment is detailed below:

- Decrease in receivables by ₱865.25 million.
- Decrease in inventories by ₱13.76 billion.
- Decrease in accounts and other payables by ₱277.65 million.
- Decrease in long-term debt by ₱5.36 million.
- Decrease in net deferred tax liabilities by ₱4.30 billion.
- Decrease in unappropriated retained earnings by ₱4.11 million.
- Decrease in NCI by ₱7.31 billion.

The above adjustments resulted in the net increase in goodwill by ₱2.73 billion. Accordingly, the consolidated statement of financial position and consolidated statement of income for the year ended December 31, 2015 have been restated to reflect the results of the final purchase price allocation. Cost of real estate sales increased by ₱25.90 million and provision for income tax decreased by ₱7.77 million. Net income attributable to equity holders of the Parent Company decreased by ₱4.11 million and net income attributable to NCI decreased by ₱14.02 million.

The final allocation of the identifiable assets and liabilities of PCFI as of acquisition date are as follows:

Assets	
Cash and cash equivalents	₱338
Short-term investments	962
Receivables	13,078
Inventories	23,147
Due from related parties	337
Prepayments and other current assets	1,120
Available-for-sale investments	2
Property and equipment	715
Intangible assets	13
Investment properties	2,390
Deferred tax assets	80
Other noncurrent assets	212
	42,394
Liabilities	
Accounts and other payables	1,992
Customer's deposits	676
Loans payable – current	7,725
Other current liabilities	1,944
Income tax payable	125
Loans payable – Noncurrent	5,408
Deferred tax liabilities on fair value increment	3,019
Pension liabilities	110
	20,999
Net assets	₱21,395

The gross contractual amount of receivables acquired amounted to ₱11.02 billion.

The aggregate consideration transferred consists of:

Cash consideration	₱7,240
Proportionate share of non-controlling interests	16,996
	₱24,236

The business combination resulted in goodwill computed as follows:

Total consideration transferred		₱24,236
Fair value of identifiable net assets	₱24,414	
Less: Deferred tax liabilities on fair value adjustments	(3,019)	21,395
Goodwill (Note 13)		₱2,841

The goodwill arising from acquisition consists largely of the synergies expected from having PCFI within the Group. Goodwill arising from the acquisition of PCFI Group is allocated entirely to the operations of PCFI. None of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, PCFI Group has contributed gross revenues of ₱2.95 billion and net income attributable to equity holders of the Parent Company amounting to ₱286.73 million to the

Group for the year ended December 31, 2015. If the business combination with PCFI had taken place at the beginning of the year, total revenues and net income attributable to equity holders of the Parent Company from PCFI for the year ended December 31, 2015 would have been ₱7.05 billion and ₱458.63 million, respectively.

32. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and Other current assets (short-term cash investments)
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities of these instruments.

Receivables
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 3.24% to 12.00% and 2.16% to 12.00% as of December 31, 2017 and 2016, respectively. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan. The interest rate used was the average bank lending rate for both December 31, 2017 and 2016.

Due from and to related parties
The carrying amounts approximate fair values due to short-term in nature. Related party receivables and payables are due and demandable.

AFS investments - unquoted
These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

AFS investments - quoted
Fair value of quoted AFS investment is based on the quoted market bid prices at the close of business on the reporting date or use inputs other than quoted price that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Quoted AFS investment includes investment in UITFs. UITFs are ready-made investments that allow pooling of funds from different investors with similar investments objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities.

Accounts and other payables
The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term portion of loans payable with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using applicable interest rates for similar types of loans

as of reporting date. The interest rates used ranged from 2.55% to 5.94% and 2.55% to 7.18% for the year ended December 31, 2017 and 2016, respectively.

Liabilities on purchased properties
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred in 2017 and 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the consolidated statements of financial position and related notes approximate their respective fair values.

	2017				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:					
Financial Assets					
AFS investments:					
Quoted equity securities	**₱2,233**	**₱1,622**	**₱611**	**₱–**	**₱2,233**
	₱2,233	**₱1,622**	**₱611**	**₱–**	**₱2,233**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	**₱16,825**	**₱–**	**₱–**	**₱20,135**	**₱20,135**
Loans receivables	**962**	**–**	**–**	**1,077**	**1,077**
Non-financial Assets					
Investment in listed associates	**112,412**	**149,732**	**–**	**–**	**149,732**
Investment properties	**17,392**	**–**	**–**	**36,549**	**36,549**
	147,591	**₱149,732**	**–**	**57,761**	**207,493**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	**₱3,734**	**₱–**	**₱–**	**₱3,608**	**₱3,608**
Loans payable	**65,521**	**–**	**–**	**66,104**	**66,104**
Bonds payable	**21,877**	**21,801**	**–**	**–**	**21,801**
	₱91,132	**₱21,801**	**₱–**	**₱69,712**	**₱91,513**

	2016				
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
AFS investments:					
Quoted equity securities	₱2,246	₱104	₱2,142	₱–	₱2,246
	₱2,246	₱104	₱2,142	₱–	₱2,246
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	₱19,293	₱–	₱–	₱21,734	₱21,734
Loans receivables	643	–	–	610	610
Non-financial Assets					
Investment in listed associates	85,145	93,562	–	–	93,562
Investment properties	14,314	–	–	30,199	30,199
	119,395	93,562	–	52,543	146,105
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	2,159	–	–	2,582	2,582
Loans payable	64,753	–	–	67,112	67,112
Bonds payable	21,848	22,382	–	–	22,382
	₱88,760	₱22,382	₱–	₱69,694	₱92,076

As of December 31, 2017 and 2016, other than AFS investments, no transfers were made among the three levels in the fair value hierarchy.

In 2017, portion of AFS quoted equity securities amounting to ₱1.50 billion was transferred from Level 2 to Level 1. The prices of these securities are quoted in an active market.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	Valuation Techniques	**Significant Unobservable Inputs**
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach and Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

<u>Valuation Techniques</u>

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.

<u>Significant Unobservable Inputs</u>

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

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, AFS investments, accounts and other payables, due to/from related parties, loans payable and derivative liabilities.

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

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

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

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit Risk

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

Financial assets comprise cash and cash equivalents, short-term investments, receivables, due from related parties and AFS investments. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

Maximum exposure to credit risk after taking into account collateral held or other credit enhancements

As of December 31, 2017 and 2016, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium and residential units collateral is greater than the carrying value of the installment contracts receivable.

a. Credit quality per class of financial assets

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 120 days past due.

The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2017						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents* (Note 4)	₱20,117	₱–	₱–	₱20,117	₱–	₱–	₱20,117
Short-term investments (Note 4)	1,666	–	–	1,666	–	–	1,666
Receivables (Note 5)							
Installment contracts receivable	14,539	1,308	435	16,282	535	8	16,825
Trade receivables	7,002	–	1	7,003	2,458	4	9,465
Loans receivable	962	–	–	962	–	–	962
Nontrade receivables	500	95	31	626	67	5	698
Accrued rent and commission income	315	1	–	316	4	27	347
Management fee receivables	246	–	–	246	–	–	246
Accrued interest receivable	49	–	–	49	–	–	49
Others	487	–	–	487	40	6	533
Due from related parties (Note 27)	166	–	–	166	–	–	166
	₱46,049	₱1,404	₱467	₱47,920	₱3,104	₱50	₱51,074

**Excludes cash on hand amounting to ₱37.88 million.*

	December 31, 2016						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents* (Note 4)	₱20,926	₱–	₱–	₱20,926	₱–	₱–	₱20,926
Short-term investments (Note 4)	1,598	–	–	1,598	–	–	1,598
Receivables (Note 5)							
Installment contracts receivable	16,184	1,783	465	18,432	860	1	19,293
Trade receivables	6,321	51	96	6,468	1,563	–	8,031
Loans receivable	643	–	–	643	–	–	643
Nontrade receivables	207	108	44	359	27	13	399
Accrued rent and commission income	318	15	2	335	17	26	378
Management fee receivables	182	–	–	182	–	–	182
Accrued interest receivable	152	–	–	152	–	–	152
Dividends receivable	5	–	–	5	–	–	5
Others	813	–	–	813	64	1	878
Due from related parties (Note 27)	80	–	–	80	–	–	80
	₱47,429	₱1,957	₱607	₱49,993	₱2,531	₱41	₱52,565

**Excludes cash on hand amounting to ₱28.03 million.*

As of December 31, 2017 and 2016, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows :

	December 31, 2017								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired							
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	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*

	Neither Past Due nor Individually Impaired	December 31, 2016 Past Due but not Individually Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Cash and cash equivalents* (Note 4)	₱20,926	₱–	–	₱–	₱–	₱–	₱–	₱–	₱20,926
Short-term investments (Note 4)	1,598	–	–	–	–	–	–	–	1,598
Receivables (Note 5)									
Installment contracts receivable	18,432	259	253	131	50	167	860	1	19,293
Trade receivable	6,468	514	518	232	226	73	1,563	–	8,031
Loans receivable	643	–	–	–	–	–	–	–	643
Non-trade receivable	359	6	9	4	7	1	27	13	399
Accrued rent and commission income	335	1	–	16	–	–	17	26	378
Management fee receivables	182	–	–	–	–	–	–	–	182
Accrued interest receivable	152	–	–	–	–	–	–	–	152
Dividend receivable	5	–	–	–	–	–	–	–	5
Others	813	14	3	3	3	41	64	1	878
Due from related parties (Note 27)	80	–	–	–	–	–	–	–	80
	₱49,993	₱794	₱783	₱386	₱286	₱282	₱2,531	₱41	₱52,565

**Excludes cash on hand amounting to ₱28.03 million*

Liquidity risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2017			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	₱20,117	₱–	₱–	₱20,117
Short-term investments (Note 4)	1,666	–	–	1,666
Receivables (Note 5)				
Installment contracts receivables	15,929	7,875	587	24,391
Trade receivables	9,465	–	–	9,465
Loans receivable	159	1,161	–	1,320
Nontrade receivable	698	–	–	698
Accrued rent and commissions income	347	–	–	347
Management fee receivables	246	–	–	246
Accrued interest receivable	49	–	–	49
Others	533	–	–	533
Due from related parties	166	–	–	166
Total undiscounted financial assets	₱49,375	₱9,036	₱587	₱58,998
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	₱14,289	₱–	₱–	₱14,289
Accrued expenses	4,080	–	–	4,080
Retentions payable	671	917	–	1,588
Telegraphic transfers and drafts and acceptances payable	1,152	–	–	1,152
Accrued commissions	1,037	–	–	1,037
Accrued interest payable	365	–	–	365
Royalty payable	344	–	–	344
Nontrade payables**	210	–	–	210
Due to landowners	50	–	–	50
Others	1,396	–	–	1,396
Dividends payable	589	–	–	589
Loans payable (Note 16)	11,603	23,077	52,394	87,074
Bonds payable (Note 17)	1,126	15,058	10,510	26,694
Due to related parties	189	–	–	189
Liabilities on purchased properties (Note 20)	750	2,748	875	4,373
Derivative liabilities (Note 21)	47	–	–	47
Total undiscounted financial liabilities	₱37,898	₱41,800	₱63,779	₱143,477
Liquidity Gap	₱11,477	(₱32,764)	(₱63,192)	(₱84,479)

**Excludes cash on hand amounting to ₱37.88 million.*
***Pertains to payable to building contractors amounting to ₱210.00 million.*

	December 31, 2016			
	< 1 year	> 1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents* (Note 4)	₱20,926	₱–	₱–	₱20,926
Short-term investments (Note 4)	1,598	–	–	1,598
Receivables (Note 5)		–	–	
Installment contracts receivables	14,476	10,866	1,487	26,829
Trade receivables	8,031	–	–	8,031
Loans receivable	110	89	727	926
Nontrade receivable	399	–	–	399
Accrued rent and commissions income	378	–	–	378
Accrued interest receivable	152	–	–	152
Management fee receivables	182	–	–	182
Others	883	–	–	883
Due from related parties	80	–	–	80
Total undiscounted financial assets	₱47,215	₱10,955	₱2,214	₱60,384
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	₱5,119	₱–	₱–	₱5,119
Telegraphic transfers and drafts and acceptances payable	6,903	–	–	6,903
Accrued expenses	3,352	–	–	3,352
Retentions payable	281	805	–	1,086
Accrued commissions	759	–	–	759
Accrued interest payable	487	–	–	487
Due to landowners	483	–	–	483
Nontrade payables	329	–	–	329
Royalty payable	312	–	–	312
Others	399	–	–	399
Dividends payable	589	–	–	589
Loans payable (Note 16)	11,270	25,552	46,517	83,339
Bonds payable (Note 17)	1,126	15,681	11,064	27,871
Due to related parties	195	–	–	195
Liabilities on purchased properties (Note 20)	231	873	1,478	2,582
Total undiscounted financial liabilities	₱31,835	₱42,911	₱59,059	₱133,805
Liquidity Gap	₱15,380	(₱31,956)	(₱56,845)	(₱73,421)

**Excludes cash on hand amounting to ₱28.03 million.*

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents and short-term investments. Cash and cash equivalents denominated in foreign currency amounted to US\$142.63 million and JP¥15.62 million as of December 31, 2017 and US\$0.31 million and JP¥22.90 million as of December 31, 2016. Short-term investments denominated in foreign currency amounted to US\$32.21 million and JP¥120.00 million as of December 31, 2017 and US\$30.82 million and JP¥100.00 million as of December 31, 2016. Receivables denominated in foreign currency amounted to US\$0.46 million and US\$13.96 million as of December 31, 2017 and December 31, 2016, respectively. Accounts and other payables denominated in foreign currency amounted to US\$179.85 million and JP¥14.27 million as of December 31, 2017 and US\$138.38 million and JP¥53.19 million as of December 31, 2016. Loans payables denominated in foreign currency amounted to US\$59.68 million as of December 31, 2017.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱49.92 to US\$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.44 to JP¥1.00 as at December 31, 2017 and ₱49.77 to US\$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.43 to JP¥1.00 as at December 31, 2016.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2017 and 2016. There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

	Currency	Change in Variable	Increase (Decrease) in Income Before Tax
2017	**US$**	**₱1.74**	**(₱78)**
		(1.74)	**78**
	JP¥	**0.0002**	**–**
		(0.0002)	**–**
2016	US$	₱1.79	(₱117)
		(1.79)	117
	JP¥	0.0003	–
		(0.0003)	–
2015	US$	₱1.96	(₱137)
		(1.96)	137
	JP¥	0.0011	–
		(0.0011)	–

The Group determined the reasonably possible change in foreign exchange rate by using the absolute average change in peso-U.S. dollar and peso-JPY exchange rate for the past three (3) years.

Interest rate risk
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax (through the impact on floating rate borrowings).

	Increase (decrease) in income before tax		
Reasonably Possible Changes in Interest Rates	**2017**	2016	2015
100 basis points (bps)	**₱–**	₱–	(₱115)
100 bps	**–**	–	115

As of December 31, 2017 and 2016, the Group has no financial instruments subject to floating interest rates.

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits.

Equity price risk
Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2017	**Increase by 24.73%**	**₱373**
	Decrease by 24.73%	**(373)**
2016	Increase by 28.85%	₱248
	Decrease by 28.85%	(248)
2015	Increase by 14.45%	₱278
	Decrease by 14.45%	(278)

34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share from continuing operations attributable to equity holders of the Parent Company for the years ended December 31, 2017, 2016 and 2015 were computed as follows (amounts in million, except earnings per share):

	2017	2016	2015
Net income attributable to equity holders of the Parent Company from continuing operations	**₱14,182**	₱10,631	₱10,396
Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(590)**	(105)	–
	13,592	10,526	10,396
Weighted average number of shares	**187**	174	174
	₱72.76	₱60.39	₱59.64

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2017, 2016 and 2015 were computed as follows:

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	**₱14,182**	₱14,634	₱12,115
Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	**(590)**	(105)	–
	13,592	14,529	12,115
Weighted average number of shares	**187**	174	174
	₱72.76	₱83.35	₱69.51

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

35. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has the following reportable segments:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry and financing institution;
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;
- Infrastructure is engaged in the water distribution, toll operation, power sector, hospitals and rail;
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments); and
- Power is engaged mainly in the generation and distribution of electricity and was disposed in 2016.

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Segment Assets

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

Segment Liabilities

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

The following tables present the financial information of the operating segments of the Group as of and for the years ended December 31, 2017, 2016 and 2015:

	December 31, 2017					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱14,092	₱–	₱211,692	₱–	₱–	₱225,784
Other income	2,169	–	1,068	–	6	3,243
Equity in net income of associates and joint venture	160	6,979	–	1,560	–	8,699
	16,421	6,979	212,760	1,560	6	237,726
Cost of goods and services sold	555	–	147,158	–	–	147,713
Cost of goods manufactured and sold	–	–	39,635	–	–	39,635
Cost of rental	360	–	–	–	–	360
Cost of real estate sales	10,035	–	–	–	–	10,035
General and administrative expenses	4,369	–	8,262	–	268	12,899
	15,319	–	195,055	–	268	210,642
Earnings before interest and taxes	1,102	6,979	17,705	1,560	(262)	27,084
Depreciation and amortization	476	–	1,283	–	6	1,765
EBITDA	1,578	6,979	18,988	1,560	(256)	28,849
Interest income	1,742	–	320	–	23	2,085
Interest expense	(595)	–	(189)	–	(2,610)	(3,394)
Depreciation and amortization	(476)	–	(1,283)	–	(6)	(1,765)
Pretax income	2,249	6,979	17,836	1,560	(2,849)	25,775
Provision for income tax	(544)	–	(3,975)	–	(5)	(4,524)
Net income	₱1,705	₱6,979	₱13,861	₱1,560	(₱2,854)	₱21,251
Segment assets	₱125,480	₱85,771	₱61,835	₱32,365	₱2,240	₱307,691
Segment liabilities	₱57,244	₱–	₱29,178	₱–	₱47,578	₱134,000

	December 31, 2016						
	Real Estate	Financial Institution	Automotive Operations	Power	Infrastructure	Others	Total
Revenue	₱12,438	₱–	₱177,709	₱–	₱–	₱–	₱190,147
Other income	2,372	–	887	–	–	90	3,349
Equity in net income of associates and joint venture	240	5,001	9	–	1,116	–	6,366
	15,050	5,001	178,605	–	1,116	90	199,862
Cost of goods and services sold	499	–	121,561	–	–	–	122,060
Cost of goods manufactured and sold	–	–	33,792	–	–	–	33,792
Cost of rental	326	–	–	–	–	–	326
Cost of real estate sales	7,586	–	–	–	–	–	7,586
General and administrative expenses	4,515	–	7,140	–	–	1,182	12,837
	12,926	–	162,493	–	–	1,182	176,601
Earnings before interest and taxes	2,124	5,001	16,112	–	1,116	(1,092)	23,261
Depreciation and amortization	373	–	1,245	–	–	6	1,624
EBITDA	2,497	5,001	17,357	–	1,116	(1,086)	24,885
Interest income	1,743	–	337	–	–	182	2,262
Interest expense	(433)	–	(159)	–	–	(2,734)	(3,326)
Depreciation and amortization	(373)	–	(1,245)	–	–	(6)	(1,624)
Pretax income	3,434	5,001	16,290	–	1,116	(3,644)	22,197
Provision for income tax	(669)	6	(3,909)	–	–	(14)	(4,586)
Net income	₱2,765	₱5,007	₱12,381	₱–	₱1,116	(₱3,658)	₱17,611
Net income from discontinued operations	₱–	₱87	₱–	₱4,829	₱–	₱–	₱4,916
Segment assets	₱113,472	₱55,921	₱49,052	₱858	₱31,353	₱14,790	₱265,446
Segment liabilities	₱47,555	₱–	₱22,032	₱–	₱–	₱54,621	₱124,208

	December 31, 2015					
	Real Estate	Financial Institution	Automotive Operations	Power	Others	Total
Revenue	₱9,000	₱–	₱120,802	₱–	₱–	₱129,802
Other income	2,339	–	401	–	1	2,741
Equity in net income of associates and joint venture	438	5,095	83	–	–	5,616
	11,777	5,095	121,286	–	1	138,159
Cost of goods and services sold	481	–	74,460	–	–	74,941
Cost of goods manufactured and sold	–	–	27,838	–	–	27,838
Cost of rental	272	–	–	–	–	272
Cost of real estate sales	6,512	–	–	–	–	6,512
General and administrative expenses	2,296	–	4,997	–	189	7,482
	9,561	–	107,295	–	189	117,045
Earnings before interest and taxes	2,216	5,095	13,991	–	(188)	21,114
Depreciation and amortization	250	–	880	–	5	1,135
EBITDA	2,466	5,095	14,871	–	(183)	22,249
Interest income	1,477	–	279	–	34	1,790
Interest expense	(242)	1	(119)	–	(1,804)	(2,164)
Depreciation and amortization	(250)	–	(880)	–	(5)	(1,135)
Pretax income	3,451	5,096	14,151	–	(1,958)	20,740
Provision for income tax	(497)	–	(3,771)	–	(31)	(4,299)
Net income	₱2,954	₱5,096	₱10,380	₱–	(₱1,989)	₱16,441
Net income from discontinued operations	₱–	₱50	₱–	4,450	₱–	₱4,500
Segment assets	₱111,881	₱62,573	₱43,746	₱76,561	₱9,605	₱304,366
Segment liabilities	₱51,732	₱6,444	₱18,421	₱42,531	₱48,706	₱167,834

Geographical Information
The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2017	2016	2015
Domestic	**₱231,855**	₱194,229	₱130,522
Foreign	**7,956**	7,895	9,427
	₱239,811	₱202,124	₱139,949

36. Contingencies

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

In order to partially guarantee the completion of Fed Land's ongoing projects and in the ordinary course of the Group's business, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱2.01 billion and ₱1.39 billion as of December 31, 2017 and 2016, respectively.

37. Events after the Reporting Date

On January 29, 2018, the Parent Company paid the quarterly cash dividends amounting to ₱56.01 million or ₱11.57475 per share in favor of GT Capital's perpetual preferred series A stockholders as of record date January 3, 2018.

On January 29, 2018, the Parent Company paid the quarterly cash dividends amounting to ₱91.21 million or ₱12.73725 per share in favor of GT Capital's perpetual preferred series B stockholders as of record date January 3, 2018.

On March 16, 2018, the BOD of the Parent Company approved the declaration of a regular cash dividend amounting to ₱577.79 million or Three Pesos (₱3.00) per share in favor of GT Capital's common stockholders of record as of April 4, 2018, payable on or before April 13, 2018.

On March 16, 2018, the BOD of the Parent Company approved the declaration of a regular cash dividend in favor of its Voting Preferred stockholders at a dividend rate of 3.77%, the three (3)-year PDST-R2 rate on issue date (April 13, 2015), with record date on April 4, 2018 and payment date on April 13, 2018.

On March 16, 2018, the BOD of the Parent Company approved the declaration of a 3.5% stock dividend in favor of GT Capital's stockholders of common stock, subject to shareholder's approval.

38. Consolidated Statements of Cash Flows

Below are the noncash operating, investing and financing transactions of the Group:

	2017	2016	2015
Transfers between investment property and inventories (Note 6)	**₱2,775**	₱3,378	₱98
Transfer between inventories and land held for future development (Note 6)	**(515)**	265	29
Borrowing cost capitalized to inventories (Note 6)	**1,408**	1,575	990
Fair value of previously held interest	–	969	–
Gain on asset swap	–	–	337
Reclassification during the year:			
Prepayments and other current assets	**998**	–	–
Land held for future development	**(1,416)**	–	–
Investment properties	**(561)**	–	–
Property and equipment	**561**	–	–
Accounts and other payables	**418**	–	–
Fair value of net assets acquired from business combinations (Note 31):			
Assets			
Cash and cash equivalents	**1**	177	338
Short-term investments	–	–	962
Receivables	**44**	906	13,078
Inventories	**321**	467	23,147
Due from related parties	–	–	337
Prepayments and other current assets	**67**	35	1,120
Available-for-sale investments	–	–	2
Property and equipment	–	1,290	715
Investment properties	**484**	–	–
Deferred tax assets	–	39	–
Intangible assets	–	22	13
Other noncurrent assets	**2**	–	–
Liabilities			
Accounts and other payables	**28**	526	2,871
Customer's deposits	–	32	676
Loans payable – current	**789**	810	13,139
Due to related parties	**30**	–	–
Other current liabilities	–	18	125
Income tax payable	–	22	–
Loans payable – Noncurrent	–	–	110
Deferred tax liabilities on fair value increment	**94**	198	7,313
Pension liabilities	–	67	110
Other noncurrent liabilities	**6**	–	–
Net assets deconsolidated due to sale of subsidiary (Note 12)			
Assets			
Cash and cash equivalents	–	13,136	–
Short-term investments	–	300	–
Receivables	–	3,591	–
Inventories	–	1,523	–
Prepayments and other current assets	–	1,988	–
Available-for-sale securities	–	674	–
Property and equipment	–	47,117	–
Goodwill and intangible assets	–	7,105	–
Deferred tax assets	–	463	–
Other noncurrent assets	–	237	–

(Forward)

	2017	2016	2015
Liabilities			
Accounts and other payables	–	5,200	–
Customer's deposits	–	1	–
Income tax payable	–	3	–
Other current liabilities	–	74	–
Pension liabilities	–	675	–
Long-term debt	–	37,200	–
Deferred tax liabilities	–	970	–
Other noncurrent liabilities	–	251	–

The following are the changes in liabilities in 2017 arising from financing activities including both cash and non-cash changes:

	Balance at beginning of year	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	Balance at end of year
Short-term debt (Note 16)	₱6,697	₱31,549	(₱33,002)	₱–	₱–	₱–	₱789	₱6,033
Current portion of long-term debt (Note 16)	1,581	–	(4,995)	–	–	–	5,881	2,467
Long-term debt – net of current portion (Note 16)	56,475	6,805	(400)	(20)	–	42	(5,881)	57,021
Bonds payable (Note 17)	21,848	–	–	–	–	29	–	21,877
Current portion of liabilities on purchased properties (Notes 20 and 27)	166	250	(166)	–	–	–	332	582
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	1,993	1,479	–	–	12	–	(332)	3,152
	₱88,760	₱40,083	(₱38,563)	(₱20)	₱12	₱71	₱789	₱91,132

* *Others include effect of business combination and reclassification from noncurrent to current portion.*

39. Approval for the Release of the Financial Statements

The accompanying financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on March 16, 2018.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 included in this Form 17-A and have issued our report thereon dated March 16, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the 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.

Vicky Lee Salas

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

March 16, 2018

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

GT CAPITAL HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Millions)

Unappropriated Retained Earnings, as previously reported, beginning		₱2,983
Add: Adjustment in previous year's reconciliation		83
Unappropriated Retained Earnings, as adjusted, beginning		3,066
Add: Net income actually earned during the period		
Net income during the period closed to Retained earnings		5,257
Subtotal		8,323
Add (Less):		
Appropriations during the period	(19,000)	
Reversal of appropriation upon completion of the expansion and acquisition	14,900	
Dividend declaration during the period	(1,461)	(5,561)
Unappropriated Retained Earnings, as adjusted, ending		₱2,762

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS

FOR THE YEAR ENDED DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate		✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters		✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters		✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters		✓	
	Amendments to PFRS 1: Government Loans		✓	
	Amendments to PFRS 1: Borrowing Costs	✓		
	Amendments to PFRS 1 – Deletion of short-term exemptions for first-time adopters		✓	
	Amendments to PFRS 1: Meaning of Effective PFRSs	✓		
PFRS 2	Share-based Payment		✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations		✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions		✓	
	Amendments to PFRS 2: Definition of Vesting Condition		✓	
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements		✓	
PFRS 4	Insurance Contracts		✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee 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		✓	
	Amendments to PFRS 5: Changes in methods of disposal		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Applicable	Not Early Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources		✓	
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Additional Hedge Accounting Disclosures (and consequential amendments) Resulting From the Introduction of the Hedge Accounting Chapter in PFRS 9			✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements		✓	
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments			✓
	Financial Instruments: Classification and Measurement of Financial Assets			✓
	Financial Instruments: Classification and Measurement of Financial Liabilities			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9			✓
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition			✓
	Amendments to PFRS 9, Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Applicable	Not Early Adopted
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PFRS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception		✓	
PFRS 14	Regulatory Deferral Accounts		✓	
PFRS 15	Revenue from Contracts with Customers			✓
	Amendments to PFRS 15: Clarifications to PFRS 15			✓
PFRS 16	Leases			✓
PFRS 17	Insurance Contracts		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Applicable	Not Early Adopted
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation		✓	
	Amendments to PAS 16 and PAS 8 Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		✓	
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 19 (Amended)	Employee Benefits			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance		✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation		✓	
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Applicable	Not Early Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓	
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
	Amendments to PFRS 10 and PFRS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies		✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation		✓	
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting		✓	
	Amendments to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'		✓	
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation		✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions		✓	
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Applicable	Not Early Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives		✓	
	Amendments to PAS 39: Eligible Hedged Items		✓	
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		✓	
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner–Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture		✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants		✓	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities		✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments		✓	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds		✓	
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment		✓	
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies		✓	
IFRIC 9	Reassessment of Embedded Derivatives		✓	
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives		✓	
IFRIC 10	Interim Financial Reporting and Impairment		✓	
IFRIC 12	Service Concession Arrangements		✓	
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation		✓	
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		✓	
IFRIC 21	Levies		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2017**		**Adopted**	**Not Applicable**	**Not Early Adopted**
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro		✓	
SIC-10	Government Assistance – No Specific Relation to Operating Activities		✓	
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders		✓	
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.		✓	
SIC-31	Revenue – Barter Transactions Involving Advertising Services		✓	
SIC-32	Intangible Assets – Web Site Costs		✓	

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
FOR THE YEAR ENDED DECEMBER 31, 2017
(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
Equity securities				
Quoted	Various	₱2,233	₱2,233	₱13
Unquoted	Various	481	481	–

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
J.E. Trinidad	Assistant Vice President	₱1	₱–	₱–	₱–	₱1	₱–	₱1
R.G. Oña	Rank & File / Supervisor	–	1	–	–	–	1	1
M.L. Gopez	Officer	–	1	–	–	–	1	1
G.H. Dacillo	Officer	–	1	–	–	–	1	1
J.E. Sobrevega	Officer	1	–	–	–	–	1	1
I.E. Claudio	Officer	–	1	–	–	–	1	1
R.B. De Grano	Officer	1	–	–	–	–	1	1
M.N. Arevalo	Officer	1	–	–	–	–	1	1
N.O. Manglo	Officer	1	–	–	–	–	1	1
M.W. Guieb	Rank & File / Supervisor	–	1	–	–	–	1	1
C.M. Gutierrez	Rank & File / Supervisor	1	–	–	–	–	1	1
R.B. Dugang	Officer	–	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
O.L. Cuenca	Officer	1	–	–	–	–	1	1
A.S. Bonifacio	Officer	–	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
G.G. Deangkinay	Officer	–	1	–	–	–	1	1
L.Y. Fernandez	Rank & File / Supervisor	–	1	–	–	–	1	1
V.P. Constantino Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
M.M. Tañola 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
C.M. Aberin Jr.	Rank & File / Supervisor	–	1	–	–	–	1	1
L.C. Jimenez	Officer	1	–	–	–	–	1	1
A.D. Cojuangco	Rank & File / Supervisor	1	–	–	–	–	1	1
R.T. Rodriguez	Officer	2	–	(1)	–	–	1	1
A.A. Oblea	Officer	–	1	–	–	–	1	1
J.S. De Leon	Officer	1	–	–	–	–	1	1
G.A. Javier	Rank & File / Supervisor	1	–	–	–	–	1	1
P.B. Amoroso	Rank & File / Supervisor	–	1	–	–	–	1	1
G.M. Arcangel Jr.	Officer	1	–	–	–	–	1	1
E.E. Embile	Rank & File / Supervisor	–	1	–	–	–	1	1
F.C. Escrimadora	Rank & File / Supervisor	–	1	–	–	–	1	1
F.M. Mercado 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. 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
R.M. Maunahan	Rank & File / Supervisor	–	1	–	–	–	1	1
B.C. Punzalan Jr.	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
A.T. Aldave Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
R.G. Jaspe	Rank & File / Supervisor	–	1	–	–	–	1	1
R.T. Namo	Rank & File / Supervisor	–	1	–	–	–	1	1
A.C. Prado	Rank & File / Supervisor	–	1	–	–	–	1	1
A.S. Zaide	Rank & File / Supervisor	1	–	–	–	–	1	1
L.F. Ternate	Rank & File / Supervisor	–	1	–	–	–	1	1
C.G. Sevilla	Rank & File / Supervisor	1	–	–	–	–	1	1
R.M. Lanip	Rank & File / Supervisor	1	–	–	–	–	1	1
A.L. Bautista	Rank & File / Supervisor	–	1	–	–	–	1	1
R.P. Habaña	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
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
A.M. Brecia	Rank & File / Supervisor	–	1	–	–	–	1	1
C.G. Malate	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
A.S. Mendoza	Rank & File / Supervisor	–	1	–	–	–	1	1
R.B. Fabula	Rank & File / Supervisor	–	1	–	–	–	1	1
R.M. Simon	Rank & File / Supervisor	–	1	–	–	–	1	1
W.V. Gonzales	Officer	–	1	–	–	–	1	1
L.N. Scmbilon	Rank & File / Supervisor	–	1	–	–	–	1	1
J.L. Orteza	Officer	–	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
R.L. O Coner	Rank & File / Supervisor	1	–	–	–	–	1	1
J.E. Erfe	Rank & File / Supervisor	–	1	–	–	–	1	1
K.C. Escober	Rank & File / Supervisor	–	1	–	–	–	1	1
J.P. Almario	Rank & File / Supervisor	–	1	–	–	–	1	1
N.C. Espiritu	Rank & File / Supervisor	–	1	–	–	–	1	1
J.L. Agustin	Rank & File / Supervisor	–	1	–	–	–	1	1
S.R. Lopez	Rank & File / Supervisor	–	1	–	–	–	1	1
N.M. Agao	Rank & File / Supervisor	–	1	–	–	–	1	1
N.S. Francisco	Rank & File / Supervisor	–	1	–	–	–	1	1
J.A. Aligada	Officer	1	–	–	–	–	1	1
R.R. Gutierrez	Officer	1	–	–	–	–	1	1
D.R. Escuro	Officer	1	1	–	–	–	2	2
L.T. Gilbuena	Officer	2	–	(1)	–	–	1	1
I.C. Sincioco	Officer	–	1	–	–	–	1	1
M.T. Esplana	Officer	–	1	–	–	–	1	1
E.M. Albina	Rank & File / Supervisor	–	1	–	–	–	1	1
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

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.B. Bautista	Officer	–	1	–	–	–	1	1
E.M. Claro	Rank & File / Supervisor	–	1	–	–	–	1	1
J.G. Jimenez	Rank & File / Supervisor	–	1	–	–	–	1	1
M.M. Faustino	Rank & File / Supervisor	–	1	–	–	–	1	1
A.P. Herrera	Rank & File / Supervisor	–	1	–	–	–	1	1
R.M. Gregorio	Officer	1	–	–	–	1	–	1
J.C. Villanueva	Officer	1	1	–	–	–	2	2
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.E. Gutierrez	Rank & File / Supervisor	–	1	–	–	–	1	1
J.T. Gutierrez	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
F.S. Ocampo	Rank & File / Supervisor	–	1	–	–	–	1	1
R.V. Cabatcan	Rank & File / Supervisor	1	–	–	–	–	1	1
S.T. Chua-Lim	Officer	1	–	–	–	–	1	1
D.C. Cruz	Officer	–	1	–	–	–	1	1
J.M. Gecolea	Rank & File / Supervisor	–	1	–	–	–	1	1
D.R. Villacorta	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
N.O. Bravante	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
A.A. Marcellana	Rank & File / Supervisor	–	1	–	–	–	1	1
A.Z. Untalan	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
E.D. Lucio	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
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
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
F.C. Garcia	Rank & File / Supervisor	–	1	–	–	–	1	1
I.E. Borsigue	Rank & File / Supervisor	–	1	–	–	–	1	1
D.C. Rosales	Rank & File / Supervisor	–	1	–	–	–	1	1
J.R. Santos	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
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
R.R. De Guzman	Rank & File / Supervisor	–	1	–	–	–	1	1
F.A. Pagaspas	Rank & File / Supervisor	1	–	–	–	–	1	1
C.J. Completo	Officer	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
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
C.V. Aldea	Rank & File / Supervisor	–	1	–	–	–	1	1
M.A. Calderon	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
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
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
A.S. Paguio Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
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
R.D. Miranda	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
D.M. Cabantog	Rank & File / Supervisor	1	–	–	–	–	1	1
F.B. Cosino	Rank & File / Supervisor	1	–	–	–	–	1	1
N.C. Abang	Rank & File / Supervisor	–	1	–	–	–	1	1
I.B. Del Mundo	Rank & File / Supervisor	1	–	–	–	–	1	1
R.B. Cube	Rank & File / Supervisor	1	–	–	–	–	1	1
F.D. Lescano Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
F.A. Macatangay	Rank & File / Supervisor	–	1	–	–	–	1	1
A.A. Ercillo	Rank & File / Supervisor	1	–	–	–	–	1	1
M.J. Vicente	Rank & File / Supervisor	1	–	–	–	–	1	1
G.S. Espinosa	Officer	1	–	–	–	–	1	1
E.T. Lambio	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
A.B. Divinagracia	Rank & File / Supervisor	–	1	–	–	–	1	1
A.G. Go	Rank & File / Supervisor	–	2	–	–	–	2	2
G.T. Laural	Rank & File / Supervisor	–	1	–	–	–	1	1
D.A. Lagman	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
V.E. Dionela Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
G.V. Lemon	Rank & File / Supervisor	1	–	–	–	–	1	1
J.C. Mandras	Rank & File / Supervisor	–	1	–	–	–	1	1
M.B. Ancheta	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
F.M. Aspuria	Rank & File / Supervisor	–	1	–	–	–	1	1
E.C. Anido	Rank & File / Supervisor	–	1	–	–	–	1	1
R.D. Barrinuevo	Rank & File / Supervisor	1	–	–	–	–	1	1
W.L. Duena Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
L.C. Capidos	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.N. Alcantara Jr.	Rank & File / Supervisor	1	–	–	–	–	1	1
D.M. Natividad	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
A.A. Palomares	Rank & File / Supervisor	1	–	–	–	–	1	1
A.A. Andallo	Rank & File / Supervisor	–	1	–	–	–	1	1
D.L. Samson	Rank & File / Supervisor	–	1	–	–	–	1	1
O.A. Del Valle	Rank & File / Supervisor	–	1	–	–	–	1	1
J.V. Orcajada	Rank & File / Supervisor	–	1	–	–	–	1	1
B.P. Oclarino	Rank & File / Supervisor	–	1	–	–	–	1	1
B.Z. Villaroman III	Rank & File / Supervisor	–	1	–	–	–	1	1
R.J. Cordero	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
H.H. Hara	Rank & File / Supervisor	–	1	–	–	–	1	1
		₱79	₱174	(₱2)	–	₱2	₱249	₱251

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	Eliminations	GT Capital Balance
Topsphere Realty Development Co. Inc.	Subsidiary of Federal Land, Inc.	₱–	₱835	₱835	₱–	835	(835)	–
Omni Orient Management Corp.	-do-	4	–	4	–	4	(4)	–
Central Realty & Dev't Corp.	-do-	348	(20)	328	–	328	(328)	–
Horizon Land Property Development Corp.	-do-	2,684	(317)	2,367	–	2,367	(2,367)	–
Micara Land Inc.	Subsidiary of Property Company of Friends, Inc.	860	68	928	–	928	(928)	–
Firm Builders Realty Development Corporation	-do-	145	19	164	–	164	(164)	–
Marcan Development Corporation	-do-	–	1	1	–	1	(1)	–
Williamton Holdings Inc.	-do-	–	(173)	(173)	–	(173)	173	–
Toyota San Fernando Pampanga, Inc.	Subsidiary of Toyota Motor Philippines Corp.	155	(75)	80	–	80	(80)	–
Toyota Makati, Inc.	-do-	93	98	191	–	191	(191)	–
Lexus Manila, Inc.	-do-	–	1	1	–	1	(1)	–
Toyota Sta. Rosa Laguna Inc.	-do-	–	16	16	–	16	(16)	–
TMP Logistics, Inc.	-do-	18	(18)	–	–	–	–	–
		₱4,307	₱435	₱4,742	₱–	₱4,742	(₱4,742)	₱–

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	₱8,679	₱88	₱–	₱–	₱–	₱8,767
Customer relationship	3,883	–	–	–	–	3,883
Software cost and license - net	238	234	(124)	–	12	360
Franchise - net	2	–	–	–	–	2
	₱12,802	₱322	(₱124)	₱–	₱12	₱13,012

**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	₱–	₱3,886	Interest rate of 4.8371% and will mature on February 27, 2020
Bonds payable	6,100	–	6,062	Interest rate of 5.0937% and will mature on February 27, 2023
Bonds payable	3,000	–	2,988	Interest rate of 4.7106% and will mature on November 7, 2019
Bonds payable	5,000	–	4,971	Interest rate of 5.1965% and will mature on August 7, 2021
Bonds payable	4,000	–	3,970	Interest rate of 5.6250% and will mature on August 7, 2024
	22,000	–	21,877	
Note Facility Agreement	4,900	25	4,875	Annual payment of P25 million from 2014 to 2020, P5 million payable in years 2021 and 2022 P955 million payable on July 5, 2023
Loans payable	2,000	–	1,995	Interest rate of 2.08% and will mature on August 25, 2021
Loans payable	200	–	199	Interest rate of 2.6% and will be 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 2.90% and will mature in 2022
Loans payable	6,600	–	6,600	P2,000.00 million payable in full after 10 years from drawdown date with fixed interest rate of 5.84% per annum; P1,500.00 million payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; P2,000.00 million payable at 40% quarterly payment starting at the end of 5th year and 60% on maturity date with fixed interest rate of 5.67% per annum; P1,100.00 payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on maturity date 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 P176 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 P0.20 million starting on May 29, 2021 and fully payable on May 29, 2026
Loans payable	250	–	249	Interest rate of 5.25%, due in annual payment of P12.5 million starting on September, 2018 and fully payable on September, 2021
Loans payable	100	–	100	Interest rate of 5.725% and will mature on March 16, 2022
Loans payable	500	–	498	Interest rate of 5.9625% and will mature on November 4, 2022
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	1,500	–	1,095	Interest rates ranging from 4.85% to 5.94% and payable for a period of ten years
Loans payable	6,006	953	5,024	Interest rate of 6.0% and will mature in 2025 and 2016
Loans payable	4,500	1,489	2,965	Interest rate of 5.29% and will mature in 2018
Loans payable	7,000	–	6,973	Interest rate of 5.555% and will mature on March 26, 2025
Loans payable	6,000	–	5,977	Interest rate of 5.0500% and will mature on March 26, 2025
Loans payable	2,000	–	1,991	Interest rate of 5.8081% and will mature on December 4, 2027
Loans payable	4,000	–	3,983	Interest rate of 5.8075% and will mature on December 3, 2027
Loans payable	2,000	–	1,991	Interest rate of 5.9343% and will mature on December 22, 2028
Loans payable	4,000	–	3,983	Interest rate of 5.5556% and will mature on December 22, 2026
	60,097	2,467	57,021	
	₱82,097	₱2,467	₱78,898	

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.	₱1,500	₱1,500	
Metropolitan Bank & Trust Co.	–	3,000	Will be used as part of the working capital
Metropolitan Bank & Trust Co.	3,236	3,236	
Metropolitan Bank & Trust Co.	–	3,264	Will be used as part of the working capital
Toyota Autoparts Philippines, Inc.	79	79	

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				

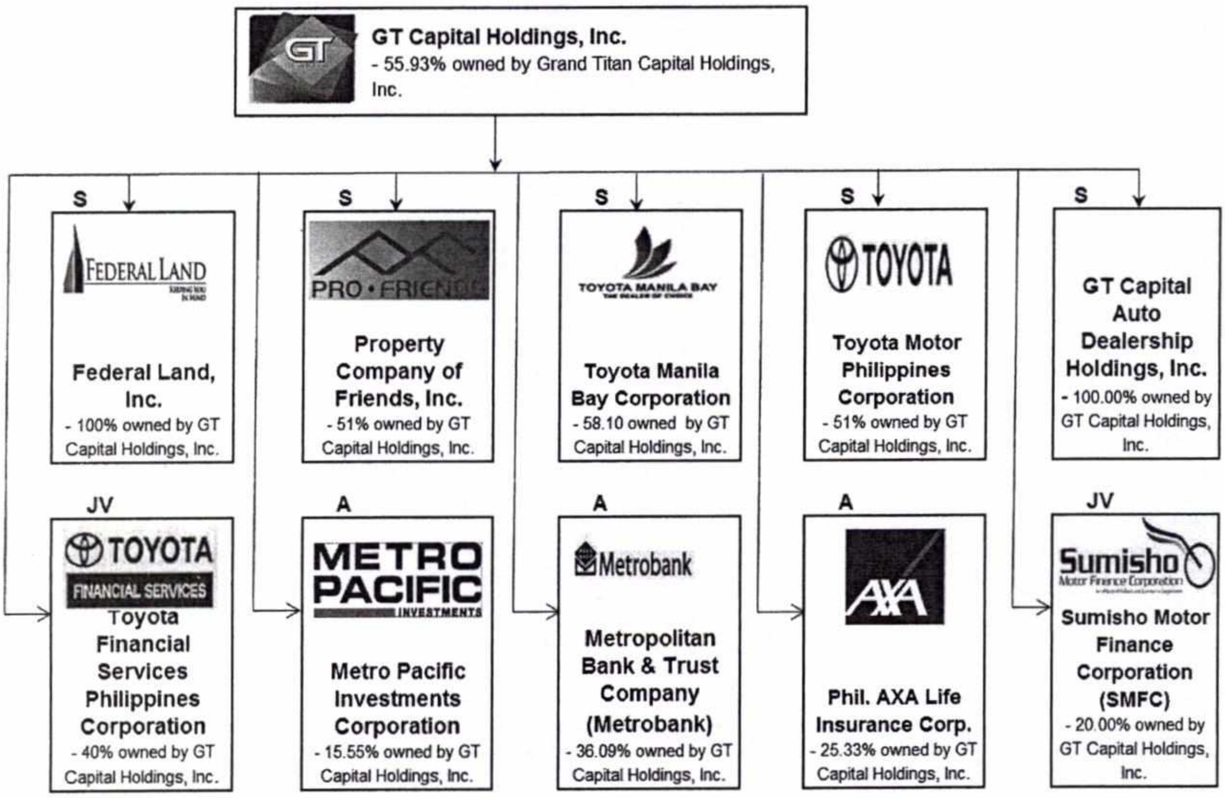
Schedule H. Capital Stock (in absolute amounts)

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	192,596,685	–	107,723,795	524,963	–
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, 2017

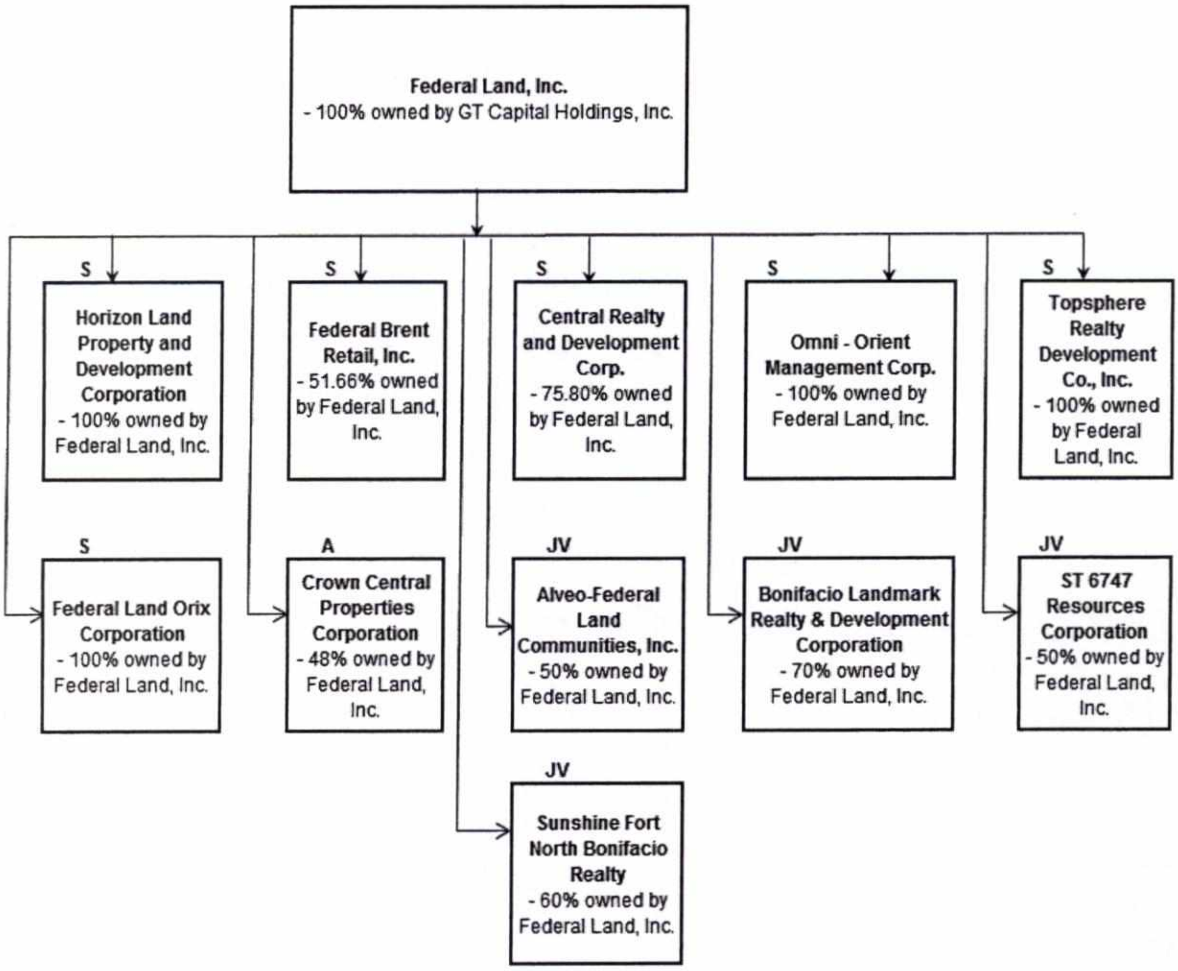


LEGEND:

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

FEDERAL LAND, INC.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE
AS OF DECEMBER 31, 2017

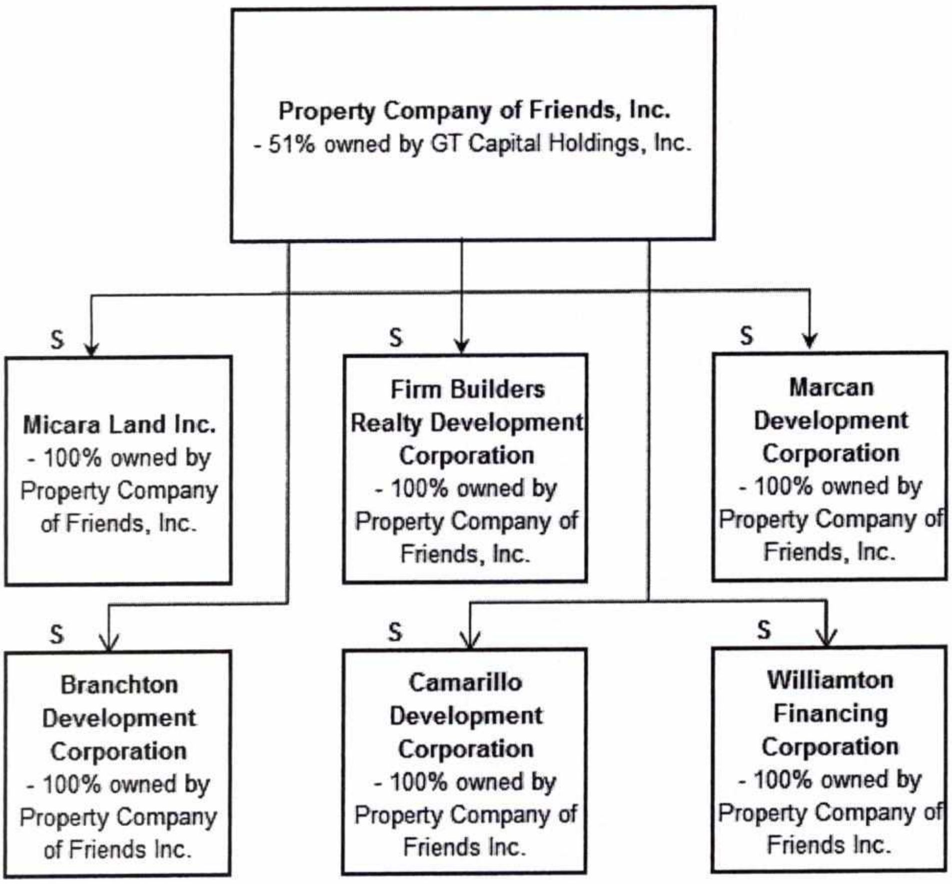


LEGEND:
Subsidiary (S)
Associate (A)
Joint Venture (JV)

PROPERTY COMPANY OF FRIENDS, INC.

SUBSIDIARIES

AS OF DECEMBER 31, 2017



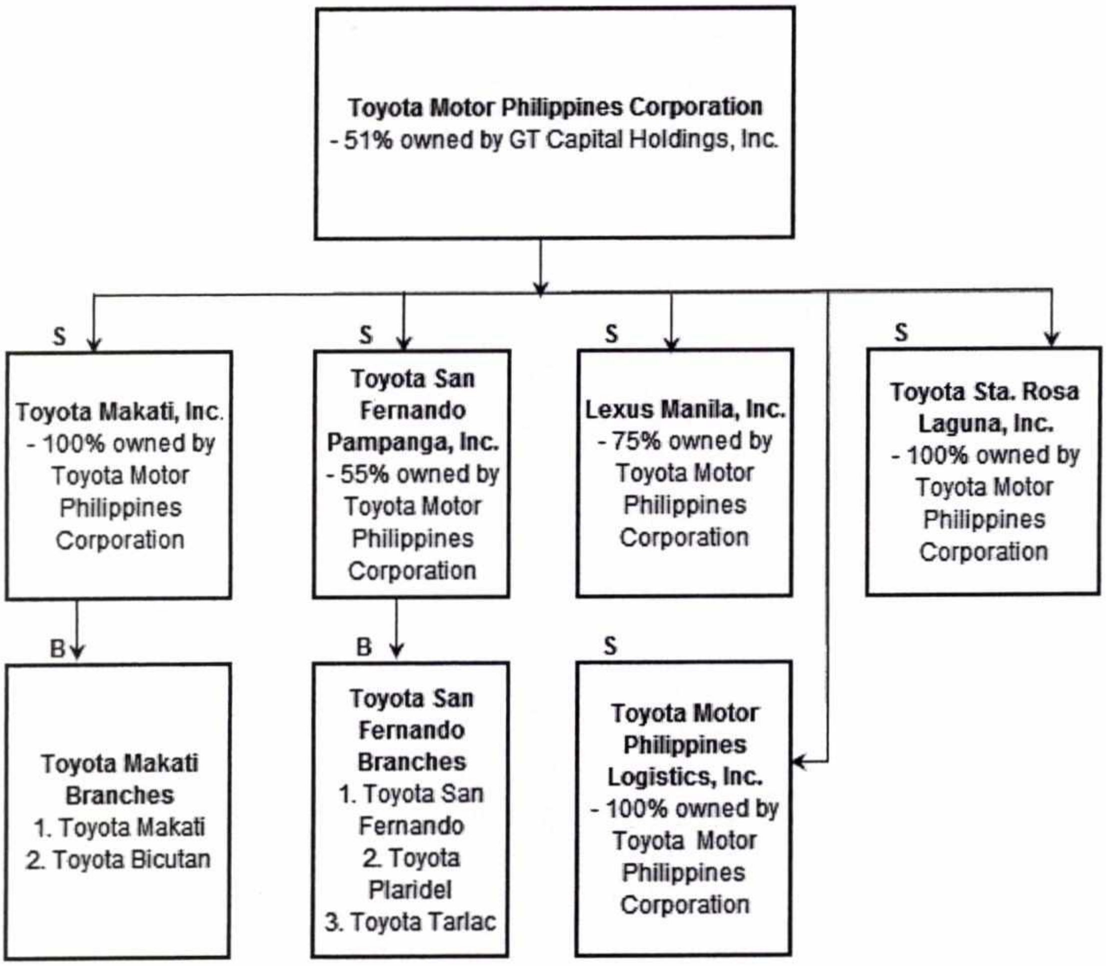
LEGEND:

Subsidiary (S)

TOYOTA MOTOR PHILIPPINES CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2017



LEGEND:

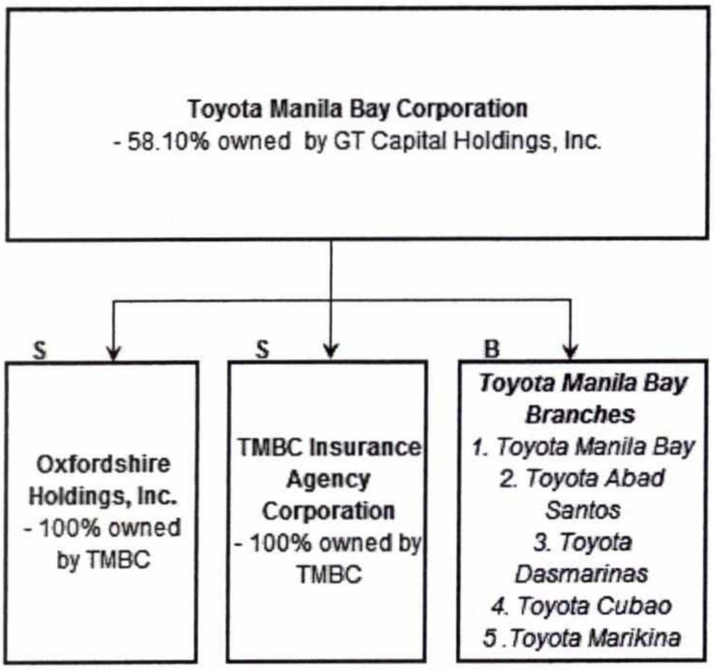
Subsidiary (S)

Branch (B)

TOYOTA MANILA BAY CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2017

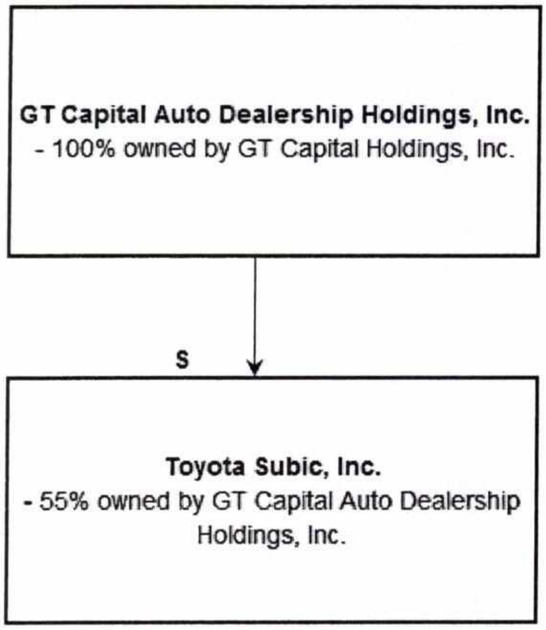


LEGEND:

Subsidiary (S)

Branch(B)

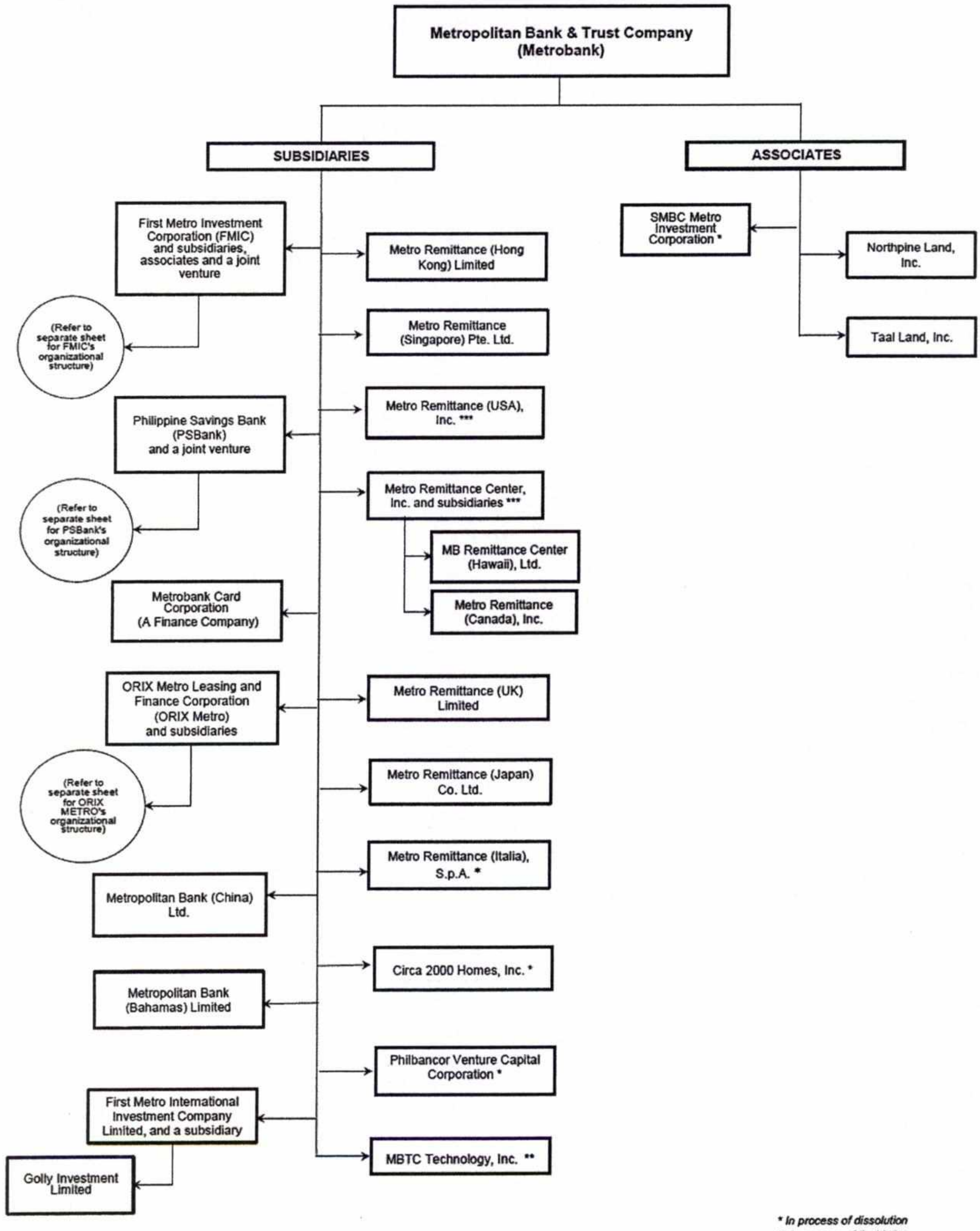
GT CAPITAL AUTO DEALERSHIP HOLDINGS, INC.
SUBSIDIARY
AS OF DECEMBER 31, 2017



LEGEND:
Subsidiary (S)

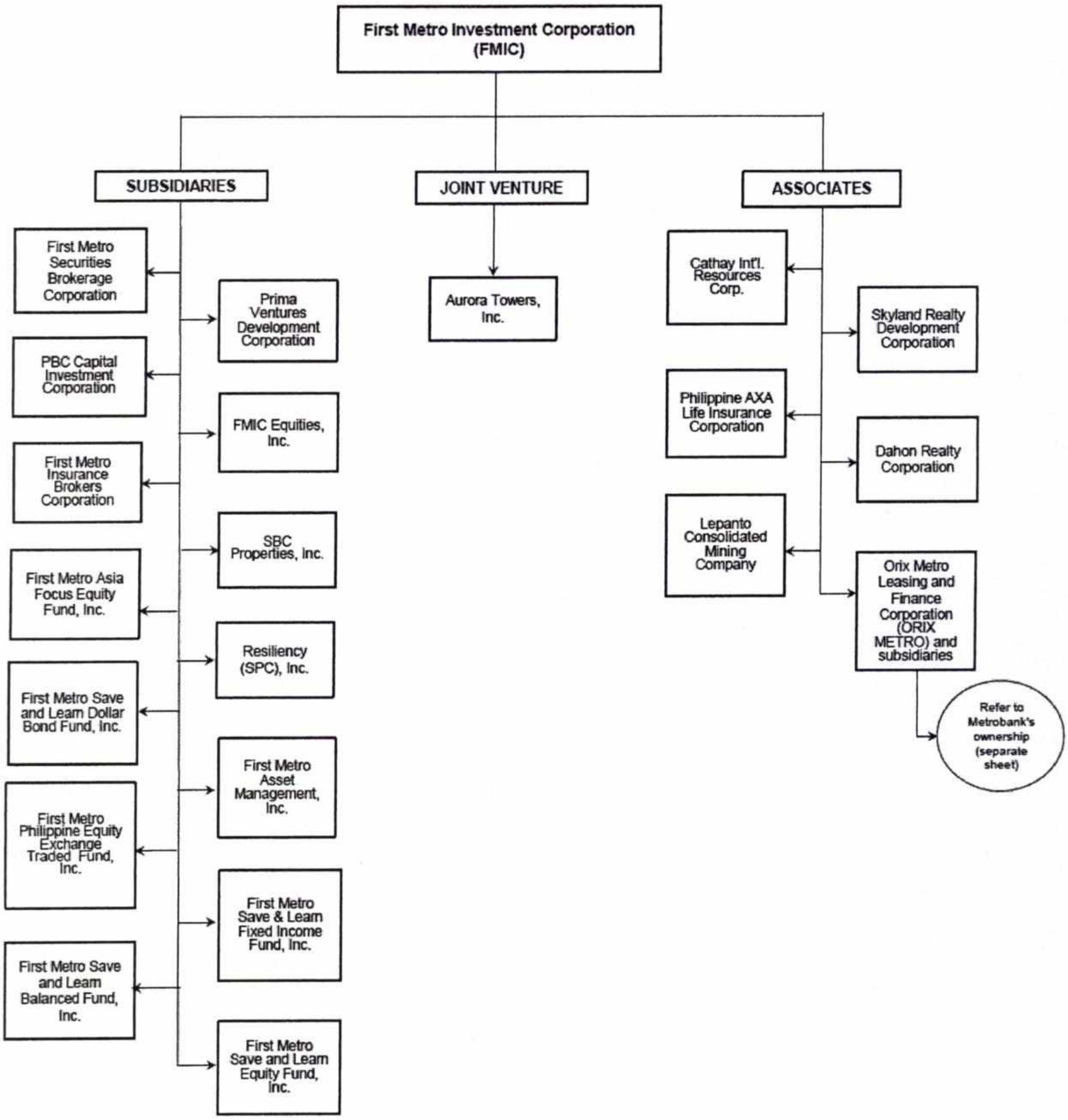
METROPOLITAN BANK AND TRUST COMPANY

SUBSIDIARIES AND ASSOCIATES
AS OF DECEMBER 31, 2017

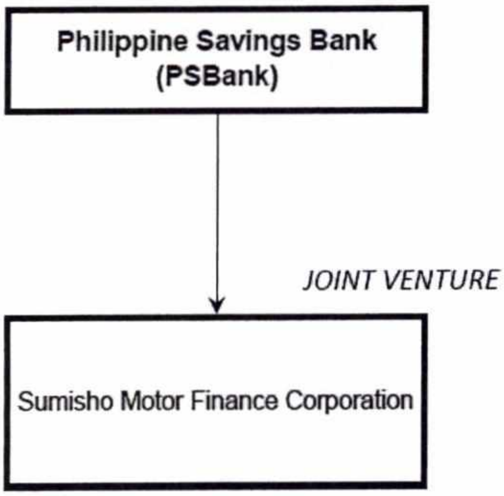


** In process of dissolution*
*** In process of liquidation*
**** With approved agreement of merger*

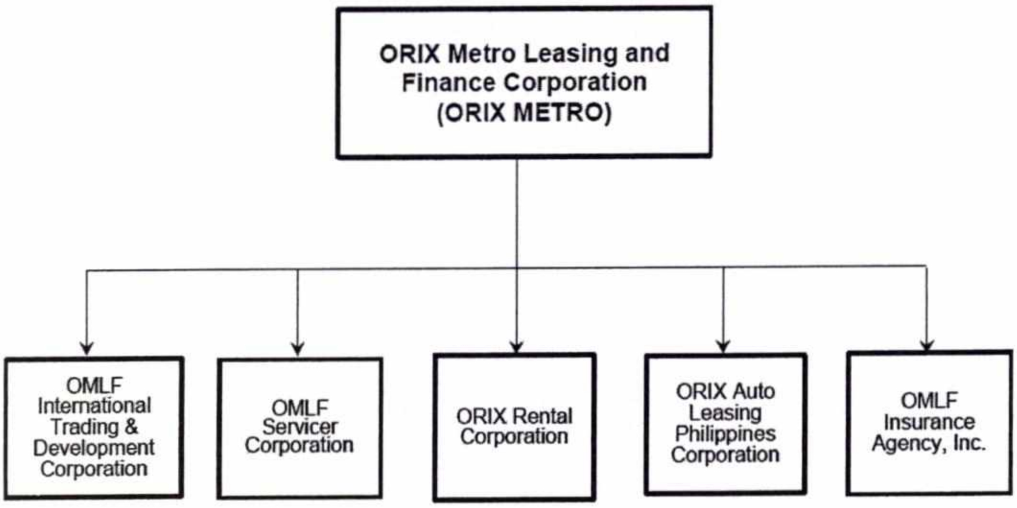
First Metro Investment Corporation
Subsidiaries, Joint Venture and Associates
As of December 31, 2017



Philippine Savings Bank
Joint Venture
As of December 31, 2017

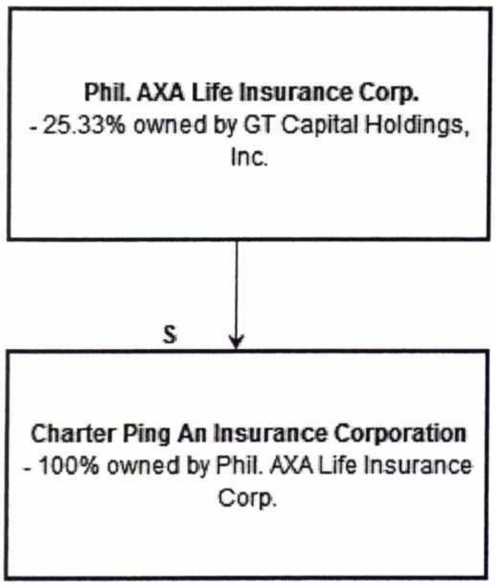


ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2017



PHIL. AXA LIFE INSURANCE CORPORATION

SUBSIDIARY
AS OF DECEMBER 31, 2017

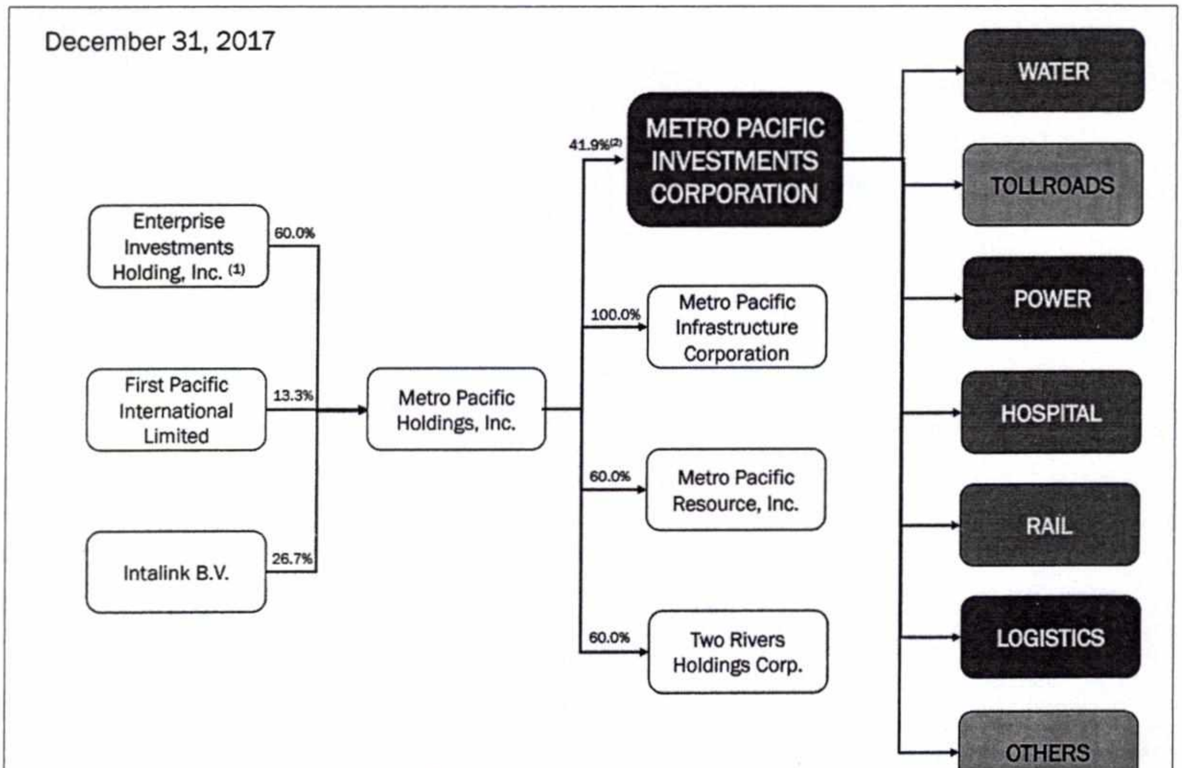


LEGEND:
Subsidiary (S)

METRO PACIFIC INVESTMENTS CORPORATION

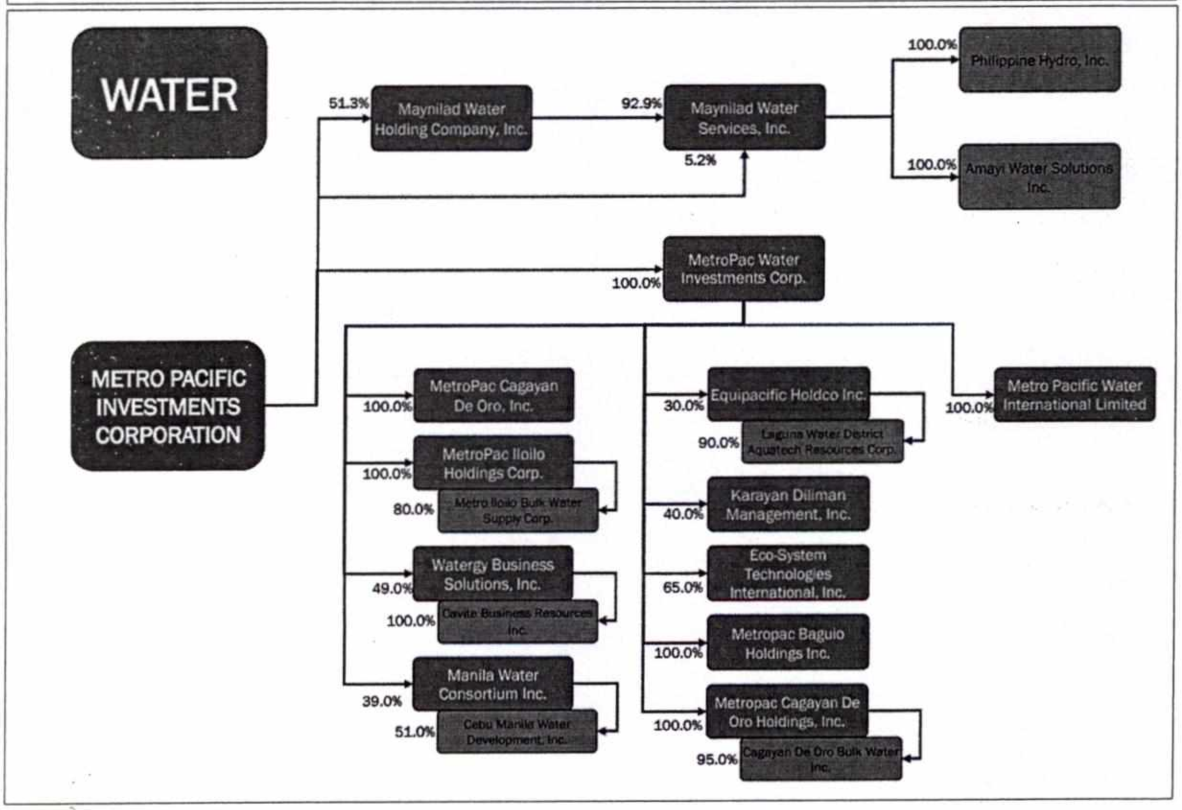
SUBSIDIARIES

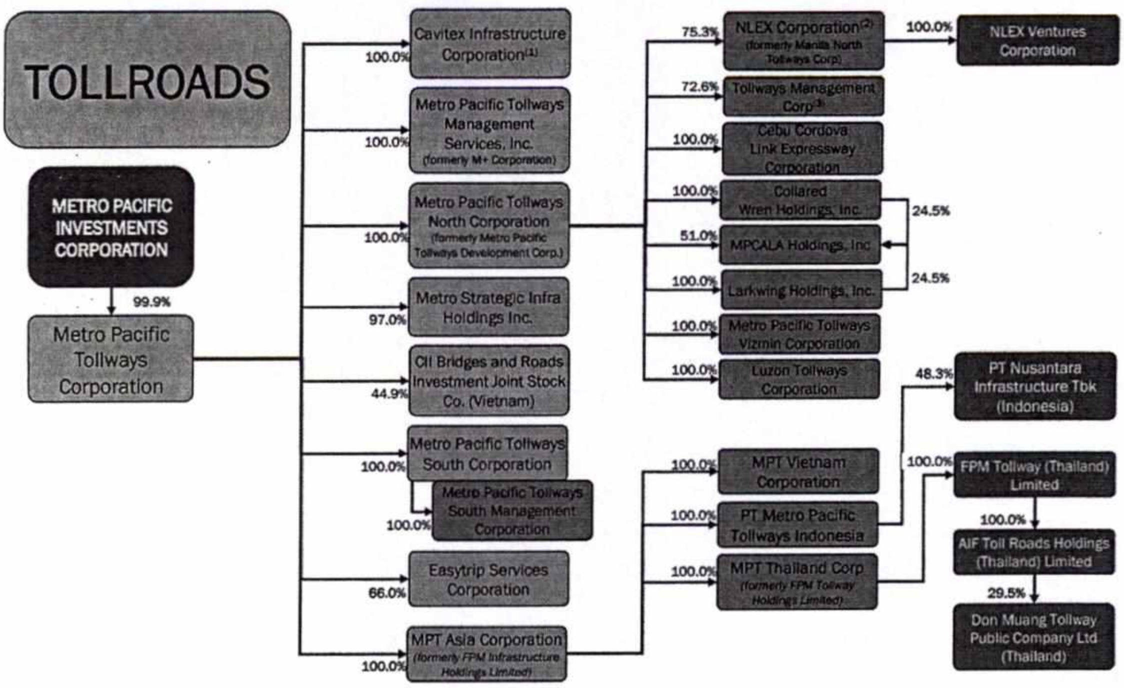
AS OF DECEMBER 31, 2017



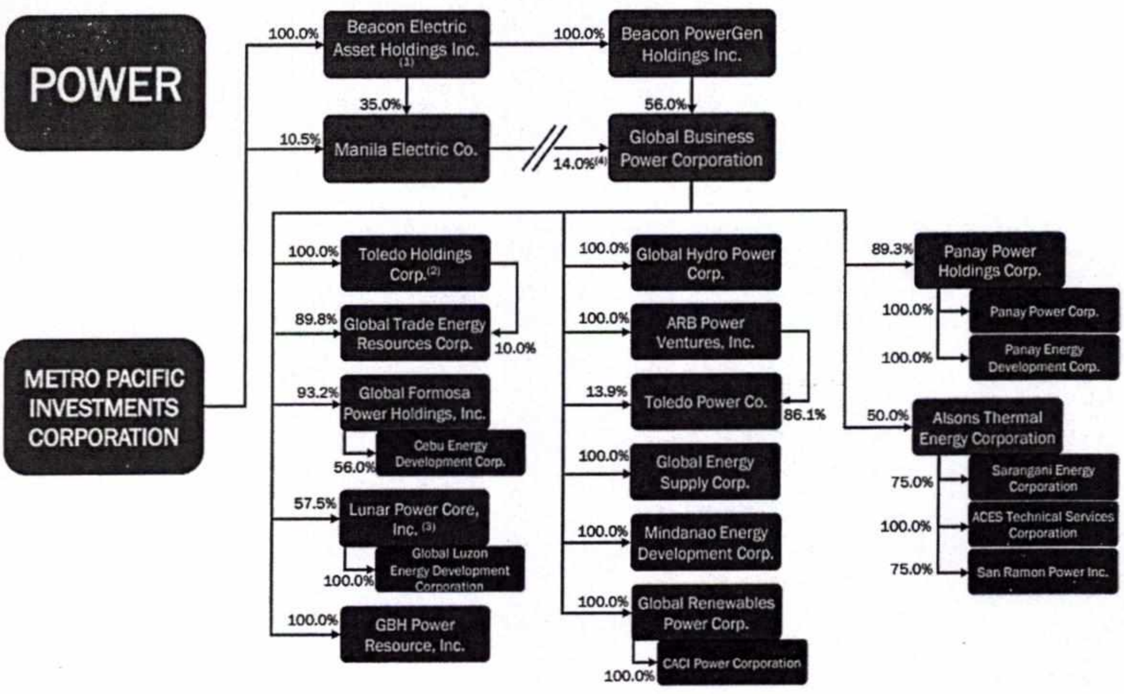
(1) First Pacific Company Limited holds 40% equity interest in EIH

(2) Metro Pacific Holdings, Inc. (MPHI) owns 41.9% of the total issued common shares (or 42.0% of the total outstanding common shares)

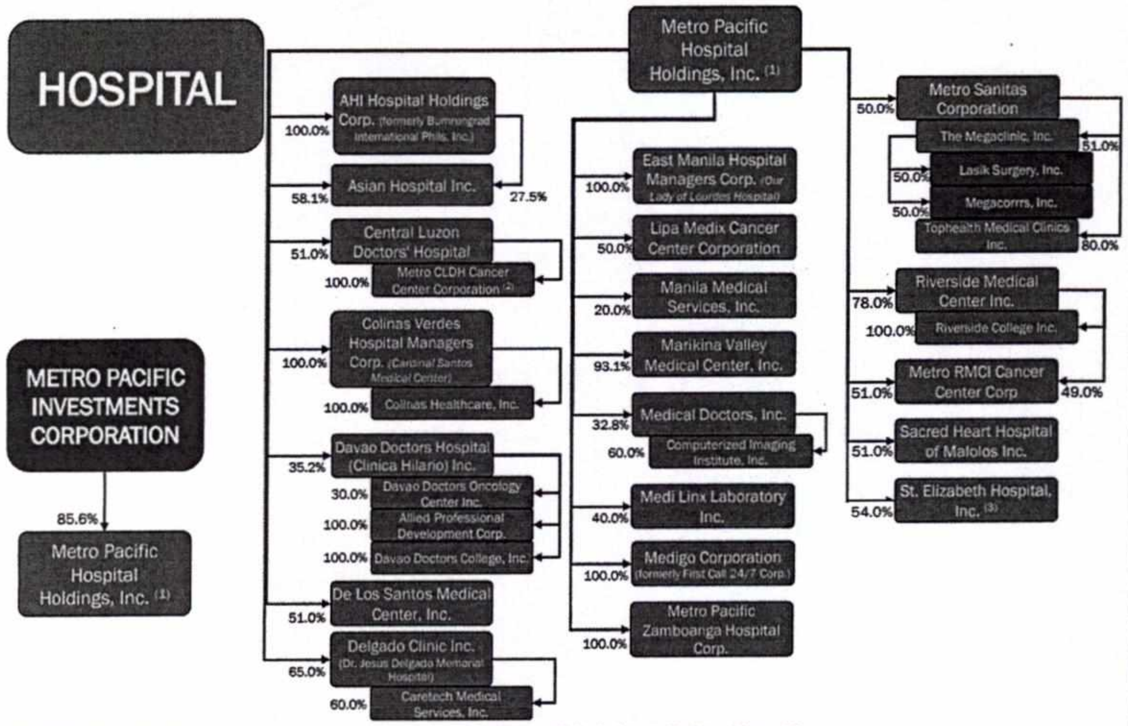




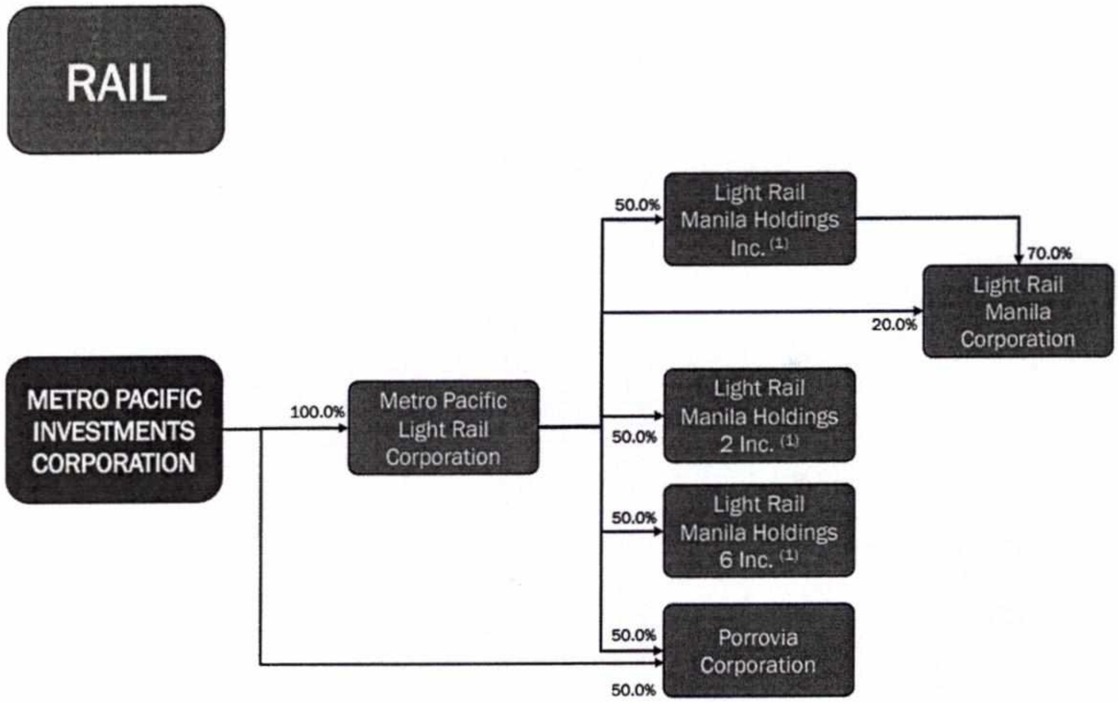
(1) By virtue of the Management Letter-Agreement, MPTC acquired control over CIC effective Jan 2, 2013.
(2) 4.3% is owned through 42.8% ownership in Egis Investment Partners Philippines Inc. Change in corporate name on Feb 13, 2017.
(3) 5.6% is owned through 42.8% ownership in Egis Investment Partners Philippines Inc.



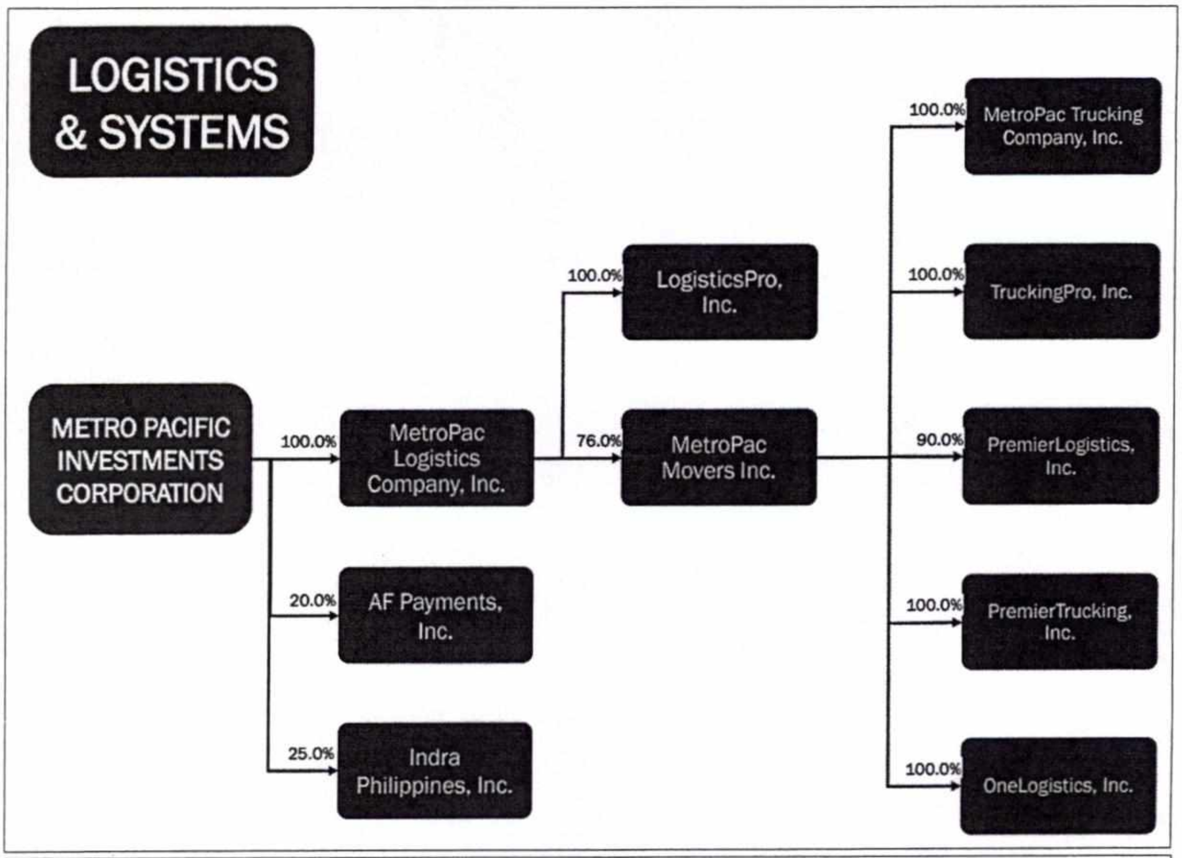
(1) MPIC's ownership of common and preferred shares at 75% but voting rights remain at 50% as per Omnibus Agreement between MPIC and PCEV.
(2) Includes 16% shares owned by GBH Cebu Limited Duration Company which was assigned to GPBC but pending issuance of BIR Certificate Authorizing Registration.
(3) GBPC owns 56.5% of common (voting) shares, and thus exercises 56.5% voting rights.
(4) MERALCO owns 14% effective interest in GBPC through a wholly owned subsidiary Meralco PowerGen Corporation.

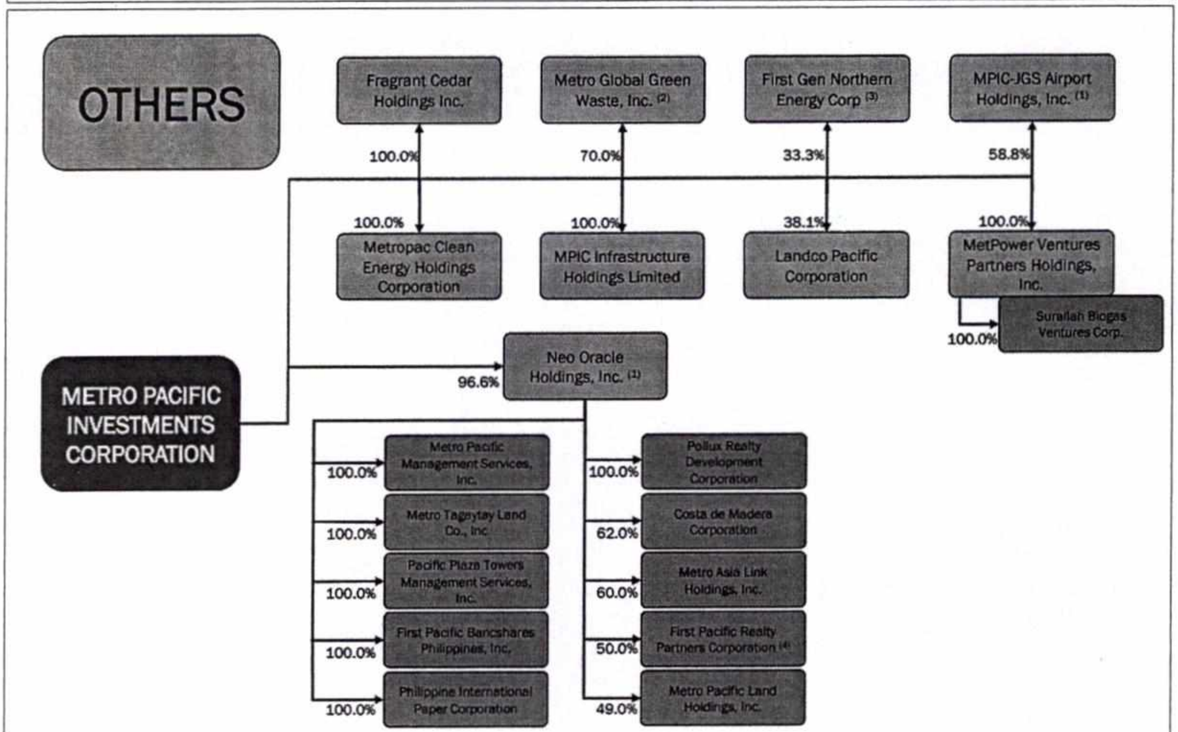


(1) GIC also holds an Exchangeable Bond issued by MPIC which can be exchanged into a 25.5% stake in NSHI in the future, subject to certain conditions.
(2) As at December 31, 2017, Metro CLDH Cancer Center Corp is 100% owned by Central Luzon Doctors' Hospital. In December 2017, MPHHI subscribed for 51% ownership in MCCCC diluting CLDH to 49% pending filing to and approval of the increase in Authorized Capital Stock by the SEC.
(3) As at December 31, 2017, MPHHI owns 54% ownership in SEHI. On December 8, 2017, MPHHI subscribed to an additional 26% increasing the total ownership to 80% 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.





(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.

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Liquidity Ratio		
Current ratio	**2.66**	3.01
Current assets	**₱113,983**	₱105,766
Current liabilities	**42,790**	35,084
Solvency Ratio		
Total liabilities to total equity ratio	**0.77**	0.88
Total liabilities	**134,000**	124,208
Total equity	**173,691**	141,238
Debt to equity ratio	**0.52**	0.63
Total debt	**91,132**	88,760
Total equity	**173,691**	141,238
Asset to Equity Ratio		
Asset to equity ratio	**1.77**	1.88
Total assets	**307,691**	265,446
Total equity	**173,691**	141,238
Interest Rate Coverage Ratio*		
Interest rate coverage ratio	**7.98**	7.05
Earnings before interest and taxes (EBIT)	**27,084**	**28,931
Interest expense	**3,394**	**4,106
Profitability Ratio		
Return on average assets	**4.95%**	5.14%
Net income attributable to Parent Company	**14,182**	14,634
Average assets	**286,569**	284,906
Return on Average Equity	**10.88%**	14.28%
Net income attributable to Parent Company	**14,182**	14,634
Average equity attributable to Parent Company	**130,409**	102,468
Income before income tax	**25,775**	**27,152
Interest expense	**3,394**	**4,106
Interest income	**2,085**	**2,327
EBIT	**27,084**	**28,931

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

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

DETAILS OF THE USE OF PROCEEDS OF THE COMPANY'S PERPETUAL PREFERRED SHARES OFFERING
FOR THE PERIOD OCTOBER 27, 2016 TO JUNE 30, 2017
(In millions)

Gross proceeds	₱12,000
Less: Offer-related fees and expenses	87
Net Proceeds	11,913
Use of Proceeds	
Refinancing of short-term loans in 2016	7,520
Acquisition of additional investment in Metropolitan Bank & Trust Company in 2016	1,442
Infusion of capital into Toyota Financial Services Philippines in response to an equity call representing 40% share in 2017	480
Acquisition of additional investment in Metropolitan Bank & Trust Company in 2017	2,471
Total	11,913
Balance of the Net Offering Proceeds as of June 30, 2017	₱–