

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Renee Lynn M. Atienza

Contact Person

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Company Telephone Number

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1	2				
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Fiscal Year

Preliminary Information Statement
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Form Type

Second Wednesday of May

Regular Meeting

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

M S R D

Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total amount of Borrowings			
<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="height: 20px;"></td> </tr> </table> <p style="text-align: center;">Domestic</p>		<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="height: 20px;"></td> </tr> </table> <p style="text-align: center;">Foreign</p>	

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To be Accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

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Remarks = Pls. use black ink for scanning purposes.



GT CAPITAL
HOLDINGS, INCORPORATED

Notice of Annual Stockholders' Meeting
May 13, 2020 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 2020 annual stockholders' meeting of GT Capital Holdings, Inc. will be held on May 13, 2020 at 3:00 p.m. at the Metrobank Auditorium, Second Floor, Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. Registration shall begin at 2:30 p.m. The agenda of the meeting is set forth below:

A G E N D A

1. Call to order
2. Certification of notice and quorum
3. Approval of minutes of the annual meeting of stockholders held on May 8, 2019
4. Annual Report for the Year 2019
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 2020-2021
7. Appointment of external auditor
8. Adjournment

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on April 15, 2020 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 30, 2020.

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 30, 2020.

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 13, 2020** 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 8, 2019

___ Yes ___ No ___ Abstain

2. Approval of Annual Report for the year 2019

___ 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. 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
- Ms. Alesandra T. Ty
- 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

_____ PRINTED NAME OF STOCKHOLDER	_____ SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY	_____ DATE
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THIS PROXY SHOULD BE REQUIRED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 30, 2020**, 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 ABOVE 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 provided to holders of the Corporation's shares of stock as of April 15, 2020 Record Date and that a quorum exists for the valid transaction of the business in the agenda.

3. Approval of minutes of the May 8, 2019 Annual Stockholders' Meeting

The Chairman of the Board will entertain a motion to approve the minutes of the May 8, 2019 Annual Stockholders' Meeting. The draft minutes were posted on the GT Capital website on May 9, 2019.

4. Annual Report for the Year 2019

The Chairman of the Board will call on the President, Mr. Carmelo Maria Luza Bautista, to render his report for the year 2019. 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 2019 annual stockholders' meeting up to May 13, 2020.

6. Election of directors for 2020-2021

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

7. Appointment of external auditor

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

8. 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) 8836-4500**
8. Date, time and place of the meeting of security holders: **May 13, 2020 at 3:00 p.m., to be held at the Metrobank Auditorium, Second Floor, Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City.**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 15, 2020**
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	215,284,587
Series A Perpetual Preferred Shares (GTPPA)	4,839,240
Series B Perpetual Preferred Shares (GTPPB)	7,160,760
Amount of Debt Outstanding	18,939,042,646

b) Debt securities: Php19 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 13, 2020 at 3:00 p.m. at the Metrobank Auditorium, Second Floor, Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City. The complete mailing address of the principal office of the registrant is 43/F, GT Tower International, 6813 Ayala Avenue corner H. V. Dela Costa Street, Makati City, Metro Manila, Philippines 1227.
- (b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 15, 2020.

Statement that proxies are not solicited

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

Voting Securities

The record date for purposes of determining the stockholders entitled to vote is April 10, 2019. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 389,584,587, shares composed of 215,284,587 Common Shares and 174,300,000 Voting Preferred Shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Revised Corporation Code of the Philippines (the "Revised Corporation Code").

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

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

- (a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation

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

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

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

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

- (a) No director or officer of the Corporation since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.
- (b) No director in the Corporation has given written notice that he intends to oppose any action to be taken by the Corporation at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) As of February 29, 2020, 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)	215,284,587	86,113,834.80	62,426,772	152,857,815
Preferred (Unlisted)	174,300,000	69,720,000	1,325,936	172,974,064
Total	389,584,587	155,833,834.80	64,752,708	325,831,879
Percentage	100%	40%	16.36%	83.64%

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 15, 2020.
- (c) All stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, each stockholder shall have one vote for each share of stock entitled to vote, whether Common or Voting Preferred, and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made under a statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

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

- (d) Security Ownership of Certain Record and Beneficial Owners as of December 31, 2019:

As of December 31, 2019, 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	120,413,658	55.93%
Common	PCD Nominee Corp. (Non-Filipino)	Various Clients ¹	Foreign	63,300,943	29.403%
Common	PCD Nominee Corp. (Filipino)	Various Clients ¹	Filipino	30,881,537	14.345%
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 Arthur Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	54,899,406	31.50%
Voting Preferred	Nove Ferum 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	47,261,757	27.12%
Voting Preferred	82 Alpha Holdings, Corporation 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner Alfred Vy Ty is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	39,594,789	22.72%
Voting Preferred	Neiman Rhodes holdings, Inc. 43rd Floor GT Tower International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	Same as the Record Owner Anjanette Ty Dy Buncio is authorized to vote the shares held by Grand Titan Capital Holdings, Inc.	Filipino	13,299,452	7.63%
Voting Preferred	Philippine Geiko Holdings, Inc. 43rd Floor GT Tower	Same as the Record Owner Alesandra T. Ty is	Filipino	13,299,452	7.63%

	International 6813 Ayala Avenue cor. H.V. Dela Costa St., Makati City	authorized to vote the shares held by Grand Titan Capital Holdings, Inc.			
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- (7) 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, 2019

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct/ (I) indirect	Citizenship	Percent of Class
Common	Arthur V. Ty	111,780 (D) 13,149 (I)	Filipino	0.0519% 0.0061%
Common	Alfred V. Ty	111,780 (D) 13,149 (I)	Filipino	0.0519% 0.0061%
Common	Francisco C. Sebastian	112 (D) 143,802 (I)	Filipino	0.0001% 0.0668%
Common	Anjanette T. Dy Buncio	54,544 (I)	Filipino	0.0253%
Common	Carmelo Maria Luza Bautista	1,118 (D) 13,413 (I)	Filipino	0.0005% 0.0062%
Common	Francisco H. Suarez, Jr.	5,589 (I)	Filipino	0.0026%
Perpetual Preferred Shares (GTPPA)	Francisco H. Suarez, Jr.	1000 (I)	Filipino	0.0207%
Common	Alesandra T. Ty	19,294 (I)	Filipino	0.0090%
Perpetual Preferred Share (GTPPA)		1900 (I)	Filipino	0.0393%
Perpetual Preferred Shares (GTPPB)		1100 (I)	Filipino	0.0154%
Common	Jaime Miguel G. Belmonte	1,118 (D)	Filipino	0.0005%
Common	Wilfredo A. Paras	1,118 (D)	Filipino	0.0005%
Common	Renato C. Valencia	218(D)	Filipino	0.0001%
Common	Farrah Lyra Q. De	309 (I)	Filipino	0.0001%

	Ala			
Common	Winston Andrew L. Peckson	303 (I)	Filipino	0.0001%
Common	Reyna Rose P. Manon-Og	274(I)	Filipino	0.0001%
Common	David T. Go	112(D)	Filipino	0.0001%
Common	Pascual M. Garcia III	112(D)	Filipino	0.0001%
Common	Regis V. Puno	112(D)	Filipino	0.0001%
Common	Rene J. Buenaventura	112(D)	Filipino	0.0001%
Common	Renee Lynn	50(I)	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)	Miciano-Atienza	50 (I)	Filipino	0.0007%
Common	Vicente Jose S. Socco	0	Filipino	0.0000%
Common	Antonio P. A. Zara	0	Filipino	0.0000%
Common	Antonio V. Viray	0	Filipino	0.0000%
Common	Jocelyn Y. Kho	1,080 (I)	Filipino	0.0005%
Common	Jose B. Crisol	0	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		50 (I)	Filipino	0.0007%
Common	Susan E. Cornelio	0	Filipino	0.0000%
Common	Leo Paul C. Maagma	0	Filipino	0.0000%
Common	Elsie D. Paras	0	Filipino	0.0000%
Perpetual Preferred Shares (GTPPB)		300 (I)	Filipino	0.0042%
Total Common		227,692 (D) 264,956(I)		0.2288%
GTPPA		2,900(I)		0.0599%
GTPPB		<u>1,500(I)</u>		0.0209%
		<u>497,048 (Total)</u>		

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of December 31, 2019.

(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

<u>Office</u>	<u>Name</u>	<u>Age</u>	<u>Citizenship</u>
Chairman	Arthur Vy Ty	53	Filipino
Co-Vice Chairman	Francisco C. Sebastian	65	Filipino
Co-Vice Chairman	Alfred Vy Ty	52	Filipino
Director/President	Carmelo Maria Luza Bautista	62	Filipino
Director	Regis V. Puno	61	Filipino
Director	David T. Go	66	Filipino
Director	Pascual M. Garcia III*	66	Filipino
Lead Independent Director	Renato C. Valencia	78	Filipino
Independent Director	Jaime Miguel G. Belmonte	56	Filipino
Independent Director	Wilfredo A. Paras	73	Filipino
Independent Director	Rene J. Buenaventura	65	Filipino

Board Advisers

Adviser	Mary Vy Ty	79	Filipino
Adviser	Guillermo Co Choa	60	Filipino

**Resigned effective March 27, 2020*

Period of Directorship

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

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

Board Committees:

The members of the Executive Committee are:

Arthur Vy Ty	- Chairman
Alfred Vy Ty	- Vice-Chairman

Carmelo Maria Luza Bautista	- Member
Francisco C. Sebastian	- Member
Mary Vy Ty	- Adviser

The members of the Audit Committee are:

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

**Resigned effective March 27, 2020*

The members of the Risk Oversight Committee are:

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

The members of the Compensation Committee are:

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

The members of the Nominations Committee are:

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

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

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

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

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

Francisco C. Sebastian, 65 years old, Filipino, co-Vice Chairman of GT Capital since May 2016. Prior to assuming this post, he was Chairman of GT Capital since June 2014, when he was first elected to the board. He joined the Metrobank Group in 1997 as President of First Metro Investment Corporation, the investment arm of Metrobank,

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

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

Carmelo Maria Luza Bautista, 62 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined First Metro Investment Corporation (FMIC) in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of FMIC's Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 42 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Master's Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista currently serves as Chairman of Toyota Financial Services Philippines Corporation (TFSPH), and Director of Federal Land, Inc., Toyota Motor Philippines Corporation (TMP), and AXA Philippines. He is also an Adviser to the Board of Trustees of GT Foundation, Inc. and an Independent Director of Vivant Corporation, a listed company.

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

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

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

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

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

Jaime Miguel G. Belmonte, 56 years old, Filipino, was elected as an Independent Director of GT Capital on July 11, 2012. He is also the President and Chief Executive Officer of The Philippine Star (since 1998); President and Chief Executive Officer of Business World (since 2015); President and Publisher of Pilipino Star Ngayon (since 1994) and PM-Pang Masa (since 2003); President of Pilipino Star Printing Company (since 1994); President of Nation Broadcasting Corporation of the Philippines (since 2016); and President of Hastings Holdings Inc. Mr. Belmonte is also the President of Cebu-based The Freeman and Banat News (since 2004); Vice Chairman of People Asia Magazine; and a member of the Board of Advisers of Manila Tytana College (since 2008). Aside from GT Capital, Mr. Belmonte also sits on the board of Signal TV, Nation Broadcasting Corporation of the Philippines, and Hastings Holdings Inc. He earned his undergraduate degree from the University of the Philippines in Diliman. Mr. Belmonte has no directorships in other listed companies aside from GT Capital.

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

Rene J. Buenaventura, 65 years old, Filipino, is an Independent Director of GT Capital Holdings, Inc. He is also the Vice Chairman of Equicom Manila Holdings, Inc., a holding company for businesses engaged in healthcare, banking and finance, and information technology. In addition to his appointment to GT Capital's Board, he also holds the following positions: Independent Director of UBS Philippines, Inc., Independent Director of AIG Insurance Philippines Inc. and Independent Director of Lorenzo Shipping Corporation. He is likewise a Director and Member of the Executive Committee of Maxicare Healthcare Corporation, Vice Chairman of Algo Leasing and Finance Corporation, and President of Cliveden Management Corporation. Mr. Buenaventura is a Certified Public Accountant and graduated Summa Cum Laude for Bachelor of Arts, major in Behavioral Sciences and Bachelor of

Science in Commerce, major in Accounting at De La Salle University in the Philippines. He also earned his Master in Business Administration from the same university.

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

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

Mary Vy Ty, 79 years old, Filipino, was appointed as Board Adviser of GT Capital in June 2014. Prior to this, she served as the Corporation's Treasurer since its incorporation in 2007. Mrs. Ty has more than 50 years of experience in banking and general business. She currently holds the following positions: Assistant to the Group Chairman, Metropolitan Bank and Trust Company (Metrobank); Adviser, Metrobank Foundation, Inc. and Federal Land, Inc.; Adviser, Manila Medical Services, Inc.; Adviser, Horizon Land Development Corporation; Chairperson, Horizon Royale Holdings, Inc.; Director, Grand Titan Capital Holdings, Inc.; Chairperson, Ausan Resources Corporation; Chairperson, Grand Estate Property Corporation; Chairperson, Inter-Par Philippines Resources Corporation; and Chairperson of Philippine Securities Corporation, Tytana Corporation, and Federal Homes, Inc. Previously, Mrs. Ty held the position of Director for First Metro Investment Corporation. She earned her collegiate degree from the University of Santo Tomas.

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

Nominee Directors

As of the date of this report, the nominees for independent directors are Messrs. Renato C. Valencia, Wilfredo A. Paras, Jaime Miguel G. Belmonte and Rene J. Buenaventura. Messrs. Valencia, Paras, Belmonte and Buenaventura were nominated by Aaron M. Say. 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, Ms. Alesandra T. Ty and Atty. Regis V. Puno.

All the nominees, except Ms. Alesandra T. Ty, are incumbent directors of GT Capital. The experience and qualifications of the nominated incumbent directors are found above. The experience and qualifications of Ms. Alesandra T. Ty follows:

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

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
Alesandra T. Ty	

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.

Period of Officership

<u>Name</u>	<u>Office</u>	<u>Period Held</u>
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
Vicente S. Socco	Chairman of GTCAD	2019-Present
Antonio P. A. Zara III	General Manager of GTCAD	2018-Present
Antonio V. Viray	Corporate Secretary	2009-Present
Jocelyn Y. Kho	Assistant Corporate Secretary	2011-Present
Jose B. Crisol, Jr.	First Vice President/Head, Investor Relations, Strategic Planning and Corporate Communication	2012-Present
Winston Andrew L. Peckson	First Vice President/Chief Risk Officer	2016-Present
Reyna Rose P. Manon-og	First Vice President/Controller and Head,	2011-Present

	Accounting and Financial Control	
Susan E. Cornelio	Vice President/Head, Human Resources and Administration	2012-Present
Elsie D. Paras	Vice President/Head, Corporate Planning and Business Development	2015-Present
Leo Paul C. Maagma	Vice President/Chief Audit Executive	2018-Present
Renee Lynn Miciano-Atienza	Vice President /Head, Legal and Compliance	2016-Present

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

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

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

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

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

Antonio V. Viray, 80 years old, has been GT Capital's Corporate Secretary since 2009. He began his legal profession by becoming a litigation lawyer of the Feria Law Office (formerly Feria Feria Lugtu & Lao). He then embarked on a banking career with Philippine Savings Bank (PSBank), retiring as Senior Vice President and Corporate Secretary. When PSBank was acquired by Metrobank, he was recruited as Metrobank's General Counsel (later Special Counsel), later to become Senior Vice President, Corporate Secretary, and Director. He is currently Corporate Secretary of Grand Titan Capital Holdings, Inc., and Of Counsel at Feria Tantoco Daos Law Firm. The foundations of his career as a successful corporate lawyer and secretary were provided by Colegio de San Juan de Letran (Letran College), where he graduated Valedictorian, with an Associate in Arts degree; University of Santo Tomas where he finished his Bachelor of Laws as Valedictorian and Magna Cum Laude; and Northwestern University School of Law in Chicago, Illinois, U.S.A. where he obtained his Master of Laws through a Ford Foundation Fellowship Grant. In addition, Atty. Viray was a former President of the Bankers Institute of the Philippines (BAIPhil); and Association of Bank Lawyers. He also incorporated the Chamber of Thrift Banks, the confederacy of three thrift bank associations: Savings Banks Association of the Philippines, Stock Savings and Loan Associations and the Development Bankers Association.

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

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

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

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

Leo Paul C. Maagma, 49 years old, Filipino, was appointed the Chief Audit Executive of GT Capital Holdings, Inc. in April 2018. With over 26 years of extensive work experience—more than 21 years in audit and five years in accounting, accounts receivables, treasury, and payroll—Mr. Maagma began his career in an external auditing firm, then spent five years in a manufacturing foods business, and nearly 15 years in a business engaged in the distribution of health care products. He spent eight of his nearly two decades in audit work at the regional and country head offices of two multinational companies, Zuellig Pharma Corporation (Zuellig) and Unilever Bestfoods (Unilever). Before joining GT Capital, for 14½ years, Mr. Maagma served in various capacities at Zuellig—Internal Audit Manager from 2012 to 2018, Accounts Receivable Manager from 2010 to 2012, Corporate Internal Audit Manager from 2007 to 2010, and Internal Audit Manager from 2003 to 2007. At Zuellig, he was chiefly responsible for the Philippine subsidiary's internal audit function, while assisting in regional risk-based internal audits for the Zuellig Pharma Group across 12 countries in the Asia-Pacific region. Prior to his time at Zuellig, Mr. Maagma held several positions at Unilever from 1998 to 2003: Regional Information Systems Audit Supervisor, Category Accounting Manager, and Treasury Manager. Previously, he performed other supervisory roles in audit in Empire East Land Holdings, Inc. and Ernst and Young, International. Mr. Maagma earned his Master's Degree in Business Administration (MBA) at the Asian Institute of Management (AIM). Aside from this, he is a Certified Public Accountant (CPA), Chartered Business Administrator (CBA), and a certified Information Security Management Systems (ISMS) Internal Auditor. He graduated from the University of Santo Tomas (UST) with a Bachelor of Science degree in Commerce, major in Accountancy.

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

Elsie D. Paras, 47 years old, Filipino, serves as GT Capital's Vice President and Head of Corporate Finance and Business Development. She has taken the lead in the mergers, acquisitions, divestment activities, and some fund-raising efforts of the Company since she joined on January 5, 2015. Prior to joining the Corporation, she served as Finance Manager and Deputy CFO of SIA Engineering Philippines, a joint venture of Cebu Air and SIA Engineering of Singapore. Before this, she was a Manager for Strategic Consulting for Jones Lang La Salle MENA in Dubai. Her other employments include: Business Development Manager for Commercial Centers of Robinsons Land Corporation and Project Development Manager at Ayala Land, Inc. for middle-income housing among others.

She attained her Masters in Business Management, Major in Finance from the Asian Institute of Management in 2001. She was also a participant in the International Exchange Student Program of HEC School of Management of France. Prior to her MBM, she worked for six years in equity research and investment banking. She graduated with honors from the University of the Philippines with a Bachelor of Science degree in Business Economics.

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

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:

<u>Name of Corporation</u>	<u>Position</u>
<i>Francisco C. Sebastian</i>	
Metropolitan Bank & Trust Company	Vice Chairman/Director
Federal Land, Inc.	Director
Metro Pacific Investments Corporation	Director
Property Company of Friends, Inc.	Director
<i>Arthur Vy Ty</i>	
Metropolitan Bank & Trust Company	Chairman/Director
Metropolitan Bank (China) Ltd., Inc.	Chairman
Metrobank Foundation, Inc.	Chairman
Philippine Savings Bank	Vice Chairman/Director
First Metro Investment Corporation	Vice Chairman/Director
Philippine AXA Life Insurance Corporation	Vice-Chairman/Director
Federal Land, Inc.	Director
<i>Alfred Vy Ty</i>	
Toyota Motor Philippines Corporation	Chairman/Director
Federal Land, Inc.	Chairman/Director
Metropolitan Bank & Trust Company	Director
Metrobank Foundation, Inc.	Trustee
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
Toyota Motor School of Technology, Inc.	Vice Chairman/Director
Federal Land-Orix Corporation	Vice Chairman/Director
<i>Carmelo Maria Luza Bautista</i>	
Toyota Motor Philippines Corporation	Director
Federal Land, Inc.	Director
Property Company of Friends, Inc.	Director
Philippine AXA Life Insurance Corporation	Director

GT Capital Auto Dealership Holdings, Inc.	Director**
Toyota Subic, Inc.	Director**
Toyota Financial Services Philippines Corporation	Chairman/Director
GT Mobility Ventures	Chairman/Director**
Vivant Corporation	Independent Director
David T. Go	
Toyota Manila Bay Corporation	Chairman/Director
Toyota Motor Philippines Corporation	Vice Chairman/ Director/ 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
Pascual M. Garcia	
Federal Land, Inc.	President
Property Company of Friends, Inc.	Vice Chairman/Director**
Toyota Financial Services Philippines Corporation	Director**
Sumisho Motor Finance Corporation	Director**
Rene J. Buenaventura	
Lorenzo Shipping Corporation	Independent Director
AIIG Insurance, Philippines	Independent Director
UBS Investments, Philippines, Inc.	Independent Director
Consumer Creditscore Philippines, Inc.	Chairman
Equitable Foundation	Trustee
Go Kim Pah Foundation	Trustee
Maxicare Healthcare Foundation	Director
Algo Leasing and Finance Inc.	Vice Chairman
Equicom Savings Bank	Vice Chairman
Renato C. Valencia	
iPeople, Inc.	Chairman
EEL Corporation	Independent Director
Anglo Philippine Holdings Corporation	Independent Director
Roxas Holdings, Inc.	President/CEO
Metropolitan Bank & Trust Company	Independent Director
Wilfredo A. Paras	
Philex Mining Corporation	Independent Director
Anjanette Ty Dy Buncio	
Federal Land, Inc.	Director/Treasurer/Senior Vice President
Property Company of Friends, Inc.	Director/Treasurer
Alesandra T. Ty	
Philippine AXA Life Insurance Corporation	Director/Treasurer
Sumisho Motorcycle Finance Corp.	Director
Vicente Saniel Socco	
GT Capital Auto Dealership Holdings, Inc.	Chairman/Director
GT Mobility Ventures, Inc.	Chairman/Director
Antonio P. A. Zara III	

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

Francisco H. Suarez, Jr.

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

Winston Andrew L. Peckson

First Metro Philippine Equity Exchange Traded Fund, Inc.	Director
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Renee Lynn Miciano-Atienza

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

**Past Directorships

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

<u>Office</u>	<u>Name</u>
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
Chairman of GTCAD	Vicente Saniel Socco
General Manager of GTCAD	Antonio P. A. Zara III
Chief Financial Officer	Francisco H. Suarez, Jr.
Head, Investor Relations, Strategic Planning & Corporate Communications	Jose B. Crisol, Jr.
Chief Risk Officer	Winston Andrew L. Peckson
Head, Human Resources & Administration	Susan E. Cornelio
Controller and Head, Accounting and Financial Control	Reyna Rose P. Manon-og
Head, Corporate Planning and Business Development	Elsie D. Paras
Chief Audit Executive	Leo Paul C. Maagma
Head, Legal and Compliance	Renee Lynn Miciano-Atienza

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

Adviser	Guillermo Co Choa
Adviser	Mary Vy Ty

(b) Significant Employees

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

(c) Family Relationships

Mary Vy Ty is the wife of the late Dr. George S.K. Ty. Arthur Vy Ty, Alfred Vy Ty, Anjanette T. Dy Buncio, and Alesandra T. Ty are the children of the late 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 12 (Disposal of Assets) and 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 1.30 million	Php 12.40 million	Php 5.20 million
Bonuses	PhP 2.10 million	PhP 9.90 million	PhP 2.80 million
Transportation Allowance		Php 0.17 million	PhP 0.86 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 2018, 2019, and

2020. The amounts (in P millions) set forth in the table below have been prepared based on what the Corporation paid its executive officers in 2018 and 2019, and what the Corporation expects to pay in 2020.

Name and Principal Position	Year	Salary	Bonus	Other	Annual Compensation
Named Executive Officers*	2018	49.13	20.47	-	-
	2019	53.06	22.10		-
	2020**	56.97	26.10		
All other Officers as a Group.....	2018	32.80	13.66		
	2019	35.42	14.76		
	2020**	47.39	12.99		

* Named executive officers include: Carmelo Maria Luza Bautista (President), Vicente Saniel Socco (Chairman of GTCAD), Antonio P. A. Zara III (General Manager of GTCAD), Francisco H. Suarez, Jr. (Chief Financial Officer), and Jose B. Crisol (Head, Investor Relations, Strategic Planning and Corporate Communication)

** Figures for the year 2020 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 was the external auditor for the calendar year 2019. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Corporation engaged Mr. Miguel U. Ballelos, Jr. of SGV & Co. for the examination of the Corporation's financial statements for the calendar year 2019. Pursuant to SRC Rule 68, Paragraph 3 (b) (ix) (Rotation of External Auditors), the independent auditors or in the case of an audit firm, the signing partner, shall be rotated after every five (5) years of engagement, with a two-year cooling off period to be observed in the re-engagement of the same signing partner or individual auditor. Mr. Ballelos was engaged as signing partner in the year 2019 will be re-engaged for the calendar year 2020.

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, 2018 and 2019 for professional services rendered by SGV & Co. to GT Capital:

	2018	2019
Audit and Audit-Related Services	2.21	3.04

Non-Audit Services	0.32	0.04
Total	2.53	3.08

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

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**

Not applicable.

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 08, 2019

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 09, 2018

- Annual Report for the Year 2018
- 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 2019 – 2020
- Appointment of external auditor
- Approval of Stock Dividend for Common Shares
- Adjournment

(b) Annual Report for the Year 2019

(c) General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting (May 08, 2019) up to the date of this meeting (May 13, 2020), including offer of new shares, acquisition and disposition of shares of another corporation, declaration of dividends, election of directors and appointment of officers.

(d) Approval of re-appointment of external auditor

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

Item 16. Matters Not Required to be Submitted

Not applicable.

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

Not applicable.

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

(a) Election of Directors

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

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

(b) Appointment of External Auditor

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

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.

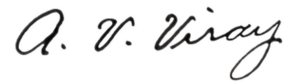
The external auditor of the Corporation, SGV & Co., will validate the ballots when voting is done by secret ballot. Likewise, SGV & Co. will count the number of hands raised when voting by show of hands is done.

N.B. UPON WRITTEN REQUEST OF A STOCKHOLDER, GT CAPITAL HOLDINGS, INC. SHALL PROVIDE, FREE OF CHARGE, A COPY OF ITS 2019 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 30, 2020.

By:



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, 2019 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, 2019 VERSUS YEAR ENDED DECEMBER 31, 2018

GT Capital Consolidated Statements of Income	Audited		Increase (Decrease)	
	Year Ended December 31	2018		
<i>(In Million Pesos, Except for Percentage)</i>	2019	<i>(As restated)</i>	Amount	Percentage
CONTINUING OPERATIONS				
REVENUE				
Automotive operations	192,966	179,117	13,849	8%
Equity in net income of associates and joint venture	14,578	11,513	3,065	27%
Real estate sales and interest income on real estate sales	9,844	10,551	(707)	(7%)
Rent income	1,526	1,181	345	29%
Sale of goods and services	802	778	24	3%
Interest income on deposits and investments	443	459	(16)	(3%)
Commission income	252	108	144	133%
Other income	2,529	2,124	405	19%
	222,940	205,831	17,109	8%
COSTS AND EXPENSES				
Cost of goods and services sold	133,943	129,849	4,094	3%
Cost of goods manufactured and sold	36,819	31,809	5,010	16%
General and administrative expenses	13,595	10,667	2,928	27%
Interest expense	6,453	5,401	1,052	19%
Cost of real estate sales	5,340	6,839	(1,499)	(22%)
Cost of rental	435	476	(41)	(9%)
	196,585	185,041	11,544	6%
INCOME BEFORE INCOME TAXES	26,355	20,790	5,565	27%
PROVISION FOR INCOME TAX	5,057	3,886	1,171	30%
NET INCOME FROM CONTINUING OPERATIONS	21,298	16,904	4,394	26%
NET INCOME FROM DISCONTINUED OPERATIONS	3,814	707	3,107	439%
NET INCOME	25,112	17,611	7,501	43%
ATTRIBUTABLE TO:				
Equity holders of the Parent Company				
Profit for the year from continuing operations	16,586	12,795	3,791	30%
Profit for the year from discontinued operations	3,723	361	3,362	931%
	20,309	13,156	7,153	54%
Non-controlling interests				
Profit for the year from continuing operations	4,712	4,109	603	15%
Profit for the year from discontinued operations	91	346	(255)	(74%)

GT Capital Consolidated Statements of Income	Audited		Increase (Decrease)	
	Year Ended December 31			
		2018		
<i>(In Million Pesos, Except for Percentage)</i>	2019	(As restated)	Amount	Percentage
	4,803	4,455	348	8%
	25,112	17,611	7,501	44%

GT Capital Holdings, Inc. ("GT Capital" or the "Company" or the "Parent Company") consolidated net income attributable to equity holders of the Parent Company increased by 54% from Php13.16 billion in 2018 to Php20.31 billion in 2019. The net income growth was principally due to an 8% increase in total revenues.

The increase in revenue came from the following component companies:

- (1) higher auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Manila Bay Corporation ("TMBC") as combined sales increased by 8% from Php179.12 billion to Php192.97 billion accounting for 87% of total revenue; and
- (2) higher equity in net income of associates and joint venture which grew by 27% from Php11.51 billion to Php14.58 billion accounting for 7% of total revenues;
- (3) The above increases are mitigated by a lower real estate sales and interest income on real estate sales from Federal Land Inc. (Federal Land) which declined by 7% from Php10.55 billion to Php9.84 billion.

Core net income attributable to equity holders of the Parent Company reached Php15.78 billion in 2019 from Php12.92 billion in 2018. Core net income for 2019 amounted to Php15.78 billion from a reported net income of Php20.31 billion after deducting the Php3.58 billion total income from redemption of investment in Property Company of Friends, Inc. ("PCFI"), and Php1.28 billion share in MPIC's non-recurring gain; and adding back the Php0.33 billion amortization of fair value adjustments arising from business combinations. Core net income for 2018 amounted to Php12.92 billion from a reported net income of 13.16 billion, after deducting the Php0.32 billion non-recurring income, net of the taxes-related to lot sales, non-recurring expenses, and share in MPIC's non-recurring loss; and adding back the Php0.08 billion amortization of fair value adjustments arising from business combinations.

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

Of the ten (10) component companies, Metrobank, MPIC, TMP, Federal Land, TMBC and SMFC posted growths in their respective net income while TFSPH and AXA Philippines reported declines in their respective net income for the year. GTCAD reported a lower net loss for the year as compared to the previous year.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts grew by 8% from Php179.12 billion to Php192.97 billion principally driven by the 5.0% increase in wholesales volume from 155,508 units to 163,493 units.

Equity in net income of associates and jointly-controlled entities increased by 27% from Php11.51 billion to Php14.58 billion primarily due to increases in:

- (1) net income of Metrobank which increased by 28% from Php22.00 billion to Php28.06 billion and the impact of increased ownership from 36.36% to 36.65%;
- (2) net income of MPIC which increased by 69% from Php14.13 billion to Php23.86 billion; and
- (3) net income of SMFC which increased by 35% from Php0.26 billion to Php0.35 billion.

Real estate sales and interest income on real estate sales declined by 7% from Php10.55 billion to Php9.84 billion due to lot sales in 2018 which are not present in the current year.

Rent income grew by 29% from Php1.18 billion to Php1.53 billion driven by the increase in the number of tenants in iMET , Blue Bay Walk and MET Live, all located in Pasay City, Metro Manila.

Commission income increased by Php143.51 million from Php108.00 million to Php251.52 million due to an increase in reservation sales from Grand Hyatt Residences 2 and The Seasons Residences of Federal Land, both located in Fort BGC, Taguig City.

Other income grew by 19% from Php2.12 billion to Php2.53 billion with: (1) TMP contributing Php0.84 billion consisting of gain on sale of fixed assets, and subscription and ancillary income from its dealer subsidiaries; (2) Federal Land contributing Php0.74 billion comprising real estate forfeitures, management fees and other income; (3) TMBC contributing Php0.46 billion consisting of ancillary income on finance and insurance commissions and other income; and (4) GT Capital contributing Php0.45 billion comprising dividend income from TMC and gain on FVTPL investments. The remaining balance of Php0.04 billion came from GTCAD.

Consolidated costs and expenses increased by 6% from Php185.04 billion to Php196.59 billion with the following breakdown:

- (1) Php156.07 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
- (2) Php23.25 billion from TMBC consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
- (3) Php10.73 billion from Federal Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses;
- (4) Php4.84 billion from GT Capital representing interest expenses and general and administrative expenses; and
- (5) Php1.70 billion from GTCAD comprising cost of of goods sold, general and administrative expenses and interest expenses.

Cost of goods manufactured and sold comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP increased by 16% from Php31.81 billion in 2018 to Php36.82 billion in 2019 due to a 20% increase in sales volume of completely-knocked-down (CKD) units from 44,751 to 53,919 units.

General and administrative expenses grew by 27% from Php10.67 billion to Php13.60 billion. TMP accounted for Php8.38 billion consisting of advertisements and promotional expenses, salaries and wages, taxes and licenses, and delivery and handling expenses. Federal Land accounted for Php2.97 billion composed of salaries and wages, commission expenses, taxes and licenses, and repairs and maintenance expenses. TMBC contributed Php1.69 billion representing salaries and wages, commission expenses, taxes and licenses and advertising and promotional expenses. GT Capital and GTCAD contributed Php0.41 billion and Php0.15, respectively, consisting of salaries and wages, professional fees, and administrative and management fees.

Interest expense increased from Php5.40 billion to Php6.45 billion with GT Capital, Federal Land, TMP, and TMBC accounting for Php4.43 billion, Php1.32 billion, Php0.58 billion, and Php0.12 billion, respectively.

Cost of real estate sales declined by 22% from Php6.84 billion to Php5.34 billion, arising from the sale of lots to joint venture partners in Sunshine Fort and North Bonifacio Land Realty and Development, Inc. in 2018, both located in Fort BGC, Taguig City.

Cost of rental declined by 9% from Php0.48 billion to Php0.44 billion due to a decline in operating expenses incurred in the leasing business such as depreciation, repairs and maintenance, and other overhead expenses.

Provision for income tax increased by 30% from Php3.89 billion to Php5.06 billion due to a higher level of taxable income in 2019 vis-à-vis the previous year.

Net income attributable to non-controlling interest grew by 8% from Php4.46 billion to Php4.80 billion due to an increase in net income of non-wholly owned subsidiaries.

Consolidated net income attributable to equity holders of the Parent Company increased by 54% from Php13.16 billion in 2018 to Php20.31 billion in 2019.

Consolidated Statements of Financial Position

Audited December 31 Increase (Decrease)

(In Million Pesos, Except for Percentage)

2018

	2019	(As Restated)	Amount	Percentage
ASSETS				
Current Assets				
Cash and cash equivalents	12,133	14,353	(2,220)	(15%)
Short-term investments	–	65	(65)	(100%)
Financial assets at fair value through profit or loss	4,698	3,181	1,517	48%
Receivables	13,382	15,153	(1,771)	(12%)
Contract assets	5,095	8,329	(3,234)	(39%)
Inventories	72,189	75,389	(3,200)	(4%)
Due from related parties	209	666	(457)	(69%)
Prepayments and other current assets	10,416	9,790	626	6%
Total Current Assets	118,122	126,926	(8,804)	(7%)
Noncurrent Assets				
Receivables – net of current portion	3,421	932	2,489	267%
Contract asset – net of current portion	5,556	6,886	(1,330)	(19%)
Financial assets at fair value through other comprehensive income	12,373	10,948	1,425	13%
Investment properties	15,347	17,728	(2,381)	(13%)
Investments and advances	178,059	163,735	14,324	9%
Property and equipment	13,159	13,638	(479)	(4%)
Goodwill and intangible assets	10,040	12,955	(2,915)	(23%)
Deferred tax asset	1,141	1,024	117	11%
Other noncurrent assets	436	2,894	(2,458)	(85%)
Total Noncurrent Assets	239,532	230,740	8,792	4%
TOTAL ASSETS	357,654	357,666	(12)	(0%)
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	25,234	25,411	(177)	(1%)
Contract liabilities – current portion	4,553	8,787	(4,234)	(48%)
Short-term debt	12,890	10,500	2,390	23%
Current portion of long-term debt	4,974	820	4,154	507%
Current portion of liabilities on purchased properties	432	416	16	4%
Current portion of bonds payable	3,899	2,994	905	30%
Customers' deposits	560	563	(3)	(1%)
Dividends payable	589	1,198	(609)	(51%)
Due to related parties	204	204	–	0%
Income tax payable	875	601	274	46%
Lease liabilities – current portion	15	–	15	100%
Other current liabilities	1,356	843	513	61%
Total Current Liabilities	55,581	52,337	3,244	6%

Consolidated Statements of Financial Position <i>(In Million Pesos, Except for Percentage)</i>	Audited December 31		Increase (Decrease)	
	2019	2018	Amount	Percentage
		(As restated)		
Noncurrent Liabilities				
Long term debt – net of current portion	87,149	94,349	(7,200)	(8%)
Lease Liabilities – net of current portion	296	–	296	100%
Bonds payable – net of current portion	15,040	18,913	(3,873)	(20%)
Liabilities on purchased properties - net of current portion	3,352	2,877	475	17%
Pension liabilities	1,222	859	363	42%
Deferred tax liabilities	3,138	5,334	(2,196)	(41%)
Other noncurrent liabilities	2,556	2,169	387	18%
Total Noncurrent Liabilities	112,753	124,501	(11,748)	(9%)
TOTAL LIABILITIES	168,334	176,838	(8,504)	(5%)
Equity attributable to equity holders of Parent Company				
Capital stock	3,370	3,211	159	5%
Additional paid-in capital	98,827	85,592	13,235	15%
Retained earnings				
Unappropriated	74,569	52,223	22,346	43%
Appropriated	400	17,000	(16,600)	(98%)
Other comprehensive loss	(2,019)	(4,207)	2,188	52%
Other equity adjustments	2,322	2,322	-	0%
	177,469	156,141	21,328	14%
Non-controlling interests	11,851	24,687	(12,836)	(52%)
TOTAL EQUITY	189,320	180,828	8,492	5%
TOTAL LIABILITIES AND EQUITY	357,654	357,666	(12)	(0%)

The major changes in GT Capital's consolidated statement of financial position from December 31, 2018 to December 31, 2019 are as follows:

Consolidated assets decreased by Php12.00 billion from Php357.67 billion as of December 31, 2018 to Php357.65 billion as of December 31, 2019. Total liabilities decreased by 5% or Php8.50 billion from Php176.84 billion to Php168.33 billion while total equity increased by 5% or Php8.49 billion from Php180.83 billion to Php189.32 billion.

Cash and cash equivalents declined by Php2.22 billion from Php14.35 billion to Php12.13 billion with TMP, GT Capital-Parent Company, Federal Land, TMBC and GTCAD accounting for Php5.83 billion, Php3.57 billion, Php2.06 billion, Php0.46 billion and Php0.21 billion, respectively.

Short-term investments declined by 100% from Php0.07 billion to nil comprising short-term money market placements of TMP.

Financial assets at fair value through profit or loss (FVTPL) grew by 48% from Php3.18 billion to Php4.70 billion pertaining to the Parent Company's investment in Unit Investment Trust Fund (UITF).

Receivables-current decreased by 12% or Php1.77 billion from Php15.15 billion to Php13.38 billion with TMP contributing Php9.19 billion consisting of trade and non-trade receivables; TMBC contributing Php2.94 billion comprising of trade and non-trade receivables; Federal Land contributing Php1.03 billion, a majority of which were installment contract receivables, rent receivable and other receivables; GTCAD accounting for Php0.21 billion

representing trade receivables from the sale of automobiles and after-sales maintenance services, and GT Capital contributing the remaining balance of Php0.01 billion.

Current portion of contract assets decreased by 39% from Php8.33 billion to Php5.10 billion due to the deconsolidation of PCFI.

Due from related parties declined by Php0.46 billion from Php0.67 billion to Php0.21 billion mainly from Federal Land's related parties.

Prepayments and other current assets grew by 6% from Php9.79 billion to Php10.42 billion comprising of advances to contractors and suppliers, input VAT, creditable withholding taxes, ad valorem taxes, prepaid expenses and other current assets amounting to Php3.71 billion, Php3.52 billion, Php1.25 billion, Php 0.71 billion, Php0.63 billion and Php0.60 billion.

Receivables - net of current portion increased by Php2.49 billion from Php0.93 billion to Php3.42 billion mainly due to Federal Land's booked real estate sales.

Contract assets - net of current portion decreased by 19% from Php6.89 billion to Php5.56 billion mainly attributable to the deconsolidation of PCFI.

Financial assets at fair value through other comprehensive income grew by 13% from Php10.95 billion to Php12.37 billion mainly due to mark-to-market gains.

Investment properties declined by 13% from Php17.73 billion to Php15.35 billion due to the deconsolidation of PCFI.

Investments in associates and jointly controlled entities increased by 9% from Php163.74 billion to Php178.06 billion primarily attributable to the following:

- 1) Php14.58 billion equity in net income which is further broken down into MBTC, (Php9.98); MPIC, (Php3.63 billion); AXA, (Php0.60 billion); TFS, (Php0.30 billion); and other associates and joint ventures (Php0.07 billion);
- 2) Php0.75 billion, equity in other comprehensive income of associates and joint ventures;
- 3) Php0.22 billion impact of intragroup eliminations;
- 4) Php0.89 billion additional investments during the year; and
Offset by Php2.12 billion dividends received.

Goodwill and intangible assets declined by 23% from Php12.96 billion to Php10.04 billion due to the deconsolidation of PCFI.

Deferred tax asset increased by 11% from Php1.02 billion to Php1.14 billion with TMP, Federal Land, and TMBC accounting for Php0.68 billion, Php0.39 billion, and Php0.07 billion, respectively.

Other non-current assets decreased by 85% from Php2.89 billion to Php0.44 billion comprising long-term deposits, non-current input tax, non-current prepaid rent and other assets from Federal Land, (Php0.23 billion); TMBC, (Php0.12 billion); TMP, (Php0.06 billion); GTCAD, (Php0.02 billion); and GT Capital, (Php0.01 billion).

Contract liabilities - current portion decreased by 48% from Php8.79 billion to Php4.55 billion mainly attributable to the deconsolidation of PCFI.

Short-term debt increased by Php2.39 billion from Php10.50 billion to Php12.89 billion due to loan availments of TMP, (Php23.46 billion); Federal Land, (Php7.57 billion); TMBC, (Php6.38 billion); and GTCAD (Php0.81 billion). These were offset by loan payments by TMP, (Php23.99 billion); TMBC, (Php5.62 billion); Federal Land, (Php1.82 billion); GTCAD, (Php0.79 billion); and offset by the deconsolidation of PCFI (Php3.60 billion).

Current portion of long-term debt increased by Php4.15 billion from Php0.82 billion to Php4.97 billion mainly attributable to the reclassification from noncurrent portion.

Current portion of bonds payable increased by Php0.91 from Php2.99 billion to Php3.90 billion due to a reclassification from long term portion and settlement of Php2.99 billion last November 2019.

Dividends payable declined by 51% from Php1.20 billion to Php0.59 billion due to the deconsolidation of PCFI. Dividends payable in 2018 includes PCFI's dividends payable to minority shareholders.

Income tax payable grew by 46% from Php0.60 billion to Php0.88 billion due to an increase in taxable income.

Lease liabilities – current portion arose from the adoption of PFRS 16, *Leases*, the new accounting standard for lease agreements which superseded PAS 17.

Other current liabilities increased by Php0.51 billion from Php0.84 billion to Php1.36 billion attributable to the higher VAT payable of TMP relative to increase in auto sales.

Long-term debt – net of current portion decreased by Php7.20 billion from Php94.35 billion to Php87.15 billion mainly due to the deconsolidation of PCFI (Php6.53 billion), reclassification to current portion (Php4.93 billion) and foreign exchange gain of Php0.39 billion. This was offset by Php4.58 billion loan availments.

Lease liabilities – net of current portion arose from the adoption of PFRS 16, *Leases*, the new accounting standard for lease agreements, effective January 1, 2019.

Bonds payable – net of current portion decreased by Php3.87 billion due to its reclassification to current portion.

Pension liabilities increased by Php0.36 billion from Php0.86 billion to Php1.22 billion mainly due to increased retirement benefit obligation of TMP and Federal Land.

Deferred tax liabilities declined by 41% from Php5.33 billion to Php3.14 billion mostly due to the deconsolidation of PCFI.

Other noncurrent liabilities increased by 18% from Php2.17 billion to Php2.56 billion mostly due to higher retention payable of Federal Land.

Capital stock grew by 5% from Php3.21 billion to Php3.37 billion due to the distribution of 8% stock dividends (15,947,003 shares at Php10 par value per share).

Additional paid-in capital increased by 15% or Php13.24 billion due to the distribution of 8% stock dividends (15,947,003 shares issued at Php840 per share).

Unappropriated retained earnings increased by Php22.35 billion from Php52.22 billion to Php74.57 billion mainly due to the Php20.31 billion consolidated net income attributable to Parent Company earned during the year, the Php16.60 billion reversal of appropriated retained earnings for the strategic investment in financial services, and Php0.02 billion effect of deconsolidation of PCFI; offset by P13.40 billion stock dividends, and Php1.18 billion cash dividends declared on common and voting preferred shares in March 2019.

Retained earnings - appropriated of Php16.60 billion was reversed and reclassified into unappropriated.

Other comprehensive loss improved by Php2.19 billion from a negative Php4.21 billion to a negative Php2.02 billion primarily due to the Php0.75 billion equity in OCI of associates and Php1.46 billion MTM gain on FVOCI investments of Parent Company and subsidiaries; offset by Php0.02 billion effect of deconsolidation of PCFI.

Non-controlling interest (NCI) declined by 52% from Php24.69 billion to Php11.85 billion attributable to Php13.25 billion deconsolidated NCI on PCFI, Php4.26 billion NCI on dividends declared by subsidiaries and Php0.28 billion NCI on other comprehensive loss. Mitigated by NCI on net income during the year amounting to Php4.80 billion and Php0.15 billion NCI on acquisition of new subsidiaries (GTCAD-GTMV, GTMV-JBAP).

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, 2017, 2018 and 2019.

	In Million Pesos, except for percentages		
Income Statement	2017	2018	2019
Total Revenues	232,865	205,832	222,940

Net Income attributable to Equity Holders of GT Capital Holdings	14,372	13,156	20,309
Balance Sheet			
Total Assets	306,028	357,666	357,654
Total Liabilities	133,501	176,838	168,334
Equity attributable to GT Capital Holdings, Inc.	145,010	156,141	177,469
Return on Equity *	12.04%	8.86%	9.78%

*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		
	2017	2018	2019
Net income attributable to equity holders	18.2	22.0	28.1
Net interest margin on average earning assets	3.75%	3.82%	3.84%
Operating efficiency ratio	56.8%	58.5%	54.6%
Return on average assets	0.9%	1.02%	1.20%
Return on average equity	9.2%	9.1%	9.5%

	2017	2018	2019
Total assets	2,080.3	2,243.7	2,450.8
Total liabilities	1,876.2	1,953.0	2,132.3
Equity attributable to equity holders of the parent company	202.0	283.0	309.6
Tier 1 capital adequacy ratio	11.8%	14.6%	16.2%
Total capital adequacy ratio	14.4%	17.0%	17.5%
Non-performing loans ratio	1.0%	1.2%	1.3%
Non-performing loans coverage ratio	89.0%	105.0%	103.0%

Notes:

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

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

Metrobank consolidated net income grew by 27.5% from Php22.0 billion in 2018 to Php28.1 billion in 2019. This was primarily due to the improvement in operating revenues driven by net interest margin expansion from 3.82% to 3.84%, strong trading and forex gains and moderate growth in loans and receivables at 6.7%.

Net interest income grew by 11.9% from Php68.8 billion in 2018 to Php77.0 billion in 2019, comprising 72.6% of total operating income. CASA deposits increased by 11.7% from Php964.9 billion to Php1.1 trillion, which resulted in CASA ratio at 63.0% of total deposits.

Strong non-interest income growth by 26.8% from Php22.9 billion in 2018 to Php29.1 billion in 2019 driven by increases in service charges, fees and commissions, trading and securities, and foreign exchange gains offset by lower miscellaneous income.

Total assets grew by 9.2% from Php2.2 trillion as of December 31, 2018 to Php2.5 trillion as of December 31, 2019 primarily due to increases in loans and receivables and investment securities.

Total liabilities, likewise, grew by 9.2% from Php2.0 trillion as of December 31, 2018 to Php2.1 trillion as of December 31, 2019 due mainly to increases in deposit liabilities and bonds payable offset by a decrease in bills payable and Securities Sold Under Repurchase Agreements and subordinated debts.

Equity attributable to equity holders of the Parent Company grew by 9.4% from Php283.0 billion as of December 31, 2018 to Php309.6 billion as of December 30, 2019 due to the net effect of the net income reported during the year and improvement in net unrealized gain on FVOCI.

Property Development

Federal Land, Inc.

	In Million Pesos, except for percentages and ratios		
	2017 as restated	2018 as restated	2019
Real Estate Sales*	9,067.4	10,550.6	9,843.8
Revenues	11,260.0	13,383.6	13,166.8
Net income attributable to equity holders of the parent	1,604.0	1,032.9	1,611.4
	2017 as restated	2018 as restated	2019
Total assets	75,668.8	82,220.8	92,291.7
Total liabilities	39,744.6	46,052.8	55,127.4
Total equity attributable to equity holders of the parent	35,813.9	36,062.3	37,039.4
Current ratio	4.6x	3.4x	2.3x
Debt to equity ratio	0.7x	0.8x	1.0x

* Includes interest income on real estate sales

Notes:

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

Federal Land's reservation sales grew by 95.7% from Php12.4 billion in 2018 to Php24.2 billion in 2019. This was complemented by the launch of six (6) projects namely: (1) Mi Casa Tower 1 – Hawaii, located in Macapagal Boulevard, Pasay City, (2) The Estate Makati, a joint venture project with SM Development Corporation (SMDC) located in Ayala Avenue, Makati City, (3) Quantum Tower 2 - Amethyst, located in Taft Avenue, Pasay City, (4) Marco Polo Residences 5 – Parkplace, located in Cebu City, (5) The Grand Midori Ortigas, located in Pasig City, and (6) The Seasons Residences Tower 2 – Natsu, a joint venture with Nomura Real Estate Development Co. Ltd. located in Grand Central Park of Bonifacio Global City, Taguig City.

Real estate sales and revenues showed a decline year-on-year as 2018 included one-time lot sale transactions to joint venture partners amounting to Php2.9 billion. Excluding these, real estate sales and revenues rose by 28.7% and 25.5%, respectively. Due to higher revenues arising from faster percentage-of-completion coupled with lower cost adjustments, net income attributable to equity holders of the parent increased by 56.0%.

Total assets of Federal Land grew by 12.2% from Php82.2 billion as of December 31, 2018 to Php92.3 billion as of December 31, 2019. This was mainly driven by increases in receivables from real estate buyers, inventories, investment properties, investments in joint venture projects and advances to contractors and suppliers.

Property Company of Friends, Inc.

On July 4, 2019, the Philippine Competition Commission approved the redemption of PCFI shares in exchange for selected assets. Realized net gain on redemption was Php2.3 billion. PCFI was then deconsolidated in the financial statements of GT Capital (see Note 12 of the Consolidated Financial Statements).

Automobile Assembly and Importation and Dealership and Financing

Toyota Motor Philippines (TMP)

	In Million Pesos, except for ratios		
	2017	2018	2019
Sales	185,337.1	158,940.8	168,615.5
Gross Profit	23,058.8	16,620.2	21,143.2
Operating Profit	16,798.2	10,254.6	12,786.2
Net income attributable to Parent	13,186.1	7,881.9	9,082.4
	2017	2018	2019
Total Assets	42,158.3	36,427.5	38,750.9
Total Liabilities	23,010.7	21,189.8	23,142.4
Total Equity	19,147.6	15,237.6	15,608.4
Total Liabilities to Equity ratio*	1.2x	1.4x	1.5x

**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 grew from Php158.9 billion in 2018 to Php168.6 billion in 2019 as wholesales volume grew by 5.1% from 155,508 to 163,493 units. TMP retail sales volume also increased by 5.9% from 153,004 units to 162,011 units. Retail sales volume outpaced industry growth of 2.4% from 400,298 to 410,035 units. As a result, TMP market share improved from 38.2% in 2018 to 39.5% in 2019, driven by Vios, Hilux, and Innova.

In 2019, TMP increased its auto dealership complement to 71 outlets - inaugurating Toyota Nueva Ecija, Toyota Albay and Toyota Valenzuela in January, March and June 2019, respectively.

Favorable F/X differential, higher revenues driven by increase in sales volume and price increases, and higher export and spare parts profit, resulted in the improvement of gross profit and operating profit margins. Gross profit margin

improved from 10.5% to 12.5% while operating profit margin increased from 6.5% to 7.6%. However, these profit increasing factors were offset by higher advertising on new model introductions and sales promotions, increased operating and overhead costs, and higher income tax provision from the expiration of income tax holiday on the old Vios, which resulted in a tapered net income margin improvement, from 5.0% to 5.5%. Consolidated net income attributable to equity holders grew by 15.2% from Php7.9 billion to Php9.1 billion.

As of December 31, 2019, TMP directly owns seven (7) dealer outlets namely Toyota Makati with one (1) branch, Toyota Bicutan, Toyota San Fernando in Pampanga with two (2) branches in Plaridel Bulacan, and Toyota Tarlac in Tarlac City, Lexus Manila, situated in Bonifacio Global City, Taguig City and Toyota Santa Rosa, situated in Sta. Rosa, Laguna.

Toyota Manila Bay Corporation (TMBC)

	In Million Pesos, except for ratios		
	2017	2018	2019
Net Sales	26,312.0	20,488.8	23,548.0
Gross Profit	1,787.9	1,438.4	1,662.6
Net Income*	390.2	176.7	226.1
	2017	2018	2019
Total Assets	6,059.9	6,503.3	7,731.5
Total Liabilities	3,839.8	4,224.4	5,233.4
Total Equity	2,220.1	2,278.9	2,498.1

**Note: Includes booked commission income from insurance*

Consolidated sales, comprising vehicle sales, spare parts and maintenance services, increased by 15.1% from Php20.5 billion in 2018 to Php23.6 billion in 2019. The increase was driven significantly by the growth in vehicle sales by 15.7% from Php18.6 billion to Php21.5 billion, which accounted for 91.2% of TMBC's revenues. Such was a result of improvement in penetration rate from 10.6% to 11.0%.

Retail sales volume increased by 9.3% from 16,231 to 17,755 units driven by Vios, Innova and Hiace. Sales from spare parts and maintenance services, accounting for a combined 8.8% of revenues, increased by 9%.

Consolidated net income increased by 28.0% from Php176.6 million in 2018 to Php226.1 million in 2019 driven by a strong topline growth of 15.1% coupled with improvement in operating expenses which only grew by 7.3%.

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.

Toyota Financial Services Philippines Corporation (TFSPC)

	In Million Pesos, except for ratios		
	2017	2018	2019
Gross Interest Income	4,920.6	6,164.7	6,958.7
Net Interest Income	2,860.8	3,254.7	3,082.1
Net Income	687.6	786.8	579.6
Finance Receivable	60,412.6	67,427.4	75,450.0
	2017	2018	2019

Total Assets	58,742.0	83,509.3	83,443.7
Total Equity	5,051.7	7,656.5	9,416.76

TFSPC recorded a modest 12.9% growth in gross interest income from Php6.2 billion in 2018 to Php7.0 billion in 2019, as finance receivables increased by 11.9% from Php67.4 billion to Php75.5 billion on a year-on-year basis.

Booking volume, increased by 7% from 31,827 units in 2018 to 34,039 units in 2019 attributable to the overall improvement in TMP's sales volume. This, however, resulted in a slightly improved penetration rate from 20.8% to 21.0%.

Net income, however, declined by 26.3% at Php579.6 million due to the higher interest costs and increased operating expenses driven by growth in salaries and benefits, loss on sale of ROPA, taxes and licenses, and legal expenses.

Sumisho Motor Finance Corporation (SMFC)

	In Million Pesos, except for ratios		
	2017	2018	2019
Gross Interest Income	836.7	1,167.8	1,636.3
Net Interest Income	804.7	1,078.6	1,436.1
Net Income	205.5	262.2	354.8
Finance Receivable	3,292.9	4,758.8	6,620.0
	2017	2018	2019
Total Assets	3,533.5	5,066.5	7,124.5
Total Equity	2,024.0	2,304.7	2,521.1

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

SMFC recorded a 40.1% growth in gross interest income from Php1.2 billion in 2018 to Php1.6 billion in 2019, as finance receivable increased by 39.1% from Php4.8 billion to Php6.6 billion on a year-on-year basis. Bookings also grew by 25.1% from 52,356 units in 2018 to 65,505 units in 2019. This outperformed the strong performance of the Philippine motorcycle industry, which increased only by 7.9% from 1,580,846 units in 2018 to 1,705,394 units in 2019.

Net income increased by 35.3% from Php262.2 million in 2018 to Php354.8 in 2019 due to strong loan portfolio growth partially offset by increases in interest expenses, salaries, taxes and licenses.

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 2017, 2018 and 2019.

	In Million Pesos, except ratios			
	AXA Philippines			Consolidated 2019
	2017	2018	2019	
Gross Premiums	26,359.1	29,708.4	26,541.3	32,081.6
Net income after tax	2,360.6	2,745.9	3,388.6	2,368.1
Net Profit Margin (%) ¹	8.4%	8.7%	11.8%	

Total Assets	114,378.6	116,107.2	132,278.6	142,168.3
Total Liabilities	106,814.5	106,580.4	119,268.6	130,416.0
Total Equity	7,564.2	9,526.8	13,010.0	11,752.3
Solvency ratio ²	341.0%	473.0%	435.0%	

Notes:

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

New business from life insurance expressed in Annualized Premium Equivalent declined by 4.8% from Php7.1 billion in 2018 to Php6.8 billion in 2019. Such was driven by the decline in Single Premium by 38.5% as investors shifted towards guaranteed bank products due to market volatility, partially offset by the growth in Regular Premium by 4.4%. The growth in Regular Premium was driven by Protection and Health products by 39.9% as flagship products continue to grow year-on-year. The reported premium revenue mix of life insurance changed to 36%/64% (Single Premium vs. Regular Premium) in 2019 from 52%/48% in 2018. By distribution platform, bancassurance and sales agency accounted for 61% and 34% of premium revenues, respectively.

Gross written premiums of CPAIC amounted to Php5.4 billion in 2019, where motor and property premiums accounted for 48% and 31% of the total, respectively.

Consolidated net income reached Php2.4 billion in 2019. Consolidated net income included a Php1.0 billion net loss from CPAIC. Excluding CPAIC, AXA Philippines grew its net income by 23.4% from Php2.7 billion in 2018 to Php3.4 billion in 2019. The growth was primarily driven by the: (1) improvement in the life sector's premium margins by Php0.9 billion or 10.7%, (2) increase in asset management fees by 13.7% reaching Php2.0 billion and (3) higher investment income amounting to Php0.8 billion.

Infrastructure and Utilities

Metro Pacific Investments Corporation (MPIC)

In Million Pesos, except for Percentage			
	2017	2018	2019
Core net income	14,104	15,060	15,602
Net income attributable to equity holders	13,151	14,130	23,856
	2017	2018	2019
Total assets	503,751	557,946	611,778
Total liabilities	288,072	318,943	365,733
Total equity attributable to owners of Parent Company	161,244	173,311	190,962

MPIC's share in the consolidated operating core income increased by 7.0% from Php19.6 billion in 2018 to Php20.9 billion in 2019, primarily driven by the following:

- Substantial core income growth in Manila Electric Company (Meralco) by 6% and Global Business Power Corporation (GBPC) by 11%; Core net income contribution from Meralco and GBPC to MPIC in 2019 was Php11.6 billion.
- Domestic toll roads traffic growth (NLEX 7%, CAVITEX 24%, SCTEX 13%) and toll rate increases in NLEX, SCTEX and CAVITEX; Core net income contribution of Metro Pacific Tollways Corporation (MPTC) to MPIC was Php5.2 billion in 2019.

- Strong patient census from the Hospital group mainly due to the increase in number of patients served across all hospitals; Core net income contribution of the group to MPIC was Php0.9 billion.

Reported net income attributable to equity holders grew by 69.0% from Php14.1 billion in 2018 to Php23.9 billion in 2019 as it included the result of the Php30.1 billion Hospital deal with KKR & Co. which was completed in December 2019. Excluding head office, interest, forex, and non-recurring income and expenses, core income increased by 4% from Php15.1 billion in 2018 to Php15.6 billion in 2019.

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 except as discussed below.

The GT Capital Group's 2020 capital expenditures ("capex") budget is presented as follows:

Component Company	In Php Billion	Nature	Funding source
Metrobank	3.0-5.0	Mainly for IT investments	Internal
Federal Land ¹	7.4	Land banking, project development, IT investments and FFE	Internal and Debt
TMP	4.9	New Model Introduction, Specs upgrade, and special projects	Internal
TMBC	0.5	Dealership expansion and property improvements	Internal
TFS	0.2	Hardware & Software, Leasehold & FFE	Internal
SMFC	0.2	HO relocation, branch expansion, leasehold improvements, FFE and IT investments	Debt
AXA Philippines ²	0.3	Refurbishments, Computer and IT upgrade, Office equipment	Internal
GTCap-Parent	12.0	Acquisitions and other investments	Internal and Debt
Total	28.5-30.5		

(1) Excludes construction of vertical residential buildings and house construction

(2) 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, 2018 VERSUS YEAR ENDED DECEMBER 31, 2017

GT Capital Consolidated Statements of Income	Audited		Increase (Decrease)	
	Year Ended December 31		Amount	Percentage
	2018	2017		
<i>(In Million Pesos, Except for Percentage)</i>	(As restated)	(As restated)		
CONTINUING OPERATIONS				
REVENUE				
Automotive operations	179,117	211,692	(32,575)	(15%)
Equity in net income of associates and joint venture	11,513	8,673	2,840	33%
Real estate sales and Interest income on real estate sales	10,551	9,068	1,483	16%
Rent income	1,181	915	266	29%
Sale of goods and services	778	640	138	22%
Interest income on deposits and investments	460	353	107	30%
Commission income	108	56	52	93%
Other income	2,124	1,468	656	45%
	205,832	232,865	(27,033)	(12%)
COSTS AND EXPENSES				
Cost of goods and services sold	129,849	147,713	(17,864)	(12%)
Cost of goods manufactured and sold	31,809	39,635	(7,826)	(20%)
General and administrative expenses	10,667	10,380	287	3%
Cost of real estate sales	6,840	5,176	1,664	32%
Interest expense	5,401	3,536	1,865	53%
Cost of rental	476	360	116	32%
	185,042	206,800	(21,758)	(11%)
INCOME BEFORE INCOME TAXES	20,790	26,065	(5,275)	(20%)
PROVISION FOR INCOME TAX	3,886	4,933	(1,047)	(21%)
NET INCOME FROM CONTINUING OPERATIONS	16,904	21,132	(4,228)	(20%)
NET INCOME FROM DISCONTINUED OPERATIONS	707	278	429	154%
NET INCOME	17,611	21,410	(3,799)	(18%)
ATTRIBUTABLE TO:				
Equity holders of the Parent Company				
Profit for the year from continuing operations	12,795	14,239	(1,444)	(10%)
Profit for the year from discontinued operations	361	133	228	171%
	13,156	14,372	(1,216)	(8%)
Non-controlling interests				
Profit for the year from continuing operations	4,109	6,893	(2,784)	(40%)
Profit for the year from discontinued operations	346	145	201	139%
	4,455	7,038	(2,583)	(37%)
	17,611	21,410	(3,799)	(18%)

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 8% from Php14.37 billion in 2017 to Php13.16 billion in 2018. The decline in net income growth was principally due to a 12% decline in total revenues.

The decline in revenue came from the following component companies:

- (1) lower auto sales from Toyota Motor Philippines Corporation ("TMP") and Toyota Manila Bay Corporation ("TMBC") as combined sales decreased by 15% from Php211.69 billion to Php179.12 billion accounting for 83% of total revenue; offset by:
- (2) higher real estate sales and interest income on real estate sales from Federal Land Inc. (Federal Land) and Property Company of Friends, Inc. ("PCFI") which grew by 16% from Php8.67 billion to Php11.51 billion; and
- (3) higher equity in net income of associates and joint venture which grew by 33% from Php8.67 billion to Php11.51 billion.

Core net income attributable to equity holders of the Parent Company reached Php12.92 billion in 2018 from Php14.84 billion in 2017. Core net income for 2018 amounted to Php12.92 billion from a reported net income of 13.16 billion, after deducting the Php0.32 billion non-recurring income, net of the taxes-related to lot sales, non-recurring expenses, and share in MPIC's non-recurring loss; and adding back the Php0.08 billion amortization of fair value adjustments arising from business combinations. Core net income for 2017 amounted to Php14.84 billion after deducting the Php0.17 non-recurring income from discontinued operations and adding back the Php0.64 billion amortization of fair value adjustments arising from business combinations and non-recurring expenses.

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

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

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

Equity in net income of associates and jointly-controlled entities increased by 33% from Php8.67 billion to Php11.51 billion primarily due to increases in:

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

Real estate sales and interest income on real estate sales rose by 16% from Php9.07 billion to Php10.55 billion.

Rent income, mainly from Federal Land's GT Tower International office building and Blue Bay Walk, increased by 29% from Php0.92 billion to Php1.18 billion driven by rate escalation and higher occupancy for IMET.

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

Interest income on deposits and investments grew by 30% from Php0.35 billion to Php0.46 billion due to higher level of time deposit placements.

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

Other income grew by 45% from Php1.47 billion to Php2.12 billion with: (1) Federal Land contributing Php0.87 billion comprising real estate forfeitures, management fees and other income; (2) TMP contributing Php0.61 billion consisting of gain on sale of fixed assets, and subscription and ancillary income from its dealer subsidiaries; and (3) TMBC contributing Php0.44 billion consisting of ancillary income on finance and insurance commissions and other income. The remaining balance of Php0.20 billion came from GT Capital's dividend income from investments in Toyota Motor Corporation (TMC) and gain on FVPTL investments.

Consolidated costs and expenses decreased by 11% from Php206.80 billion to Php185.04 billion with the following breakdown:

- (1) Php148.95 billion from TMP comprising cost of goods manufactured, cost of goods and services sold, general and administrative expenses and interest expenses;
- (2) Php20.37 billion from TMBC consisting of cost of goods and services sold, general and administrative expenses and interest expenses;
- (3) Php11.52 billion from Federal Land consisting of cost of real estate sales, cost of goods sold, cost of rental, general and administrative expenses and interest expenses; and
- (4) Php4.20 billion from GT Capital representing interest expenses and general and administrative expenses.

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

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

General and administrative expenses grew by 3% from Php10.38 billion to Php10.67 billion. TMP accounted for Php6.49 billion consisting of salaries and wages, taxes and licenses, advertisements and promotional expenses, and delivery and handling expenses. Federal Land accounted for Php2.37 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses; and TMBC contributed Php1.54 billion representing salaries and wages, commission expenses and taxes and licenses and advertising and promotional expenses. GT Capital contributed Php0.24 billion consisting of salaries and wages, professional fees and taxes and licenses. The remaining Php0.03 came from GTCAD which consists mainly of salaries and wages, depreciation and amortization, and taxes and licenses.

Cost of real estate sales increased by 32% from Php5.18 billion to Php6.84 billion arising from the increase in real estate sales.

Interest expense increased from Php3.54 billion to Php5.40 billion with GT Capital, Federal Land, TMP, and TMBC accounting for Php3.95 billion, Php0.16 billion, Php0.19 billion, and Php0.10 billion, respectively.

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

Provision for income tax declined by 21% from Php4.93 billion to Php3.89 billion due to lower taxable income.

Net income from discontinued operations grew reached Php0.71 billion from Php0.28 billion.

Net income attributable to non-controlling interest decreased by 37% from Php7.04 billion to Php4.46 billion due decline in net income of non-wholly owned subsidiaries.

Consolidated net income attributable to equity holders of the Parent Company declined by 8% from Php14.37 billion in 2017 to Php13.16 billion in 2018.

Consolidated Statements of Financial Position <i>(In Million Pesos, Except for Percentage)</i>	Audited December 31		Increase (Decrease)	
	2018 (As restated)	2017 (As restated)	Amount	Percentage
ASSETS				
Current Assets				
Cash and cash equivalents	14,353	20,155	(5,802)	(29%)
Short-term investments	65	1,666	(1,601)	(96%)

Consolidated Statements of Financial Position*(In Million Pesos, Except for Percentage)*

	Audited December 31		Increase (Decrease)	
	2018 (As restated)	2017 (As restated)	Amount	Percentage
Financial assets at fair value through profit or loss	3,181	-	3,181	100%
Available-for-sale investments	-	611	(611)	(100%)
Receivables	15,153	24,374	(9,221)	(38%)
Contract asset	8,329	-	8,329	100%
Inventories	75,389	73,235	2,154	3%
Due from related parties	666	166	500	301%
Prepayments and other current assets	9,790	10,417	(627)	(6%)
Total Current Assets	126,926	130,624	(3,698)	(3%)
Noncurrent Assets				
Receivables – net of current portion	932	4,720	(3,788)	(80%)
Contract asset – net of current portion	6,886	-	6,886	100%
Financial assets at fair value through other comprehensive income	10,948	-	10,948	100%
Available-for-sale investments	-	2,103	(2,103)	(100%)
Investment properties	17,728	17,392	336	2%
Investments and advances	163,735	124,866	38,869	31%
Property and equipment	13,638	11,671	1,967	17%
Goodwill and intangible assets	12,955	13,012	(57)	(0%)
Deferred tax asset	1,024	731	293	40%
Other noncurrent assets	2,894	909	1,985	218%
Total Noncurrent Assets	230,740	175,404	55,336	32%
TOTAL ASSETS	357,666	306,028	51,638	17%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	25,411	25,983	(572)	(2%)
Contract liabilities	8,787	-	8,787	100%
Short-term debt	10,500	6,033	4,467	74%
Current portion of long-term debt	820	2,467	(1,647)	(67%)
Current portion of liabilities on purchased properties	416	582	(166)	(29%)
Current portion of bonds payable	2,994	-	2,994	100%
Customers' deposits	563	4,941	(4,378)	(89%)
Dividends payable	1,198	589	609	103%
Due to related parties	204	189	15	8%
Income tax payable	601	777	(176)	(23%)
Other current liabilities	843	1,229	(386)	(31%)
Total Current Liabilities	52,337	42,790	9,547	22%

Consolidated Statements of Financial Position*(In Million Pesos, Except for Percentage)*

	Audited December 31		Increase (Decrease)	
	2018 (As restated)	2017 (As restated)	Amount	Percentage
Noncurrent Liabilities				
Long term debt – net of current portion	94,349	57,021	37,328	65%
Bonds payable	18,913	21,877	(2,964)	(14%)
Liabilities on purchased properties - net of current portion	2,877	3,152	(275)	(9%)
Pension liabilities	859	1,399	(540)	(39%)
Deferred tax liabilities	5,334	5,095	239	5%
Other noncurrent liabilities	2,169	2,167	2	0%
Total Noncurrent Liabilities	124,501	90,711	33,790	37%
TOTAL LIABILITIES	176,838	133,501	43,337	32%

Equity attributable to equity holders of Parent Company				
Capital stock	3,211	3,143	68	2%
Additional paid-in capital	85,592	78,940	6,652	8%
Retained earnings				
Unappropriated	52,223	47,580	4,643	10%
Appropriated	17,000	19,000	(2,000)	(11%)
Other comprehensive loss	(4,207)	(5,975)	1,768	30%
Other equity adjustments	2,322	2,322	-	0%
	156,141	145,010	11,131	8%
Non-controlling interests	24,687	27,517	(2,830)	(10%)
TOTAL EQUITY	180,828	172,527	8,301	5%
TOTAL LIABILITIES AND EQUITY	357,666	306,028	51,638	17%

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

Consolidated assets increased by 17% or Php51.64 billion from Php306.03 billion as of December 31, 2017 to Php357.67 billion as of December 31, 2018. Total liabilities increased by 32% or Php43.34 billion from Php133.50 billion to Php176.84 billion while total equity increased by 5% or Php8.30 billion from Php172.53 billion to Php180.83 billion.

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

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

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

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

Contract assets-current amounting to Php8.33 billion are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

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

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

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

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

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

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

Investments and advances increased by 31% from Php124.87 billion to Php163.74 billion primarily due to the following:

- 1) Php29.63 billion additional and initial investments broken down as follows:
 - Php22.45 billion additional investment in Metrobank arising from the latter's stock rights offering;
 - Php4.33 billion additional investment in Sunshine Fort of Federal Land;
 - Php1.58 billion initial investment in North Bonifacio Landmark Realty Development Corporation (NBLRDI), net of Php0.11 billion advances in 2017 converted to equity in 2018 of Federal Land ;
 - Php0.72 billion additional investment in TFSPC arising from its equity call;
 - Php0.47 billion additional investment in ST 6747 of Federal Land; and
 - Php0.08 billion initial investment in Magnificat and HSL South Food, Inc. of Federal Land.
- 2) Php11.51 billion share in net income of associates and joint ventures in 2018;
- 3) Php3.74 billion share in total comprehensive income arising from the adoption of PFRS 9 in January 1, 2018.

These were offset by the following:

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

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

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

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

Contract liabilities amounting to Php8.79 billion consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

Short-term debt increased by Php4.47 billion from Php6.03 billion to Php10.50 billion due to loan availments of GT Capital, (Php10.75 billion); Federal Land, (Php9.20 billion); TMP, (Php2.42 billion); TMBC, (Php5.92 billion); PCFI,

(Php3.85 billion); and GTCAD (Php0.17 billion). These were offset by loan payments by GT Capital, (Php10.75 billion); Federal Land, (Php7.61 billion); TMBC, (Php5.65 billion); TMP, (Php2.33 billion); and PCFI, (Php1.50 billion).

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax liabilities grew by 5% from Php5.10 billion to Php5.33 billion due to an increase in taxable temporary differences.

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

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

Unappropriated retained earnings increased by Php4.64 billion from Php47.58 billion to Php52.22 billion due to the (1) Php13.16 billion net income attributable to equity holders of the Parent Company; and (2) Php19.00 billion retained earnings reverted back to unappropriated retained earnings from appropriated retained earnings; partially

offset by the (1) Php1.16 billion cash dividends declared to shareholders of common and preferred stock; (2) Php6.72 billion stock dividends; (3) Php17.00 billion appropriation of retained earnings for strategic investment in financial services; (4) Php2.58 billion effect of the adoption of PFRS 9 and 15; and (5) and Php0.04 billion realized loss on sale of financial assets at FVOCI.

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

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

Non-controlling interest (NCI) declined by 10% from Php27.52 billion to Php24.69 billion due to the Php4.46 billion net income attributable to NCI, Php0.24 billion other comprehensive income attributable to NCI, Php0.04 billion share of NCI in capital call; offset by Php6.92 billion NCI share in dividends declared by majority-owned subsidiaries and Php0.65 billion effect of adoption of PFRS 9 and 15.

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

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

ATTRIBUTABLE TO:

Equity holders of the parent company

Profit for the year from continuing operations	14,182	10,631	3,551	33%
Profit for the year from discontinued operations	-	4,003	(4,003)	(100%)
	14,182	14,634	(452)	(3%)

Non-controlling interest

Profit for the year from continuing operations	7,069	6,980	89	1%
Profit for the year from discontinued operations	-	913	(913)	(100%)
	7,069	7,893	(824)	(10%)
	21,251	22,527	(1,276)	(6%)

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

The revenue growth came from the following component companies:

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

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

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

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

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

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

Equity in net income of associates and joint venture, increased by 37% from Php6.37 billion to Php8.70 billion due to increases in: (1) net income of MPIC increasing by 15% from Php11.46 billion to Php13.15 billion which contributed

full year in 2017 as compared to seven (7) months in 2016; (2) net income of Metrobank increasing by 1% from Php18.09 billion to Php18.22 billion with increased ownership from 26.47% to 36.09% effective May 1, 2017; and (3) net income of AXA Philippines more than doubled from Php1.13 billion to Php2.47 billion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other noncurrent liabilities	2,167	2,085	82	4%
Total Noncurrent Liabilities	91,210	89,124	2,086	2%
TOTAL LIABILITIES	134,000	124,208	9,792	8%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-controlling interest (NCI) improved by 5% from Php26.43 billion to Php27.68 billion due to the Php7.07 billion 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.

LIQUIDITY AND CAPITAL RESOURCES

In 2017, 2018 and 2019, 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, 2019, GT Capital's cash and cash equivalents reached Php12.13 billion.

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

	In Million Pesos		
	2017	2018	2019
Net cash provided (used) by operating activities	6,478	(639)	(7,295)
Net cash used in investing activities	(30,505)	(45,428)	(4,260)
Net cash provided by financing activities	23,613	40,412	8,411
Effects of exchange rate changes on cash and cash equivalents	(385)	(146)	137
Net increase (decrease) in cash and cash equivalents	(799)	(5,802)	(2,220)

Cash and cash equivalents at the beginning of the period	20,954	20,155	14,353
Cash and cash equivalents of continuing operations at end of the period	20,155	14,353	12,134

Cash flows from operating activities

Net cash provided by operating activities amounted to Php6.48 billion in 2017 and net cash used by operating activities amounted to Php0.64 billion in 2018 and Php7.29 billion in 2019. In 2017, operating cash amounting to Php21.91 billion was used to increase inventories by Php8.20 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. In 2018, operating cash amounting to Php16.21 billion was used to increase financial assets at FVTPL by Php2.50 billion, receivables by Php2.21 billion and inventories by Php4.21 billion and to pay dividends, income taxes and interest amounting to Php7.48 billion, Php4.38 billion and Php4.62 billion, respectively. In 2019, operating cash amounting to Php18.78 billion was used to increase financial assets at FVTPL by Php1.38 billion, receivables by Php6.32 billion and inventories by Php6.78 billion and to pay dividends, income taxes and interest amounting to Php4.91 billion, Php4.61 billion and Php9.15 billion, respectively.

Cash flows used in investing activities

Net cash used in investing activities amounted to Php30.50 billion in 2017, Php45.43 billion in 2018 and Php4.26 billion in 2019. In 2017, cash flows used in investing activities went to increase investment in associates and a joint venture by Php26.78 billion, investment properties by Php0.66 billion, property and equipment by Php3.48 billion, AFS investments by Php1.74 billion and intangible assets by Php0.24 billion. In 2018, cash flows used in investing activities went to pay for additional investment in associates and a joint venture by Php29.63 billion, financial assets at FVOCI by Php10.48 billion, property and equipment by Php3.92 billion, and investment properties by Php0.22 billion. In 2019, cash flows used in investing activities went to pay for additional investment in associates and a joint venture by Php0.94 billion, property and equipment by Php2.27 billion, and investment properties by Php1.10 billion.

Cash flows from financing activities

Net cash provided by financing activities amounted to Php23.61 billion in 2017, Php40.41 billion in 2018 and Php8.41 billion in 2019. In 2017, cash flows from financing activities came from Php38.35 billion in new loans and issuance of capital stock of Php21.69 billion which were used to partially settle Php38.40 billion in outstanding loans. In 2018, cash flows from financing activities came from loan availments of Php71.29 billion which were used to partially settle Php31.43 billion in outstanding loans and Php0.50 billion in liabilities on purchased properties. In 2019, cash flows from financing activities came from loan availments of Php43.98 billion which were used to partially settle Php36.15 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 55.93% is owned by Grand Titan Capital Holdings, Inc. and the directors and senior officers of GT Capital, while the balance of 44.07% is publicly-owned as of December 31, 2019.

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 general insurance, and infrastructure and utilities. GT Capital is the primary vehicle for the holding and management of the diversified business interests of the Ty family in the Philippines. GT Capital's business management, investment decisions, and future business development are and will be firmly rooted in its corporate values of integrity, competence, respect, entrepreneurial spirit and commitment to value creation.

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

GT Capital's portfolio of businesses is well-positioned to benefit from broad-based growth in the Philippine economy, and domestic consumption in particular. The portfolio as of December 31, 2019 comprises directly-held interests in the following GT Capital component companies:

Banking – GT Capital conducts banking services through its 36.65% interest in Metropolitan Bank & Trust Company ("MBT" or "Metrobank"). Metrobank is a universal bank that provides, through itself and other members of the Metrobank 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, 2019, the Metrobank Group had a total of 952 branches in the Philippines, of which 703 were operated by Metrobank and 249 were operated by Philippine Savings Bank (PSBank); and over 2,300+ automated teller machines (ATMs).

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") and 100% interest in GT Capital Auto Dealership Holdings, Inc. ("GTCAD"). TMBC exclusively distributes Toyota motor vehicles in Luzon island, primarily servicing the market in Metro Manila. They also offer original Toyota brand motor vehicle parts and accessories, and provide after-sales services to Toyota vehicles. GTCAD owns Toyota Subic, Inc.

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

On June 13, 2016, SEC approved the incorporation of GT Capital Auto Dealership Holdings, Inc. GTCAD will be a holding entity for future auto dealerships of the Company. On July 14, 2016, SEC approved the incorporation of Toyota Subic, Inc. ("TSI"), a joint venture between GTCAD and JBT Global Holdings Inc. (JBT Global), with GTCAD owning 55.0% and JBT Global owning 45.0% of TSI's issued and outstanding capital stock.

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

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

Infrastructure and Utilities – GT Capital, through its 15.55% stake in Metro Pacific Investments Corporation ("MPIC"), the Philippines' largest infrastructure conglomerate, is involved in high-growth infrastructure businesses such as toll roads, water, power, railways, healthcare, and logistics. Part of MPIC's portfolio is the Manila Electric Company

(MERALCO), the country's largest power distribution utility; Global Business Power Corporation (GBPC), one of the largest power generation companies in the Visayas; Maynilad Water Services, Inc., which manages Metro Manila's widest water distribution network; and Metro Pacific Tollways Corporation, operator of the country's largest toll road network.

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

A.v Corporation’s Directors and Executive Officers

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

A.vi Market Price, Shareholder and Dividend Information

Market Information

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

In Php	High	Low
	2017	
1 st Quarter (Jan 1 to Mar 31)	1,381	1,145
2 nd Quarter (Apr 1 to June 30)	1,300	1,120
3 rd Quarter (July 1 to Sept 30)	1,257	1,105
4 th Quarter (Oct 1 to Dec 31)	1,293	1,127
	2018	
1 st Quarter (Jan 1 to Mar 31)	1,401	1,100
2 nd Quarter (Apr 1 to June 30)	1,138	840
3 rd Quarter (July 1 to Sept 30)	1,010	764
4 th Quarter (Oct 1 to Dec 31)	1,010	661
	2019	
1 st Quarter (Jan 1 to Mar 29)	1,131	920
2 nd Quarter (Apr 1 to June 30)	972	665
3 rd Quarter (July 1 to Sept 30)	972	833
4 th Quarter (Oct 1 to Dec 31)	910	814

As of December 27, 2019, the closing price of the Company’s shares of stock is Php847 per share.

Shareholder and Dividend Information

The top 20 stockholders of the Corporation’s Common Shares as of December 31, 2019 are as follows:

	NAME OF STOCKHOLDER	NO OF SHARES *	RATIO (%) TO TOTAL AMOUNT SUBSCRIBED
1.	Grand Titan Capital Holdings, Inc.	120,413,650	55.932%
2.	PCD Nominee Corp. (Non-Filipino)	63,300,943	29.403%
3.	PCD Nominee Corp. (Filipino)	30,881,537	14.345%

4.	Ty Siao Kian	223,560	0.104%
5.	Ty, Arthur Vy	111,780	0.052%
	Ty, Alfred Vy	111,780	0.052%
6.	Ty, Mary Vy	110,662	0.051%
7.	Bloomington Enterprises, Inc.	34,261	0.016%
8.	De Castro, Salud D.	21,603	0.010%
9.	United Life Assurance Corporation	11,178	0.005%
10.	Chan, Asuncion C.	6,707	0.003%
11.	Choi, Anita C.	4,471	0.002%
12.	Mar, Peter or Annabelle C. Mar	3,353	0.002%
13.	Baguyo, Dennis G.	2,515	0.001%
14.	Ty, Alesandra T. ITF Adam Zachary T. Ty	2,422	0.001%
	Ty, Alesandra T. ITF Alexa Marie T. Ty	2,422	0.001%
15.	Choi, Dennis C.	2,236	0.001%
	Choi, Diana C.	2,236	0.001%
	Choi, Davis C.	2,236	0.001%
	Croslo Holdings, Corp.	2,236	0.001%
16.	Chua, Josephine Ty	1,973	0.001%
17.	Chua, Robert S.	1,341	0.001%
18.	Sycip, Anna Y.	1,215	0.001%
19.	Cua, Solomon S.	1,110	0.001%
	Bautista, Camelo Maria Luza	1,110	0.001%
	Belmonte, Jaime Miguel G.	1,110	0.001%
	Paras, Wilfredo A.	1,110	0.001%
	Puno, Roderico V.	1,110	0.001%
	Ang. Gerry A.	1,110	0.001%
20.	Ty, Arthur Vy ITF Aric Justin M. Ty	783	0.000%
	Ty, Arthur Vy ITF Andrew Ryan M. Ty	783	0.000%
	Ty, Arthur Vy ITF Alisa Michelle M. Ty	783	0.000%
	Ty, Alfred Vy ITF Andrei Connor T. Ty	783	0.000%
	Ty, Alfred Vy ITF Augusto Christophe T. Ty	783	0.000%
	Ty, Alfred Vy ITF Aryane Chantalle T. Ty	783	0.000%
	Dy Buncio, Anjanette Ty ITF Nicholas James T. Dy Buncio	783	0.000%
	Dy Buncio, Anjanette Ty ITF Andrea Rose T. Dy Buncio	783	0.000%
	Dy Buncio, Anjanette Ty ITF Matthew Martin T. Dy Buncio	783	0.000%
	Chua, Alexander Gabriel Ty ITF Aaron Gabriel N. Chua	783	0.000%
	Chua, Alexander Gabriel Ty ITF Andrew Gabriel N. Chua	783	0.000%
	Chua, Kenneth Gabriel Ty ITF Megan Jacqueline D. Chua	783	0.000%
	Chua, Kenneth Gabriel Ty ITF Lawrence Gabriel D. Chua	783	0.000%
	Cham, Margaret Ty ITF Margarita Isabelle T. Cham	783	0.000%
	Cham, Margaret Ty ITF Inigo Manuel T. Cham	783	0.000%
	Cham, Margaret Ty ITF Paolo Renzo T. Cham	783	0.000%

* Fully subscribed and paid up

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

In 2017, 2018 and 2019, the Company paid cash dividends to its stockholders as follows:

Year	Common Stock	Total	Voting Preferred Stock	Total	Record Date	Payment Date
2017	Php3.00 per share (regular) Php2.00 per share (special)	Php522.9 million (regular) Php348.6 million (special)	3.77%PDST-r2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 4, 2017	April 20, 2017
2018	Php3.00 per share (regular)	Php577.8 million	3.77%PDST-r2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 4, 2018	April 13, 2018
2019	Php3.00 per share (regular)	Php598 million	3.77%PDST-r2 3Y rate as of April 13, 2015 (regular)	Php657,111.0 (regular)	April 10, 2019	April 25, 2019

A.vii Recent Sale of Unregistered or Exempt Securities

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

On March 16, 2018, the Board of Directors approved the declaration of a 3.5% stock dividend in favor of GT Capital's stockholders of common stock as of record date equivalent to approximately 6,740,884 shares. On May 9, 2018, stockholders' approval has been obtained during the Annual Stockholders' Meeting. The record and payment dates were set on July 9, 2018 and August 2, 2018, respectively. On August 2, 2018, the 3.5% stock dividend equivalent to 6,740,899 common shares were issued and listed in the Philippine Stock Exchange. The same is an exempt transaction under Section 10.1 (d) of the Securities Regulation Code.

On March 26, 2019, the Board of Directors approved the declaration of a 8.0% stock dividend in favor of GT Capital's stockholders of common stock as of record date equivalent to approximately 15,590,000 shares. On May 8, 2019, stockholders' approval has been obtained during the Annual Stockholders' Meeting. The record and payment dates were set on July 8, 2019 and August 1, 2019, respectively. On July 30, 2019, the 8.0% stock dividend equivalent to 15,947,003 common shares were issued and listed in the Philippine Stock Exchange. The same is an exempt transaction under Section 10.1 (d) of the Securities Regulation Code.

The closing price of Perpetual Preferred Shares Series A and Series B is Php990 and Php1,000 per share, respectively, as of December 26, 2019.

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 May 8, 2019. 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	2005-present
	Director	2003-present
Anglo Philippine Holdings Corporation	Independent Director	2007-present
EEl 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 30th day of March 2020, at Makati City.

(orig. signed)

RENATO C. VALENCIA
Affiant

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

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me his
_____ No. _____ issued on _____ at _____.

Doc No. ____;
Page No. ____;
Book No. ____;
Series of 2020.

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.	Director and President	2016-present
Signal TV Inc.	Director	2016-present
Hastings Holdings Inc.	Director and President	2016-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **GT CAPITAL HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am **not** related to the following director/officer/substantial shareholder of **GT CAPITAL HOLDINGS, INC.** and its subsidiaries and affiliates other than the relation provided under Rule 38.2.3 of the Securities and Regulation Code.
5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.
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 30th day of March 2020, at Makati City.



JAIME MIGUEL G. BELMONTE
Affiant

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

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me his
_____ No. _____ issued on _____ at _____.

Doc No. ____;
Page No. ____;
Book No. ____;
Series of 2020.

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 30th day of March 2020, at Makati City.

(orig. signed)

WILFREDO A. PARAS
Affiant

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

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me his _____ No. _____ issued on _____ at _____.

Doc No. ____;
Page No. ____;
Book No. ____;
Series of 2020.

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
Equitable Foundation, Inc.	Trustee	2002 - Present
Equicom Manila Holdings, Inc.	Vice Chairman	2006 - Present
Gramercy Holdings Corporation	President	2006 - Present
Canyon Crest Holdings Corp.	President	2006 - Present
Equicom Inc.	Director	2007 - Present
Equicom Information Technology, Inc.	Director	2007 - Present
Cliveden Management Corp.	President	2007 - Present
Maxicare Healthcare Corporation	Director	2007 - Present
Pin-An Holdings Corporation	Director	2007 - Present
GO KIM PAH Foundation, Inc.	Trustee	2007 - Present
ALGO Leasing and Finance, Inc.	Vice Chairman	2008 - Present
Equicom Savings Bank	Vice Chairman	2008 - Present
UBS Investment Philippines, Inc.	Independent Director	2010 - Present
Hengrave Holdings Corporation	Director and President	2013 - Present
AIG Insurance Philippines, Inc.	Independent Director	2014 - Present
Steel Asia Manufacturing Corporation	Director	2016 - Present
Steel Asia Development and Management Corp.	Director	2016 - Present
Candelaria Steel	Director	2016 - Present
Consumer CreditScore Philippines, Inc.	Chairman	2016 - Present
Lorenzo Shipping Corporation	Independent Director	2017 - 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 30th day of March 2020, at Makati City.


RENE J. BUENAVENTURA
Affiant

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

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me his _____
No. _____ issued on _____ at _____.

Doc No. ____;
Page No. ____;
Book No. ____;
Series of 2020.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**



The management of GT Capital Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the parent and consolidated financial statements including the schedules attached therein, as of December 31, 2019, 2018 and 2017, and for each of the three years in the period ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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



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

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

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

Signature:  03/30/2020
Arthur V. Ty, Chairman of the Board 

Signature: 
Carmelo Maria L. Bautista, President 

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

March 27, 2020

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

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

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

Doc. No. _____
Page No. _____
Book No. _____
Series of 2020

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	1	1	7	9	2
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COMPANY NAME

G	T		C	A	P	I	T	A	L		H	O	L	D	I	N	G	S	,		I	N	C	.		A	N	D
S	U	B	S	I	D	I	A	R	I	E	S																	

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

4	3	r	d		F	l	o	o	r	,		G	T		T	o	w	e	r		I	n	t	e	r	n	a	t	i
o	n	a	l	,		A	y	a	l	a		A	v	e	n	u	e		c	o	r	n	e	r		H	.	V	.

Form Type

A	A	C	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address gtcap@gtcapital.com.ph	Company's Telephone Number 8836-4500	Mobile Number <input type="text"/>
No. of Stockholders 85	Annual Meeting (Month / Day) 2nd Wednesday of May	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person Francisco H. Suarez, Jr.	Email Address francis.suarez@gtcapital.com.ph	Telephone Number/s 8836-4500	Mobile Number <input type="text"/>
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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.



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of GT Capital Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Redemption of shares in Property Company of Friends, Inc. (PCFI)

In 2019, GT Capital Holdings, Inc. (the Company) entered into a series of agreements with its then subsidiary, PCFI, for the latter's redemption, cancellation and retirement of 64,530,712 Series A Redeemable Voting Preferred Shares held by the Company, representing 51% ownership interest of the Company in PCFI. In exchange for the shares, PCFI assigned and transferred certain real properties to the Company, amounting to an aggregate fair value of ₱20.00 billion.

Upon completion of the closing conditions, the Group lost control over PCFI and the latter has been deconsolidated in the consolidated financial statements. Moreover, the results of PCFI's operations were presented as discontinued operations in the consolidated statements of income for the years ended December 31, 2019, 2018 and 2017. This transaction is significant to our audit as the amounts involved are material to the consolidated financial statements. Moreover, accounting for this transaction required significant management judgments, particularly, on the assessment of loss of control, determination of the fair values of assets received as consideration and the classification of PCFI as a discontinued operation. The discussion of management's judgments and other disclosures in relation to the redemption of shares in PCFI are included in Notes 3 and 12 to the consolidated financial statements.

Audit Response

We obtained and reviewed the relevant contracts and agreements pertaining to the transaction. We evaluated management's judgment on the loss of control over PCFI. We reviewed the assets and liabilities to be deconsolidated as at the date of loss of control, including the results of operations of PCFI for the six-month ended June 30, 2019. We also checked the propriety and valuation of properties received by reference to the related deeds of assignment, transfer certificates of titles, and appraisal reports.

We evaluated the Group's basis for classifying the former subsidiary as discontinued operation by checking whether the operations and cash flows of PCFI can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. Furthermore, we reviewed the presentation and disclosures in the notes to the consolidated financial statements.

Revenue recognition from real estate services

The Group's real estate revenue amounted to ₱7.98 billion in 2019. We consider this as a key audit matter because the revenue recognition of the Group requires the application of significant management judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; and (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.



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

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

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

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion method in amortizing sales commission consistent with the Group's revenue recognition policy. The assessment of the stage of completion and level of buyer's equity involves significant management judgment as disclosed in Note 3 to the consolidated financial statements.

Audit Response

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

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities.

For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

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



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

Impairment Testing of Goodwill and Intangible Assets

Under PFRS, the Group is required to test goodwill and intangible assets with indefinite useful life for impairment at least on an annual basis. As of December 31, 2019, the Group has goodwill and customer relationship intangible asset amounting to ₱5.93 billion and ₱3.88 billion, respectively, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically estimated future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate, and earnings before interest and taxes (EBIT) margin on key customers. The disclosures in relation to the significant assumptions and carrying value of goodwill and intangible assets are included in Note 13 to the consolidated financial statements.

Audit Response

We involved our internal specialists to evaluate the assumptions and methodologies used. These assumptions include discounted expected future cash inflows, budgeted gross margins, discount rates, long-term growth rates, attrition rate and EBIT margin on key customers. We compared the key assumptions used, such as discount rates and growth rates against the historical performance of the cash-generating unit (CGU), industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data.

We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Accounting for Investments in Associates

The Group has effective ownership of 15.52% in MPIC and 36.65% in MBTC as of December 31, 2019. These investments are accounted for using the equity method. The application of equity method of accounting to these investments is a key audit matter because these investments in associates contributed ₱13.08 billion or 51.89% to the consolidated net income of the Group in 2019, and accounted for 65.81% and 44.07% of the consolidated total noncurrent assets and total assets, respectively, of the Group as of December 31, 2019.



The Group's share in MPIC's net income is significantly affected by: (1) MPIC's revenue on water and sewerage services from the Metropolitan Waterworks and Sewerage System (MWSS) West Service Area; (2) accounting for KKR & Co. (KKR)'s investments in Metro Pacific Hospital Holdings, Inc. (MPHHI); and (3) MPIC's impairment testing of goodwill as well as its several service concession agreements with the Philippine Government.

Water and sewerage service revenue recognition is significant to our audit because it is affected by the: (a) completeness of data captured during monthly meter readings, which involves processing large volume of data from multiple locations and different billing cut-off dates for different customers; (b) the propriety of the application of the relevant rates to the billable consumption of different customers classified as residential, semi-business, commercial or industrial; and (c) the reliability of the systems involved in processing bills and recording revenues.

Moreover, MPIC and MPHHI completed a series of transactions on December 9, 2019 for the investment and entry of global investment firm, KKR, through Buhay (SG) Investments Pte. Ltd (Buhay SG), alongside Arran Investment Private Limited (Arran), in and to, MPHHI. These series of transactions which provided Buhay (SG) an economic interest of approximately 80%, on fully diluted basis post conversion of the Exchangeable Bonds, were accounted for as a single equity transaction with MPIC losing control over MPHHI. Subsequently, the retained investment in MPHHI is accounted for under the equity method. These matters are significant to our audit because these transactions required significant management judgments and estimates, which include the assessment of loss of control, subsequent accounting for retained investment, the determination of the fair values of liabilities assumed as part of consideration and the accounting for the Exchangeable Bonds. The amounts involved are also material to the Group's share in MPIC's net income.

In addition, MPIC has goodwill arising from its acquisition of long-term investments in water and tollways business as well as several service concession agreements (SCAs) with the Philippine Government and/or its agencies or instrumentalities that are not yet available for use and are required to be tested for impairment at least annually under PFRS. Discussions are currently ongoing with the MWSS on the provisions of Maynilad's Concession Agreement identified for renegotiation and amendment, which is an impairment indicator that requires an assessment of the recoverability of MPIC's SCA related to Maynilad. This matter is important to our audit because the impairment assessment of goodwill and SCAs not available for use involves significant management judgment and estimation that could have a material effect on the Group's share in MPIC's net income.

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

The Group assesses impairment of its investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable.



As of December 31, 2019, the Group's investment in MPIC amounted to ₱36.96 billion and fair value has declined significantly compared to the carrying value. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The Group performed an impairment test on its investment in MPIC using the sum of the parts of the value-in-use (VIU) and fair value less cost to sell (FVLCTS) of the MPIC Group. We considered the impairment testing of the Group's investment in MPIC as a key audit matter as significant judgment and estimates are involved in the determination of the VIU and FVLCTS.

The relevant disclosures related to the Group's investment in associates are provided in Note 8 to the consolidated financial statements.

Audit Response

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

We obtained and reviewed relevant contracts and agreements related to the linked transactions involving MPHII. We evaluated management's judgments on the loss of control over MPHII, subsequent accounting for retained investment, and how the entry of KKR and issuance of Exchangeable Bond should be accounted for, by reference to the related purchase agreements and documents. We reviewed the assets and liabilities to be deconsolidated as at the date of loss of control. We also involved our internal specialists in reviewing the valuation methodology and key inputs, such as revenue growth, margins, estimates of certain taxes related to the fair values of liabilities assumed as part of consideration. We compared the revenue growth and margins to the historical performance of the investee. We also reviewed the presentation and disclosures in the notes to the consolidated financial statements.

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

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



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

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

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

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

For the Group's recoverability of investment in associates, we involved our internal specialist in evaluating the methodology and assumptions used. For MPIC's toll and light rail segment, the assumptions used in determining the VIU include the expected volume of traffic for the toll roads, ridership for the rail, growth rate and discount rates. We compared the forecast revenue growth against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast revenues. We also compared the key assumptions used such as traffic volume and rail ridership against historical data and against available studies by independent parties that were commissioned by the respective subsidiaries. We tested the WACC used in the impairment test by comparing it with WACC of other comparable companies in the region.

For the other components of MPIC, we also involved our internal specialists in evaluating the assumptions and methodology used by Group in determining the FVLCTS, in particular those relating to the use of price-earnings (P/E) ratios of comparable companies in the valuation of the unquoted equity shares. We also re-performed the calculation of the FVLCTS.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and the Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.



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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained
- the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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



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

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

SEC Accreditation No. 1566-AR-1 (Group A),

April 3, 2019, valid until April 2, 2022

Tax Identification No. 241-031-088

BIR Accreditation No. 08-001998-114-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125210, January 7, 2020, Makati City

March 27, 2020



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

	December 31		January 1
		2018	2018
		(As restated -	(As restated -
	2019	Note 2)	Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	₱12,133	₱14,353	₱20,155
Short-term investments (Notes 4 and 27)	–	65	1,666
Financial assets at fair value through profit or loss (FVTPL) (Note 10)	4,698	3,181	611
Receivables (Note 5)	13,382	15,153	12,716
Contract assets (Note 21)	5,095	8,329	13,310
Inventories (Notes 2 and 6)	72,189	75,389	72,052
Due from related parties (Note 27)	209	666	166
Prepayments and other current assets (Note 7)	10,416	9,790	10,273
Total Current Assets	118,122	126,926	130,949
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	12,373	10,948	1,939
Receivables - net of current portion (Note 5)	3,421	932	1,063
Contract assets - net of current portion (Note 21)	5,556	6,886	2,863
Investment properties (Note 9)	15,347	17,728	17,392
Investments and advances (Notes 2 and 8)	178,059	163,735	128,601
Property and equipment (Note 11)	13,159	13,638	11,671
Goodwill and intangible assets (Note 13)	10,040	12,955	13,012
Deferred tax assets (Note 29)	1,141	1,024	814
Other noncurrent assets (Note 14)	436	2,894	909
Total Noncurrent Assets	239,532	230,740	178,264
	₱357,654	₱357,666	₱309,213
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Note 15)	₱25,234	₱25,411	₱25,823
Contract liabilities (Note 21)	4,553	8,787	5,446
Lease liabilities (Note 2 and 30)	15	–	–
Short-term debt (Note 16)	12,890	10,500	6,033
Current portion of long-term debt (Note 16)	4,974	820	2,467
Current portion of liabilities on purchased properties (Notes 20 and 27)	432	416	582
Current portion of bonds payable (Note 17)	3,899	2,994	–
Customers' deposits (Notes 2 and 18)	560	563	618
Dividends payable	589	1,198	589
Due to related parties (Note 27)	204	204	189
Income tax payable	875	601	777
Other current liabilities (Note 19)	1,356	843	1,229
Total Current Liabilities	55,581	52,337	43,753

(Forward)



	December 31	January 1
	2018	2018
	(As restated - Note 2)	(As restated - Note 2)
	2019	
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	₱87,149	₱94,349
Lease liabilities – noncurrent (Note 2 and 30)	296	–
Bonds payable (Note 17)	15,040	18,913
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	3,352	2,877
Pension liability (Note 28)	1,222	859
Deferred tax liabilities (Notes 2 and 29)	3,138	5,334
Other noncurrent liabilities (Note 20)	2,556	2,169
Total Noncurrent Liabilities	112,753	124,501
	168,334	176,838
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock (Note 22)	3,370	3,211
Additional paid-in capital (Note 22)	98,827	85,592
Retained earnings - unappropriated (Notes 2 and 22)	74,569	52,223
Retained earnings - appropriated (Note 22)	400	17,000
Other comprehensive loss (Notes 2 and 22)	(2,019)	(4,207)
Other equity adjustments (Note 22)	2,322	2,322
	177,469	156,141
Non-controlling interests (Notes 2 and 22)	11,851	24,687
Total Equity	189,320	180,828
	₱357,654	₱357,666
	₱309,213	₱309,213

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		
	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
CONTINUING OPERATIONS			
REVENUE			
Automotive operations (Note 35)	₱192,966	₱179,117	₱211,692
Equity in net income of associates and joint ventures (Note 8)	14,578	11,513	8,673
Real estate sales (Note 35)	7,982	9,342	7,753
Interest income (Note 23)	2,305	1,668	1,668
Rent income (Notes 9 and 30)	1,526	1,181	915
Sale of goods and services	802	778	640
Commission income	252	108	56
Other income (Note 23)	2,529	2,124	1,468
	222,940	205,831	232,865
COSTS AND EXPENSES			
Cost of goods and services sold (Note 24)	133,943	129,849	147,713
Cost of goods manufactured and sold (Note 25)	36,819	31,809	39,635
General and administrative expenses (Note 26)	13,595	10,667	10,380
Interest expense (Notes 16 and 17)	6,453	5,401	3,536
Cost of real estate sales (Note 6)	5,340	6,839	5,176
Cost of rental (Note 30)	435	476	360
	196,585	185,041	206,800
INCOME BEFORE INCOME TAXES FROM			
CONTINUING OPERATIONS	26,355	20,790	26,065
PROVISION FOR INCOME TAX (Note 29)	5,057	3,886	4,933
NET INCOME FROM CONTINUING OPERATIONS	21,298	16,904	21,132
NET INCOME FROM DISCONTINUED OPERATIONS			
(Note 12)	3,814	707	278
NET INCOME	₱25,112	₱17,611	₱21,410
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Profit for the year from continuing operations	₱16,586	₱12,795	₱14,239
Profit for the year from discontinued operations	3,723	361	133
	20,309	13,156	14,372
Non-controlling interests			
Profit for the year from continuing operations	4,712	4,109	6,893
Profit for the year from discontinued operations	91	346	145
	4,803	4,455	7,038
	₱25,112	₱17,611	₱21,410
Basic/Diluted Earnings Per Share from			
Continuing Operations Attributable to Equity Holders			
of the Parent Company (Note 34)	₱74.31	₱56.70*	₱63.41*
Basic/Diluted Earnings Per Share Attributable			
to Equity Holders of the Parent Company (Note 34)			
	₱91.60	₱58.38*	₱64.02*

*Restated to show the effect of stock dividends distributed in 2019.

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
NET INCOME FROM CONTINUING OPERATIONS	₱21,298	₱16,904	₱21,132
NET INCOME FROM DISCONTINUED OPERATIONS (Note 12)	3,814	707	278
NET INCOME	25,112	17,611	21,410
OTHER COMPREHENSIVE INCOME			
CONTINUING OPERATIONS			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of AFS investments (Note 10)	-	-	660
Changes in cumulative translation adjustments	(4)	4	(3)
Changes in cash flow hedge reserves (Note 16)	10	(62)	-
Equity in other comprehensive income of associates and joint venture (Note 8):			
Changes in fair value of AFS investments	-	-	(2,142)
Cash flow hedge reserve	(307)	85	8
Remeasurement on life insurance reserves	(167)	376	(190)
Translation adjustments	(551)	(1,968)	(1,382)
Other equity adjustments	-	19	-
	(1,019)	(1,546)	(3,049)
<i>Items that may not be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of financial assets at FVOCI (Note 10)	1,699	(1,469)	-
Equity in changes in fair value of financial assets at FVOCI of associates (Note 8)	2,517	(1,228)	-
Remeasurements of defined benefit plans (Note 28)	(435)	348	(108)
Equity in remeasurement of defined benefit plans of associates (Note 8)	(1,066)	393	(169)
Income tax effect	450	(218)	67
	3,165	(2,174)	(210)
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	2,146	(3,720)	(3,259)
OTHER COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	(220)	236	28
TOTAL OTHER COMPREHENSIVE LOSS, NET OF TAX	1,926	(3,484)	(3,231)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱27,038	₱14,127	₱18,179
ATTRIBUTABLE TO:			
Equity holders of the Parent Company			
Total comprehensive income for the year from continuing operations	₱18,930	₱5,197	₱11,025
Total comprehensive income for the year from discontinued operations	3,586	4,230	147
	22,516	9,427	11,172
Non-controlling interests			
Total comprehensive income for the year from continuing operations	4,539	4,238	6,848
Total comprehensive income for the year from discontinued operations	(17)	462	159
	4,522	4,700	7,007
	₱27,038	₱14,127	₱18,179

See accompanying Notes to Consolidated Financial Statements.



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Millions)	Attributable to Equity Holders of the Parent Company							Attributable to Non-controlling Interests		Total Equity
	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	(Note 22)	
Balance at January 1, 2019, as previously reported	₱3,211	₱85,592	₱-	₱17,000	₱53,459	(₱4,207)	₱2,322	₱157,377	₱24,910	₱182,287
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	-	-	-	-	(1,236)	-	-	(1,236)	(223)	(1,459)
At January 1, 2019, as restated	3,211	85,592	-	17,000	52,223	(4,207)	2,322	156,141	24,687	180,828
Stock dividend declared	159	13,235	-	-	(13,395)	-	-	(1)	-	(1)
Cash dividend declared (Note 22)	-	-	-	-	(1,187)	-	-	(1,187)	(4,259)	(5,446)
Reversal of appropriation upon completion of expansion and acquisition	-	-	-	(16,600)	16,600	-	-	-	-	-
NCI on acquisition of subsidiaries	-	-	-	-	-	-	-	-	148	148
Effect of deconsolidation (Note 12)	-	-	-	-	19	(19)	-	-	(13,247)	(13,247)
Total comprehensive income	-	-	-	-	20,309	2,207	-	22,516	4,522	27,038
Balance at December 31, 2019	₱3,370	₱98,827	₱-	₱400	₱74,569	(₱2,019)	₱2,322	₱177,469	₱11,851	₱189,320
Balance at January 1, 2018	₱3,143	₱78,940	₱-	₱19,000	₱48,582	(₱5,975)	₱2,322	₱146,012	₱27,679	₱173,691
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	-	-	-	-	(1,002)	-	-	(1,002)	(162)	(1,164)
At January 1, 2018, as adjusted	3,143	78,940	-	19,000	47,580	(5,975)	2,322	145,010	27,517	172,527
Effect of adoption of PFRS 9	-	-	-	-	(1,945)	5,453	-	3,508	(92)	3,416
Effect of adoption of PFRS 15	-	-	-	-	(635)	-	-	(635)	(559)	(1,194)
At January 1, 2018, as restated	3,143	78,940	-	19,000	45,000	(522)	2,322	147,883	26,866	174,749
Cash dividend declared (Note 22)	-	-	-	-	(1,168)	-	-	(1,168)	(6,925)	(8,093)
Stock dividend declared (Note 22)	68	6,652	-	-	(6,721)	-	-	(1)	-	(1)
Appropriation during the period	-	-	-	17,000	(17,000)	-	-	-	-	-
Reversal of appropriation upon completion of expansion and acquisition	-	-	-	(19,000)	19,000	-	-	-	-	-
Realized gain (loss) on sale of financial assets at FVOCI	-	-	-	-	(44)	44	-	-	-	-
Total comprehensive income	-	-	-	-	13,156	(3,729)	-	9,427	4,700	14,127
Effect of equity call of a majority-owned subsidiary	-	-	-	-	-	-	-	-	45	45
Adjustments on NCI of a subsidiary	-	-	-	-	-	-	-	-	1	1
Balance at December 31, 2018, as restated	₱3,211	₱85,592	₱-	₱17,000	₱52,223	(₱4,207)	₱2,322	₱156,141	₱24,687	₱180,828
Balance at January 1, 2017	₱2,960	₱57,437	₱-	₱14,900	₱39,961	(₱2,775)	₱2,322	₱114,805	₱26,433	₱141,238
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	-	-	-	-	(1,192)	-	-	(1,192)	(131)	(1,323)
At January 1, 2017, as restated	2,960	57,437	-	14,900	38,769	(2,775)	2,322	113,613	26,302	139,915
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	-	-	-	-	14,372	(3,200)	-	11,172	7,007	18,179
Balance at December 31, 2017, as restated	₱3,143	₱78,940	₱-	₱19,000	₱47,580	(₱5,975)	₱2,322	₱145,010	₱27,517	₱172,527

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	₱26,355	20,790	₱26,065
Income before income tax from discontinued operations (Note 12)	2,597	866	(63)
Income before income tax	28,952	21,656	26,002
Adjustments for:			
Equity in net income of associates and joint venture (Note 8)	(14,578)	(11,513)	(8,673)
Interest expense (Notes 12, 16 and 17)	6,453	5,401	3,535
Depreciation and amortization (Note 11)	2,417	2,096	1,921
Interest income (Notes 12 and 23)	(2,305)	(1,668)	(1,668)
Pension expense (Note 28)	244	366	319
Dividend income (Notes 12 and 23)	(335)	(152)	(8)
Unrealized foreign exchange losses (Note 26)	–	146	385
Provisions (Note 26)	213	135	134
Realized and unrealized gain on financial assets at FVTPL	(135)	(59)	–
Gain on disposal of property and equipment (Notes 11 and 23)	(15)	(198)	(23)
Gain on sale of AFS investments	–	–	(15)
Gain on disposal of direct ownership in subsidiaries (Note 12)	(2,341)	–	–
Unrealized foreign exchange gains	(137)	–	–
Operating income before changes in working capital	18,434	16,210	21,909
Decrease (increase) in:			
Short-term investments	64	1,600	(68)
Contract assets	1,876	–	–
Land for future development	–	–	187
Financial assets at FVTPL	(1,375)	(2,505)	–
Receivables	(6,318)	(2,207)	768
Inventories	(6,784)	(4,212)	(8,201)
Due from related parties	457	(500)	(86)
Prepayments and other current assets	(3,878)	628	(3,358)
Increase (decrease) in:			
Accounts and other payables	3,202	2,630	4,896
Contract liabilities	(1,054)	–	–
Lease liabilities	311	–	–
Customers' deposits	2	976	1,102
Due to related parties	–	15	(35)
Other current liabilities	787	(386)	590
Net cash provided by operations	5,724	12,249	17,704
Dividends paid (Note 22)	(4,910)	(7,483)	(7,252)
Interest paid	(9,146)	(4,625)	(3,432)
Income tax paid	(4,612)	(4,377)	(3,700)
Interest received	2,418	1,922	2,188

(Forward)



	Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Dividends received (Note 8)	₱3,742	₱2,249	₱1,611
Contributions to pension plan assets and benefits paid (Note 28)	(108)	(575)	(641)
Net cash provided by operating activities	(6,892)	(640)	6,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of property and equipment and intangible assets (Note 11)	60	198	117
Disposal of investment property (Note 9)	-	177	-
Disposal of financial assets at FVOCI	3	495	-
Sale of AFS investments	-	-	2,430
Additions to:			
Investments in associates and joint venture (Note 8)	(943)	(29,630)	(26,776)
Investment properties (Note 9)	(1,095)	(222)	(659)
Financial assets at FVOCI	-	(10,478)	-
Property and equipment (Note 11)	(2,274)	(3,919)	(3,475)
AFS investments	-	-	(1,742)
Intangible assets (Note 13)	(56)	(62)	(235)
Impact of business consolidation	49	-	-
Impact of deconsolidation of a subsidiary	(1,421)	-	-
Acquisition of subsidiary, net of cash acquired	-	-	(59)
Increase (decrease) in other noncurrent assets	1,801	(1,987)	(106)
Net cash used in investing activities	(3,876)	(45,428)	(30,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan availments (Note 16)	43,984	71,286	38,354
Issuance of capital stock (Note 22)	-	-	21,686
Payment of loans payable	(36,152)	(31,427)	(38,398)
DST on stock dividend issuance	(2)	(1)	-
Increase (decrease) in:			
Liabilities on purchased properties	492	(503)	1,564
Other noncurrent liabilities	(59)	1,012	408
Non-controlling interests (Note 22)	-	-	(1)
Acquisition of noncontrolling interests	148	45	-
Net cash provided by financing activities	8,411	40,412	23,613
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	137	(146)	(385)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,220)	(5,802)	(799)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,353	20,155	20,954
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱12,133	₱14,353	₱20,155

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).

Group Activities

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

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

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

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

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



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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

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

	Country of Incorporation	Direct Percentages of Ownership		Effective Percentages of Ownership	
		December 31		December 31	
		2019	2018	2019	2018
Federal Land and Subsidiaries	Philippines	100.00	100.00	100.00	100.00
Toyota and Subsidiaries	-do-	51.00	51.00	51.00	51.00
TMBC and Subsidiaries	-do-	58.10	58.10	58.10	58.10
GTCAD and Subsidiaries	-do-	100.00	100.00	100.00	100.00
PCFI and Subsidiaries	-do-	–	51.00	–	51.00

Federal Land's Subsidiaries

	Percentages of Ownership	
	2019	2018
Horizon Land Property and Development Corp. (HLPDC)	100.00	100.00
Federal Property Management Corp. (FPMC)*	100.00	100.00
Federal Land Orix Corporation (FLOC)	100.00	100.00
Topsphere Realty Development Company Inc. (TRDCI)	100.00	100.00
Bonifacio Landmark Hotel Management Corporation (BLHMC)	100.00	100.00
Fed South Dragon Corporation (FSDC)	100.00	100.00
Federal Retail Holdings, Inc. (FRHI)**	100.00	–
Magnificat Resources Corp. (MRC)***	100.00	49.10
Central Realty and Development Corp. (CRDC)	75.80	75.80
Federal Brent Retail, Inc. (FBRI)	51.66	51.66

* Formerly Omni Orient Management Corp. Amended Articles of Incorporation was approved by the SEC on October 25, 2019.

** On April 30, 2019, FRHI was incorporated and has not started its commercial business operations.

*** In September 2019, the Group increased ownership from 49.10% to 100.00% thereby obtaining control over Magnificat.



Toyota's Subsidiaries

	Percentages of Ownership	
	2019	2018
Toyota Makati, Inc. (TMI)	100.00	100.00
Toyota Sta. Rosa Laguna, Inc. (TSRLI)	100.00	100.00
Toyota Motor Philippines Logistics, Inc. (TLI)	100.00	100.00
Lexus Manila, Inc. (LMI)	75.00	75.00
Toyota San Fernando Pampanga, Inc. (TSFI)	55.00	55.00

TMBC's Subsidiaries

	Percentages of Ownership	
	2019	2018
Oxfordshire Holdings, Inc. (OHI)	100.00	100.00
TMBC Insurance Agency Corporation (TIAC)	100.00	100.00

GTCAD's Subsidiaries

	Percentages of Ownership	
	2019	2018
GT Mobility Ventures, Inc. (GTMV)*	66.67	-
Toyota Subic, Inc. (TSI)	55.00	55.00

* On January 31, 2019, GTMV was incorporated and has not started its commercial business operations.

On September 9, 2019, the SEC approved GTMV's increase in authorized capital stock, from 1,000,000 shares with par value of ₱1.00 per share to 600,000,000 shares with par value of ₱1.00 per share. GTCAD and Mitsui & Co. Ltd. (Mitsui) have subscribed to the increase in the authorized capital stock of GTMV and has paid for such subscription amounting to ₱99.75 million and ₱50.00 million, respectively. This resulted to a change in GTCAD's direct holdings in GTMV from 100% to 66.67%.

In February 2019, the Parent Company remitted ₱100.00 million to GTCAD to fund the latter's investment in a used car auction business which had been completed in March 2019. GTCAD, through GTMV, a joint venture between the Company and Mitsui, formed JBA Philippines with auction house operator Japan Bike Auction Co., Ltd. ("JBA"). 60% of JBA Philippines will be controlled by GTMV while 40% will be owned by JBA.

PCFI's Subsidiaries

	Percentages of Ownership	
	2019*	2018
Micara Land, Inc. (MLI)	-	100.00
Firm Builders Realty Development Corporation (FBRDC)	-	100.00
Marcan Development Corporation (MDC)	-	100.00
Camarillo Development Corporation (CDC)	-	100.00
Branchton Development Corporation (BDC)	-	100.00
Williamton Financing Corporation (WFC)	-	100.00

* In July 2019, PCFI redeemed its preferred shares and PCFI ceased to be a subsidiary of the Parent Company. Accordingly, the financial statements of PCFI were deconsolidated from the consolidated financial statements of the Group (Note 12).



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

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and



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

Business Combinations Involving Entities Under Common Control

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

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

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

The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized within the equity section of the consolidated statements of financial position.

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

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

Business Combinations and Goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of



embedded derivatives in host contracts by the acquiree. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the consolidated financial statements of the Group at the acquisition date.

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

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

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

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

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

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

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

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



Change in Ownership without Loss of Control

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those of the previous year except for the following new and amended PFRSs and PAS which were adopted as of January 1, 2019.

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

New Standards

PFRS 16, Leases

The Group applied the standard for the first time. It supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Group adopted the modified retrospective approach with certain transition reliefs with the date of initial application of January 1, 2019 and applied the following practical expedients wherein it:

- a. Applied the standard only to contracts that were previously identified as leases, applying the old standards at the date of initial application;
- b. Used the recognition exemptions for short-term leases and lease contracts for low value assets;
- c. Relied on its assessment of whether leases are onerous immediately before the date of initial application; and
- d. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The reconciliation of the operating lease commitments to the total gross lease payments used in the measurement of the lease liabilities are as follows (in millions):

Operating lease commitments as of December 31, 2018	₱408
<i>Add:</i> Lease payments relating to renewal periods not included in operating lease commitments as of December 31, 2018	–
<i>Less:</i> Lease payments pertaining to leases of short-term and low-value assets	–
Operating lease commitments not considered on lease term	–
<u>Total gross future lease payments as of January 1, 2019</u>	<u>₱408</u>
<u>Weighted average incremental borrowing rate</u>	<u>5.00% - 9.02 %</u>
<u>Lease liability as of January 1, 2019</u>	<u>₱393</u>

Except for the additional disclosures required, PFRS 16 has no impact for leases where the Group is the lessor.



The Group has lease contracts for various office spaces. Prior to 2019, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Group; otherwise it was classified as an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense under 'General and Administrative Expenses' in the statements of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' and 'Accrued other expenses', respectively.

Effective January 1, 2019, the Group applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Group recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

Based on the foregoing, as of January 1, 2019, the Group recognized ROU assets of ₱393.04 million (presented under 'Property and equipment'); lease liability of ₱392.13 million; and derecognized accrued rent expense of ₱0.91 million related to previous operating leases.

Amendments

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan



amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- a. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- b. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- a. Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

- b. Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- c. Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that



borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group did not avail of the relief provided by the SEC and instead adopted the IFRIC agenda decision retrospectively effective January 1, 2019.

A reconciliation between the carrying amounts under the old practice to the balances reported is presented below (in millions):

	December 31, 2019		
	Before adoption of IFRIC agenda decision on borrowing cost	Effect of IFRIC agenda decision on borrowing costs	As reported
<i>Statement of Financial Position</i>			
Assets			
<i>Current Assets</i>			
Inventories	₱73,837	(₱1,648)	₱72,189
<i>Noncurrent Assets</i>			
Investments and advances	178,096	(37)	178,059
Liabilities			
<i>Noncurrent Liabilities</i>			
Deferred tax liabilities	3,644	(506)	3,138
Equity			
Retained earnings – Unappropriated	75,748	(1,179)	74,569
<i>Statement of Comprehensive Income</i>			
Revenue			
Equity in net income of associates	14,615	(37)	14,578
Cost and Expenses			
Interest expense	5,602	851	6,453
Cost of real estate sales	5,977	(637)	5,340
Provision for income tax	5,132	(75)	5,057



December 31, 2018			
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
<i>Statement of Financial Position</i>			
Assets			
Current Assets			
Inventories	₱77,469	(₱2,080)	₱75,389
Noncurrent Assets			
Investments and advances	163,739	(4)	163,735
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	5,959	(625)	5,334
Equity			
Retained earnings – Unappropriated	53,459	(1, 236)	52,223
Noncontrolling interests	24,910	(223)	24,687
<i>Statement of Comprehensive Income</i>			
Revenue			
Equity in net income of associates	11,517	(4)	11,513
Real estate sales	18,508	(9,166)	9,342
Interest income	2,082	(414)	1,668
Rent income	1,257	(76)	1,181
Other income	2,458	(334)	2,124
Cost and Expenses			
General and administrative expenses	14,040	(3,373)	10,667
Interest expense	4,965	436	5,401
Cost of real estate sales	12,609	(5,770)	6,839
Provision for income tax	4,171	(285)	3,886

January 1, 2018			
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
<i>Statement of Financial Position</i>			
Assets			
Current Assets			
Inventories	₱73,689	(₱1,637)	₱72,052
Noncurrent Assets			
Investments and advances	128,627	(26)	128,601
Liabilities			
Noncurrent Liabilities			
Deferred tax liabilities	5,594	(499)	5,095
Equity			
Retained earnings – Unappropriated	46,002	(1,002)	45,000
Noncontrolling interests	27,028	(162)	26,866



December 31, 2017			
	As previously reported	Effect of IFRIC agenda decision on borrowing costs	As restated
<i>Statement of Comprehensive Income</i>			
Revenue			
Equity in net income of associates	P8,699	(P26)	P8,673
Real estate sales	14,092	(6,339)	7,753
Interest income	2,085	(417)	1,668
Rent income	940	(25)	915
Other income	1,607	(139)	1,468
Cost and Expenses			
General and administrative expenses	12,899	(2,519)	10,380
Interest expense	3,394	142	3,536
Cost of real estate sales	10,035	(4,859)	5,176
Provision for income tax	4,524	409	4,933

Interpretations

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

The interpretation specifically addresses the following:

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

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. Since the Group operates in a complex and regulated environment, it assessed whether the Interpretation had an impact on its consolidated financial statement. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.



Significant Accounting Policies

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Cash and Cash Equivalents

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

Fair Value Measurement

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

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

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

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

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



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

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

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

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

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

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

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

Financial Instruments

Date of recognition

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

a. Financial assets

Initial recognition of financial instruments

At initial recognition, financial assets are classified as, and subsequently measured at amortized cost, FVOCI and FVTPL.

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



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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group does not have debt instruments at FVOCI.



Financial assets designated at FVOCI (equity instruments)

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

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

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

Financial assets at FVTPL

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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



the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets

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

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

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

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

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

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



Determining the stage for impairment

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

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

Financial liabilities at FVTPL

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

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



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

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

Derecognition

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

c. Offsetting Financial Instruments

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

d. Derivative Financial Instruments and Hedge Accounting *Initial Recognition and Subsequent Measurement*

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

Fair Value Hedge

The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the



carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged. In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

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

Date of recognition

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

Initial recognition of financial instruments

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



Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' difference

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

Loans and receivables

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

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

AFS investments

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

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

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



Other financial liabilities

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

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

Derivative Financial Instrument and Hedge Accounting

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

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

For the purpose of hedge accounting, hedges are classified as:

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedge item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

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



The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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

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

Impairment of Financial Assets

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

Loans and receivables

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

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

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



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

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

AFS investments

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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



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

Financial liability

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

Offsetting Financial Instruments

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

Inventories

Real estate inventories

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

Land and improvements are carried at the lower of cost or net realizable value (NRV).

Cost includes:

- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land, residential houses and lots and condominium units;
- Planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs; and
- Borrowing costs capitalized prior to start of pre-selling activities for the real estate project.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

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



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

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

Gasoline retail, petroleum products and chemicals

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

Automotive inventories

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

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

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

Investments in Associates and Joint Venture

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

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

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

The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the investee companies and the Group's share on movements in the investee's other comprehensive income (OCI) are recognized directly in OCI in the consolidated financial statements. The Group's share on total comprehensive income of an associate is shown in the consolidated statement of income and consolidated statement of comprehensive income. The



aggregate of the Group's equity in net income of associates and joint venture is shown on the face of the consolidated statement of income as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate and joint venture.

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

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

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

Land held for Future Development

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

Investment Properties

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

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

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

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



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

Property and Equipment

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

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

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

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

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

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

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

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

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



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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

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

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

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

Customer Relationship

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

Software Costs

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

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

Goodwill

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



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

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

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

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

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

Impairment of Non-financial Assets

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

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



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

Investments in associates and joint venture

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

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

Intangible assets

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

Goodwill

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

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

Value-added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

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

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

Discontinued Operations

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

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



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

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

Customers' Deposits

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

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

Equity

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

Capital stock

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

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

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

Additional paid-in capital

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

Retained earnings

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



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

Other Comprehensive Income

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

Acquisition of Non-controlling Interest in a Subsidiary

Acquisition of non-controlling interest is accounted for as an equity transaction, whereby the difference between the fair value of consideration given and the share in the net book value of the net assets acquired is recognized in equity. In an acquisition without consideration involved, the difference between the share of the non-controlling interests in the net assets at book value before and after the acquisition is treated as transaction between equity owners under the 'Non-controlling interests' account in the consolidated statement of financial position.

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers

The Group primarily derives its revenue from automotive operations and real estate sales. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Automotive operations

The Group derives its revenue from automotive operations from the sale of manufactured vehicles, trading of completely built-up vehicles and local and imported auto parts and sale of services. In the sales contract with customers, services other than vehicle sales such as additional service, additional warranty and other services are separated from the sale of vehicles to identify performance obligations.

Timing of revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time. The Group recognizes revenue from goods or services at a point in time when the goods or services are transferred to the customers and fulfills the performance obligations. In order to determine whether the control over the goods or services is transferred over time, the Group determines whether the customer simultaneously obtains and consumes the benefits provided by the Group's performance and whether the assets controlled by the customer and whether the assets created by the Group have no substitute purpose, and whether the Group has the right to make executable claims for the portion that has been completed so far. The Group allocates the transaction prices based on the stand-alone selling prices to the various performance obligations identified in a single contract.

The Group estimates the amounts of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled - the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods.



If the period between the transfer of the goods or services promised to the customer and the payment of the customer is within one year, a practical simple method that does not adjust the promised price for a significant financing component is used.

Real estate sales

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report as approved by the construction manager which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost recognition

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

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

Marketing fees, management fees from administration and property management are recognized when services are rendered.

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



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

Commission income is recognized by reference to the percentage of collection of the agreed sales price or depending on the term of the sale as provided under the marketing agreement. Management fees from administrative, property management and other fees are recognized when services are rendered.

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

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.



At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue Recognition prior to January 1, 2018

Revenue and Cost Recognition

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

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

Automotive operations

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

Real estate sales

Real estate revenue and cost from completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

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



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

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

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

Interest income

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

Rent income

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

Sale of goods

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

Rendering of services

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

Commission income

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

Management fees

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

Dividend income

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

Other income

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



Expense Recognition

Cost of goods and services sold

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

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

Cost of goods manufactured and sold

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

Commissions

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

General and administrative expenses

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

Cost of real estate sales

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

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

Pension Costs

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

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

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



Defined benefit costs comprise the following:

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

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

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

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

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

Employee leave entitlement

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

Income Tax

Current tax

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



Deferred tax

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

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

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

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

Foreign Currency Transactions

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

Transactions and balances

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

Segment Reporting

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Real estate inventories" and "Investment properties" accounts in the consolidated statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Provisions

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

Provision for product warranties

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

Leases

Group as lessee

Policies applicable beginning January 1, 2019

The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

ROU assets

The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU



assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	50
Office space	2 to 3

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debt and others) and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (Note 20).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of other equipment that are considered to be of low value (i.e., those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Residual value of leased assets and deposits on lease contracts

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Policies applicable prior to January 1, 2019

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

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

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in



'Property and equipment' with the corresponding liability to the lessor included in 'Lease liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income under 'Occupancy and equipment-related cost' on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets' and 'Accrued other expenses' lodged in 'Accrued interest and other expenses', respectively.

Group as lessor

Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to the owners of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any. Diluted earnings per share attributable to owners of the Parent Company is calculated in the same manner assuming that, the weighted average number of common shares outstanding is adjusted for potential common shares from the assumed exercise of dilutive instruments.

Contingencies

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

Events after Financial Reporting Date

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



Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2020

- *Amendments to PFRS 3, Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- *PFRS 17, Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts



PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The Group is currently assessing the impact of adopting PFRS 17.

Deferred effectivity

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

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

- PIC Q&A No. 2018-14, PFRS 15 - *Accounting for Cancellation of Real Estate Sales*
- PIC Q&A No. 2018-15, PAS 1 - *Classification of Advances in the Nature of Prepayments: Current vs. Non – current*
In 2018, Philippine Interpretations Committee (PIC) issued PIC Q&A No. 2018-14 and 2018-15 which provides guidance on some implementation issues with regard to the adoption of PFRS 15. Subsequently, SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the applications of some of the provisions of the above PIC Q&As. Effective January 1, 2021, real estate companies need to adopt the PIC Q&As and any subsequent amendments thereof retrospectively, or as the SEC will later prescribe.

3. Management's Judgments and Use of Estimates

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

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



Judgments

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

Accounting for redemption of shares in PCFI

In assessing whether the Group has lost control over PCFI, the Group considers if the following factors are still present: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The Group assessed that it lost control over PCFI upon the signing of redemption agreement, combined with the approval of the transaction by the Philippine Competition Commission. See Note 12 for the details of the transaction.

Assessment of control over investees

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

Joint arrangements

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

Determination of significant influence over another entity

The determination of significant influence over another entity, other than the rebuttable presumption of ownership over twenty percent (20.0%), 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, 2019 and 2018, the Group determined that it exercises significant influence over MPIC in which it holds 15.52% and 15.55% ownership interest, respectively. Although the Group holds less than 20.0% of the ownership interest and voting rights in MPIC, the Group considers that it exercises significant influence through its entitlement to nominate at least two (2) out of fifteen (15) directors of MPIC. The Parent Company is also entitled to nominate one (1) out of three (3) members in each of the Audit Committee (AC), Risk Management Committee (RMC) and Governance Committee (GC) of MPIC.

The combination of the Parent Company's 15.52% ownership over MPIC and representation in the BOD, AC, RMC and GC of MPIC provides the Parent Company with the ability to exercise significant influence over the operating and financial policies of MPIC. Accordingly, the Parent Company accounted for its investment in MPIC as an associate using equity method of accounting.



Revenue and cost recognition

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

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

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

Beginning 1 January 2018, the Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.



Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation. Incorporation of forward-looking information The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Collectibility of the sales price

Before January 1, 2018, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 10.00% would demonstrate the buyer's commitment to pay.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a



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The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Operating lease commitments – the Group as lessor

The Group entered into commercial property leases on its retail mall, investment properties and certain units of its real estate projects to different parties for a specific amount depending on the lease contracts. The Group has determined that based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset’s economic life), that it retains all significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Distinction between investment properties and owner-occupied properties

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

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

Contingencies

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

Allocation of costs and expenses

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



Discontinued operations

The Group determined that the redemption of shares, equivalent to 51% ownership interest, by PCFI will qualify for presentation of the former subsidiary as discontinued operations since it represents a separate line of business and the operations and cash flows of PCFI can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. (Note 12)

Management's Use of Estimates

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

Revenue recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. The estimation of the total cost of the real estate project requires technical inputs from project development engineers. See Note 5 for the related balances.

The carrying amount of installment contracts receivables is disclosed in Note 5. The Group recognized real estate sales in 2019 and 2018 amounting to ₱7.98 billion and ₱9.34 billion, respectively.

Estimating allowance for impairment losses (Prior to January 1, 2018)

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

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

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



Evaluating net realizable value of inventories

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

Real estate inventories

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

Estimating the useful life of non-financial assets

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

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

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

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

Evaluating impairment of non-financial assets

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

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in and advances to associates and joint venture, property and equipment, and software cost.



The Group considers the significant and prolonged decline in the quoted market price of MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investment in MPIC. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The recoverable amount of the investment in MPIC has been determined based on the sum of the parts of the value in use and fair value less cost to sell of the MPIC Group. Based on the Group's impairment testing, the investment in MPIC is determined to be not impaired.

The carrying values of input VAT and creditable withholding taxes, investments in associates and joint ventures, investment properties, property and equipment, intangible assets from customer relationship, software costs, and other noncurrent assets are disclosed in Notes 7, 8, 9, 11, 13 and 14, respectively.

Estimating the IBR for lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

Estimating impairment of AFS investments (Prior to January 1, 2018)

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

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

Impairment of goodwill and intangible assets with indefinite useful life

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

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

Recognition of deferred tax assets

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



assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

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

Estimating pension and other retirement benefits

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

Fair value of financial instruments

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

Provision for product warranties

Estimated warranty costs are provided at the time of sale. The provision is based on the estimated costs of future servicing the products sold, the costs of which are not recoverable from customers. A provision is recognized for expected warranty claims on products sold during the last two (2) years, based on past experience of the level of returns and repairs. It is expected that most of these costs will be incurred in the next financial year and all will be incurred within three (3) years as of the reporting date. Provision for product warranty is disclosed in Note 20.

Purchase price allocation of investment in MPIC

The Parent Company is required to perform a purchase price allocation for its investment in MPIC in 2017. A significant portion of MPIC's net assets pertain to concession assets and the valuation of these concession assets require estimates from management. These estimates include revenue growth, gross margins, expected traffic volume and billed water volume, toll or tariff rates and discount rates.

Purchase price allocation of investment in MBTC

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



4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	P65	P56
Cash in banks and other financial institution (Note 27)	4,452	6,512
Cash equivalents (Note 27)	7,616	7,785
	P12,133	P14,353

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing interest rates ranging from 0.05% to 6.70% in 2019 and 2018 and from 0.10% to 3.75% in 2017 (Notes 23 and 27).

Short-term Investments

These represent the Group's foreign currency and peso-denominated time deposits, as well as money market placements, with original maturities of more than 3 months and up to 12 months and earn interest at the respective short-term investment rates, ranging from 0.01% to 2.50% in 2019 and 2018 and from 0.01% to 3.00% in 2017 (Notes 23 and 27).

5. Receivables

This account consists of:

	2019	2018
Trade receivables	P11,210	P9,681
Loans receivable (Note 27)	3,421	932
Nontrade receivables (Note 27)	1,043	1,438
Accrued rent and commission income (Note 27)	445	479
Installment contracts receivables	289	2,401
Accrued interest receivable (Note 27)	97	210
Management fee receivable (Note 27)	64	253
Others (Note 27)	418	973
	16,987	16,367
Less: Allowance for credit losses	184	282
	P16,803	P16,085

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

	2019	2018
Current portion	P13,382	P15,153
Noncurrent portion	3,421	932
	P16,803	P16,085

Trade Receivables

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



Loans Receivable

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

	2019	2018
Real estate	₱3,421	₱932

Loans receivable from Cathay International Resources Corp. (CIRC)

In 2012, Federal Land entered into a loan agreement with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective annual interest rate of 3.15% and 4.81%, respectively. The loan will mature on the tenth year anniversary from the date of execution of the agreement. Federal Land used discounted cash flow analyses to measure the fair value of the loan. The 'Day 1' difference for this receivable amounted to ₱94.22 million at inception in 2012. Accretion of interest in 2019, 2018 and 2017 amounted to ₱10.05 million, ₱9.58 and ₱8.52 million, respectively (Note 23).

On June 8, 2015, the Board of Federal Land approved the conversion of this receivable to equity in exchange for the common shares of CIRC. Federal Land is yet to apply with the SEC for the conversion as of report date. The outstanding balance of long-term loans receivable as of December 31, 2019 and 2018 amounted to ₱665.63 million and ₱641.88 million, respectively (Note 27).

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

In 2019, Federal Land entered into a new loan agreement with MFHI. Federal Land agreed to lend to MFHI a total amount of ₱135.00 million with nominal interest rates ranging from 6.06% to 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

In 2017, Federal Land entered into a loan agreement with MFHI. Federal Land agreed to lend to MFHI a total amount of ₱290.00 million with nominal interest rate of 6.60% annually. The loan will mature on the fifth year anniversary of the execution.

Nominal interest income earned in 2019, 2018 and 2017 amounted to ₱27.64 million, ₱18.62 million and ₱8.36 million, respectively (Note 23).

The outstanding balance of long-term loans receivable from MFHI as of December 31, 2019 and 2018 amounted to ₱425.00 million and ₱290.00 million, respectively.

Loans receivables of TMPC to local companies

In 2019, TMPC entered into loan agreements with local companies. The loan bears fixed interest rate of 4.00% and is payable for a period of three (3) years up to December 2, 2022. The outstanding balance of long-term loans receivable as of December 31, 2019 amounted to ₱2.33 billion.

Nontrade Receivables

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

Accrued Rent and Commission Income

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



Installment Contracts Receivables

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

The details of installment contracts receivables and contract assets follow:

	2019	2018
Installment contracts receivables	₱293	₱3,314
Less: Unearned interest income	4	913
	289	2,401
Less: Noncurrent portion	-	-
Current portion	₱289	₱2,401

Installment contracts receivables are collected over a period of one to 10 years. The fair value upon initial recognition for Federal Land is derived using the discounted cash flow methodology using discount rates ranging from 8.00% to 12.00% in 2019, 2018 and 2017. PCFI's installment contracts receivables bear annual interest of 12.00% to 21.00% in 2018 and from 12.00% to 21% in 2017, computed on the diminishing balance of the principal.

Movements in the unearned interest income in 2019 and 2018 follow:

	2019	2018
Balance at beginning of year	₱913	₱1,085
Additions	4	1,037
Reclassification to contract assets	(911)	-
Accretion (Note 23)	(2)	(1,209)
Balance at end of year	₱4	₱913

Management Fee Receivables

Management fee receivables pertain to management fee being charged by the real estate businesses for the conduct of relevant studies for the maintenance, upkeep and improvement of real estate properties and equipment of associates and affiliated companies (Note 27).

Others

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

Allowance for Credit Losses

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

	December 31, 2019		
	Trade Receivables	Other Receivables	Total
Balance at beginning of the year	₱8	₱274	₱282
Provision for (reversal of) credit losses (Note 26)	(2)	(96)	(98)
Balance at end of year	₱6	₱178	₱184



	December 31, 2018		
	Trade Receivables	Other Receivables	Total
Balance at beginning of year, as previously reported	₱7	₱276	₱283
Provision for (reversal of) credit losses (Note 26)	1	(2)	(1)
Balance at end of year	₱8	₱274	₱282

In 2019, reversals of credit losses were made due to improvements in payments and recovered amounts.

6. Inventories

This account consists of:

	2019	2018 (As restated – Note 2)
At cost		
Real estate		
Land and improvements	₱43,115	₱46,873
Condominium units held for sale	12,940	12,163
Construction in progress	4,744	6,217
Gasoline retail and petroleum products (Note 24)	11	10
Food (Note 24)	8	6
Materials and supplies	–	885
Automotive		
Finished goods	5,311	3,911
Work-in-process	27	122
Raw materials in transit	1,694	1,410
	67,850	71,597
At NRV		
Automotive		
Spare parts	4,339	3,792
	₱72,189	₱75,389

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

	2019					
	Rawland intended for development	Land and improvements	Subtotal	Condominium units held for sale	Construction in progress	Total
Balance at beginning of year, as previously reported	₱18,492	₱29,032	₱47,524	₱13,592	₱6,217	₱67,333
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	–	(651)	(651)	(1,429)	–	(2,089)
Balance at beginning of year, as restated	18,492	28,381	46,873	12,163	6,217	65,253
Construction and development costs incurred	–	516	516	5,678	3,284	9,478
Land acquired during the year	18,418	3,322	21,740	–	–	21,740
Borrowing costs capitalized	–	196	196	25	910	1,131
Effect of deconsolidation (Note 12)	(18,492)	(7,050)	(25,542)	(259)	(3,841)	(29,642)
Cost of sales during the year	–	(598)	(598)	(5,130)	(1,433)	(7,161)
Transfers from construction in progress to condominium units for sale	–	–	–	393	(393)	–
Transfer from land development and improvements to condominium units	–	(70)	(70)	70	–	–
Balance at end of the year	₱18,418	₱24,697	₱43,115	₱12,940	₱4,744	₱60,799



	2018 (As restated - Note 2)					
	Rawland intended for development	Land and improvements	Subtotal	Condominium units held for sale	Construction in progress	Total
Balance at beginning of year, as previously reported	₱18,278	₱32,703	₱50,981	₱9,755	₱4,852	₱65,588
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	–	(472)	(472)	(1,165)	–	(1,637)
Balance at beginning of the year, as restated	18,278	32,231	50,509	8,590	4,852	63,951
Construction and development costs incurred	–	1,444	1,444	4,698	5,845	11,987
Land acquired during the year	1,029	560	1,589	–	–	1,589
Borrowing costs capitalized	–	355	355	4	1,263	1,622
Cost of sales during the year	(44)	(5,431)	(5,475)	(1,364)	–	(6,839)
Income from discontinued operations	–	(1,910)	(1,910)	(59)	(3,209)	(5,178)
Transfers from construction in progress to condominium units for sale	–	–	–	675	(675)	–
Transfer to and from rawland	(751)	751	–	–	–	–
Transfers to investment property (Note 9)	–	–	–	(126)	(407)	(533)
Recognition of intercompany deferred gain	–	371	371	–	–	371
Reclassifications and others	(20)	10	(10)	(255)	(1,452)	(1,717)
Balance at end of the year	₱18,492	₱28,381	₱46,873	₱12,163	₱6,217	₱65,253

Federal Land's capitalized borrowing costs in its real estate inventories amounted to ₱1.05 billion and ₱1.26 billion in 2019 and 2018, respectively, for loans specifically used to finance Federal Land's project construction with interest rates ranging from 3.00% to 6.71%, from 2.90% to 6.71% and 2.58% to 6.27% in 2019, 2018 and 2017, respectively. Capitalized borrowing costs amounting to ₱113.28 million and ₱111.10 million pertains to capitalized cost on rawland intended for development. Also, Federal Land's capitalized borrowing costs in respect of its general borrowing amounted to ₱6.29 million and ₱116.20 million in 2019 and 2018, respectively. The average capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 6.26% and 6.63% in 2019 and 2018, respectively.

PCFI's capitalized borrowing cost as part of real estate inventories amounted to ₱243.88 million in 2018.

Inventories charged to operations follow:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Cost of good and services sold (Note 24)	₱133,943	₱129,849	₱147,713
Cost of goods manufactured and sold (Note 25)	36,819	31,809	39,635
Cost of real estate sales	5,340	6,839	5,176
	₱176,102	₱168,497	₱192,524

The cost of the inventories carried at NRV amounted to ₱4.45 billion and ₱3.89 billion as of December 31, 2019 and 2018, respectively.

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

	2019	2018
Balance at beginning of year	₱96	₱91
Provision for inventory write-down	17	51
Write-off of scrap inventories	–	(8)
Reversal	–	(38)
	₱113	₱96



7. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Advances to contractors and suppliers	₱3,710	₱3,197
Input VAT	3,589	1,087
Creditable withholding taxes (CWT)	1,246	1,438
Ad-valorem tax	713	412
Prepaid expenses	627	1,146
Cost to obtain a contract (Note 21)	186	236
Advances to officers, employees, agents and brokers (Note 27)	50	281
Deposit for land purchases	–	1,657
Others	295	336
	₱10,416	₱9,790

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

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

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

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

Prepaid expenses mainly include prepayments for supplies, taxes and licenses, rentals, insurance and other land acquisition related costs.

Cost to obtain a contract pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units which are amortized to cost of sales over the expected construction period using percentage of completion.

Advances to officers and employees amounting to ₱41.72 million and ₱54.60 million as of December 31, 2019 and 2018, respectively, pertain mainly to cash advances for business-related expenses. Advances to officers and employees are liquidated within 30 days after incurrence of expense. Cash advances to agents amounting to ₱8.84 million and ₱8.45 million as of December 31, 2019 and 2018, respectively, pertain to mobilization funds granted to agents to finance their sales-related needs. These advances are subject to liquidation within 30 days after the release of cash advance. Cash advances to brokers amounting to nil and ₱217.43 million as of December 31, 2019 and 2018, respectively represent PCFI's advances to brokers which will be recovered by applying the amount to the commissions that will be earned by the brokers.

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



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

8. Investments and Advances

This account consists of:

	2019	2018 (As restated – Note 2)
Investments in associates	₱160,605	₱146,635
Investments in joint ventures	17,454	17,100
	₱178,059	₱163,735

There is no impairment loss for any of these investments in 2019 and 2018.

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

	2019	2018
Cost		
Balance at beginning of year	₱110,284	₱87,789
Acquisitions/additional investments during the year	937	22,495
Effect of business combination	(149)	–
Balance at end of year	111,072	110,284
Accumulated equity in net income		
Balance at beginning of year	47,768	36,487
Equity in net income for the year	14,214	10,909
Recognition of previously deferred gain	11	372
Balance at end of year	61,993	47,768
Dividends received		
Balance at beginning of year	(9,539)	(7,429)
Dividends received during the year	(2,092)	(2,110)
Balance at end of year	(11,631)	(9,539)
Accumulated equity in other comprehensive income		
Balance at beginning of year	(3,573)	(1,043)
Equity in fair value changes on financial assets at FVOCI for the year	2,517	(1,229)
Equity in net unrealized gain on AFS investments for the year	–	–
Equity in translation adjustments	(551)	(1,968)
Equity in remeasurement on life insurance reserves	(167)	376
Equity in net unrealized gain (loss) on remeasurements of defined benefit plans	(739)	272
Equity in other equity adjustments	–	19
Balance at end of year	(2,513)	(3,573)

(Forward)



	2019	2018
Effect of elimination of intragroup profit		
Balance at beginning of year	₱1,695	₱2,195
Recognition of previous deferred gain	(11)	(372)
Elimination during the year	–	(128)
Balance at end of year	1,684	1,695
	₱160,605	₱146,635

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

	2019	2018 (As restated – Note 2)
Cost		
Balance at beginning of year, as previously reported	₱15,699	₱8,458
Acquisitions/additional investments during the year	106	7,241
Balance at end of year	15,805	15,699
Accumulated equity in net income		
Balance at beginning of year, as previously reported	2,280	2,070
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	(4)	(26)
Balance at beginning of the year, as restated	2,276	2,044
Equity in net income for the year	550	430
Unrealized gain on sale of properties (Note 27)	(197)	(198)
Balance at end of year	2,629	2,276
Dividends received		
Balance at beginning of year	–	–
Dividends received during the year	(26)	–
Balance at end of year	(26)	–
Accumulated equity in other comprehensive income		
Balance at beginning of year	109	20
Equity in net unrealized gain (loss) on remeasurements of defined benefit plans	(7)	4
Equity in cash flow hedge reserve	(307)	85
Balance at end of year	(205)	109
Effect of elimination of intragroup profit		
Balance at beginning of year	(984)	(52)
Recognition of deferred gain	34	–
Elimination during the year	201	(932)
Balance at end of year	(749)	(984)
	₱17,454	₱17,100



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

	Nature of Business	Country of Incorporation	2019	2018
Associates:				
MBTC	Banking	Philippines	36.65	36.36
MPIC	Infrastructure	-do-	15.52	15.55
Phil AXA	Insurance	-do-	25.33	25.33
Crown Central Properties Corporation (CCPC)	Real estate	-do-	48.00	48.00
Magnificat Resources Corporation (Magnificat)	-do-	-do-	-	49.10
Joint ventures:				
Bonifacio Landmark Realty and Development Corporation (BLRDC)	Real estate	-do-	70.00	70.00
North Bonifacio Landmark Realty and Development Inc. (NBLRDI)	-do-	-do-	70.00	70.00
Sunshine Fort North Bonifacio Realty and Development Corporation (Sunshine Fort)	-do-	-do-	60.00	60.00
HSL South Food Inc. (HSL)	-do-	-do-	60.00	60.00
Sunshine Fort North Bonifacio Commercial Management Corporation (SFNBCMC)*	-do-	-do-	51.00	-
Alveo Federal Land Communities, Inc. (AFLCI)	-do-	-do-	50.00	50.00
ST 6747 Resources Corporation (STRC)	-do-	-do-	50.00	50.00
Pasay Hong Kong Realty Dev't Corp. (PHRDC)**	-do-	-do-	50.00	-
TFSPC	Financing	-do-	40.00	40.00
SMFC	-do-	-do-	20.00	20.00

*In September 2019, Federal Land increased its ownership in Magnificat from 49.10 to 100.00% thereby obtaining control over the latter.

**On March 11, 2019, SFNBCMC was incorporated.

*** In October 2018, Federal Land made a deposit to PHRDC for future stock subscription amounting to ₱100 million. In October 2019, upon SEC approval of PHRDC's increase in capital stocks, the deposit was converted to 1 million preferred shares of PHRDC with par value of ₱100 per share for 50% ownership by Federal Land.

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

	Declaration Date	Per Share	Total	Record Date	Payment Date
2019					
MBTC	February 13, 2019	₱1.00	₱3,980	March 1, 2019	March 14, 2019
MPIC	March 5, 2019	0.076	2,395	March 20, 2019	April 3, 2019
MPIC	August 1, 2019	0.0345	1,087	August 19, 2019	August 30, 2019
Phil AXA	November 6, 2019	40.9008	409	October 24, 2019	December 17, 2019
SMFC	June 21, 2019	6.56	131	June 21, 2019	July 19, 2019
2018					
	Declaration Date	Per Share	Total	Record Date	Payment Date
MBTC	February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018
MPIC	March 1, 2018	0.076	2,395	March 28, 2018	April 26, 2018
MPIC	August 2, 2018	0.0345	1,087	August 31, 2018	September 25, 2018
Phil AXA	November 26, 2018	159.5033	1,595	November 23, 2018	December 17, 2018

Investment in MBTC

On April 20, 2017, the Parent Company acquired a total of 306.00 million common shares of MBTC from Ty-Family Companies for a total purchase price of ₱24.72 billion. On April 21, 2017, the Parent Company paid the purchase price in cash. This increased the Parent Company's ownership in MBTC from 26.47% to 36.09%. Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MBTC, the difference of ₱5.45 billion between the Parent Company's share in the carrying values of MBTC's specific identifiable assets



and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MBTC's specific and identifiable assets and liabilities amounting to ₱1.60 billion and the remaining balance of ₱3.85 billion for notional goodwill.

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

In April 2018, the Parent Company participated in the ₱59.99 billion stock rights offering of MBTC for a total of 299.28 million shares, equivalent to ₱22.45 billion. As a result, the percentage ownership of the Parent Company in MBTC increased from 36.09% to 36.36%. Based on the final purchase price allocation relating to the Parent Company's increase of 0.27% ownership interest in MBTC, the difference of ₱218.00 million between the Parent Company's share in the carrying values of MBTC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MBTC's specific and identifiable assets and liabilities amounting to ₱208.00 million and the remaining balance of ₱10.00 million for notional goodwill.

In October 2019, the Parent Company received a stock dividend equivalent to a total of 189.22 million common shares of Metrobank.

On various dates in 2019, the Parent Company acquired an aggregate of 12.26 million common shares of Metrobank for a total consideration of ₱836.53 million. This increased the Parent Company's ownership interest in Metrobank from 36.36% to 36.65%.

Investment in MPIC

On May 27, 2016, the Parent Company subscribed to 3.60 billion common shares of MPIC for a total subscription price of ₱21.96 billion. On the same day, the Parent Company entered into a Sale and Purchase Agreement with Metro Pacific Holdings, Inc. (MPHI), with the Parent Company as the buyer and MPHI as the seller of 1.30 billion common shares of MPIC for a total consideration of ₱7.94 billion. On August 5, 2016, the SEC approved the increase in the authorized capital stock of MPIC. As a result, the Parent Company's ownership interest is 15.55% of the issued and outstanding capital stock of MPIC.

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

Based on the final purchase price allocation relating to the Parent Company's acquisition of investment in MPIC, the difference of ₱7.41 billion between the Parent Company's share in the carrying values of MPIC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair values and carrying values of MPIC's specific and identifiable assets and liabilities amounting to ₱4.68 billion and the remaining balance of ₱2.73 billion for goodwill.

Investment in BLRDC

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



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

Investment in NBLRDI

On June 14, 2018, Federal Land entered into a Joint Venture Agreement with ORPI to incorporate a joint venture company, NBLRDI, in which Federal Land held 70% equity interest. The agreement was entered to develop Grand Hyatt Residences Tower II. This was reflected as additions of ₱1.69 billion in the investment in associates and joint ventures in 2018.

Investment in Sunshine Fort

On July 3, 2017, the Federal Land entered into a Joint Venture Agreement with NREMI Development Company (NRE) to incorporate a joint venture company in which Federal Land held 60% equity interest. In 2017, Federal Land made an initial investment amounting to ₱288.75 million. In 2018, Federal Land made additional investments amounting to ₱4.33 billion.

Investment in AFLCI

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

Investment in STRC

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

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

In 2018 and 2017, Federal Land made additional investments in STRC amounting to ₱0.47 billion and ₱0.03 billion, respectively.

Investment in TFSPC

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

In 2018 and 2017, the Parent Company remitted ₱720.00 million and ₱480.00 million, respectively, to TFSPC in response to the latter's equity call upon its stockholders.



Investment in SMFC

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

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

Fair Value of Investment in Associates and Joint ventures

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

As of December 31, 2019 and 2018, the fair values of the Group's investment in PSE-listed entities follow (Note 32):

	2019	2018
MBTC	₱109,213	₱115,834
MPIC	17,003	22,687
	₱126,216	₱138,521

Management considers significant and prolonged decline in the quoted market price of MPIC as an indicator of impairment. Accordingly, the Group conducted an impairment assessment of its investment in MPIC. The Group uses the higher between fair value less cost to sell and value in use in determining the recoverable amount. The recoverable amount of the investment in MPIC has been determined based on the sum of the parts of the value in use and fair value less cost to sell of the MPIC Group. Based on the Group's impairment testing, the investment in MPIC is determined to be not impaired.

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

Investments in MBTC

	2019	2018
<i>Consolidated Statements of Comprehensive Income</i>		
Net interest income, other income and share in net income of associates and joint ventures	₱106,919	₱92,606
Expenses	78,045	69,171
Net income	28,874	23,435
Other comprehensive income (loss)	3,666	(2,655)
Total comprehensive income	32,540	20,780
<i>Consolidated Statements of Financial Position*</i>		
Total assets	2,450,813	2,243,693
Total liabilities	(2,132,322)	(1,952,989)
Net assets	318,491	290,704
Equity attributable to NCI	(8,937)	(7,744)
Other equity reserves	-	-

(Forward)



	2019	2018
Net assets attributable to common shareholders of MBTC	₱309,554	₱282,960
GT Capital's ownership interest in MBTC	36.65%	36.36%
GT Capital's share in net assets of MBTC	113,452	102,884
Notional goodwill	4,363	4,450
Fair value and other adjustments	2,852	3,166
Elimination of intercompany transactions	–	(96)
	₱120,667	₱110,404

*MBTC does not present classified statements of financial position.

Investments in MPIC

	2019	2018
<i>Consolidated Statements of Comprehensive Income</i>		
Revenues	₱159,098	₱122,686
Expenses	97,287	93,599
Net income	27,818	22,202
Other comprehensive income (loss)	(1,477)	320
Total comprehensive income	26,341	22,522
<i>Consolidated Statements of Financial Position</i>		
Current assets	105,237	79,579
Noncurrent assets	506,541	478,633
Current liabilities	(75,118)	(56,606)
Noncurrent liabilities	(290,615)	(262,377)
Net assets	246,045	239,229
Equity attributable to NCI	(55,083)	(65,692)
Net assets attributable to common shareholders of MPIC	190,962	173,537
GT Capital's ownership interest in MPIC	15.52%	15.55%
GT Capital's share in net assets of MPIC	29,637	26,985
Capitalized transaction cost	277	277
Notional goodwill	2,727	2,727
Fair value and other adjustments	4,311	3,861
	₱36,952	₱33,850

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

	2019			2018		
	BLRDC	TFSPC*	Sunshine Fort	BLRDC	TFSPC*	Sunshine Fort
<i>Selected Financial Information</i>						
Cash and cash equivalents	₱643	₱925	₱157	₱1,071	₱1,501	₱743
Current financial liabilities	4,548	–	1,595	4,620	–	1,940
Non-current financial liabilities	3,010	–	–	3,004	–	–
Financial liabilities	–	73,780	–	–	73,850	–
Depreciation and amortization	(26)	62	–	72	44	–
Interest income	29	6,959	7	44	6,165	7
Interest expenses	(223)	3,877	–	120	2,910	2
Income tax expense	11	183	5	25	372	(55)
<i>Statements of Comprehensive Income</i>						
Revenues	706	7,265	632	2,311	6,481	42
Expenses	759	6,503	613	2,297	5,322	167
Net income	(42)	580	15	(11)	787	(70)
Other comprehensive income	–	(781)	–	–	218	–
Total comprehensive income	(42)	(201)	15	(11)	1,005	(70)

(Forward)



	2019			2018		
	BLRDC	TFSPC*	Sunshine Fort	BLRDC	TFSPC*	Sunshine Fort
<i>Statements of Financial Position</i>						
Current assets	₱1,466	₱-	₱10,852	₱3,905	₱-	₱8,068
Noncurrent assets	12,258	-	1,784	10,746	-	1,495
Total assets	13,724	83,444	12,636	14,651	83,509	9,563
Current liabilities	(4,548)	-	(1,595)	(4,618)	-	(1,963)
Noncurrent liabilities	(3,010)	-	(3,474)	(3,825)	-	(48)
Total liabilities	(7,558)	(74,027)	(5,069)	(8,443)	(75,852)	(2,011)
Net assets	6,166	9,417	7,567	6,208	7,657	7,552
GT Capital's ownership interest	70.00%	40.00%	60.00%	70.00%	40.00%	60.00%
GT Capital's share in net assets	4,316	3,767	4,540	4,346	3,063	4,531
Additional subscription	-	-	-	-	720	-
Notional goodwill and other adjustments	241	894	(195)	241	894	(208)
	₱4,557	₱4,661	₱4,345	₱4,587	₱4,677	₱4,323

*TFSPC does not present classified statements of financial position.

The following table presents the aggregate financial information of the Group's other associates and joint ventures as of and for the years ended December 31, 2019 and 2018:

	2019		2018	
	Associates	Joint ventures	Associates	Joint ventures
<i>Statements of Financial Position</i>				
Current assets	₱189	₱12,317	₱214	₱10,132
Non-current assets	52	4,727	308	2,899
Total assets*	142,168	-	126,794	-
Current liabilities	73	6,473	69	3,556
Non-current liabilities	-	353	-	240
Total liabilities*	130,416	-	117,559	-
<i>Statements of Comprehensive Income</i>				
Revenues	17,409	3,397	14,201	2,597
Expenses	13,499	2,366	9,854	1,878
Net income	2,559	747	3,114	493
Other comprehensive income	778	(7)	718	6
Total comprehensive income	3,337	740	3,832	499

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

The aggregate carrying values of immaterial associates and joint ventures amounted to ₱6.88 billion and ₱5.89 billion as of December 31, 2019 and 2018, respectively.

Limitation on dividend declaration of associates and joint venture

Phil AXA

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

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

MBTC

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



As of December 31, 2019 and 2018, there were no agreements entered into by the associates and joint ventures of the Group that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from other entities within the Group. MBTC's dividend declarations and payments are subject to the approval of BSP.

As of December 31, 2019 and 2018, accumulated equity in net earnings amounting to ₱52.97 billion, ₱40.51 billion and ₱32.91 billion respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

As of December 31, 2019, 2018 and 2017, the Group has no share on commitments and contingencies of its associates and joint ventures.

9. Investment Properties

The composition and rollforward analysis of this account follow:

	December 31, 2019			Total
	Land and Improvements	Building and Improvements	Construction In Progress	
Cost				
At January 1	₱6,983	₱7,907	₱4,301	₱19,191
Additions	587	506	2	1,095
Effect of deconsolidation (Note 12)	(2,389)	(656)	(258)	(3,303)
Reclassifications	33	78	—	111
Transfers	(2)	—	—	(2)
At December 31	5,212	7,835	4,045	17,092
Accumulated Depreciation				
At January 1	18	1,445	—	1,463
Depreciation (Note 11)	4	340	—	344
Effect of deconsolidation (Note 12)	—	(62)	—	(62)
Reclassification	(2)	2	—	—
At December 31	20	1,725	—	1,745
Net Book Value at December 31	₱5,192	₱6,110	₱4,045	₱15,347

	December 31, 2018			Total
	Land and Improvements	Building and Improvements	Construction In Progress	
Cost				
At January 1	₱7,105	₱7,592	₱3,819	₱18,516
Additions	19	128	75	222
Disposals	(177)	—	—	(177)
Transfers	36	61	—	97
Transfers from inventories (Note 6)	—	126	407	533
At December 31	6,983	7,907	4,301	19,191
Accumulated Depreciation				
At January 1	14	1,110	—	1,124
Depreciation (Note 11)	4	335	—	339
At December 31	18	1,445	—	1,463
Net Book Value at December 31	₱6,965	₱6,462	₱4,301	₱17,728

Various parcels of land are leased to several individuals and corporations including related parties. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and



charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit. Rent income recognized from these properties amounted to ₱1.53 billion ₱1.18 billion and ₱0.92 billion in 2019, 2018 and 2017, respectively (Note 30).

Construction-in-progress pertains to the accumulated cost incurred for the development and redevelopment of Federal Land's malls. The mall redevelopment is expected to be completed in 2021.

The aggregate fair values of the Group's investment properties amounted to ₱26.61 billion and ₱37.45 billion as of December 31, 2019 and 2018, respectively. The fair values of the Group's investment properties have been determined based on valuations performed by Asian Appraisal Company (AAC) and Philippine Appraisal Co. Inc. (PACI), independent appraisers which are accredited by the SEC. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison. Valuation of the Group's investment properties are done every three years with the latest valuation report issued by AAC and PACI in 2017.

10. Investment Securities

Investment securities consist of:

	2019	2018
Current:		
Financial assets at FVTPL (Note 27)	₱4,698	₱3,181
Quoted	-	-
Noncurrent:		
Financial assets at FVOCI		
Quoted	12,160	10,631
Unquoted	213	317
	12,373	10,948
	₱17,071	₱14,129

Financial assets at FVTPL

These pertain to the Parent Company's investments in unit investment trust fund (UITF) (Note 32).

Financial assets at FVOCI

Quoted equity securities

This includes foreign currency-denominated equity investments in Toyota Motor Corporation (TMC), a listed company in the Tokyo Stock Exchange, amounting to ₱11.06 billion and ₱9.43 billion as of December 31, 2019 and 2018, respectively. The Group has irrevocably elected to classify these investments under this category as it intends to hold these investments for the foreseeable future.

Unquoted equity securities

This account comprises of shares of stocks of various unlisted private corporations. The Group has designated these equity securities as at FVOCI because they will not be sold in the foreseeable future.



Unquoted equity securities include Toyota Aisin Philippines, Inc. (TAPI), representing 5.00% ownership interest, amounting to ₱200.74 million and ₱301.95 million as of December 31, 2019 and 2018, respectively. Also included in the balance are unquoted equity securities of Federal Land and TMBC amounting to ₱9.94 million and ₱0.11 million, respectively, as of December 31, 2019 and ₱9.94 million and ₱0.46 million, respectively, as of December 31, 2018.

Unquoted equity securities of Federal Land pertain to preferred shares of a utility company issued to the Group in connection with its subscription to the electricity services of the said utility company needed for Federal Land's real estate projects. The Group does not intend to dispose these investments since these are directly related to the continuity of its business.

Movements in the fair value reserves on financial assets at FVOCI follow:

	2019		Total
	Attributable to Parent Company	Non-controlling Interest	
Balance at beginning of year	(₱734)	₱223	(₱511)
Changes in fair values of financial assets at FVOCI	1,733	(35)	1,698
Balance at end of year	₱999	₱188	₱1,187

	2018		Total
	Attributable to Parent Company	Non-controlling Interest	
Balance at beginning of year	₱751	₱207	₱958
Changes in fair values of financial assets at FVOCI	(1,485)	16	(1,469)
Balance at end of year	(₱734)	₱223	(₱511)



11. Property and Equipment

The composition and rollforward analysis of this account follow:

	2019									Total
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Building and Land Improvements	Other Property and Equipment	Right-of-use assets	Construction-in-Progress	
Cost										
At January 1	₱706	₱1,193	₱328	₱2,482	₱2,951	₱5,120	₱5,708	₱-	₱964	₱19,452
Additions	188	107	30	556	3	212	329	453	397	2,275
Effect of deconsolidation (Note 12)	(186)	(370)	(21)	(699)	(84)	(629)	-	-	-	(1,989)
Disposals and reclassifications	(36)	97	-	188	220	2	(71)	-	(474)	(74)
At December 31	672	1,027	337	2,527	3,090	4,705	5,966	453	887	19,664
Accumulated Depreciation and Amortization										
At January 1	351	608	195	913	87	904	2,756	-	-	5,814
Effect of deconsolidation (Note 12)	(128)	(235)	(20)	(494)	-	(359)	-	-	-	(1,236)
Depreciation and amortization	158	201	42	275	16	381	1,000	61	-	2,134
Disposals and reclassifications	(30)	(9)	-	(4)	-	(108)	(56)	-	-	(207)
At December 31	351	565	217	690	103	818	3,700	61	-	6,505
Net Book Value at December 31	₱321	₱462	₱120	₱1,837	₱2,987	₱3,887	₱2,266	392	₱887	₱13,159

	2018									Total
	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Machinery, Tools and Equipment	Land and Building	Building and Land Improvements	Other Property and Equipment	Construction-in-Progress		
Cost										
At January 1	₱612	₱939	₱319	₱1,843	₱2,786	₱4,046	₱4,177	₱1,315		₱16,037
Additions	177	279	9	446	165	390	1,716	737		3,919
Disposals	(102)	(54)	-	(32)	-	(18)	(185)	(95)		(486)
Reclassifications and others	19	29	-	225	-	702	-	(993)		(18)
At December 31	706	1,193	328	2,482	2,951	5,120	5,708	964		19,452
Accumulated Depreciation and Amortization										
At January 1	281	446	153	717	75	613	2,081	-		4,366
Depreciation and amortization	148	174	42	225	12	308	850	-		1,759
Disposals	(78)	(12)	-	(29)	-	(17)	(175)	-		(311)
At December 31	351	608	195	913	87	904	2,756	-		5,814
Net Book Value at December 31	₱355	₱585	₱133	₱1,569	₱2,864	₱4,216	₱2,952	₱964		₱13,638



Construction-in-progress as of December 31, 2019 pertains to GTCAD and TMP's building construction and Toyota group's machineries and building improvements.

Construction-in-progress as of December 31, 2018 pertains to FLI's building improvements which were expected to be completed in 2019 and Toyota group's machineries, tools, equipment and other projects which are expected to be completed in 2020.

Gain on disposal of property and equipment amounted to ₱14.50 million, ₱23.27 million and ₱23.09 million in 2019, 2018 and 2017, respectively (Note 23).

Details of depreciation and amortization follow:

	2019	2018	2017
Continuing operations			
Property and equipment	₱1,983	₱1,542	₱1,280
Investment properties (Note 9)	333	309	224
Intangible assets (Note 13)	101	95	103
	2,417	1,946	1,607
Depreciation and amortization attributable to discontinued operations			
Property and equipment	151	217	243
Investment properties (Note 9)	11	24	21
Intangible assets (Note 13)	8	30	50
	170	271	314
	₱2,587	₱2,217	₱1,921

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

	2019	2018	2017
Consolidated Statements of Income			
Cost of goods manufactured	₱1,246	₱974	₱809
Cost of rental (Note 30)	329	309	240
Cost of goods and services	-	31	61
General and administrative expenses (Note 26)	842	632	492
Attributable to discontinued operations (Note 12)	170	150	163
	2,587	2,096	1,765
Consolidated Statements of Financial Position			
Real estate inventories	-	121	156
	₱2,587	₱2,217	₱1,921



12. Disposal of Assets

Disposal of Investment in PCFI

On May 10, 2019 the Parent Company and PCFI executed a Redemption Agreement for the redemption, cancellation and retirement of the 64,530,712 Series A Redeemable Voting Preferred Shares with a par value of ₱10.00 per share of PCFI, representing 51% interest of the Parent Company in PCFI. The Parent Company and PCFI have agreed to the redemption price of ₱20.00 billion through the assignment, transfer and conveyance of the selected assets owned and/or beneficially owned by PCFI to the Parent Company.

On July 4, 2019, Philippine Competition Commission approved the Redemption Agreement of the Parent Company and PCFI. Accordingly, the financial statements of PCFI were deconsolidated from the consolidated financial statements of the Group as of that date.

The derecognized assets and liabilities of PCFI as of the date of deconsolidation follow:

Assets	
Cash and cash equivalents	₱1,421
Short-term investments	1
Receivables	5,482
Contract assets	2,688
Inventories	29,642
Prepayments and other current assets	3,251
Financial assets at FVOCI	3
Investment properties	3,241
Property and equipment	753
Goodwill and intangible assets	2,862
Deferred tax assets	64
Other noncurrent assets	634
	50,042
Liabilities	
Accounts and other payables	3,643
Contract liabilities	3,180
Loans payable	8,057
Customer's deposits	5
Dividends payable	1,145
Income tax payable	72
Pension liabilities	182
Deferred tax liabilities	2,417
Other liabilities	435
	19,136
Net assets	₱30,906

Net unrealized gain on financial assets at FVOCI and net unrealized gain on defined benefit plan of PCFI amounting to ₱18.91 million were reclassified to retained earnings.

PFRS 5 requires income and expenses from disposal group to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2018 and 2017 have been restated to present the results of operation of PCFI as 'Net income from discontinued operations'.



The results of operations of PCFI included in the consolidated statements of income are presented below:

	2019	2018	2017
Real estate sales	₱3,275	₱9,166	6,339
Rent income	46	76	25
Interest income	204	414	418
Other income	193	334	138
Revenue	3,718	9,990	6,920
Cost of real estate sales	1,847	5,111	3,771
General and administrative expenses	1,331	3,373	2,518
Interest expense	284	640	694
Cost and expenses	3,462	9,124	6,983
Income (Loss) before income tax	256	866	(63)
Provision for (Benefit from) income tax	71	159	(341)
Net income	185	707	278
Gain on deconsolidation	2,341	—	—
Dividend income from discontinued operations*	1,288	—	—
Net income from discontinued operations	₱3,814	₱707	₱278
<i>*pertains to dividends attributable to the Group which were declared by PCFI and received by the Group after the loss of control over PCFI</i>			
Attributable to Parent Company	₱3,723	₱361	133
Attributable to non-controlling interest	91	346	145
	₱3,814	₱707	₱278

Other comprehensive income from discontinued operations consists of the following:

	2019	2018	2017
Changes in fair value of available-for-sale investment	₱—	₱—	₱1
Changes in cash flow hedge reserve	(226)	252	—
Changes in fair value of financial assets at FVOCI	—	—	(27)
Remeasurement of defined benefit plan	6	(17)	54
	(220)	236	28

The aggregate consideration received consists of:

Value of selected assets received	₱20,000
Non-controlling interest	13,247
	₱33,247

The net cash outflow arising from the deconsolidation of cash and cash equivalents of PCFI amounted to ₱1.42 billion. Total gain on deconsolidation amounted to ₱2.34 billion, which is the difference between the consideration received and the carrying value of the Group's investment in PCFI.

On October 18, 2019, the Parent Company and PCFI executed a Deed of Assignment to assign, transfer and convey the selected assets of PCFI to the Parent Company.



13. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	2019	2018
Goodwill	₱5,926	₱8,767
Customer relationship	3,883	3,883
Software costs - net	228	303
Franchise - net	3	2
	₱10,040	₱12,955

Goodwill

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

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

	2019				
	Toyota	TRDCI	PCFI	TMBC	Total
Balances at beginning of year	₱5,597	₱88	₱2,841	₱241	₱8,767
Effect of deconsolidation (Note 12)	-	-	(2,841)	-	(2,841)
Balances at end of year	₱5,597	₱88	₱-	₱241	₱5,926

	2018				
	Toyota	TRDCI	PCFI	TMBC	Total
Balances at beginning and end of year	₱5,597	₱88	₱2,841	₱241	₱8,767

Toyota

The recoverable amount of Toyota CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to cash flow projections is 10.74% in 2019 and 16.90% in 2018. Cash flows beyond the three-year period are extrapolated using a steady growth rate of 3.56% in 2019 and 4.46% in 2018. The carrying value of goodwill amounted to ₱5.60 billion as of December 31, 2019 and 2018. No impairment loss was recognized for goodwill arising from the acquisition of Toyota.

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

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

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



PCFI (Note 12)

The recoverable amount of PCFI CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 14.64% in 2018. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 2.60% in 2018. The carrying value of goodwill amounted to ₱2.84 billion as of December 31, 2018. No impairment loss was recognized on the goodwill arising from the acquisition of PCFI.

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

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

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

TMBC

The recoverable amount of TMBC CGU was based on VIU calculations using cash flow projections from financial budgets approved by management covering a four-year period. The pre-tax discount rate applied to cash flow projections is 11.53% in 2019, 14.48% in 2018. Cash flows beyond the forecast period are extrapolated using a long-term growth rate of 3.51% in 2019 and 4.46% in 2018. The carrying value of goodwill amounted to ₱241.06 million as of December 31, 2019 and 2018. No impairment loss was recognized on the goodwill arising from the acquisition of TMBC.

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

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

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

Customer Relationship

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

The recoverable amount of the customer relationship of the Group was based on VIU calculations using earnings projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to earnings projections is 17.58% and 20.1% in 2019 and 2018, respectively. Cash flows beyond the forecast period are extrapolated using a steady growth rate of 3.10% and 4.46% in 2019 and 2018, respectively. The carrying value of the customer relationship



amounted to ₱3.88 billion as of December 31, 2019 and 2018. No impairment loss was recognized for the customer relationship arising from the acquisition of Toyota.

The calculations of VIU for the customer relationship are most sensitive to the following assumptions:

- Attrition rate – Sales to key customers for the four-year period are computed by taking into account a 5.00% attrition rate or 95.00% retention rate;
- Earnings before interest and taxes (EBIT) margin on key customers – A 5.28% EBIT margin was used in projecting the net operating profit on sales to key customers for the three-year period; and
- Pre-tax discount rate – Discount rates reflect management’s best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

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

Software Cost

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

	2019	2018
Cost		
Balance at beginning of year	₱729	₱667
Effect of deconsolidation (Note 12)	(217)	–
Additions	55	62
	567	729
Accumulated Amortization		
Balance at beginning of year	₱426	₱307
Effect of deconsolidation (Note 12)	(196)	–
Amortization (Note 11)	109	119
Disposal/reclassification	–	–
	339	426
Net Book Value	₱228	₱303

Franchise

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

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

The amortization of the franchise fee amounting to ₱0.34 million, ₱0.33 million and ₱0.28 million in 2019, 2018 and 2017, respectively, is included in the ‘General and administrative expenses’ account in the consolidated statements of income (Note 26).



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

	2019	2018	2017
Software cost	₱101	₱89	₱74
Franchise	-	-	-
Attributable to discontinued operations (Note 12)	8	30	50
	₱109	₱119	₱124

14. Other Noncurrent Assets

This account consists of:

	2019	2018
Rental and other deposits	₱375	₱2,252
Deferred input VAT	40	64
Retirement asset (Note 28)	7	9
Derivative asset (Note 16)	-	469
Escrow fund	-	26
Others	14	74
	₱436	₱2,894

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

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

15. Accounts and Other Payables

This account consists of:

	2019	2018
Trade payables	₱12,337	₱13,167
Accrued expenses	4,534	4,192
Deferred output tax	2,380	1,693
Telegraphic transfers, drafts and acceptances payable	1,840	1,675
Accrued interest payable	896	579
Accrued commissions	777	686
Nontrade payables	602	430
Customer advances	577	578
Royalty payable	288	255
Retentions payable	10	687
Payable for customer's refund	-	320
Due to landowners	-	34
Others	993	1,115
	₱25,234	₱25,411



The details of trade payables are as follows:

	2019	2018
Automotive	₱11,106	₱11,079
Real estate	1,226	2,081
Others	5	7
	₱12,337	₱13,167

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

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

The details of accrued expenses are as follows:

	2019	2018
Dealers' incentives, supports and promotions	₱2,559	₱2,444
Employee benefits	579	421
Freight, handling and transportation	218	112
Payable to contractors	212	173
Taxes	114	47
Utilities and services	96	97
Office supplies	46	31
Outsourced services	40	34
Insurance	34	61
Repairs and maintenance	31	19
Professional fees	20	29
Rent	18	35
Regulatory fees and charges	2	4
Others	565	685
	₱4,534	₱4,192

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

Accrued commissions are settled within one (1) year.

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

Royalty payables represent cost of license for the use of technical know-how and information on data. The fees are calculated at 6.00% of the local value-added (LVA) of vehicles under production. The LVA represents the selling price less all costs for the knock-down parts, related taxes such as excise



and sales tax and a certain percentage of administrative and selling costs. The fees also include charges from related affiliates and third party suppliers representing initial costs of testing materials and trial parts and tools, sample molds and jigs that were utilized to test TMPC's present technical feasibility for the commercial production of newer car models.

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

Retentions payable represent a portion of construction cost withheld by the Federal Land Group and paid to the contractors upon completion of the project. Retentions payable due beyond one year are presented as noncurrent payable (Note 20).

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

Others include refunds from cancelled sales from Federal Land and other government-related payables which are non-interest bearing and are normally settled within one year. These also include other non-interest bearing payables which are all due within one year.

16. Short-term Debt and Long-term Debt

This account consists of:

	2019					
	Interest rates	Short-term debt	Long-term debt			Total
			Corporate notes	Loans payable	Subtotal	
Parent Company	0.85% - 7.25%	₱-	₱-	₱63,790	₱63,790	₱63,790
Federal Land Group	2.80% - 6.25%	8,580	4,850	22,586	27,436	36,016
Toyota Group	4.60% - 5.10%	2,270	-	246	246	2,516
TMBC Group	4.50% - 4.90%	1,855	-	1,021	1,021	2,876
GTCAD Group	4.60% - 4.85%	185	-	-	-	185
		12,890	4,850	87,643	92,493	105,383
Less: Deferred financing cost		-	-	370	370	370
		12,890	4,850	87,273	92,123	105,013
Less: Current portion of long-term debt		-	3,885	1,089	4,974	4,974
		₱12,890	₱965	₱86,184	₱87,149	₱100,039

	2018					
	Interest rates	Short-term debt	Long-term debt			Total
			Corporate notes	Loans payable	Subtotal	
Parent Company	0.90% - 7.25%	₱-	₱-	₱61,075	₱61,075	₱61,075
Federal Land Group	2.55% - 6.71%	2,830	4,875	21,145	26,020	28,850
PCFI Group	3.95% - 7.50%	3,600	-	7,146	7,146	10,746
TMPC Group	5.00% - 6.25%	2,800	-	246	246	3,046
TMBC Group	4.85% - 5.94%	1,100	-	1,100	1,100	2,200
GTCAD Group	5.00% - 5.80%	170	-	-	-	170
		10,500	4,875	90,712	95,587	106,087
Less: Deferred financing cost		-	-	418	418	418
		10,500	4,875	90,294	95,169	105,669
Less: Current portion of long-term debt		-	25	795	820	820
		₱10,500	₱4,850	₱89,499	₱94,349	₱104,849



Short-term Debt

Parent Company Short-term Loans

In June 2018, the Parent Company obtained an unsecured short-term loan denominated in Japanese Yen (JPY or ¥) with a term of less than 30 days from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90% and was refinanced by a JPY-denominated long-term debt in July 2018.

Federal Land Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, Federal Land Group's outstanding unsecured short-term borrowings amounting to ₪6.38 billion and ₪2.83 billion, respectively, have terms of over 60 to 180 day obtained for the Group's working capital requirements with interest rates ranging from 4.25% to 6.00%, 2.80% to 6.00% and 2.80% to 4.00% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, Federal Land Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₪2.20 billion and ₪1.10 billion, respectively, have terms of over 60 to 180 day obtained for the Group's working capital requirements with interest rates ranging from 4.60% to 6.25%, 4.60% to 5.50% and 2.80% to 3.00% in 2019, 2018 and 2017, respectively.

Toyota Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, Toyota Group's outstanding unsecured short-term borrowings amounting to ₪0.62 billion and ₪1.22 billion, respectively, have terms of one year or less obtained to finance its operating activities. These loans bear annual fixed interest rates ranging from 4.60% to 5.10%, 5.05% to 6.25% and 2.55% to 3.38% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, Toyota Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₪1.65 billion and ₪1.58 billion, respectively, have terms of over 60 to 180 day obtained to fund the Group's working capital requirements with interest rates ranging from 4.60% to 4.85%, 5.00% to 5.65% and 2.50% to 2.98% in 2019, 2018 and 2017, respectively.

TMBC Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, TMBC Group's unsecured short-term borrowings amounting to ₪0.93 billion and ₪0.25 billion, respectively, have terms ranging from 25 to 31 days obtained to finance its working capital requirements. These loans bear interest rates ranging from 4.55% to 4.90%, 5.10% to 5.50%, and 2.50% to 2.75% in 2019, 2018 and 2017, respectively.

Affiliated loans (Note 27)

In 2019 and 2018, TMBC Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₪0.92 billion and ₪0.85 billion, respectively, have terms of over 28 to 39 days obtained to fund the Group's working capital requirements with interest rates ranging from 4.50% to 4.85%, 5.00% to 5.65% and 2.50% to 2.80% in 2019, 2018 and 2017, respectively.

GTCAD Group Short-term Loans

Non-affiliated loans

In 2019 and 2018, GTCAD Group's unsecured short short-term borrowings amounting to ₪0.05 billion and ₪0.08 billion, respectively, have terms ranging from 30 to 90 days obtained from affiliated and non-affiliated local banks to finance the working capital requirements with interest rates of 4.60% to 4.85% and 5.50% to 5.80%, in 2019 and 2018, respectively.



Affiliated loans (Note 27)

In 2019 and 2018, GTCAD Group's outstanding unsecured short-term borrowings from MBTC, an affiliated local bank amounting to ₱0.14 billion and ₱0.09 billion, respectively, have terms of over 28 to 39 days obtained to fund the Group's working capital requirements with interest rates ranging from 4.60% to 4.85%, and 5.00% to 5.35% in 2019 and 2018, respectively.

PCFI Group Short-term Loans

In 2018, PCFI Group's unsecured short-term loans amounting to ₱3.60 billion have terms of one year or less obtained from various non-affiliated local banks to finance its working capital requirements. These loans bear fixed interest rates ranging from 4.00% to 5.75% and 3.12% to 3.95% in 2018 and 2017, respectively.

Total interest expense charged to operations from the above-mentioned short-term loans amounted to ₱37.68 million and ₱145.39 million in 2018 and 2017, respectively. Interest expense capitalized amounted to nil and ₱20.51 million in 2018 and 2017, respectively.

Federal Land - Corporate Notes

On July 5, 2013, the Group issued ₱4.00 billion unsecured notes with 5.57% interest per annum maturing on July 5, 2020 and an additional ₱1.00 billion notes with 6.27% interest per annum maturing on July 5, 2023. The proceeds from the issuance were used to finance ongoing projects. As of December 31, 2019 and 2018, outstanding balance amounted to ₱4.85 billion and ₱4.88 billion, respectively. As of December 31, 2019 and 2018, the current portion amounting to ₱3.88 billion and ₱0.02 billion, respectively, are presented as a current liability.

The agreements covering the above-mentioned Notes provide for restrictions and requirements with respect to, among others, declaration or making payment of cash dividends/retirement of shares (other than dividends payable solely in shares of its capital stock and cash dividends due on its then-outstanding preferred shares); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; maintaining certain financial ratios; and entering into any partnership, merger, consolidation or reorganization. As of December 31, 2019 and 2018, the Group has complied with the loan covenants.

Interest expense charged to operations amounted to ₱122.71 million in 2019, ₱77.27 million in 2018 and nil in 2017. Interest expense capitalized amounted to ₱165.86 million, ₱334.10 million and ₱289.73 million in 2019, 2018 and 2017, respectively.

Long-term Loans

Parent Company Long-term Peso Loans

In November 2019, the Parent Company obtained an unsecured long-term loan with a non-affiliated local bank with a principal amount of ₱3.00 billion to refinance bonds due in November 2019. Said loan bear fixed interest rate of 5.39% with a term of 10 years and maturity date of 2029.

In March 2018, the Parent Company obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 6.50% to 7.25%, with terms ranging from 10 to 12 years and maturity dates ranging from 2028 to 2030.

In 2015, the Parent Company obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱25.00 billion. Said loans bear fixed interest rates ranging from 5.00% to 5.88%, with various terms ranging from 10 to 13 years and maturity dates ranging from 2025 to 2028.



As of December 31, 2019 and 2018, the carrying value of the above-mentioned long-term loans payable amounted to ₱52.74 billion and ₱49.73 billion, respectively.

Parent Company Long-term JPY Loans

In July 2018, the Parent Company obtained an unsecured long-term loan from three (3) non-affiliated foreign banks for an aggregate principal amount of ¥23.31 billion, 50% of which will mature in July 2022 and the remaining 50% will mature in July 2024 with interest rate of 3-month JPY Libor plus 0.65% spread. Proceeds from the loan were used to refinance a short-term loan from a non-affiliated foreign bank for a principal amount of ¥22.20 billion with an interest rate of 0.90%. As of December 31, 2019 and 2018, the carrying value of the said loan amounted to ₱10.73 billion and ₱11.00 billion, respectively.

In July 2018, the Parent Company entered into an interest rate swap agreement with MUFG Bank, Ltd., Labuan Branch. Under the agreement the Parent Company, on a quarterly basis, pays fixed interest rate of 0.852% and receives floating interest rate of 3-month JPY Libor plus 0.65% spread from July 19, 2018 to July 12, 2024. On the same date, the Parent Company designated the swap as an effective hedging instrument under a cash flow hedge arrangement. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to ₱52.58 million and ₱62.18 million in 2019 and 2018, respectively. As of December 31, 2019 and 2018 the negative fair value of the interest rate swap amounted ₱52.58 million and ₱62.18 million, respectively under ‘Other noncurrent liabilities’ (Note 20).

As of December 31, 2019 and 2018, the movement in the deferred financing cost follows:

	2019	2018
Balances at beginning of year	₱346	₱103
Additions	53	275
Amortization	(74)	(32)
Balances at end of year	₱325	₱346

Total interest expense incurred on these long-term loans payable in 2019, 2018 and 2017 amounted to ₱3.25 billion (including amortization of deferred financing cost of ₱73.86 million), ₱2.79 billion (including amortization of deferred financing cost of ₱31.61 million) and ₱1.41 billion (including amortization of deferred financing cost of ₱9.43 million), respectively.

Federal Land Long-term Loans

Non-affiliated loans

In 2014, Federal Land obtained unsecured loans from various non-affiliated banks amounting to ₱6.60 billion. The loan principal will be paid as follows: ₱2.00 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.86% per annum; ₱1.50 billion payable in full after 10 years from drawdown date with fixed interest rate of 5.85% per annum; ₱2.00 billion payable at 40.00% quarterly principal payment starting at the end of 5th year and 60.00% principal balance on maturity date with fixed interest rate of 5.67% per annum; ₱1.10 billion principal payable at 40% quarterly payment at the end of 5th year to 9th year and 60.00% principal balance on maturity date with fixed interest rate of 5.05% per annum.

In 2015 to 2019, the Fed Land Group obtained unsecured long-term loans with various non-affiliated local banks with an aggregate principal amount of ₱7.08 billion. Said loans bear fixed annual interest rates ranging from 5.00% to 6.71%, various terms ranging from 5 to 10 years and maturity dates from 2020 to 2026.



As of December 31, 2019 and 2018, the carrying value of these non-affiliated long-term loans amounted to ₱18.41 billion and ₱12.14 billion, respectively, net of unamortized deferred financing cost.

Affiliated loans (Note 27)

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

On various dates in 2016, the Federal Land Group obtained unsecured long-term loans from an affiliated bank with an aggregate principal amount of ₱2.00 billion. The loans bear interest rates of 2.55% to 2.60%, with terms of five (5) years and maturity date of 2021. The loan proceeds were used to finance real estate projects.

On various dates in 2017, the Federal Land Group obtained various unsecured long-term loans from an affiliated bank totaling ₱2.50 billion. Said loans bear interest rates of 2.75% to 2.90% and will be payable in 2022. The loan proceeds were used to finance real estate projects.

On June 29, 2018, Federal Land obtained a 5-year unsecured loan from an affiliated local bank, with a principal amount of ₱2.50 billion and interest rate of 4.25% maturing on June 29, 2023.

As of December 31, 2019 and 2018, the carrying value of these affiliated long-term loans payable amounted to ₱8.98 billion and ₱8.96 billion, respectively, net of unamortized deferred financing cost.

As of December 31, 2019 and 2018, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	₱42	₱26
Additions	12	33
Amortization	(11)	(17)
Balances at end of year	₱43	₱42

Interest expense charged to operations amounted to ₱859.52 million in 2019, ₱1.07 billion in 2018 and ₱621.40 million in 2017. Interest expense capitalized from the above-mentioned loans payable amounted to ₱519.11 billion, ₱1.38 billion and ₱1.19 billion in 2019, 2018 and 2017, respectively.

Toyota Group Long-term Loans

As of December 31, 2019 and 2018, this account consists of unsecured long-term debt with the following entities:

	2019	2018
TAPI	₱79	₱79
Other entities	167	167
	₱246	₱246

The loan from TAPI bears a fixed interest rate of 4.20% per annum. This loan is for a period of five years up to February 26, 2021 which is automatically renewed upon maturity for another period of 5 years to 10 years.

The long-term unsecured interest-bearing loans with other entities consist of a 2.7% interest-bearing 10-year term loan with a maturity date of September 28, 2025 and October 23, 2026. These loans are automatically renewed upon maturity for another 10 years.



The loan covenants restrict TMPC from encumbering or disposing properties leased by the lenders during the respective terms of various loan agreements. TMPC is not required to maintain any financial ratios under the mentioned loan agreements. Interest expense on these loans amounted to ₱7.82 million, ₱7.86 million and ₱7.82 million in 2019, 2018 and 2017, respectively.

TMBC Long-term Loans

On March 21, 2016, TMBC entered into a Term Loan Facility with a non-affiliated local bank amounting to ₱1.50 billion to finance the construction of the dealership facilities, with interest rates ranging from 4.85% to 5.94% and payable for a period of 10 years, inclusive of three (3) years grace period on principal repayments subject to interest rate based on 10-year PDST-R2 plus a minimum spread of 1.25%. TMBC loan is secured by a real estate mortgage. The carrying value of the mortgaged properties amounted to ₱392.68 million as of December 31, 2019 and 2018.

TMBC is required to maintain the following financial ratios during the term of the loans:

- Minimum current ratio (CR) of 1.0x - defined as Current Assets divided by Current Liabilities
- Maximum debt to equity ratio (DER) of 4.0x - defined as Total Liabilities divided by Total Tangible Net Worth (Total Equity - Intangibles)
- Minimum debt service ratio (DSR) of 1.2x - defined as Earnings before Interest, Taxes, Depreciation and Amortization divided by Interest Expense plus current portion of Long-term debt of the previous year

As of December 31, 2019 and 2018, TMBC has complied with the required financial ratios.

As of December 31, 2019, 2018 and 2017, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	₱3	₱4
Additions	-	-
Amortization	(1)	(1)
Balances at end of year	₱2	₱3

As of December 31, 2019 and 2018, the carrying value of long-term loans payable amounted to ₱1.02 billion and ₱1.10 billion, respectively. As of December 31, 2019 and 2018, the current portion of long-term loans payable amounted to ₱0.16 billion and ₱0.08 billion, respectively.

Interest expense on long-term loans payable amounted to ₱56.17 million, ₱56.17 million and ₱31.73 million in 2019, 2018 and 2017, respectively. Interest expense capitalized amounted to nil, ₱0.77 million and ₱28.10 million in 2019, 2018 and 2017, respectively.

PCFI Group Long-term Loans

Non-affiliated Loans

On January 10, 2012, PCFI issued ₱3.00 billion 5-year fixed rate notes to non-affiliated banks which were used to fund the acquisition of real estate properties, finance project development and construction costs and fund other general corporate purposes. The unsecured notes are payable quarterly and bear fixed rate of 7.18% plus 5% gross receipts tax and secured by various real estate properties (Note 6). The notes were paid in full on January 26, 2017.



On July 1, 2015, PCFI entered into a three-year unsecured Promissory Note Line facility with a non-affiliated bank amounting to ₱1.00 billion. The note bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital. The note was fully paid in 2017.

On December 11, 2015, PCFI entered into a 5-year Loan Facility Agreement with a non-affiliated bank. The approved credit line was ₱6.00 billion of which ₱4.00 billion was drawn on December 31, 2015 and ₱2.00 billion was drawn on December 31, 2016. The loan bears a 6.00% interest rate payable quarterly in arrears with a grace period on the payment of principal for one year, thereafter, the principal shall be payable on quarterly installment. The net proceeds from the unsecured loan pursuant to the loan facility were used for working capital. As of December 31, 2018, the outstanding balance of the loan amounted to ₱4.00 billion.

On December 19, 2016, WFC issued ₱3.00 billion 5-year fixed rate term loan to non-affiliated banks which were used as permanent working capital in relation to the purchase of sales receivable from PCFI. The unsecured notes are payable quarterly and bear fixed rate of 6.00%. The note was fully paid in 2018.

Affiliated Loans (Note 27)

On July 1, 2015, the Company entered into a three-year Promissory Note Line facility with an affiliated bank amounting to ₱1.50 billion (Note 27). The note is unsecured and bears 5.29% interest rate fixed, payable monthly in arrears and the principal are payable in lump sum on June 29, 2018. The loan was used to finance working capital requirement. The loan was settled in 2018.

On June 22, 2017, WFC entered into a unsecured US Dollar denominated loan agreement with MBTC, an affiliated bank. On the same day, WFC also entered into a cross-currency swap (CCS) agreement with the same affiliated bank to hedge the foreign currency and interest rate risks in the US Dollar loan. WFC received \$19.89 million on each tranche made in July, August and September 2017 for a total of \$59.67 million but will pay in peso equivalent to ₱3.00 billion within 10 years in accordance with the CCS agreement. Also, WFC, on a semi-annual basis, will pay fixed interest rate of 5.13% per annum on the peso principal amounting to ₱3.00 billion and will receive floating interest rate at 6-month US Dollar LIBOR plus 0.75% on \$59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. Effectively, under the swap agreement, WFC swaps its US Dollar-denominated floating rate loans into peso fixed rate loans. On the same date, WFC designated the swap as effective hedging instrument under a cash flow hedge relationship. As such, the effective portion of the changes in fair value of the swaps was recognized under other comprehensive income amounting to positive ₱225.64 million as of December 31, 2018. As of December 31, 2018, the positive fair value of the currency swap amounting to ₱468.80 million is included in 'Derivative assets' under 'Other noncurrent assets'.

As of December 31, 2018, the carrying value of WFC's USD loan amounted to ₱3.15 billion (including unrealized foreign exchange loss of ₱0.15 billion)

The loan has one-year grace period on principal payments and the partial payment on principal will be computed as follows:

- i. 1% of original loan amount at the end of the 2nd year
- ii. 3% of original loan amount at the end of 3rd, 4th and 5th year
- iii. 18% of original loan amount at the end of 6th, 7th, 8th, 9th and 10th year



As of December 31, 2018, the movement of the deferred financing cost is as follows:

	2018
Balances at beginning of year	P43
Additions	-
Amortization	(16)
Balances at end of year	P27

Total interest expense incurred in 2018 and 2017 from the aforementioned loans payable amounted to P315.35 million and P415.13 million, respectively. Interest expense capitalized as part of real estate inventories amounted to P76.49 million and P293.76 million in 2018 and 2017, respectively.

Debt Covenants

The agreements covering the above mentioned loans provide for restrictions and requirements with respect to, among others, declaration or making payment of dividends (except stock dividends); making distribution on its share capital; purchase, redemption or acquisition of any share of stock; incurrence or assumption of indebtedness; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; sustaining current ratio of at least 1.75; debt-to-equity financial ratio should not be more than 2.00 and entering into any partnership, merger, consolidation or reorganization.

These restrictions and requirements were complied with by the Group as of December 31, 2019 and 2018.

Required Financial Ratios

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

Entity	Financial Ratio	Required Ratio
TMBC	CR	1:1
TMBC	DER	4:1
TMBC	DSR	1.2x
Federal Land - Corporate notes	DER	2:1
Parent Company - Long-term loans	DER	2.3:1

As of December 31, 2019 and 2018, the Group has complied with the foregoing financial ratios.

17. Bonds Payable

Maturity Dates	Interest rate	Par Value	2019	2018
P10.0 billion Bonds				
February 27, 2020	4.8371%	P3,900	P3,899	P3,892
February 27, 2023	5.0937%	6,100	6,076	6,069
		10,000	9,975	9,961
P12.0 billion Bonds				
November 7, 2019	4.7106%	3,000	-	2,994
August 7, 2021	5.1965%	5,000	4,986	4,978
August 7, 2024	5.6250%	4,000	3,978	3,974
		12,000	8,964	11,946
		22,000	18,939	21,907
Less: Current portion of bonds payable		(3,000)	(3,899)	(2,994)
		P19,000	P15,040	P18,913



₱10.00 billion GT Capital bonds due 2020 and 2023

On February 13, 2013, the Parent Company issued ₱10.00 billion 7-year and 10-year unsecured bonds due on February 27, 2020 and February 27, 2023, respectively, with annual interest rate of 4.84% and 5.09%, respectively. Gross and net proceeds amounted to ₱10.00 billion and ₱9.90 billion, respectively, net of deferred financing cost of ₱0.10 billion. The bonds were listed on the Philippine Dealing and Exchange Corporation on February 27, 2013.

The net proceeds were utilized for general corporate requirements which included various equity calls (e.g., Toledo plant and Panay plant) and refinancing of corporate notes.

Prior to the relevant maturity dates, the Parent Company may redeem (in whole but not in part) any series of the outstanding bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on the fourth (4th) anniversary date for the seven-year bonds and the seventh anniversary date for the 10-year bonds (the relevant Optional Redemption Dates). The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds at the relevant Optional Redemption Date.

₱12.00 billion GT Capital bonds due 2019, 2021 and 2024

On July 24, 2014, the Parent Company issued ₱12.00 billion unsecured bonds with tenors of five years, seven years and ten years due November 7, 2019 (Series A Bonds), August 7, 2021 (Series B Bonds) and August 7, 2024 (Series C Bonds), respectively, with annual interest rates of 4.71%, 5.20% and 5.63% respectively. Gross and net proceeds amounted to ₱12.00 billion and ₱11.88 billion, respectively, net of deferred financing cost incurred of ₱0.12 billion. The bonds were listed on August 7, 2014.

The net proceeds were utilized for general corporate requirements which included financing of ongoing projects (e.g., Veritown Fort and Metropolitan Park), refinancing of outstanding loans, and for working capital requirement.

Prior to the relevant maturity dates, the Parent Company may redeem in whole but not in part the Series B or Series C Bonds on every anniversary date, or the immediately succeeding banking day if such is not a banking day, starting on: (i) for the series B bonds: the third month after the fifth anniversary from issue date and (ii) for the series C bonds: the seventh anniversary from issue date (the relevant Optional Redemption Dates). The redemption price is equal to 100.00% of the principal amount together with the accrued and unpaid interest. The Parent Company shall give no less than 30 but not more than 60 days prior written notice of its intention to redeem the bonds, which notice shall be irrevocable and binding upon the Parent Company to effect such early redemption of the bonds on the Early Redemption Option Date stated in such notice.

The ₱3.00 billion bonds with maturity date of November 7, 2019 were paid. This was refinanced in November 2019 with a long-term loan from a non-affiliated local bank.

As of December 31, 2019 and 2018, the movement in the deferred financing cost is as follows:

	2019	2018
Balances at beginning of year	₱93	₱123
Amortization	(32)	(30)
Balances at end of year	₱61	₱93



Both bonds contain negative covenants, which among others, include provision that the Parent Company should maintain a debt-to-equity ratio of 2.3 to 1.0. As of December 31, 2019 and 2018, the Parent Company has complied with its bond covenants. Total interest expense incurred on bonds payable in 2019, 2018 and 2017 amounted to ₱1.15 billion (including amortization of deferred financing cost of ₱31.18 million), ₱1.15 billion (including amortization of deferred financing cost of ₱30.54 million) and ₱1.15 billion (including amortization of deferred financing cost of ₱28.98 million), respectively.

18. Customers' Deposits

As of December 31, 2019 and 2018, customers' deposits represent refundable reservation fees and advance payments received from customers which can be applied as payment to the respective automotive sale transaction with the Group.

As of December 31, 2019 and 2018, the balance of this account amounted to ₱0.56 billion and ₱0.56 billion, respectively (Note 27).

19. Other Current Liabilities

This account consists of:

	2019	2018
VAT Payable	₱820	₱318
Withholding taxes payable	379	424
Others	157	101
	₱1,356	₱843

Others pertain to payables on utilities, contracted maintenance and security agencies and regulatory premium or contribution payable of the Group. These are normally payable within one year.

20. Liabilities on Purchased Properties and Other Noncurrent Liabilities

Liabilities on Purchased Properties

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

In 2017, Federal Land entered into a contract with Kabayan Realty Corporation (KRC) to acquire certain land for ₱2.26 billion. Upon execution of the contract, Federal Land paid KRC with 22% downpayment amounting to ₱500.00 million and the outstanding balance amounting to ₱1.76 billion shall be paid in five installments with 3.00% interest per annum based on the outstanding balance. The outstanding balance was discounted at the prevailing market rate of 4.75% and the discounted liability as of December 31, 2019 and 2018, amounted to ₱1.22 billion and ₱1.44 billion, respectively.



In 2017, HLPDC entered into various contracts to acquire parcels of land for ₱161.37 million. Upon execution of the contracts, HLPDC paid ₱93.99 million and the outstanding balance amounting to ₱67.37 million shall be paid in 2018.

In 2012, Federal Land acquired certain land and investment properties aggregating ₱3.72 billion, with 20.00% downpayment amounting to ₱743.84 million. The outstanding balance amounting to ₱2.98 billion is payable in 13 years with 3.00% interest per annum. The outstanding balance was discounted at the prevailing market rate of 5.40% and the discounted liability as of December 31, 2019 and 2018, amounted to ₱1.50 billion and ₱1.85 billion, respectively.

Total outstanding liabilities on purchased properties (including current portion) amounted to ₱3.78 billion and ₱3.29 billion as of December 31, 2019 and 2018, respectively (Note 27). Accretion of interest in 2019, 2018 and 2017 amounted to ₱156.48 million and ₱168.05 million and ₱95.04 million, respectively.

Other Noncurrent Liabilities

This account consists of:

	2019	2018
Retentions payable - noncurrent portion	₱1,263	₱1,024
Refundable and other deposits	727	676
Provisions (Note 36)	505	399
Derivative liabilities (Note 16)	53	62
Finance lease obligation - net	8	8
	₱2,556	₱2,169

Retentions payable represent a portion of construction cost withheld by the Group and paid to the contractors after an agreed period commencing the completion of the project.

Refundable and other deposits consist mainly of tenants' rental deposit from operating lease contracts with terms ranging from five to ten years. Rental deposits are obtained to secure faithful compliance of tenants' obligation under the lease contract and to answer for unpaid bills of lessees affecting the leased premises, any damage to the leased premises, and other similar costs. Rental deposits may also be applied to the unpaid rentals upon termination of the lease contract.

Provisions consist of:

	2019	2018
Claims and assessments	₱315	₱199
Product warranties	190	200
	₱505	₱399

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



21. Contract Balances and Cost to Obtain a Contract

The contract balances of the Group consist of the following:

	2019	2018
Contract Assets		
Current	₱5,095	₱8,329
Noncurrent	5,556	6,886
	₱10,651	₱15,215
Contract Liabilities		
Current	₱4,553	₱8,787
Noncurrent	—	—
	₱4,553	₱8,787

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of installation. Upon completion of performance obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade residential and office development receivables.

Contract liabilities consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on percentage of completion.

The amount of revenue recognized in 2019 and 2018 from amounts included in contract liabilities at the beginning of the year amounted to ₱1.23 billion and ₱1.55 billion, respectively.

Cost to Obtain a Contract

The balances below pertain to the cost to obtain contracts included in 'Prepayments and other current assets' (see Note 7):

	2019	2018
Balance at beginning of year	₱236	₱184
Additions during the year	1,239	780
Amortization	(1,289)	(728)
	₱186	₱236

22. Equity

Capital Stock and Additional Paid-in Capital

As of December 31, 2019, 2018 and 2017, the paid-up capital consists of the following (amounts in millions, except for number of shares):

	Shares		Amount	
	2019	2018	2019	2018
Voting Preferred stock - ₱0.10 par value				
Authorized	174,300,000	174,300,000		
Issued and outstanding	174,300,000	174,300,000	₱17	₱17

(Forward)



	Shares		Amount	
	2019	2018	2019	2018
Perpetual Preferred stock -₱100.00 par value				
Authorized	20,000,000	20,000,000		
Issued and outstanding	12,000,000	12,000,000	₱1,200	₱1,200
Common stock - ₱10.00 par value				
Authorized	298,257,000	298,257,000		
Issued and outstanding	215,284,587	199,337,584	2,153	1,994
Subtotal			₱3,370	₱3,211
Additional paid-in capital			98,827	85,592
			₱102,197	₱88,803

The Parent Company's common shares with par value of ₱10.00 were listed on the Philippine Stock Exchange on April 20, 2012.

Amendment to Articles of Incorporation to Create Voting Preferred Shares of Stock

On October 23, 2014, the BOD approved the proposed amendment to Article Seven of the Parent Company's Amended Articles of Incorporation to create a new class of shares – Voting Preferred Shares, to be taken from existing authorized capital stock of ₱5.00 billion. The Voting Preferred Shares of stock shall be voting, non-cumulative, non-participating and non-convertible.

On January 9, 2015, the stockholders of the Parent Company by the affirmative vote of over two-thirds (2/3) of the outstanding capital stock of the Parent Company, approved the amendment to Article Seventh of the Parent Company's Articles of Incorporation to create of a new class of shares – voting preferred shares, taken out of the Parent Company's existing and unissued portion of the Authorized Capital Stock. The Amended Articles of Incorporation was approved by the Securities and Exchange Commission on February 18, 2015.

Voting Preferred Shares Stock Rights Offering

On March 13, 2015, the BOD of the Parent Company approved the issuance of 174,300,000 Voting Preferred Shares with a par value of ₱0.10 per share through a 1:1 Stock Rights Offering, to all stockholders of record as of March 25, 2015, offered from April 1 to 8, 2015 and issued on April 13, 2015.

Amendment to Articles of Incorporation to Create Perpetual Preferred Shares of Stock

On March 13, 2015, the BOD of the Parent Company approved the amendment to Article Seven of its amended Articles of Incorporation to create a new class of shares (Perpetual Preferred Shares). The authorized capital stock of the corporation of ₱5.00 billion in lawful money of the Philippines, will be divided into 298,257,000 common shares with a par value of ₱10.00 per share, 20,000,000 perpetual preferred shares with a par value of ₱100.00 per share and 174,300,000 voting preferred shares with a par value of ₱0.10 per share.

On October 14, 2016, the Philippine SEC approved the offering of up to 12.00 million cumulative, non-voting, non-participating, non-convertible, redeemable peso-denominated perpetual preferred shares ('the Offer') with a par value of ₱100.00 per share at an offer price of ₱1,000.00 per share for a total offer price of ₱12.00 billion. The Offer consists of Series A and Series B with dividend rates per annum of 4.6299% and 5.0949%, respectively. Both series of said perpetual preferred shares were listed on the Philippine Stock Exchange on October 27, 2016. The proceeds from the Offer will be used to refinance short-term loans and fund strategic acquisitions.



Common Shares

On April 20, 2017, the Parent Company and Grand Titan signed a subscription agreement for the subscription of 18.30 million common shares of the Parent Company for a total subscription price of ₱21.69 billion. On April 26, 2017, Grand Titan paid the subscription price in cash.

As of December 31, 2019 and 2018, the total number of shareholders of common stock of the Parent Company is 85 and 80, respectively.

Stock Dividends

The BOD and Shareholders of the Parent Company approved on March 26, 2019 and May 8, 2019, respectively, the declaration of an 8.0% stock dividend in favor of the Parent Company's common shareholders. The record and payment dates were set on July 8, 2019 and August 1, 2019, respectively. On August 1, 2019, the 8.0% stock dividend equivalent to 15,947,003 common shares were issued and listed in the Philippine Stock Exchange.

The BOD and Shareholders of the Parent Company approved on March 16, 2018 and May 9, 2018, respectively, the declaration of a 3.5% stock dividend in favor of the Parent Company's shareholders of common stock. The record and payment dates were set on July 9, 2018 and August 2, 2018, respectively. On August 2, 2018, the 3.5% stock dividend equivalent to 6,740,899 common shares were issued and listed in the Philippine Stock Exchange.

Retained Earnings

On December 6, 2018, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱17.00 billion to be earmarked for strategic investment in property development in 2019. In March 2019, ₱16.60 billion out of ₱17.00 billion was reversed.

On December 7, 2017, the BOD of the Parent Company approved the appropriation of retained earnings amounting to ₱19.00 billion to be earmarked for strategic investment in financial services in 2018. Said appropriation was reversed in March 2018 upon completion of the purpose of appropriation.

Details of the Parent Company's dividend distributions to preferred shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
Voting preferred shares				
March 26, 2019	₱0.00377	₱0.66	April 10, 2019	April 25, 2019
March 16, 2018	0.00377	0.66	April 4, 2018	April 13, 2018
March 21, 2017	0.00377	0.66	April 4, 2017	April 20, 2017
Perpetual Preferred Shares				
Series A				
November 26, 2019	11.57475	56.01	January 3, 2020	January 27, 2020
November 26, 2019	11.57475	56.01	April 3, 2020	April 27, 2020
November 26, 2019	11.57475	56.01	July 3, 2020	July 27, 2020
November 26, 2019	11.57475	56.01	October 5, 2020	October 27, 2020
December 6, 2018	11.57475	56.01	January 3, 2019	January 28, 2019
December 6, 2018	11.57475	56.01	April 3, 2019	April 29, 2019
December 6, 2018	11.57475	56.01	July 3, 2019	July 29, 2019
December 6, 2018	11.57475	56.01	October 3, 2019	October 28, 2019
December 7, 2017	11.57475	56.01	January 3, 2018	January 29, 2018

(Forward)



Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
December 7, 2017	₱11.57475	₱56.01	April 3, 2018	April 27, 2018
December 7, 2017	11.57475	56.01	July 3, 2018	July 27, 2018
December 7, 2017	11.57475	56.01	October 3, 2018	October 29, 2018
Series B				
November 26, 2019	12.73725	91.21	January 3, 2020	January 27, 2020
November 26, 2019	12.73725	91.21	April 3, 2020	April 27, 2020
November 26, 2019	12.73725	91.21	July 3, 2020	July 27, 2020
November 26, 2019	12.73725	91.21	October 5, 2020	October 27, 2020
December 6, 2018	12.73725	91.21	January 3, 2019	January 28, 2019
December 6, 2018	12.73725	91.21	April 3, 2019	April 29, 2019
December 6, 2018	12.73725	91.21	July 3, 2019	July 29, 2019
December 6, 2018	12.73725	91.21	October 3, 2019	October 28, 2019
December 7, 2017	12.73725	91.21	January 3, 2018	January 29, 2018
December 7, 2017	12.73725	91.21	April 3, 2018	April 27, 2018
December 7, 2017	12.73725	91.21	July 3, 2018	July 27, 2018
December 7, 2017	12.73725	91.21	October 3, 2018	October 29, 2018

Details of the Parent Company's dividend distributions to common shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

Date of declaration	Per share	Total amount (in millions)	Record date	Payment date
March 26, 2019	₱3.00	₱598.01	April 10, 2019	April 25, 2019
March 16, 2018	3.00	577.79	April 4, 2018	April 13, 2018
March 21, 2017	5.00	871.50	April 4, 2017	April 20, 2017

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the Parent Company's retained earnings as of December 31, 2019 and 2018.

In addition, certain amount of retained earnings is required to be maintained to enable the Group to meet certain financial ratios as stipulated in the loan covenants.

Details of dividend declarations of the Group's subsidiaries follow:

	Date of declaration	Class of stock	Total amount (in millions)	Record date	Payment date
Federal Land	December 16, 2019	Preferred Shares-A	₱240.00	December 16, 2019	February 28, 2020
	December 16, 2019	Preferred Shares-B	272.58	December 16, 2019	February 28, 2020
	February 18, 2019	Common	100.00	December 31, 2018	February 28, 2019
	December 28, 2018	Preferred Shares-A	240.00	December 28, 2018	February 28, 2019
	December 28, 2018	Preferred Shares-B	272.58	December 28, 2018	February 28, 2019
	February 26, 2018	Common	100.00	April 24, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-A	240.00	December 15, 2017	February 28, 2018
	December 15, 2017	Preferred Shares-B	272.58	December 15, 2017	February 28, 2018
	February 17, 2017	Common	100.00	February 17, 2017	March 15, 2017
PCFI	February 28, 2018	Preferred Shares-A	1,145.00	June 30, 2017	November 2019
	December 13, 2016	Preferred Shares-A	1,334.64	June 29, 2016	December 15, 2016
Toyota	May 14, 2019	Common	8,392.89	December 31, 2018	May 2019
	May 22, 2018	Common	12,482.39	December 31, 2017	May 2018
	May 23, 2017	Common	11,573.15	December 31, 2016	May 2017
TMBC	December 5, 2018	Common	115.00	December 31, 2017	January 28, 2019



Other comprehensive income

Other comprehensive income consists of the following, net of applicable income taxes:

	2019	2018
Net unrealized gain(loss) on financial assets at FVOCI (Note 10)	₱999	(₱734)
Net unrealized loss on remeasurement of retirement plan	(290)	(106)
Cash flow hedge reserve (Note 16)	(53)	53
Cumulative translation adjustments	(2)	-
Equity in other comprehensive income of associates:		
Equity in cumulative translation adjustments	(3,225)	(2,674)
Equity in net unrealized loss on remeasurement of retirement plan	(1,457)	(711)
Equity in net unrealized gain (loss) on financial assets at FVOCI	2,186	(331)
Equity in remeasurement on life insurance reserves	18	186
Equity in cash flow hedge reserves	(201)	105
Equity in other equity adjustments of associates	6	5
	(₱2,019)	(₱4,207)

The movements and analysis of the other comprehensive income are presented in the consolidated statements of comprehensive income.

Other Equity Adjustments

PCFI

In accordance with the Master Subscription Agreement dated August 6, 2015, the Parent Company subscribed to the final 28.32% of PCFI for a total subscription price of ₱8.76 billion on June 30, 2016. This subscription increased the Parent Company's direct ownership stake in PCFI from 22.68% to 51.00%. This subscription is accounted for as an equity transaction in the consolidated financial statements and resulted in the recognition of other equity adjustments amounting to ₱1.75 billion.

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:

	2019	2018 (As restated)	2017 (As restated)
Beginning balance	₱24,910	₱27,679	₱26,433
Effect of adoption of IFRIC agenda decision on borrowing costs (Note 2)	(223)	(162)	(131)
Beginning balance, as adjusted	24,687	27,517	26,302
Effect of adoption of PFRS 9	-	(92)	-
Effect of adoption of PFRS 15	-	(559)	-
Beginning balance, as restated	24,687	26,866	26,302

(Forward)



	2019	2018 (As restated)	2017 (As restated)
Share of non-controlling interest shareholders on:			
Net income	₱4,803	₱4,455	₱7,038
Other comprehensive income	(281)	245	(31)
Cash dividends paid to non-controlling interest shareholders	(₱4,259)	(₱6,925)	(₱5,791)
Acquisition of additional interests in a subsidiary	148	-	(1)
Effect of deconsolidation (Note 12)	(13,247)	-	-
Adjustment on NCI on subsidiary	-	1	-
Additional stock issuance of a subsidiary	-	45	-
	₱11,851	₱24,687	₱27,517

Financial Information of Subsidiaries

The financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interests held by non-controlling interests

		Direct Ownership		Effective Ownership	
		2019	2018	2019	2018
TMPC	Motor	49.00	49.00	49.00	49.00
PCFI	Real Estate	-	49.00	-	49.00

Carrying value of material non-controlling interests

	2019	2018
TMPC	₱10,288	₱10,118
PCFI	-	13,487

Net income for the period allocated to material non-controlling interests

	2019	2018	2017
TMPC	₱4,598	₱4,024	₱6,712
PCFI	-	407	176

The following table presents the financial information of subsidiaries with material NCI as of and for the years ended December 31, 2019, 2018 and 2017:

	2019		2018	
	TMPC	TMPC	TMPC	PCFI
Statement of Financial Position				
Current assets	₱26,690	₱25,475	₱34,982	
Non-current assets	12,061	10,953	5,703	
Current liabilities	21,051	20,027	11,595	
Non-current liabilities	2,091	1,163	6,974	
Dividends paid to non-controlling interests	4,259	6,306	561	
Statement of Comprehensive Income				
Revenues	169,664	160,090	10,379	
Expenses	156,409	149,120	8,838	
Net income	9,255	8,097	1,180	
Total comprehensive income	8,910	8,602	1,416	

(Forward)



	2019	2018	
	TMPC	TMPC	PCFI
Statement of Cash Flows			
Net cash provided by operating activities	₱10,267	₱5,593	₱2,763
Net cash used in investing activities	(2,438)	(2,453)	(1,421)
Net cash provided by (used in) financing activities	(9,367)	(12,723)	(1,156)

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding effect of uniting of interest. The Group's sources of capital are capital stock and retained earnings. No changes were made in the objectives, policies or processes in 2019 and 2018.

The Parent Company considers total equity as its capital amounting to ₱117.02 billion and ₱108.37 billion as of December 31, 2019 and 2018, respectively.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

23. Interest and Other Income

Interest Income

This account consists of:

	2019	2018	2017
		(As restated – Notes 2 and 12)	(As restated – Notes 2 and 12)
Interest income on:			
Installment contracts receivable (Note 5)	₱1,862	₱1,209	₱1,314
Cash and cash equivalents (Note 4)	193	398	4
Short-term investments (Note 4)	–	25	316
Others	250	36	34
	₱2,305	₱1,668	₱1,668

Interest income on installment contracts receivable consist of accretion of unamortized discount of and interest income from collections of Federal Land. Accretion of unamortized discount amounted to ₱1.23 billion, ₱0.77 billion and ₱0.90 billion in 2019, 2018 and 2017, respectively. Interest income from collections amounted to ₱0.63 billion, ₱0.44 billion and ₱0.41 billion in 2019, 2018 and 2017, respectively.



Other Income

This account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Ancillary income	₱903	₱710	₱769
Real estate forfeitures, charges and penalties	343	281	201
Dividend income	335	152	8
Management fee (Note 27)	278	206	76
Foreign exchange gain	137	–	–
Realized and unrealized gain on financial assets at FVTPL	135	59	–
Gain on disposal of property and equipment (Note 11)	15	23	23
Subscription income	–	166	95
Others (Note 5)	383	527	296
	₱2,529	₱2,124	₱1,468

Ancillary income represents incentives received by Toyota dealers from financing institutions for vehicles sold to financing customers and from insurance companies for policies written for buyers.

Real estate forfeitures, charges and penalties are earned when a buyer is delinquent on his payment or cancels his purchase of condominium units, after deducting any cash surrender value.

Management fee includes services rendered by Federal Land and PCFI in the administration of different projects related to the joint venture (Note 27).

24. Cost of Goods and Services Sold

Cost of goods and services sold consists of:

	2019	2018	2017
Beginning inventory			
Automotive	₱5,646	₱4,734	₱6,861
Gasoline, retail and petroleum products	10	10	9
Food	6	7	1
	5,662	4,751	6,871
Add: Net purchases	135,476	130,815	145,571
Total inventories available for sale	141,138	135,566	152,442
Less: Ending inventory (Note 6)			
Automotive	7,784	5,646	4,734
Gasoline, retail and petroleum products	11	10	10
Food	8	6	7
Subtotal (Note 6)	133,335	129,904	147,691
Cost adjustments and intercompany elimination	(224)	(574)	(202)
Internal and other transfers	97	(200)	(368)
Direct labor	618	523	365
Overhead (Note 30)	117	196	227
	₱133,943	₱129,849	₱147,713

Overhead includes rent expense and common usage and service area charges.



25. Cost of Goods Manufactured and Sold

Cost of goods manufactured and sold consists of:

	2019	2018	2017
Raw materials, beginning	₱1,371	₱1,423	₱1,329
Purchases	32,199	28,745	35,350
Total materials available for production	33,570	30,168	36,679
Less: Raw materials, end	1,169	1,371	1,423
Raw materials placed in process	32,401	28,797	35,256
Direct labor	405	357	400
Manufacturing overhead	4,113	3,797	4,084
Total cost of goods placed in process	36,919	32,951	39,740
Work-in-process, beginning	33	12	13
Total Cost of goods in process	36,952	32,963	39,753
Less: Work-in-process, ending	27	33	12
Total cost of goods manufactured	36,925	32,930	39,741
Finished goods, beginning	978	19	66
Total goods available for sale/transfer	37,903	32,949	39,807
Less: Finished goods, ending	861	978	19
Other transfers	223	162	153
	₱36,819	₱31,809	₱39,635

26. General and Administrative Expenses

This account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Salaries, wages and employee benefits (Notes 27 and 28)	₱2,985	₱2,800	₱2,621
Advertising and promotions	2,573	1,434	1,483
Taxes and licenses	1,834	1,836	1,478
Commissions	1,251	1,090	1,109
Depreciation and amortization (Note 11)	842	632	496
Delivery and handling	801	768	709
Light, water and other utilities	555	499	448
Office supplies	309	198	401
Provisions for other expenses (Note 36)	297	–	–
Repairs and maintenance	272	231	255
Rent (Note 30)	251	156	144
Outside services	233	213	175
Warranty	213	85	121
Professional fees	167	134	146
Administrative and management fees	153	19	48
Transportation and travel	137	124	161
Provision for (recoveries from) credit losses (Note 5)	(98)	2	13
Communications	70	67	66
Insurance	60	46	42
Entertainment, amusement and recreation	39	39	36

(Forward)



	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Provision for inventory losses (Note 6)	₱17	₱5	₱23
Royalty and service fees	14	12	11
Donation	1	1	–
Unrealized foreign exchange loss	–	146	385
Others	619	130	9
	₱13,595	₱10,667	₱10,380

Other expenses include membership and subscription fees, dealer development, corporate events and contractual services.

27. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, joint venture, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associates, joint venture and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates.

Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following table shows the significant related party transactions included in the consolidated financial statements.

December 31, 2019			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Associates			
Cash and cash equivalents	₱128	₱6,737	Interest bearing at prevailing market rate; due and demandable; Unsecured
Short-term investments	–	135	Interest bearing at prevailing market rate; due and demandable; Unsecured
Long –term cash investments	1		More than three (3) years, interest-bearing
Interest Receivable	22	2	
Commission receivable	–	9	Non-interest bearing; due and demandable; Unsecured
(Forward)			



December 31, 2019

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Rent receivable	₱-	₱59	Non-interest bearing; due and demandable; Unsecured
Receivable from sharing of expenses	-	41	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	8		
Other receivables	-	11	Non-interest bearing; due and demandable; Unsecured
Due from related parties	-	66	Non-interest bearing; due and demandable; Unsecured
Accounts and other payables	7	1	Within one (1) year, non-interest-bearing
Due to related parties	-	16	Non-interest bearing; due and demandable; Unsecured
Short-term debt	75	2,050	With interest 3%-6% due in 2019; Unsecured
Long-term loans payable	-	9,000	With interest ranging from 2.90% to 4.75%; Payable on 2021-2022; Unsecured
Commission income	3	-	Non-interest bearing; due and demandable; Unsecured
Interest income	93	1	
Rent income	160		
Interest expenses/capitalized	659	30	With interest ranging from 2.90% to 4.75%; With interest 3%-6% due in 2019; Payable on 2021-2022; Unsecured
Joint ventures			
Commission receivable	-	95	Non-interest bearing; due and demandable; Unsecured
Rent receivable	-	2	Non-interest bearing; due and demandable; Unsecured
Management fee receivable	-	16	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	1	-	Within one (1) year, non-interest-bearing
Other receivables	-	1	Non-interest bearing; due and demandable; Unsecured
Due from related parties	-	88	Non-interest bearing; due and demandable; Unsecured
Due to related parties	-	15	Non-interest bearing; due and demandable; Unsecured
Commission income	249	-	Non-interest bearing; due and demandable; Unsecured
Management fee income	63	-	Non-interest bearing; due and demandable; Unsecured
Rent income	95	-	Non-interest bearing; due and demandable; Unsecured
Others			
Cash and cash equivalents	13	332	Within one (1) year, interest-bearing
Dividends receivable	1,463	-	
Trade receivables	1,287	44	1-15 days, non-interest bearing, unsecured, no impairment
Interest receivable	95	26	With interest of 3.15%; Payable in 2022; Unsecured
Receivable from sharing of expenses	-	20	Non-interest bearing; due and demandable; Unsecured
Nontrade receivables	57	1	Within one (1) year, non-interest bearing, unsecured
Other receivables	-	36	Non-interest bearing; due and demandable; Unsecured
Due from related parties	-	55	Non-interest bearing; due and demandable; Unsecured
Long-term loans receivable	-	661	With interest of 3.15%; Payable in 2022; Unsecured
Investment in Shares of Stock	837	837	
Accounts and other payables	133,861	7,459	Within one (1) year, non-interest-bearing; 25th day of the succeeding month; 30 days
Royalty and Technical Assistance Fees	67	10	25th day of the second month after the end of the quarter, non-interest-bearing

(Forward)



December 31, 2019

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Insurance Payable	₱172	₱172	
Loans payable	3	79	5 years, interest bearing
Liabilities on purchased properties	–	1,493	With 3% interest; payable annually until 2026; Unsecured
Due to related parties	–	172	Non-interest bearing; due and demandable; Unsecured
Interest income	149	–	With interest of 3.15%; Payable in 2022; Unsecured
Management fee income	22	–	Non-interest bearing; due and demandable; Unsecured
Gain or Loss on Disposal of Investments in FVTPL - UITF	50	–	Realized gain on UITF investments
Unrealized Gain from Investment in UITF	85	–	MTM gain on UITF investments
Administration Expense	129	–	Advisory fee on certain transactions
Agency Fee - Trust and Escrow	5	–	Fee for escrow and trust services
Consultancy Fees	3	–	Consultancy fee

December 31, 2018

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Significant investor			
Accounts payable	₱–	₱1	Consultancy fee payable
Consultancy fee	3	–	Consultancy fee
Associates			
Cash and cash equivalents	33,502	10,390	Due and Demandable; fixed interest rates. Unsecured
Short-term investments	18	335	Interest bearing at prevailing market rate; due and demandable. Unsecured
Commission receivable	–	32	Non-interest bearing; due and demandable. Unsecured
Interest receivable	–	12	Interest on time deposit placements with MBTC at 4.0% to 6.7% p.a.
Rent receivable	–	23	Non-interest bearing; due and demandable. Unsecured
Receivable from sharing of expenses	–	39	Non-interest bearing; due and demandable. Unsecured
Financial assets at FVTPL	3,000	3,181	FVTPL investment
Due from related parties	–	44	Non-interest bearing; due and demandable. Unsecured
Investment and advances (Note 8)	22,495	22,495	Participation in MBTC's stock rights offering and initial investment in an associate
Other noncurrent assets	1	47	Non-interest bearing; due and demandable. Unsecured
Accounts and other payables	8	2	Non-interest bearing; due and demandable; Unsecured
Short term notes payable	–	1,100	With interest 3%-6% due in 2019. Unsecured
Due to related parties	–	16	Non-interest bearing; due and demandable. Unsecured
Loans payable	–	12,000	Various; fixed interest rates. Unsecured
Gain on UITF investments	66	–	Realized and unrealized gain on unit investment trust fund
Interest income	110	–	Various; fixed rate
Management fee income	9	–	Service fee in the administration of different project
Commission income	10	–	Commission fee received from selling or marketing the real estate units
Rent income	127	–	Lease of office space
Interest expenses	219	–	Various; fixed rate
Trust and agency fees	4	–	Retainer's and trustee fee
Joint ventures			
Management fee receivable	–	50	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable	–	100	Non-interest bearing; due and demandable; Unsecured; no impairment

(Forward)



December 31, 2018			
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Rent receivable	₱ –	₱1	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses	–	635	Non-interest bearing; due and demandable; Unsecured; no impairment
Other receivables	–	28	Non-interest bearing; due and demandable; Unsecured; no impairment
Due from related parties	516	566	Non-interest bearing; due and demandable; Unsecured; no impairment
Investment properties	184	184	Purchased properties
Investment and advances (Note 8)	7,241	7,241	Additional/initial investment in associates and joint ventures
Property and equipment	86	86	Purchased properties
Due to related parties	15	15	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission income	37	–	Commission fee received from selling or marketing the real estate units
Management fee income	110	–	Service fee in the administration of different project related to the JV
Rent income	52	–	Lease of office space
Other related parties			
Cash and cash equivalents	34	218	Due and demandable, unsecured, no impairment; Fixed;
Interest receivable	–	50	Non-interest bearing; due and demandable; Unsecured; no impairment
Rent receivable	–	(8)	Non-interest bearing; due and demandable; Unsecured; no impairment
Commission receivable	–	4	Non-interest bearing; due and demandable; Unsecured; no impairment
Non-trade receivables	64	44	Within one (1) year, non-interest-bearing. Unsecured, no impairment
Prepaid expenses and others	–	1	Car plan insurance and directors and officers liability insurance premium
Dividends receivables	7	–	Non-interest bearing; due and demandable; Unsecured; no impairment
Receivable from sharing of expenses	–	31	Non-interest bearing; due and demandable; Unsecured; no impairment
Long-term loans receivable	–	662	With interest of 3.15%; Payable in 2022. Unsecured
Management fee receivable	–	175	Due and demandable
Due from related parties	–	56	Non-interest bearing; due and demandable; Unsecured; no impairment
Accounts and other payables	119	8,553	Within one (1) year, non-interest-bearing. Unsecured.
Royalty payable	–	154	25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Due to related parties	–	173	Non-interest bearing; due and demandable; Unsecured; no impairment
Liabilities on purchased properties (Note 20)	(441)	3,293	With 3.00% interest; payable annually until 2026; unsecured
Loans payable	3	1,928	With 3% interest; payable annually until 2026. Unsecured
Commission income	10	–	Commission fee received from selling or marketing the real estate units
Management fee income	60	–	Due and Demandable
Interest income	41	–	Interest income from cash and cash equivalents
Rent income	92	–	Lease of office space
Royalty and technical assistance fee	1,019	–	25th day of the second month after the end of the quarter, non-interest-bearing. Unsecured
Insurance expense	2	–	Car plan insurance and directors and officers liability insurance premium

Details of the transactions with affiliates are as follows:

Cash and cash equivalents and short-term investments

The Group maintains cash and short-term deposits accounts with MBTC, an associate. The Group also has cash and short-term deposits with other related parties such as Metrobank Card Corporation and PSBank, which are subsidiaries of MBTC. Cash and cash equivalents earn interest at the prevailing investment rates (Note 4).

Financial assets at FVTPL



As of December 31, 2019 and 2018, the Parent Company's investment in UITF amounted to ₱4.70 billion and ₱3.18 billion, respectively (Note 10).

Operating advances

Due from and to related parties consist mostly of operating advances which are non-interest bearing and due and demandable.

Long-term loans receivable

In 2012, Federal Land entered into a loan agreement with CIRC. Federal Land agreed to lend to CIRC a total amount of ₱705.00 million with a nominal and effective interest rate of 3.15% and 4.81%, respectively. The outstanding balance of long-term loans receivable as of December 31, 2019, 2018 and 2017 amounted to ₱665.63 million, ₱641.88 million and ₱652.17 million, respectively (Note 5).

Investment Property

In 2018, Federal Land acquired condominium units at a gross consideration of ₱326.40 million from BLRDC with unrealized gain of ₱142.64 million (Note 8).

Property and equipment

In 2018, Federal Land acquired condominium units at a gross consideration of ₱142.01 million from BLRDC with unrealized gain of ₱55.52 million (Note 8).

Affiliated bank loans

The Group's loans payable to an affiliated commercial bank bears interest rates ranging from 4.50% to 6.25%, from 2.50% to 6.00% and from 2.50% to 5.13% per annum in 2019, 2018 and 2017, respectively (Note 16).

Management fee

Management fee amounting to ₱85.52 million and ₱109.85 million in 2019 and 2018, respectively, pertains to the income received from a joint venture of Federal Land with SFNBRDC, NBLRDI, BLRDC and STRC (Note 23).

Lease agreements

Federal Land entered into operating lease agreements for the use of office spaces in GT Tower International Building. The terms of lease range from 5 to 10 years and are generally renewable for 5 years. The rent is payable monthly with annual rent escalation rates ranging from 5% to 8%. The rental income on these leases amounted to ₱309.26 million, ₱326.75 million and ₱130.34 million in 2019, 2018 and 2017, respectively (Note 30).

Compensation of key management personnel for the years ended December 31 and 2019 follow:

	2019	2018	2017
Short-term employee benefits	₱681	₱713	₱643
Post-employment benefits	118	87	81
	₱799	₱800	₱724

Transactions with the Group Retirement Funds

The retirement funds of the Group's employees are being managed and maintained by MBTC as trustee bank. The total carrying amount and fair value of the retirement funds as of December 31, 2019 and 2018 amounted to ₱2.68 billion and ₱2.43 billion, respectively. The assets and investments



of the fund include cash and cash equivalents, investments in government securities and equity securities, among others.

The following tables show the amounts of related party transactions of the Group with the retirement funds of the subsidiaries' employees as of December 31, 2019, 2018 and 2017 (in absolute amounts):

Category	December 31, 2019		
	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent			
Investment in equity securities		₱8,895,194	Unsecured with no impairment
Dividend income	₱27,786		Cash dividends
Associate			
Savings deposit		13,418	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		35,722,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		20,228,130	Unsecured with no impairment
Investment in UITF		4,484,955	Unsecured with no impairment
Investment in other security and debt instruments		41,645,784	Unsecured with no impairment
Interest income	2,724,392		Income earned from savings and time deposit
Dividend income	245,000		Cash dividends
Gain on sale of UITF	522,702		Income from sale of UITF
Category	December 31, 2018		
	Amount/ Volume	Outstanding Balances	Terms and Conditions/Nature
Parent			
Investment in equity securities		₱9,030,450	Unsecured with no impairment
Gain on sale of shares	₱24,346		Income from sale of shares
Associate			
Savings deposit		23,571	Savings account with annual interest of 1%, unsecured and no impairment;
Time deposit		87,498,000	With annual interest of 3.88%, 1 - 3 months maturity; unsecured and no impairment
Investment in equity securities		19,832,750	Unsecured with no impairment
Investment in UITF		4,123,970	Unsecured with no impairment
Interest income	8,663,321		Income earned from savings and time deposit
Gain on sale of shares	631,243		Income from sale of shares
Gain on sale of UITF	10,797		Income from sale of UITF

Transactions relating to the retirement plans are approved by the subsidiaries' respective Retirement Committees. The voting rights over the investments in the shares of entities within the Group are exercised by the Retirement Committee, whom are either officers or directors of the subsidiaries.

28. Pension Plan

The Group provides defined benefit pension plans for substantially all of its employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. Actuarial valuations are made annually.

Principal actuarial assumptions used to determine pension obligations follow:

	Date of Actuarial Valuation	2019 Actuarial Assumptions			
		Expected Return on Plan Assets	Salary Rate Increase	Discount Rate	
Real estate	December 31, 2019	5.00%	8.00%	5.00%	
Automotive	-do-	3.00% to 5.00%	5.00% to 8.00%	4.83% to 4.99%	
Financial	-do-	N/A	8.00%	5.00%	



	Date of Actuarial Valuation	2018		
		Actuarial Assumptions		
		Expected Return on Plan Assets	Salary Rate Increase	Discount Rate
Real estate	December 31, 2018	3.93% to 5.00%	7.00% to 8.00%	7.30% to 7.44%
Automotive	-do-	3.71% to 5.00%	4.90% to 8.00%	7.26% to 7.37%
Financial	-do-	3.50%	8.00%	7.38%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

Net retirement liability (asset) included in the consolidated statement of financial position follow:

	2019	2018
Retirement asset (Note 14)	(P7)	(P9)
Retirement liability	1,222	859
Net retirement liability	P1,215	P850



The net pension liability and asset recognized in the Group's consolidated statements of financial position are as follows:

	January 1, 2019	Net benefit cost				Benefits paid	Remeasurements in other comprehensive income				Contributions paid	December 31, 2019		
		Effect of deconsolidation (Note 12)	Current service cost	Net interest	Past service cost		Subtotal	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions			Actuarial changes arising from financial assumptions	
Present value of defined benefit obligation	₱3,277	(₱227)	₱204	₱214	₱6	₱424	(₱129)	₱-	(₱70)	₱1	₱623	554	₱-	₱3,899
Fair value of plan assets	(2,427)	45	-	(180)	-	(180)	136	(143)	-	-	-	(143)	(115)	(2,684)
Net defined benefit liability	₱850	(₱182)	₱204	₱34	₱6	₱244	₱7	(143)	(70)	₱1	₱623	₱411	(115)	₱1,215

	January 1, 2018	Net benefit cost				Benefits paid	Remeasurements in other comprehensive income				Contributions paid	December 31, 2018	
		Current service cost	Net interest	Past service cost	Subtotal		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from financial assumptions			
Present value of defined benefit obligation	₱3,433	₱248	₱185	₱58	₱491	(₱118)	₱-	(₱97)	₱1	(₱433)	(529)	₱-	₱3,277
Fair value of plan assets	(2,041)	-	(125)	-	(125)	111	196	-	-	-	196	(568)	(2,427)
Net defined benefit liability	₱1,392	₱248	₱60	₱58	₱366	(₱7)	₱196	(₱97)	₱1	(₱433)	(₱333)	(₱568)	₱850

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.



The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	2019	2018
Cash and cash equivalents	₱36	₱89
Investment in government securities	2,002	1,798
Investment in equity securities	447	406
Investment in debt and other securities	209	129
Receivables	28	4
Investment in mutual funds	2	4
Others	-	-
Liabilities	(40)	(3)
	₱2,684	₱2,427

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Possible Fluctuations	2019 Increase (Decrease)	2018 Increase (Decrease)
Discount rates	+1%	(₱312)	(₱205)
	-1%	291	232
Future salary increase rate	+1%	300	249
	-1%	(326)	(223)

The Group expects to contribute ₱300 million to its defined benefit pension plan in 2020.

The average duration of the defined benefit retirement liability at the end of the reporting period is 16.93 years for the Group.

Shown below is the maturity analysis of the undiscounted benefit payments:

Less than 1 year	₱223
More than 1 year to 5 years	1,762
More than 5 years to 10 years	2,442
More than 10 years to 15 years	1,636
More than 15 years to 20 years	1,955
More than 20 years	6,165

The Group does not currently have any asset-liability matching study.

29. Income Taxes

Provision for income tax account consists of:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Current	₱4,797	₱4,117	₱4,301
Deferred	170	(314)	565
Final	90	83	67
	₱5,057	₱3,886	4,933



The components of the Group's deferred taxes as of December 31, 2019, 2018 and 2017 are as follows:

Net deferred tax asset:

	2019	2018 (As restated – Note 2)
Deferred tax asset on:		
Retirement benefit obligation	₱487	₱412
Deferred intercompany gain	315	326
Accrued expenses	94	98
Allowance for impairment losses	59	93
Warranties payable and other provisions	65	57
Unrealized foreign exchange gain	55	–
Deferred gross profit	53	–
Allowance for inventory obsolescence	31	25
Unamortized past service cost from pension obligation	27	27
NOLCO	–	25
Unearned gross profit on ending inventories	–	23
Others	15	36
	1,201	1,122
Deferred tax liability on:		
Capitalized custom duties	42	32
Unearned gross profit on ending inventories	(9)	–
Unearned gross profit on real estate sales	–	20
Unrealized foreign exchange gain	–	12
Deferred financing cost	–	7
Others	27	27
	60	98
Net deferred tax asset	₱1,141	₱1,024

Net deferred tax liability:

	2019	2018 (As restated – Note 2)
Deferred tax asset on:		
Unrealized gain on sale of land	₱685	₱685
Excess of cost over fair value of investment property	97	101
Unearned income	54	56
Prepaid commission	48	54
Retirement benefit obligation	44	46
Unearned gross profit on ending inventories	40	23
Provision for impairment losses on receivables	28	29
Interest expense on Day 1 loss	13	13
Allowance for impairment loss on inventories	5	–
Accrued expenses	–	–

(Forward)



	2019	2018 (As restated – Note 2)
Allowance for probable losses	P–	P5
Others	–	6
	1,014	1,018
Deferred tax liability on:		
Fair value adjustment on acquisition - by Parent Company	2,401	5,055
Capitalized borrowing cost and guarantee fees	1,062	474
Excess of book basis over tax basis of deferred gross profit	426	441
Fair value adjustment on acquisition - by subsidiaries	144	147
Unamortized discount on long-term payable	57	59
Lease differential	17	17
Deferred financing costs – bonds	8	16
Retirement asset	2	3
Cash flow hedge reserve	–	97
Accrued income	–	–
Others	35	43
	4,152	6,352
Net deferred tax liability	P3,138	P5,334

The Group has deductible temporary differences for which deferred tax asset has not been recognized since management believes that it is not probable that sufficient taxable income will be available against which the said deductible temporary differences can be utilized.

The Group's unrecognized deductible temporary differences pertain to its NOLCO and MCIT with details as follows:

NOLCO

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2018	P4,076	P–	P4,076	2021
2017	2,891	–	2,891	2020
2016	3,048	3,048	–	2019
	P10,015	P3,048	P6,967	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2019	P114	P–	P114	2022
2018	3	–	3	2021
2016	2	2	–	2019
	P119	P2	P117	



The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2019	2018 (As restated - Notes 2 and 12)	2017 (As restated - Notes 2 and 12)
Provision for income tax computed at statutory rate	30.00%	30.00%	30.00%
Tax effects of:			
Income subjected to final tax	(0.19)	(0.22)	(0.18)
Nondeductible interest and other expenses	0.57	2.16	0.85
Change in unrecognized deferred tax assets	(0.95)	4.68	3.97
Nontaxable income	(10.28)	(15.75)	(10.27)
Operating income within ITH	(0.82)	(2.70)	(7.10)
Others	(1.79)	0.58	0.39
Income subjected to lower tax rate	0.42	(0.07)	-
Effective income tax rates	16.96%	18.68%	17.66%
Continuing operations	16.72%	17.95%	18.97%
Disposal group	0.24%	0.73%	(1.31%)
	16.96%	18.68%	17.66%

Board of Investments (BOI) Incentives

Federal Land

The BOI issued a Certificate of Registration (COR) as a New Developer of Mass Housing Project for its real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the registered projects have been granted Income Tax Holiday (ITH) for a period of three to four years. The projects namely: PGMH - Narra Tower and PGMH - Mandarin Tower are entitled to ITH from 2013 to 2016 and Axis Residences Tower A is entitled to ITH from 2015 to 2018.

PCFI

On various dates, the BOI issued in favor of PCFI the COR as a new developer of Mass Housing Project for its 31 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects were granted an ITH for a period of three (3) to four (4) years commencing on various dates from 2014 to 2017 and expiring on various dates from 2017 to 2020.

TMPC

TMPC is registered with the BOI as a:

- Participant in the Car Development Program and Commercial Vehicle Development Program.
- Pioneer status for the production of Vios. Under its terms and conditions, TMPC shall be entitled to ITH from July 2, 2013 to July 1, 2019 for revenues generated from this vehicle model subject to achievement of certain percentage of local value added.
- Non-pioneer status for the production of Innova. Under its terms and conditions, TMPC shall be entitled to ITH from April 2016 to April 2020 for portion (as determined by its Logistic Efficiency Index) of revenues generated from this vehicle model.
- Participant in Comprehensive Automotive Resurgence Strategy (CARS) Program. BOI approved TMPC's enrollment of its locally-produced vehicle model to the CARS Program on



June 27, 2016. Under the terms of registration, TMPC shall be entitled to Fixed Investment Support and Production Volume Incentives subject to achievement of production volume and localization of body shells and large plastic parts.

30. Lease Commitment

The Group as a lessee

The Group is a party under various lease agreements including the lease of premises occupied by the Parent Company, office space leased for the Group's branches, land leased for Federal Land Group's mall and gasoline station and lease of parking spaces with terms ranging from one (1) to 10 years.

With the adoption of PFRS 16, as of December 31, 2019, the Group recognized interest expense on lease liabilities (included in 'Interest expense' in the consolidated statement of income) amounting to ₱25.69 million and rent expense from short-term leases and leases of low-value assets amounting to ₱250.79 million. Prior to PFRS 16 adoption, rent expense included under 'General and administrative expenses' amounted to ₱156.27 million and ₱143.35 million in 2018 and 2017, respectively (Note 26). Rental incurred on the lease of land for its mall and gasoline stations are presented as 'Overhead' and included in the 'Cost of goods and services sold' account, amounting to ₱22.89 million and ₱22.12 million in 2018 and 2017, respectively (Note 24).

As of December 31, 2019, the carrying amounts of lease liabilities are as follows:

	2019
Beginning balance	₱392
Accretion of interest	26
Payments	(107)
	₱311

As of December 31, 2019 and 2018, the future minimum rental payments are as follows:

	2019	2018
Within one year	₱84	₱92
After one year but not more than five years	308	342
More than five years	-	15
	₱392	₱449

The Group as a lessor

The Group has entered into commercial property leases on its investment properties consisting of office spaces, land, mall and parking spaces with lease terms ranging from five (5) to ten (10) years. The Group's rental income on these leases amounted to ₱1.53 billion, ₱1.26 billion and ₱0.94 billion in 2019, 2018 and 2017, respectively (Note 9). The cost of rental services amounting ₱434.66 million, ₱476.37 million and ₱360.43 million in 2019, 2018 and 2017, respectively, includes maintenance fee, depreciation, repairs and maintenance, and taxes and licenses (Note 11).



As of December 31, 2019 and 2018, the future minimum rental receipts from these lease commitments are as follows:

	2019	2018
Within one year	₱778	₱708
After one year but not more than five years	1,597	1,565
More than five years	643	605
	₱3,018	₱2,878

31. Business Combinations

Acquisition of TRDCI

On February 10, 2017, FLI acquired 100.00% interest in TRDCI from Solid Share Holdings Philippines, Inc.

The fair values of the net liabilities assumed as of acquisition date, are as follow:

Current assets	₱433
Current liabilities	(847)
Noncurrent assets	486
Noncurrent liabilities	(100)
Fair value of net assets assumed	(28)
Consideration paid in cash	60
Goodwill (Note 13)	₱88

The gross contractual amount of receivables acquired amounted to ₱44.60 million. The goodwill of ₱0.09 billion comprises the value of the expected synergies arising from having TRDCI within the Group. Goodwill is allocated entirely to the acquisition of TRDCI and none of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, TRDCI contributed gross revenues and net income amounting to ₱16.35 million and ₱27.86 million, respectively, to the Group for the year ended December 31, 2017.

32. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents and short-term cash investments

The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities of these instruments.

Receivables

The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8% to 12% and 6.78% to 8.00% as of December 31, 2019 and 2018, respectively. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan. The interest rate used was the average bank lending rate for December 31, 2019 and 2018.



Due from and to related parties

The carrying amounts approximate fair values due to short-term in nature. Related party receivables and payables are due and demandable.

Financial assets at FVTPL

These pertain to the Group's investment in UITFs. UITFs are ready-made investments that allow pooling of funds from different investors with similar investments objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities.

Financial assets at FVOCI - quoted

The fair value of quoted equity securities is based on the quoted market prices or binding dealer price quotations, without any deduction for transaction cost.

Financial assets at FVOCI - unquoted

The fair value of unquoted equity securities is estimated based on the market data approach that makes use of market multiples derived from a set of comparables. Multiples were determined that is most relevant to assessing the value of unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

Derivative financial instruments

The fair values of cross currency and interest rate swap transactions are derived using acceptable valuation method. The valuation assumptions are based on market conditions existing at the reporting dates.

Accounts and other payables

The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

Loans payable and bonds payable

Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term portion of loans payable with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using applicable interest rates for similar types of loans as of reporting date. The interest rates used ranged from 0.085% to 7.35% and from 0.085% to 7.35% for the year ended December 31, 2019 and 2018, respectively.

Liabilities on purchased properties

Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred in 2017 and 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in



the consolidated statements of financial position and related notes approximate their respective fair values.

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	₱4,698	₱-	₱4,698	₱-	₱4,698
Financial assets at FVOCI					
Quoted equity securities	12,160	12,160	-	-	12,160
Other noncurrent assets					
Derivative asset	-	-	-	-	-
	₱16,858	₱12,160	₱4,698	₱-	₱16,858
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	₱289	₱-	₱-	₱293	₱293
Loans receivables	3,421	-	-	1,243	1,243
Non-financial Assets					
Investment in listed associates	157,619	126,216	-	-	126,216
Investment properties	15,347	-	-	26,606	26,606
	₱176,676	₱126,216	₱-	₱28,142	₱154,358
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	₱53	₱-	53	₱-	₱53
	₱53	₱-	₱53	₱-	₱53
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	₱3,784	₱-	₱-	₱2,591	₱2,591
Lease liabilities	311	-	-	311	311
Loans payable	105,012	-	-	100,622	100,622
Bonds payable	18,939	19,120	-	-	19,120
	₱128,046	₱19,120	₱-	₱103,524	₱122,644
2018					
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial Assets					
Financial assets at FVTPL	₱3,181	₱-	₱3,181	₱-	₱3,181
Financial assets at FVOCI					
Quoted equity securities	10,631	10,631	-	-	10,631
Unquoted equity securities	317	-	-	317	317
Other noncurrent assets					
Derivative asset	469	-	469	-	469
	₱14,598	₱10,631	₱3,650	₱317	₱14,598
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Installment contracts receivables	₱2,401	₱-	₱-	₱2,384	₱2,384
Loans receivables	932	-	-	1,075	1,075
Non-financial Assets					
Investment in listed associates	144,254	138,521	-	-	138,521
Investment properties	17,392	-	-	37,451	37,451
	₱164,979	₱138,521	₱-	₱40,910	₱179,431
Liabilities measured at fair value:					
Financial Liabilities					
Other noncurrent liabilities					
Derivative liability	₱62	₱-	62	₱-	₱62
	₱62	₱-	₱62	₱-	₱62
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Liabilities on purchased properties	₱3,293	₱-	₱-	₱3,004	₱3,004
Loans payable	105,669	-	-	108,252	108,252
Bonds payable	21,907	20,565	-	-	20,565
	₱130,869	₱20,565	₱-	₱111,256	₱131,821



As of December 31, 2019 and 2018, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Building and Land Improvements	Cost Approach or Market Data Approach	Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques

Market Data Approach A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

Cost Approach A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence.

Significant Unobservable Inputs

Reproduction Cost New The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.

Size Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.

Shape Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.



Significant Unobservable Inputs

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

33. Financial Risk Management and Objectives

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

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

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

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

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

Credit Risk

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

Financial assets comprise cash and cash equivalents, short-term investments, receivables, due from related parties and investment securities. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available



international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

Maximum exposure to credit risk after taking into account collateral held or other credit enhancements

As of December 31, 2019 and 2018, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related condominium and residential units collateral is greater than the carrying value of the installment contracts receivable.

a. Credit quality per class of financial assets

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and long term cash investment based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables that had no default in payment; medium grade pertains to receivables with a history of being 30 to 90 days past due; and low grade pertains to receivables with a history of being over 90 days past due.



The table below shows the credit quality per class of financial assets based on the Group's rating system:

	December 31, 2019						
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired		
	High Grade	Medium Grade	Low Grade	Total	Individually Impaired	Individually Impaired	Total
Cash and cash equivalents* (Note 4)	₱12,068	₱-	₱-	₱12,068	₱-	₱-	₱12,068
Short-term investments (Note 4)	-	-	-	-	-	-	-
Receivables (Note 5)							
Trade receivables	7,616	-	-	7,616	3,590	4	11,210
Loans receivable	3,421	-	-	3,421	-	-	3,421
Nontrade receivables	514	61	-	575	455	13	1,043
Accrued rent and commission income	423	-	-	423	4	18	445
Installment contracts receivable	87	-	-	87	201	1	289
Management fee receivables	64	-	-	64	-	-	64
Accrued interest receivable	67	-	-	67	-	30	97
Others	300	-	-	300	46	72	418
Due from related parties (Note 27)	155	-	-	155	-	54	209
	₱24,715	₱61	₱-	₱24,776	₱4,296	₱192	₱29,264

*Excludes cash on hand amounting to ₱64.95 million



December 31, 2018								
	Neither Past Due Nor Individually Impaired				Past Due but not Individually Impaired			
	High Grade	Medium Grade	Low Grade	Total	Individually Impaired	Individually Impaired	Total	
Cash and cash equivalents* (Note 4)	₱14,297	₱-	₱-	₱14,297	₱-	₱-	₱14,297	
Short-term investments (Note 4)	65	-	-	65	-	-	65	
Receivables (Note 5)								
Trade receivables	5,287	34	263	5,584	4,093	4	9,681	
Loans receivable	932	-	-	932	-	-	932	
Nontrade receivables	935	153	92	1,180	223	35	1,438	
Accrued rent and commission income	444	-	-	444	4	31	479	
Installment contracts receivable	2,062	-	-	2,062	315	24	2,401	
Management fee receivables	253	-	-	253	-	-	253	
Accrued interest receivable	180	-	-	180	-	30	210	
Others	717	-	-	717	121	135	973	
Due from related parties (Note 27)	612	-	-	612	-	54	666	
	₱25,784	₱187	₱355	₱26,326	₱4,756	₱313	₱31,395	

*Excludes cash on hand amounting to ₱56.15 million



As of December 31, 2019, 2018 and 2017, the aging analysis of past due but not individually impaired financial assets presented per class, is as follows:

	December 31, 2019								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired					Total	Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
Cash and cash equivalents* (Note 4)	₱12,068	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱12,068
Short-term investments (Note 4)	-	-	-	-	-	-	-	-	-
Receivables (Note 5)									
Trade receivable	7,616	1,155	1,246	309	235	645	3,590	4	11,210
Loans receivable	3,421	-	-	-	-	-	-	-	3,421
Non-trade receivable	575	154	20	18	14	250	455	13	1,043
Accrued rent and commission income	423	1	1	1	1	-	4	18	445
Installment contracts receivable	87	64	40	67	-	30	201	1	289
Accrued interest receivable	67	-	-	-	-	-	-	30	97
Management fee receivables	64	-	-	-	-	-	-	-	64
Others	300	1	-	-	-	46	47	72	418
Due from related parties (Note 27)	155	-	-	-	-	-	-	54	209
	₱24,776	₱1,375	₱1,307	₱395	₱250	₱971	₱4,296	₱192	₱29,264

*Excludes cash on hand amounting to ₱64.95 million



	December 31, 2018								
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired					Total	Individually Impaired	Total
<30 days		30-60 days	61-90 days	91-120 days	>120 days				
Cash and cash equivalents* (Note 4)	₱14,297	₱-	₱-	₱-	₱-	₱-	₱-	₱14,297	
Short-term investments (Note 4)	65	-	-	-	-	-	-	65	
Receivables (Note 5)									
Trade receivable	5,584	1,412	1,353	537	341	450	4,093	9,681	
Loans receivable	932	-	-	-	-	-	-	932	
Non-trade receivable	1,180	109	29	22	32	31	223	1,438	
Accrued rent and commission income	444	1	1	1	1	-	4	479	
Installment contracts receivable	2,062	95	63	70	8	79	315	2,401	
Accrued interest receivable	180	-	-	-	-	-	-	210	
Management fee receivables	253	-	-	-	-	-	-	253	
Others	717	49	-	-	-	72	121	973	
Due from related parties (Note 27)	612	-	-	-	-	-	-	666	
	₱26,326	₱1,666	₱1,446	₱630	₱382	₱632	₱4,756	₱31,395	

*Excludes cash on hand and cash in other financial institution amounting to ₱56.15 million and ₱69.33 million, respectively.



Liquidity risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual payments:

	December 31, 2019			Total
	< 1 year	> 1 to < 5 years	> 5 years	
Financial assets				
Cash and cash equivalents* (Note 4)	P12,068	P-	P-	P12,068
Receivables (Note 5)				
Trade receivables	11,210	-	-	11,210
Loans receivable	173	835	-	1,008
Nontrade receivable	1,043	-	-	1,043
Accrued rent and commissions income	445	-	-	445
Installment contracts receivables	289	-	-	289
Accrued interest receivable	97	-	-	97
Management fee receivable	64	-	-	64
Others	418	-	-	418
Due from related parties (Note 27)	209	-	-	209
Financial assets at FVTPL (Note 10)				
Investments in UITF	4,698	-	-	4,698
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	-	-	12,160	12,160
Unquoted	-	-	213	213
Total undiscounted financial assets	P30,714	P835	P12,373	P43,922
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	P12,337	P-	P-	P12,337
Accrued expenses	4,534	-	-	4,534
Telegraphic transfers and drafts and acceptances payable	1,840	-	-	1,840
Retentions payable	10	1,263	-	1,272
Accrued interest payable	896	-	-	896
Accrued commissions	777	-	-	777
Nontrade payables	602	-	-	602
Royalty payable	288	-	-	288
Others	993	-	-	993
Dividends payable	589	-	-	589
Loans payable (Note 16)	22,199	37,051	79,391	138,641
Bonds payable (Note 17)	4,725	16,738	-	21,463
Due to related parties (Note 27)	204	-	-	204
Liabilities on purchased properties (Note 20)	432	2,396	799	3,627
Derivative liabilities (Note 20)	-	-	53	53
Total undiscounted financial liabilities	P50,426	P57,448	P80,243	P188,113
Liquidity Gap	(P19,712)	(P56,613)	(P67,870)	(P144,191)

*Excludes cash on hand amounting to P64.95 million.



	December 31, 2018			Total
	< 1 year	> 1 to < 5 years	> 5 years	
Financial assets				
Cash and cash equivalents* (Note 4)	₱14,310	₱–	₱–	₱14,310
Short-term investments (Note 4)	65	–	–	65
Receivables (Note 5)				
Installment contracts receivables	820	1,846	907	3,573
Trade receivables	9,681	–	–	9,681
Loans receivable	163	1,191	–	1,354
Nontrade receivable	1,438	–	–	1,438
Accrued rent and commissions income	479	–	–	479
Management fee receivables	253	–	–	253
Accrued interest receivable	210	–	–	210
Dividend receivable	12	–	–	12
Others	973	–	–	973
Due from related parties (Note 27)	666	–	–	666
Financial assets at FVTPL (Note 10)				
Investments in UITF	3,181	–	–	3,181
Financial assets at FVOCI (Note 10)				
Equity securities				
Quoted	–	–	10,631	10,631
Unquoted	–	–	317	317
Derivative assets (Note 14)	–	–	469	469
Total undiscounted financial assets	₱32,251	₱3,037	₱12,324	₱47,612
Other financial liabilities				
Accounts and other payables (Note 15)				
Trade payables	₱13,167	₱–	₱–	₱13,167
Accrued expenses	4,192	–	–	4,192
Retentions payable	687	1,024	–	1,711
Telegraphic transfers and drafts and acceptances payable	1,675	–	–	1,675
Accrued commissions	686	–	–	686
Accrued interest payable	579	–	–	579
Nontrade payables	430	–	–	430
Royalty payable	255	–	–	255
Due to landowners	34	–	–	34
Others	1,115	–	–	1,115
Dividends payable	1,198	–	–	1,198
Loans payable (Note 16)	12,698	42,994	95,339	151,031
Bonds payable (Note 17)	4,105	17,328	4,136	25,569
Due to related parties (Note 27)	204	–	–	204
Liabilities on purchased properties (Note 20)				
	582	2,287	762	3,631
Derivative liabilities (Note 20)	–	–	62	62
Total undiscounted financial liabilities	₱41,607	₱63,633	₱100,299	₱205,539
Liquidity Gap	(₱9,356)	(₱60,596)	(₱87,975)	(₱157,927)

*Excludes cash on hand amounting to ₱56.15 million.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Parent Group's primary risk management objective is to reduce the Group's exposure to changes in foreign exchange rates. To manage the currency risk, the Group enters into hedging activities.

The Group's foreign currency-denominated financial instruments are included in cash and cash equivalents, short-term investments, receivables, accounts and other payables and loans payable. Cash and cash equivalents denominated in foreign currency amounted to US\$42.29 million and JP¥1.80 billion as of December 31, 2019, US\$34.75 million and JP¥1.28 billion as of December 31, 2018 and US\$142.63 million and JP¥6.91 million as of December 31, 2017. Short-term investments denominated in foreign currency amounted to JP¥130.00 million as of December 31, 2018 and



US\$32.21 million and JP¥120.00 million as of December 31, 2017. Receivables denominated in foreign currency amounted to US\$0.09 million as of December 2019, US\$0.16 million as of December 31, 2018 and US\$0.46 million as of December 31, 2017. Accounts and other payables denominated in foreign currency amounted to US\$139.57 million and JP¥39.34 million as of December 31, 2019 and US\$179.85 million and JP¥14.27 million as of December 31, 2017. Loans payables denominated in foreign currency amounted to JP¥23.31 billion as of December 31, 2019, US\$59.68 million and JP¥23.31 billion as of December 31, 2018 and US\$59.68 million as of December 31, 2017.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱50.74 to US\$1.00 the Philippine peso-U.S. dollar exchange rates, and ₱0.46 to JP¥1.00 as at December 31, 2019, ₱52.72 to US\$1.00, the Philippine peso-U.S. dollar exchange rates, ₱0.48 to JP¥1.00 as at December 31, 2018 and ₱49.92 to US\$1.00, the Philippine peso-U.S. dollar exchange rates, and ₱0.44 to JP¥1.00 as at December 31, 2017.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar and peso- JP¥ exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) on December 31, 2019, 2018 and 2017. There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

	Currency	Change in Variable	Increase (Decrease) in Income Before Tax
2019	US\$	₱0.31	(₱21)
		(0.31)	21
	JP¥	0.0002	(3)
		(0.0002)	3
2018	US\$	₱1.85	(₱32)
		(1.85)	32
	JP¥	0.0002	(4)
		(0.0002)	4

The Group determined the reasonably possible change in foreign exchange rate by using the absolute average change in peso-U.S. dollar and peso-JPY exchange rates for the past three (3) years.

Fair Value Hedge

The Parent Company's primary risk management strategy is to reduce the Parent Company's exposure to changes in foreign exchange rates. In this regard, the Parent Company designated a layer of its JPY-denominated long-term loan (the "Hedging Instrument") to hedge the variability in the fair value arising from the translation of its investment in Toyota Motor Corporation (TMC) (the "Hedged Item") amounting to ¥22.05 billion due to fluctuations in JPY/PHP foreign exchange (FX) rates. The hedged risk is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to fluctuations in JPY/PHP FX rates (foreign currency risk). The hedged item is the variability in the fair value arising from the translation of the investments (the Hedged Items) due to foreign currency risk. The hedging instrument is the of ¥22.05 billion layer of the principal amount of its long-term loan with various lenders. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively and retrospectively. All designated hedging relationships were sufficiently effective as of December 31, 2019 and 2018.



Economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of investments amounting to ¥22.05 billion while the hedging instruments create the exact offset of this risk. Since the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Parent Company's and the counterparty's credit risk were monitored for adverse changes. The Parent Company assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per the Parent Company's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since only a layer of the long-term loan which exactly matches the notional amount of the hedged item was designated as hedging instrument.

Interest rate risk

The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

There is no sensitivity to the changes in interest rates of the Parent Company's income before tax through the impact of floating rate borrowings because the risk is effectively hedged by an interest rate swap.

As of December 31, 2019 and 2018, the Group has no financial instruments subject to floating interest rates.

Cash Flow Hedge

Interest rate swap

The Parent Company entered into an interest rate swap (IRS) agreement to hedge the variability in the interest cash flows arising from its floating rate loan with various lenders (the "Loan"), attributable to changes in the three-month Japanese Yen ICE LIBOR (3m JPY LIBOR). The hedged risk is variability in interest cash flows of the Loan attributable to changes in the 3m JPY LIBOR (interest rate risk). The hedged item is the interest cash flows on the Loan which is based on 3m JPY LIBOR + margin, floored at 0%. The hedging instrument is an IRS under which the Parent Company will pay fixed interest at a rate of 0.852% per annum and receive variable interest based on 3m JPY LIBOR. The terms of the hedging relationships will end in July 2024. The effectiveness of hedging relationship is tested prospectively and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2019 and 2018.

An economic relation between the hedged item and the hedging instrument was qualitatively tested by matching their critical terms. The hedged item creates an exposure to pay 3m JPY ICE LIBOR (floored at 0%) + 0.65%, settled quarterly. The hedging instrument creates an exact offset of this exposure with a consequence of paying a fixed interest payment of 0.852% per annum. Since most of the critical terms of the hedged item and hedging instrument matched, a clear economic relationship was established. The Parent Company's and the counterparty's credit risk was monitored for adverse changes. The Parent Company assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per the Parent Company's risk



management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the IRS exactly matches the notional amount of the Loan. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

Cross currency swap

WFC entered into a CCS agreement to hedge the variability in the cash flows of its USD loan arising from foreign currency exchange rates and the variability in the interest cash flows arising from the floating interest rate of the same USD loan attributable to the changes in six-month USD LIBOR (6m USD LIBOR). The hedged risk is variability in the cash flows from the translation of its USD Loan amounting to \$59.67 million due to fluctuations in USD/PHP FX rates (foreign currency risk) and variability in the interest cash flows of the USD Loan attributable to changes in the 6m USD LIBOR (interest rate risk). The hedged items are the variability in the cash flows arising from the translation of the USD loan due to foreign currency risk and the interest cash flows on the USD Loan which is based on 6m USD LIBOR + 0.75% (the Hedged Items). The hedging instrument is the CCS under which WFC will pay in peso equivalent to ₱3.00 billion but will receive \$59.67 million and pays fixed interest rate of 5.13% per annum on ₱3.00 billion principal but will receive floating interest rate at 6m USD LIBOR plus 0.75% on \$59.67 million over a period of 10 years or up to the maturity date of June 25, 2027. The terms of the hedging relationships will end in June 2027. The effectiveness of hedging relationship is tested prospectively and retrospectively. The designated hedging relationship was sufficiently effective as December 31, 2018 .

An economic relation between the hedged items and the hedging instrument was qualitatively tested by matching their critical terms. The hedged items create a foreign currency risk on the translation of \$59.67 million loan and an exposure to pay 6m LIBOR +0.75%, settled semi-annually (interest rate risk). The hedging instrument creates an exact offset of these exposures with a consequence of paying a fixed interest payment of 5.13% per annum. Since the critical terms of the hedged items and the hedging instrument matched, a clear economic relationship was established. WFC and the counterparty's credit risk were monitored for adverse changes. WFC assessed that the risk associated with them and the counterparty is considered minimal, at inception, and during the year and did not dominate the value changes that result from the economic relationship. Consistent with the hedge ratio per WFC's risk management policy, the hedge ratio for hedge accounting purposes is 1:1 or 100% since the notional amount of the CCS exactly matches the notional amount of the USD Loan. The hedge ineffectiveness can arise from the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and the hedged item.

The Group is holding the following hedging instruments designated as cash flow hedges as of December 31, 2019 and 2018:

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	More than 2 years	
As at 31 December 2019						
Interest Rate Swap						
Fixed interest rate (%)	0.852%	0.852%	0.852%	0.852%	0.852%	0.852%



	Maturity				Total
	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	
As at 31 December 2018					
Interest Rate Swap					
Fixed interest rate (%)	.852%	.852%	.852%	.852%	.852%
Cross Currency Swap					
Fixed interest rate (%)	5.13%	5.13%	5.13%	5.13%	5.13%

The tables set out the outcome of the Group's hedging strategy, the carrying amounts of the derivatives the Group uses as hedging instruments and the their changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions as of December 31, 2019 and 2018:

December 31, 2019				
	Carrying value	Change in fair value of hedged item used for measuring ineffectiveness	Effective portion recognized in OCI	Hedge ineffectiveness recognized in the income statement
Floating rate loans				
Interest rate swap				
Derivative liability	₱53	₱53	₱53	₱-
December 31, 2018				
	Carrying value	Change in fair value of hedged item used for measuring ineffectiveness	Effective portion recognized in OCI	Hedge ineffectiveness recognized in the income statement
Floating rate loans				
Cross-currency swap				
Other noncurrent asset (Note 14)	₱469	₱469	₱469	₱-
Interest rate swap				
Other noncurrent liabilities (Note 20)	62	62	62	-

The Group follows a prudent policy in managing its assets and liabilities so as to ensure that exposure to fluctuation in interest rates are kept within acceptable limits. There is no ineffectiveness recognized in the profit or loss as the changes in the fair value of the hedged items used as basis for recognizing hedge ineffectiveness equals to the carrying amount of the hedging instruments.

The movement in cash flow hedge reserve follows:

	2019	2018
Balance at beginning of year	₱190	(₱27)
Effect of deconsolidation (Note 12)	(252)	-
Net unrealized gain on cash flow hedge	9	314
Balance at end of year (gross of tax)	(53)	287
Deferred tax	-	(97)
Balance at end of year (net of tax)	(₱53)	₱190



Equity price risk

Equity price risk is the risk that the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity securities price risk because of AFS investments held by the Group.

The table below shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange index (PSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's financial assets at FVOCI and AFS investments. The analysis links PSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the PSEi for the past year. The analysis is based on the assumption that last year's PSEi volatility will be more or less the same in the following year.

	Percentage change in PSEi	Increase (decrease) in total comprehensive income
2019	Increase by 12.78%	₱117
	Decrease by 12.78%	(117)
2018	Increase by 32.36%	₱3,392
	Decrease by 32.36%	(3,392)

The table below shows the sensitivity to a reasonably possible change in the Tokyo Stock Exchange index (TSEi), with all other variables held constant, of the Group's equity (through other comprehensive income) due to changes in the carrying value of the Group's financial assets at FVOCI. The analysis links TSEi changes, which proxies for general market movements, to individual stock prices through their betas. Betas are coefficients depicting the sensitivity of individual prices to market movements.

The sensitivity range is based on the historical volatility of the TSEi for the past year. The analysis is based on the assumption that last year's TSEi volatility will be more or less the same in the following year.

	Percentage change in TSEi	Increase (decrease) in total comprehensive income
2019	Increase by 15.21%	₱1,683
	Decrease by 15.21%	(1,683)
2018	Increase by 19.69%	₱1,856
	Decrease by 19.69%	(1,856)



34. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share from **continuing operations** attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows (amounts in million, except earnings per share):

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company from continuing operations	₱ 16,586	₱12,795	₱ 14,239
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	(589)	(589)	(589)
c.) Net income attributable to common shareholders of the Parent Company from continuing operations	15,997	12,206	13,650
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
e.) Basic/diluted earnings per share, as previously reported (c / d)	–	₱61.23	₱68.48
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019	215	215*	215*
g.) Basic/diluted earnings per share, as restated (c / f)	₱74.31	₱56.70	₱63.41

*Restated to show the effect of stock dividends distributed in 2019

The basic/diluted earnings per share from **discontinued operations** attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company	₱3,723	₱361	₱133
b.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
c.) Basic/diluted earnings per share, as previously reported (a / b)	–	1.81	0.67
d.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019	215	215*	215*
e.) Basic/diluted earnings per share, as restated (a / d)	₱17.28	₱1.68	₱0.62

*Restated to show the effect of stock dividends distributed in 2019



The basic/diluted earnings per share attributable to equity holders of the Parent Company for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
a.) Net income attributable to equity holders of the Parent Company	₱20,309	₱13,156	₱14,372
b.) Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company	(589)	(589)	(589)
c.) Net income attributable to common shareholders of the Parent Company	19,720	12,567	13,783
d.) Weighted average number of outstanding common shares of the Parent Company, as previously reported	–	199	199
e.) Basic/diluted earnings per share, as previously reported (c / d)	–	₱63.05	₱69.14
f.) Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018	215	215*	215*
g.) Basic/diluted earnings per share, as restated (e / f)	₱91.60	₱58.38	₱64.02

**Restated to show the effect of stock dividends distributed in 2019*

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

35. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has the following reportable segments:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry and financing institution;
- Automotive operations are engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments;
- Infrastructure is engaged in the water distribution, toll operation, power sector, hospitals and rail;
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments); and

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.



Segment Assets

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

Segment Liabilities

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



The following tables present the financial information of the operating segments of the Group as of and for the years ended December 31, 2019, 2018 and 2017:

	December 31, 2019					Total
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	
Revenue	₱7,982	₱-	₱192,966	₱-	₱-	₱200,948
Other income	3,299	-	1,337	-	473	5,109
Equity in net income of associates and joint venture	2	10,948	-	3,628	-	14,578
	11,283	10,948	194,303	3,628	473	220,635
Cost of goods and services sold	657	-	133,286	-	-	133,943
Cost of goods manufactured and sold	-	-	36,819	-	-	36,819
Cost of rental	435	-	-	-	-	435
Cost of real estate sales	5,340	-	-	-	-	5,340
General and administrative expenses	2,977	-	10,216	-	402	13,595
	9,409	-	180,321	-	402	190,132
Earnings before interest and taxes	1,874	10,948	13,982	3,628	71	30,503
Depreciation and amortization	459	-	1,950	-	8	2,417
EBITDA	2,333	10,948	15,932	3,628	79	32,920
Interest income	1,870	-	222	-	213	2,305
Interest expense	(1,319)	-	(704)	-	(4,430)	(6,453)
Depreciation and amortization	(459)	-	(1,950)	-	(8)	(2,417)
Pretax income	2,425	10,948	13,500	3,628	(4,146)	26,355
Provision for income tax	(813)	(3)	(4,076)	-	(165)	(5,057)
Net income from continuing operations	1,612	10,945	9,424	3,628	(4,311)	21,298
Net income from discontinued operations	3,814	-	-	-	-	3,814
Net income	₱5,426	₱10,945	₱9,424	₱3,628	(₱4,311)	₱25,112
Segment assets	₱90,315	₱128,712	₱60,085	₱36,951	₱41,591	₱357,654
Segment liabilities	₱54,006	₱-	₱31,009	₱-	₱83,319	₱168,334



	December 31, 2018 (As restated – Notes 2 and 12)					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱9,342	₱–	₱179,117	₱–	₱–	₱188,459
Other income	2,936	–	1,053	–	202	4,191
Equity in net income of associates and joint venture	(119)	9,506	–	2,126	–	11,513
	12,159	9,506	180,170	2,126	202	204,163
Cost of goods and services sold	673	–	129,176	–	–	129,849
Cost of goods manufactured and sold	–	–	31,809	–	–	31,809
Cost of rental	476	–	–	–	–	476
Cost of real estate sales	6,839	–	–	–	–	6,839
General and administrative expenses	2,366	–	8,074	–	227	10,667
	10,354	–	169,059	–	227	179,640
Earnings before interest and taxes	1,805	9,506	11,111	2,126	(25)	24,523
Depreciation and amortization	542	–	1,547	–	7	2,096
EBITDA	2,347	9,506	12,658	2,126	(18)	26,619
Interest income	1,215	–	332	–	121	1,668
Interest expense	(1,164)	–	(285)	–	(3,952)	(5,401)
Depreciation and amortization	(542)	–	(1,547)	–	(7)	(2,096)
Pretax income	1,856	9,506	11,158	2,126	(3,856)	20,790
Provision for income tax	(930)	–	(2,932)	–	(24)	(3,886)
Net income from continuing operations	926	9,506	8,226	2,126	(3,880)	16,904
Net income from discontinued operations	707	–	–	–	–	707
Net income	₱1,633	₱9,506	₱8,226	₱2,126	(₱3,880)	₱17,611
Segment assets	₱131,788	₱ 118,157	₱56,430	₱33,850	₱17,441	₱357,666
Segment liabilities	₱65,413	₱–	₱27,865	₱–	₱83,560	₱176,838



	December 31, 2017(As restated – Notes 2 and 12)					
	Real Estate	Financial Institution	Automotive Operations	Infrastructure	Others	Total
Revenue	₱7,753	₱–	₱211,692	₱–	₱–	₱219,445
Other income	2,006	–	1,068	–	5	3,079
Equity in net income of associates and joint venture	134	6,979	–	1,560	–	8,673
	9,893	6,979	212,760	1,560	5	231,197
Cost of goods and services sold	555	–	147,158	–	–	147,713
Cost of goods manufactured and sold	–	–	39,635	–	–	39,635
Cost of rental	360	–	–	–	–	360
Cost of real estate sales	5,176	–	–	–	–	5,176
General and administrative expenses	1,850	–	8,262	–	268	10,380
	7,941	–	195,055	–	268	203,264
Earnings before interest and taxes	1,952	6,979	17,705	1,560	(263)	27,933
Depreciation and amortization	476	–	1,283	–	6	1,765
EBITDA	2,428	6,979	18,988	1,560	(257)	29,698
Interest income	1,324	–	320	–	24	1,668
Interest expense	(736)	–	(189)	–	(2,611)	(3,536)
Depreciation and amortization	(476)	–	(1,283)	–	(6)	(1,765)
Pretax income	2,540	6,979	17,836	1,560	(2,850)	26,065
Provision for income tax	(953)	–	(3,975)	–	(5)	(4,933)
Net income from continuing operations	1,587	6,979	13,861	1,560	(2,855)	21,132
Net income from discontinued operations	278	–	–	–	–	278
Net income	₱1,865	₱6,979	₱13,861	₱1,560	(₱2,855)	₱21,410
Segment assets	₱123,817	₱85,771	₱61,835	₱32,365	₱2,240	₱306,028
Segment liabilities	₱56,745	₱–	₱29,178	₱–	₱47,578	₱133,501



Geographical Information

The following table shows the distribution of the Group’s consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2019	2018 (As restated – Notes 2 and 12)	2017 (As restated – Notes 2 and 12)
Domestic	₱215,907	₱197,616	₱224,909
Foreign	7,033	8,215	7,956
	₱222,940	₱205,831	₱232,865

36. Contingencies

In the ordinary course of the Group’s operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

In order to partially guarantee the completion of Federal Land’s ongoing projects and in the ordinary course of the Group’s business, the Parent Company issued Letters of Guarantee (LG) in favor of the Housing and Land Use Regulatory Board for a total guarantee amount of ₱3.83 billion, ₱3.45 billion and ₱2.01 billion as of December 31, 2019, 2018 and 2017, respectively.

37. Events after the Reporting Date

On January 27, 2020, the Parent Company paid the quarterly cash dividends amounting to ₱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, 2020.

On January 27, 2020, the Parent Company paid the quarterly cash dividends amounting to ₱91.21 million, or ₱12.73725 per share in favor of GT Capital’s perpetual preferred c series B stockholders as of record date January 3, 2020.

In a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. As of March 27, 2020, the Group has yet to fully ascertain the risk and impact of the COVID-19 pandemic to its core operations due to the yet unfolding events of the situation. The Parent Company coordinates with its component companies regarding their respective business operations and continuity plans.

The Group considers the events surrounding the pandemic as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended



December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation. The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In the interim, in line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Parent Company to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

38. Consolidated Statements of Cash Flows

Below are the noncash operating, investing and financing transactions of the Group:

	2019	2018	2017
Transfers between investment property and inventories (Note 6)	₱-	₱533	₱2,775
Borrowing cost capitalized to inventories (Note 6)	1,131	1,622	1,408
Fair value of previously held interest	-	-	-
Reclassification during the year:			
Prepayments and other current assets	-	-	998
Land held for future development	-	-	(1,416)
Investment properties	-	-	(561)
Property and equipment	-	-	561
Accounts and other payables	-	-	418
Fair value of net assets acquired from business combinations:			
Assets			
Cash and cash equivalents	-	-	1
Receivables	-	-	44
Inventories	-	-	321
Prepayments and other current assets	-	-	67
Property and equipment	-	-	-
Investment properties	-	-	484
Deferred tax assets	-	-	-
Intangible assets	-	-	-
Other noncurrent assets	-	-	2
Liabilities			
Accounts and other payables	-	-	28
Customer's deposits	-	-	-
Loans payable – current	-	-	789
Due to related parties	-	-	30
Other current liabilities	-	-	-
Income tax payable	-	-	-
Deferred tax liabilities on fair value increment	-	-	94
Pension liabilities	-	-	-
Other noncurrent liabilities	-	-	6
Net assets deconsolidated due to sale of subsidiary (Note 12)			

(Forward)



	2019	2018	2017
Assets			
Cash and cash equivalents	₱	₱	₱
Short-term investments	1	—	—
Receivables	5,482	—	—
Contract assets	2,688	—	—
Inventories	29,642	—	—
Prepayments and other current assets	3,251	—	—
Financial assets at FVOCI	3	—	—
Property and equipment	752	—	—
Investment properties	3,241	—	—
Goodwill and intangible assets	2,862	—	—
Deferred tax assets	64	—	—
Other noncurrent assets	634	—	—
Liabilities			
Accounts and other payables	3,643	—	—
Contract liabilities	3,180	—	—
Customer's deposits	5	—	—
Dividends payable	1,145	—	—
Income tax payable	72	—	—
Other current liabilities	274	—	—
Pension liabilities	182	—	—
Long-term debt	8,057	—	—
Deferred tax liabilities	2,417	—	—
Other noncurrent liabilities	161	—	—



The following are the changes in liabilities in 2019, 2018 and 2017 arising from financing activities including both cash and non-cash changes:

	January 1, 2019	Effect of deconsolidation (Note 12)	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2019
Short-term debt (Note 16)	₱10,500	(3,194)	₱ 38,215	(₱32,631)	₱-	₱-	₱-	₱-	₱12,890
Current portion of long-term debt (Note 16)	820	(1,707)	1,141	(3,480)	-	-	13	8,187	4,974
Long-term debt – net of current portion (Note 16)	94,349	(3,156)	4,614	(41)	(390)	-	(53)	(8,174)	87,149
Current portion of bonds payable	2,994	-	-	(2,994)	-	-	-	3,899	3,899
Bonds payable (Note 17)	18,913	-	-	-	-	-	26	(3,899)	15,040
Current portion of liabilities on purchased properties (Notes 20 and 27)	416	-	-	(416)	-	-	-	432	432
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	2,877	-	852	-	-	55	-	(432)	3,352
	₱130,869	(8,057)	₱44,822	(39,562)	₱(390)	₱55	₱(14)	₱13	₱127,736

* Others include effect of business combination and reclassification from noncurrent to current portion.

	January 1, 2018	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2018
Short-term debt (Note 16)	₱6,033	₱32,314	(₱27,847)	₱-	₱-	₱-	₱-	₱10,500
Current portion of long-term debt (Note 16)	2,467	(17)	(3,506)	-	-	17	1,859	820
Long-term debt – net of current portion (Note 16)	57,021	38,989	(75)	195	-	67	(1,848)	94,349
Current portion of bonds payable	-	-	-	-	-	-	2,994	2,994
Bonds payable (Note 17)	21,877	-	-	-	-	30	(2,994)	18,913
Current portion of liabilities on purchased properties (Notes 20 and 27)	582	-	(503)	-	-	-	337	416
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	3,152	-	-	-	62	-	(337)	2,877
	₱91,132	₱71,286	(₱31,931)	₱195	₱62	₱114	₱11	₱130,869

* Others include effect of business combination and reclassification from noncurrent to current portion.



	January 1, 2017	Availment	Payment	Forex movement	Amortization of Day 1 loss	Amortization of Deferred Financing cost	Others*	December 31, 2017
Short-term debt (Note 16)	₱6,697	₱31,549	(₱33,002)	₱-	₱-	₱-	₱789	₱6,033
Current portion of long-term debt (Note 16)	1,581	-	(4,995)	-	-	-	5,881	2,467
Long-term debt – net of current portion (Note 16)	56,475	6,805	(400)	(20)	-	42	(5,881)	57,021
Bonds payable (Note 17)	21,848	-	-	-	-	29	-	21,877
Current portion of liabilities on purchased properties (Notes 20 and 27)	166	250	(166)	-	-	-	332	582
Liabilities on purchased properties - net of current portion (Notes 20 and 27)	1,993	1,479	-	-	12	-	(332)	3,152
	₱88,760	₱40,083	(₱38,563)	(₱20)	₱12	₱71	₱789	₱91,132

* Others include effect of business combination and reclassification from noncurrent to current portion.



39. Approval for the Release of the Financial Statements

The accompanying financial statements of the Group were approved and authorized for issue by the Parent Company's BOD on March 27, 2020.



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 at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 included in this Form 17-A and have issued our report thereon dated March 27, 2020. 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 Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, 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 financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

SEC Accreditation No. 1566-AR-1 (Group A),

April 3, 2019, valid until April 2, 2022

Tax Identification No. 241-031-088

BIR Accreditation No. 08-001998-114-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125210, January 7, 2020, Makati City

March 27, 2020



INDEPENDENT AUDITOR'S REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 financial statements of GT Capital Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

SEC Accreditation No. 1566-AR-1 (Group A),

April 3, 2019, valid until April 2, 2022

Tax Identification No. 241-031-088

BIR Accreditation No. 08-001998-114-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8125210, January 7, 2020, Makati City

March 27, 2020



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
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AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

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GT CAPITAL HOLDINGS, INC.**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Millions)**

Unappropriated Retained Earnings, beginning		₱2,712
Add: Net income actually earned during the period		
Net income during the period closed to Retained earnings	8,065	
Less: Unrealized gain on financial assets at FVTPL	(85)	7,980
Subtotal		10,692
Add (Less):		
Reversal of appropriation upon completion of the expansion and acquisition	16,600	
Dividend declaration during the period	(1,188)	
Stock dividends distribution	(13,395)	2,017
Total Retained Earnings, end available for dividend declaration		₱12,709

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Millions)

Schedule A. Financial Assets

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Investment securities				
Financial assets at FVTPL	Various	₱4,698	₱4,698	₱135
Financial assets at FVOCI				
Quoted	Various	12,160	12,160	349
Unquoted	Various	213	213	(103)

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

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
M.L. Gopez I	Officer	₱1	₱-	₱-	₱-	₱-	₱1	₱1
P.C. Castro	Officer	1	-	-	-	-	1	1
I.E. Claudio	Officer	1	-	-	-	-	1	1
I.O. Elope	Rank & File / Supervisor	1	-	-	-	-	1	1
M.D. Halili	Rank & File / Supervisor	-	1	-	-	-	1	1
L.B. Aguilera	Rank & File / Supervisor	1	-	-	-	-	1	1
M.W. Guieb	Rank & File / Supervisor	1	-	-	-	-	-	1
R.B. Dugang	Officer	1	-	-	-	-	-	1
C.T. Dionela	Officer	1	-	-	-	-	1	1
M.S. Villanueva	Rank & File / Supervisor	1	-	-	-	-	-	1
A.S. Bonifacio	Officer	1	-	-	-	-	-	1
W.A. Endaya	Rank & File / Supervisor	1	-	-	-	-	-	1
R.S. Maaño	Rank & File / Supervisor	1	-	-	-	-	-	1
R.N. Gaspar	Officer	1	-	-	-	-	-	1
G.E. Amoranto	Officer	1	-	-	-	-	1	1
A.G. Lopez	Officer	1	-	-	-	-	-	1
N.O. Pante	Officer	1	-	-	-	-	1	1
G.G. Deangkinay	Officer	1	-	-	-	-	1	1
V.P. Constantino Jr.	Rank & File / Supervisor	1	-	-	-	-	1	1
R.D. Basilio Jr.	Rank & File / Supervisor	-	1	-	-	-	1	1
C.M. Aberin Jr.	Rank & File / Supervisor	1	-	-	-	-	-	1
A.M. Cruz	Rank & File / Supervisor	-	1	-	-	-	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
D.G. Jimenez	Rank & File / Supervisor	-	1	-	-	-	1	1
R.T. Rodriguez	Officer	1	-	-	-	-	-	1
A.A. Oblea	Officer	1	-	-	-	-	1	1
G.A. Javier	Rank & File / Supervisor	1	-	-	-	-	-	1
P.B. Amoroso	Rank & File / Supervisor	1	-	-	-	-	1	1
N.C. Inton	Rank & File / Supervisor	-	1	-	-	-	1	1
F.C. Cristobal	Rank & File / Supervisor	-	1	-	-	-	1	1
E.E. Embile	Rank & File / Supervisor	1	-	-	-	-	-	1
F.C. Escrimadora	Rank & File / Supervisor	1	-	-	-	-	-	1
F.M. Mercado Jr.	Rank & File / Supervisor	1	-	-	-	-	1	1
V.M. Perlas Jr.	Rank & File / Supervisor	1	-	-	-	-	-	1
A.M. Prado Jr.	Rank & File / Supervisor	1	-	-	-	-	-	1
R.M. Tuscano Jr.	Rank & File / Supervisor	1	-	-	-	-	1	1
L.M. De Leon	Rank & File / Supervisor	1	-	-	-	-	1	1
R.M. Gayorgor	Rank & File / Supervisor	1	-	-	-	-	-	1
A.L. Avenido	Rank & File / Supervisor	1	-	-	-	-	-	1
M.D. Garcia	Rank & File / Supervisor	1	-	-	-	-	1	1
A.A. Nazareth	Rank & File / Supervisor	1	-	-	-	-	-	1
N.R. Amboy	Rank & File / Supervisor	1	-	-	-	-	-	1
R.Q. Villanueva	Rank & File / Supervisor	1	-	-	-	-	-	1
R.B. Fortuna	Rank & File / Supervisor	1	-	-	-	-	1	1
E.O. Garcia	Rank & File / Supervisor	1	-	-	-	-	1	1
A.E. Delmo	Rank & File / Supervisor	1	-	-	-	-	-	1
M.B. Candelario	Rank & File / Supervisor	1	-	-	-	-	1	1
A.L. Cansicio	Rank & File / Supervisor	1	-	-	-	-	-	1
E.P. Ramos	Rank & File / Supervisor	1	-	-	-	-	-	1
R.G. Pane	Rank & File / Supervisor	1	-	-	-	-	-	1
R.G. Jaspe	Rank & File / Supervisor	1	-	-	-	-	-	1
A.L. Laureta	Rank & File / Supervisor	1	-	-	-	-	1	1
L.F. Ternate	Rank & File / Supervisor	1	-	-	-	-	-	1
J.M. Lamberte	Rank & File / Supervisor	1	-	-	-	-	1	1
C.G. Sevilla	Rank & File / Supervisor	1	-	-	-	-	-	1
J.A. Maraña	Rank & File / Supervisor	1	-	-	-	-	-	1
A.B. Nuñez	Rank & File / Supervisor	1	-	-	-	-	-	1
R.C. Castillo	Rank & File / Supervisor	1	-	-	-	-	-	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
N.A. Dedicataria	Rank & File / Supervisor	1	-	-	-	-	-	1
R.P. Prado	Rank & File / Supervisor	1	-	-	-	-	-	1
J.M. Tardeo	Rank & File / Supervisor	1	-	-	-	-	-	1
M.H. Espeso	Rank & File / Supervisor	-	1	-	-	-	1	1
Z.C. Palad	Rank & File / Supervisor	-	1	-	-	-	1	1
A.M. Brechia	Rank & File / Supervisor	1	-	-	-	-	-	1
R.S. Camo	Rank & File / Supervisor	1	-	-	-	-	1	1
R.B. Fabula	Rank & File / Supervisor	1	-	-	-	-	1	1
R.M. Simon	Rank & File / Supervisor	1	-	-	-	-	-	1
L.G. Esguerra	Rank & File / Supervisor	1	-	-	-	-	-	1
O.N. Muya	Rank & File / Supervisor	1	-	-	-	-	-	1
R.F. Gaa	Rank & File / Supervisor	1	-	-	-	-	-	1
W.V. Gonzales	Officer	1	-	-	-	-	1	1
D.T. Tagubase	Officer	1	-	-	-	-	1	1
J.S. Abes	Rank & File / Supervisor	-	1	-	-	-	1	1
J.L. Orteza	Officer	1	-	-	-	-	-	1
P.P. Bausa	Rank & File / Supervisor	-	1	-	-	-	-	1
R.S. Ladines	Rank & File / Supervisor	1	-	-	-	-	-	1
J.O. Benaid	Rank & File / Supervisor	1	-	-	-	-	-	1
A.C. Feliciano	Rank & File / Supervisor	1	-	-	-	-	-	1
J.L. Agustin	Rank & File / Supervisor	1	-	-	-	-	-	1
E.H. Magat	Rank & File / Supervisor	1	-	-	-	-	-	1
N.T. Espejon	Rank & File / Supervisor	1	-	-	-	-	-	1
R.R. Gutierrez	Officer	1	2	(1)	-	-	1	2
D.R. Escuro	Officer	1	-	-	-	-	1	1
I.C. Sincioco	Officer	1	-	-	-	-	-	1
M.T. Esplana	Officer	1	-	-	-	-	1	1
R.B. Valdez	Officer	2	-	-	-	-	1	1
A.A. Guico	Officer	-	1	-	-	-	1	1
M.B. Antonio	Officer	1	-	-	-	-	1	1
A.B. Bautista	Officer	1	-	-	-	-	-	1
V.B. Delos Santos	Officer	1	-	-	-	-	-	1
E.M. Claro	Rank & File / Supervisor	1	-	-	-	-	-	1
J.G. Jimenez	Rank & File / Supervisor	1	-	-	-	-	-	1
J.C. Villanueva	Officer	1	-	-	-	-	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
J.T. Arias	Officer	1	-	-	-	-	-	1
P.L. Peñaflorida	Rank & File / Supervisor	1	-	-	-	-	-	1
M.Y. Santoalla	Officer	1	-	-	-	-	1	1
E.G. Chavez	Rank & File / Supervisor	1	-	-	-	-	1	1
E.P. Chua	Rank & File / Supervisor	1	-	-	-	-	-	1
J.M. Atienza	Officer	1	-	-	-	-	-	1
J.O. Sandoval	Officer	1	-	-	-	-	-	1
M.C. Capco	Rank & File / Supervisor	1	-	-	-	-	-	1
B.L. Aquino	Rank & File / Supervisor	1	-	-	-	-	-	1
S.T. Chua-Lim	Officer	1	-	-	-	-	-	1
J.D. De Leon	Rank & File / Supervisor	1	-	-	-	-	1	1
D.C. Cruz	Officer	1	-	-	-	-	-	1
E.C. Delizo	Rank & File / Supervisor	1	-	-	-	-	-	1
E.O. Marcellana	Rank & File / Supervisor	1	-	-	-	-	-	1
M.J. Rosario	Officer	1	-	-	-	-	-	1
A.B. Aspiras	Rank & File / Supervisor	1	-	-	-	-	1	1
D.Z. Robosa	Officer	1	-	-	-	-	1	1
J.V. Morada	Rank & File / Supervisor	-	1	-	-	-	1	1
E.C. Marcial	Officer	-	1	-	-	-	1	1
R.A. Kalambacal	Rank & File / Supervisor	1	-	-	-	-	-	1
C.C. Santiago	Rank & File / Supervisor	1	-	-	-	-	1	1
M.C. Masamayor	Rank & File / Supervisor	1	-	-	-	-	-	1
J.A. Maunte	Rank & File / Supervisor	1	-	-	-	-	-	1
R.P. Pedregosa	Rank & File / Supervisor	1	-	-	-	-	1	1
A.E. Pancho	Officer	1	-	-	-	-	1	1
E.D. Lucio	Rank & File / Supervisor	1	-	-	-	-	-	1
E.M. Caisip	Rank & File / Supervisor	1	-	-	-	-	1	1
R.A. Valdez	Rank & File / Supervisor	-	1	-	-	-	1	1
E.I. Manzanero	Rank & File / Supervisor	1	-	-	-	-	-	1
H.L. Buendia	Officer	1	-	-	-	-	1	1
R.S. Mercado	Rank & File / Supervisor	1	-	-	-	-	-	1
R.P. Ocampo	Rank & File / Supervisor	1	-	-	-	-	-	1
E.D. Forteza	Rank & File / Supervisor	1	-	-	-	-	1	1
V.A. Nazareth	Rank & File / Supervisor	1	1	(1)	-	-	1	1
R.O. Romero	Rank & File / Supervisor	1	-	-	-	-	-	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
E.N. Mogol	Rank & File / Supervisor	-	1	-	-	-	1	1
R.M. Inanoria	Rank & File / Supervisor	1	-	-	-	-	-	1
J.P. Sto Domingo Jr.	Rank & File / Supervisor	1	-	-	-	-	1	1
I.E. Borsigue	Rank & File / Supervisor	1	-	-	-	-	-	1
D.C. Rosales	Rank & File / Supervisor	1	-	-	-	-	-	1
M.P. Beniopa	Rank & File / Supervisor	-	1	-	-	-	1	1
G.F. Pante	Rank & File / Supervisor	1	-	-	-	-	-	1
A.B. Parilla	Rank & File / Supervisor	1	-	-	-	-	1	1
B.L. Abraham	Rank & File / Supervisor	1	-	-	-	-	1	1
D.A. Carpio	Rank & File / Supervisor	1	-	-	-	-	-	1
M.C. Visaya	Rank & File / Supervisor	1	-	-	-	-	-	1
E.E. Sto Tomas	Rank & File / Supervisor	1	-	-	-	-	-	1
A.M. Abante	Rank & File / Supervisor	1	-	-	-	-	1	1
J.C. Alicabo	Rank & File / Supervisor	1	-	-	-	-	-	1
L.R. Olaco Jr.	Rank & File / Supervisor	1	-	-	-	-	-	1
R.D. Andal	Rank & File / Supervisor	1	-	-	-	-	-	1
J.M. Broqueza	Rank & File / Supervisor	1	-	-	-	-	-	1
J.C. Soto	Rank & File / Supervisor	1	-	-	-	-	-	1
J.Z. Alam	Rank & File / Supervisor	1	-	-	-	-	1	1
G.G. Castillo	Officer	1	-	-	-	-	1	1
A.C. Hayag	Rank & File / Supervisor	1	-	-	-	-	-	1
R.V. Liwanag	Rank & File / Supervisor	1	-	-	-	-	-	1
A.M. Marquez	Rank & File / Supervisor	1	-	-	-	-	-	1
R.T. Pahati Jr.	Rank & File / Supervisor	1	-	-	-	-	-	1
E.D. Parala	Rank & File / Supervisor	1	-	-	-	-	1	1
R.A. Peña	Rank & File / Supervisor	1	-	-	-	-	-	1
R.E. Pineda	Rank & File / Supervisor	1	-	-	-	-	-	1
W.M. Solas	Rank & File / Supervisor	1	1	(1)	-	-	1	1
L.D. Tejano	Officer	1	-	-	-	-	1	1
N.F. Fuedan	Rank & File / Supervisor	1	-	-	-	-	-	1
L.A. Gregorio	Rank & File / Supervisor	-	1	-	-	-	1	1
L.L. Cabauatan	Rank & File / Supervisor	1	-	-	-	-	-	1
C.B. Nalaunan	Rank & File / Supervisor	1	-	-	-	-	1	1
R.G. Waje	Rank & File / Supervisor	1	-	-	-	-	-	1
R.P. Malaiba	Rank & File / Supervisor	-	1	-	-	-	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
T.V. Pinca	Rank & File / Supervisor	1	-	-	-	-	-	1
O.S. Tirador	Rank & File / Supervisor	1	-	-	-	-	-	1
R.R. Bayot	Rank & File / Supervisor	1	-	-	-	-	-	1
P.R. Santos	Rank & File / Supervisor	1	-	-	-	-	1	1
L.G. Perey	Rank & File / Supervisor	1	-	-	-	-	-	1
E.M. Caancan	Rank & File / Supervisor	1	-	-	-	-	-	1
E.C. Camaing	Rank & File / Supervisor	-	1	-	-	-	1	1
E.A. Concepcion	Rank & File / Supervisor	-	1	-	-	-	1	1
R.A. Parado	Rank & File / Supervisor	1	-	-	-	-	-	1
G.V. Rodriguez	Rank & File / Supervisor	1	-	-	-	-	-	1
J.M. Santiago	Rank & File / Supervisor	1	-	-	-	-	-	1
R.C. Bay	Rank & File / Supervisor	1	-	-	-	-	-	1
R.S. Aquino	Rank & File / Supervisor	1	-	-	-	-	-	1
C.T. Biscocho	Rank & File / Supervisor	1	-	-	-	-	1	1
F.A. Macatangay	Rank & File / Supervisor	1	-	-	-	-	-	1
J.I. Baltazar Jr.	Rank & File / Supervisor	-	1	-	-	-	-	1
J.L. Pareja	Rank & File / Supervisor	1	-	-	-	-	-	1
A.B. Divinagracia	Rank & File / Supervisor	1	-	-	-	-	-	1
R.V. Dizon	Rank & File / Supervisor	1	-	-	-	-	-	1
R.C. Vargas	Rank & File / Supervisor	1	-	-	-	-	1	1
P.Y. Sanchez Jr.	Rank & File / Supervisor	-	1	-	-	-	1	1
R.P. Ugates	Rank & File / Supervisor	1	-	-	-	-	1	1
R.C. Delos Santos Jr.	Rank & File / Supervisor	1	-	-	-	-	-	1
T.T. Lopez Jr.	Officer	1	-	-	-	-	-	1
B.G. Luna	Rank & File / Supervisor	-	1	-	-	-	1	1
E.A. Rogador	Rank & File / Supervisor	1	-	-	-	-	1	1
J.D. Sotto	Rank & File / Supervisor	-	1	-	-	-	1	1
A.I. Manongsong	Rank & File / Supervisor	1	-	-	-	-	1	1
A.B. Alvarez	Rank & File / Supervisor	1	-	-	-	-	1	1
F.M. Aspuria	Rank & File / Supervisor	1	-	-	-	-	1	1
R.C. Cay	Rank & File / Supervisor	-	1	-	-	-	1	1
A.S. Dayrit	Officer	-	1	-	-	-	1	1
M.A. Quinto	Rank & File / Supervisor	1	-	-	-	-	1	1
A.P. Binauhan	Rank & File / Supervisor	-	1	-	-	-	1	1
L.C. Francisco	Rank & File / Supervisor	(1)	1	-	-	-	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
L.C. Capidos	Rank & File / Supervisor	1	-	-	-	-	1	1
A.D. Cruzado	Rank & File / Supervisor	1	-	-	-	-	-	1
R.N. Metica	Rank & File / Supervisor	-	1	-	-	-	1	1
R.A. Adorador	Rank & File / Supervisor	1	-	-	-	-	-	1
A.D. Gimang	Rank & File / Supervisor	1	-	-	-	-	-	1
F.C. Hermosa	Rank & File / Supervisor	1	-	-	-	-	-	1
R.M. Cantalejo	Rank & File / Supervisor	1	-	-	-	-	1	1
J.I. Palma	Rank & File / Supervisor	-	1	-	-	-	1	1
F.B. De Guzman	Rank & File / Supervisor	1	-	-	-	-	-	1
G.C. Cruzado	Rank & File / Supervisor	1	-	-	-	-	-	1
R.T. Ramos	Rank & File / Supervisor	1	-	-	-	-	-	1
R.B. Magdaong	Rank & File / Supervisor	1	-	-	-	-	1	1
A.A. Andallo	Rank & File / Supervisor	1	-	-	-	-	-	1
D.L. Samson	Rank & File / Supervisor	1	-	-	-	-	-	1
M.N. Caraan	Rank & File / Supervisor	1	-	-	-	-	1	1
A.D. Bautista	Rank & File / Supervisor	1	-	-	-	-	1	1
B.P. Oclarino	Rank & File / Supervisor	1	-	-	-	-	-	1
H.H. Hara	Rank & File / Supervisor	1	-	-	-	-	-	1
D.F. Mendiola	Officer	-	1	-	-	-	1	1
A.Y. Aguilar	Rank & File / Supervisor	-	1	-	-	-	1	1
C.F. Tolete	Rank & File / Supervisor	-	1	-	-	-	1	1
A.A. Viloría	Rank & File / Supervisor	-	1	-	-	-	-	1
R.A. Sampan	Officer	-	1	-	-	-	1	1
E.S. Araracap	Rank & File / Supervisor	-	1	-	-	-	1	1
C.B. Agapito	Rank & File / Supervisor	-	1	-	-	-	-	1
C.D. Malaguit	Rank & File / Supervisor	-	1	-	-	-	1	1
J.D. Cabrera	Rank & File / Supervisor	-	1	-	-	-	1	1
F.M. Montero	Rank & File / Supervisor	-	1	-	-	-	1	1
P.D. De Torres	Rank & File / Supervisor	-	1	-	-	-	1	1
R.F. Dela Cruz	Rank & File / Supervisor	-	1	-	-	-	1	1
M.D. Gonzales	Rank & File / Supervisor	-	1	-	-	-	1	1
M.C. Fernandez	Rank & File / Supervisor	-	1	-	-	-	1	1
E.C. Pedriña	Rank & File / Supervisor	-	1	-	-	-	1	1
M.C. Arca	Rank & File / Supervisor	-	1	-	-	-	1	1
O.J. Dante Jr.	Rank & File / Supervisor	-	1	-	-	-	1	1

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
R.A. Evangelista	Rank & File / Supervisor	-	1	-	-	-	1	1
V.A. Acebuche	Rank & File / Supervisor	-	1	-	-	-	-	1
M.C. Desepeda	Rank & File / Supervisor	-	1	-	-	-	-	1
A.L. Carrasca	Rank & File / Supervisor	-	1	-	-	-	-	1
A.D. Barcia	Rank & File / Supervisor	-	1	-	-	-	1	1
J.C. Laurenaria	Rank & File / Supervisor	-	1	-	-	-	-	1
A.G. Alaurin	Rank & File / Supervisor	-	1	-	-	-	-	1
R.B. Polero	Rank & File / Supervisor	-	1	-	-	-	-	1
E.B. Balderama	Rank & File / Supervisor	-	1	-	-	-	-	1
C.B. Dacir	Rank & File / Supervisor	-	1	-	-	-	1	1
M.A. Zalameda,	Officer	-	1	-	-	-	1	1
J.B. Tablizo	Rank & File / Supervisor	-	1	-	-	-	1	1
B.F. Felipe	Rank & File / Supervisor	-	1	-	-	-	1	1
L.R. Aspiras	Rank & File / Supervisor	-	1	-	-	-	1	1
M.L. Gardiner	Officer	-	1	-	-	-	1	1
F.E. Bautista	Rank & File / Supervisor	-	1	-	-	-	-	1
M.L. Lubugan	Rank & File / Supervisor	-	1	-	-	-	-	1
G.M. Castro	Rank & File / Supervisor	-	1	-	-	-	1	1
E.A. Capunitan	Rank & File / Supervisor	-	1	-	-	-	1	1
R.L. Martinez	Rank & File / Supervisor	-	1	-	-	-	1	1
J.N. Velasco Jr.	Rank & File / Supervisor	-	1	-	-	-	1	1
R.D. Pelobello	Rank & File / Supervisor	-	1	-	-	-	1	1
E.D. Mangila	Rank & File / Supervisor	-	1	-	-	-	1	1
M.A. Gache	Rank & File / Supervisor	-	1	-	-	-	1	1
J.J. Lacatan	Rank & File / Supervisor	-	1	-	-	-	1	1
R.V. Arellano	Rank & File / Supervisor	-	1	-	-	-	1	1
L.L. Elomina	Rank & File / Supervisor	-	1	-	-	-	1	1
P.D. Dean	Rank & File / Supervisor	-	-	(1)	-	(1)	-	(1)
		₱185	₱78	(₱4)	₱-	(₱1)	₱128	₱259

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
Toyota San Fernando Pampanga, Inc.	Subsidiary of Toyota Motor Philippines Corp.	₱195	₱34	₱229	₱-	₱ 229
Toyota Makati, Inc.	-do-	199	96	295	-	295
Lexus Manila, Inc.	-do-	310	(296)	14	-	14
Toyota Sta. Rosa Laguna Inc.	-do-	55	77	132	-	132
TMP Logistics, Inc.	-do-	14	(8)	6	-	6
Topsphere Realty Development Co. Inc.	Subsidiary of Federal Land, Inc.	823	101	924	-	924
Omni Orient Management Corp.	-do-	4	-	4	-	4
Central Realty & Dev't Corp.	-do-	328	-	328	-	328
Horizon Land Property Development Corp.	-do-	1,967	(1,695)	272	-	272
TMBC Insurance Agency Corporation	Subsidiary of Toyota Manila Bay Corporation	1	-	1	-	1
Oxfordshire Holdings, Inc.	-do-	26	(7)	19	-	19
		₱3,922	(₱1,698)	₱2,224	₱-	₱2,224

Schedule D. 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	₱3,899	₱-	Interest rate of 4.8371% and will mature on February 27, 2020
Bonds payable	6,100	-	6,076	Interest rate of 5.0937% and will mature on February 27, 2023
Bonds payable	5,000	-	4,986	Interest rate of 5.1965% and will mature on August 7, 2021
Bonds payable	4,000	-	3,978	Interest rate of 5.6250% and will mature on August 7, 2024
	19,000	3,899	15,040	
Note Facility Agreement	4,850	3,871	979	Annual payment of ₱25 million from 2014 to 2020, ₱5 million payable in years 2021 and 2022; ₱955 million payable on July 5, 2023
Loans payable	7,000	-	6,982	Interest rate of 5.556% and will mature on March 26, 2025
Loans payable	6,000	-	5,984	Interest rate of 5.0500% and will mature on March 26, 2025
Loans payable	2,000	-	1,994	Interest rate of 5.8081% and will mature on December 4, 2027
Loans payable	4,000	-	3,985	Interest rate of 5.8075% and will mature on December 3, 2027
Loans payable	2,000	-	1,992	Interest rate of 5.9343% and will mature on December 22, 2028
Loans payable	4,000	-	3,986	Interest rate of 5.5556% and will mature on December 22, 2026
Loans payable	10,000	-	9,933	Interest rate of 7.3232% and will mature on March 27, 2030
Loans payable	15,000	-	14,903	Interest rate of 6.5687% and will mature on March 27, 2028
Loans payable	3,000	-	2,978	Interest rate of 5.44824% and will mature on November 4, 2029
Loans payable	10,790	-	10,728	Interest rate of 3-month JPY Libor plus 0.65% spread and will mature in July 2024
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
Loans payable	1,100	157	861	Interest rates ranging from 4.85% to 5.94% and will mature on May 29, 2026
Loans payable	2,000	-	1,998	Interest rate of 2.8% and will mature on August 25, 2021
Loans payable	200	-	200	Interest rate of 2.6% and will mature on November 22, 2021
Loans payable	536	-	535	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	300	-	300	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	200	-	200	Interest rate of 2.55% and will mature on November 22, 2021
Loans payable	3,264	-	3,257	Interest rate of 2.60% to 2.90% and will mature in 2022
Loans payable	6,511	435	6,075	₱2,000 million with fixed interest rate of 5.8422% per annum will mature on December 20, 2024; ₱1,500 million with fixed interest rate of 5.8591% per annum will mature on December 22, 2024; ₱2,000 million payable at 40% quarterly payment starting at the end of 5th year and 60% on December 23, 2024 with fixed interest rate of 5.6658% per annum; ₱1,100 payable at 40% quarterly payment at the end of 5th year to 9th year and 60% on December 20, 2024 with fixed interest rate of 5.05% per annum.
Loans payable	2,200	-	2,200	Fixed interest rate of 5.05%. Principal payment of the loan will start on December 31, 2020 to 2024 at the amount of ₱176 million per year and the remaining balance will be paid on maturity date.
Loans payable	800	-	800	Interest rate of 6.07% with a term of 20 years and will be paid in full on maturity date.
Loans payable	200	200	-	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	335	-	335	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	140	140	-	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	120	120	-	Interest rate of 5.0% with a term of 5 years and will be paid in full on maturity date.
Loans payable	200	-	199	Interest rate of 5.8633%, subject to equal annual principal amortization amounting to ₱0.20 million starting on May 29, 2021 and fully payable on May 29, 2026
Loans payable	225	13	212	Interest rate of 5.25%, due in annual payment of ₱12.5 million starting on September 2018 and fully payable on September 5, 2021
Loans payable	100	-	100	Interest rate of 5.725% and will mature on March 16, 2022
Loans payable	500	-	498	Interest rate of 5.9625% and will mature on November 4, 2022
Loans payable	2,500	-	2,486	Interest rate of 4.25% and will mature on June 29, 2023
Loans payable	675	38	635	Interest rates of 6.6728% and 6.7097% and will mature on September 5, 2021
Loans payable	1,280	-	1,270	Interest rate of 5.30% and will mature on November 23, 2024
Loans payable	300	-	298	Interest rate of 5.29% and will mature on November 26, 2024

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Other details
		"Current portion of long-term debt" in related balance sheet (ii)		
	92,572	4,974	87,149	
	₱111,572	₱8,873	₱102,189	

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

Name of related party	Balance at		Remarks
	beginning of period	Balance at end of period	
Metropolitan Bank & Trust Co.	₱9,000	₱9,000	
Toyota Aisin Philippines, Inc.	79	79	
Metropolitan Bank & Trust Co.	850	925	

Schedule F. Guarantees of Securities of Other Issuers

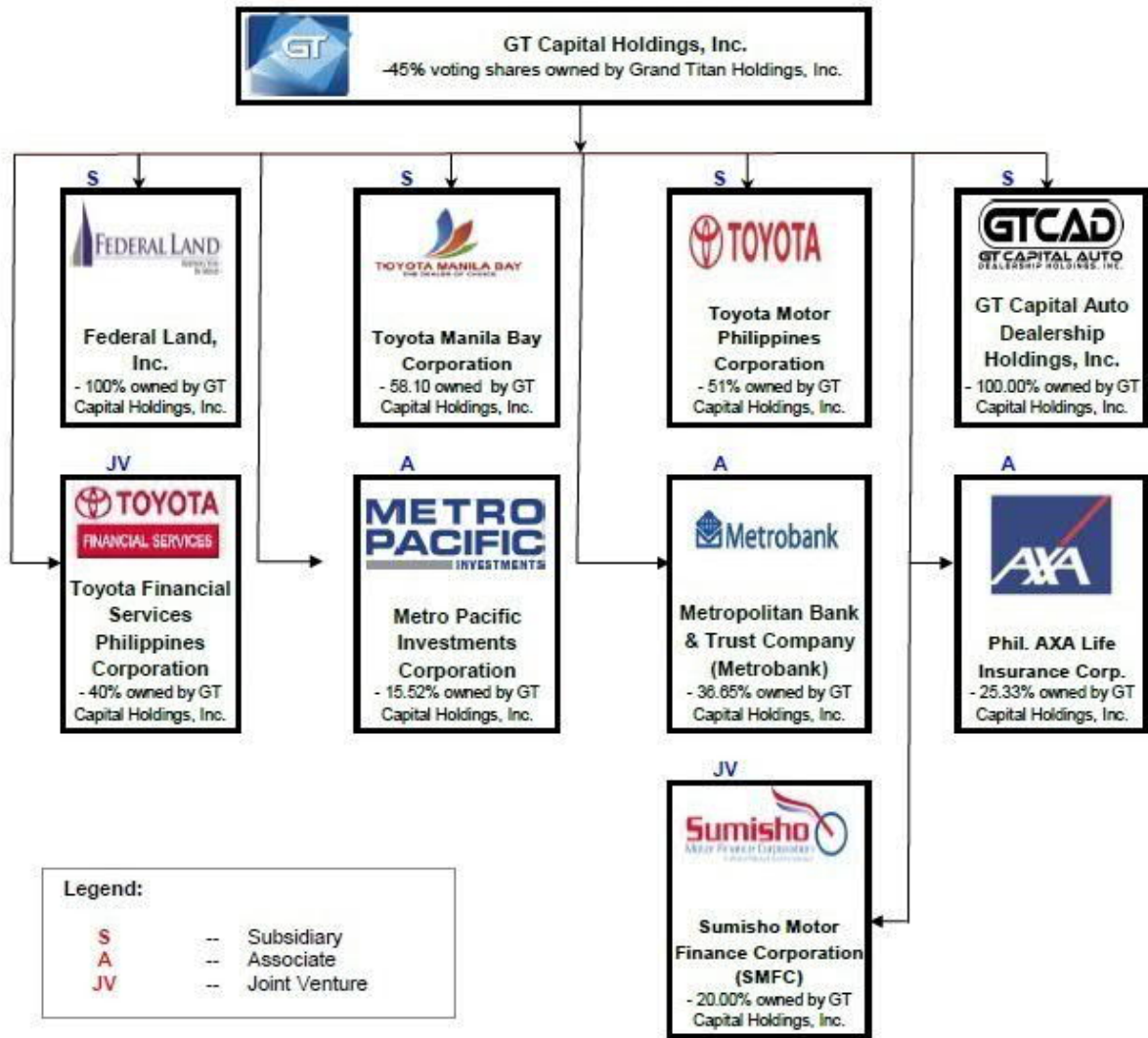
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
NONE				

Schedule G. 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	215,284,587	–	120,413,658	492,648		94,378,281
Voting preferred stock	174,300,000	174,300,000	–	170,490,640	722,548		3,086,812
Perpetual preferred stock	20,000,000	12,000,000	–	–	4,400		11,995,600

GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF RELATIONSHIP BETWEEN AND AMONG THE PARENT COMPANY AND ITS SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AS OF DECEMBER 31, 2019

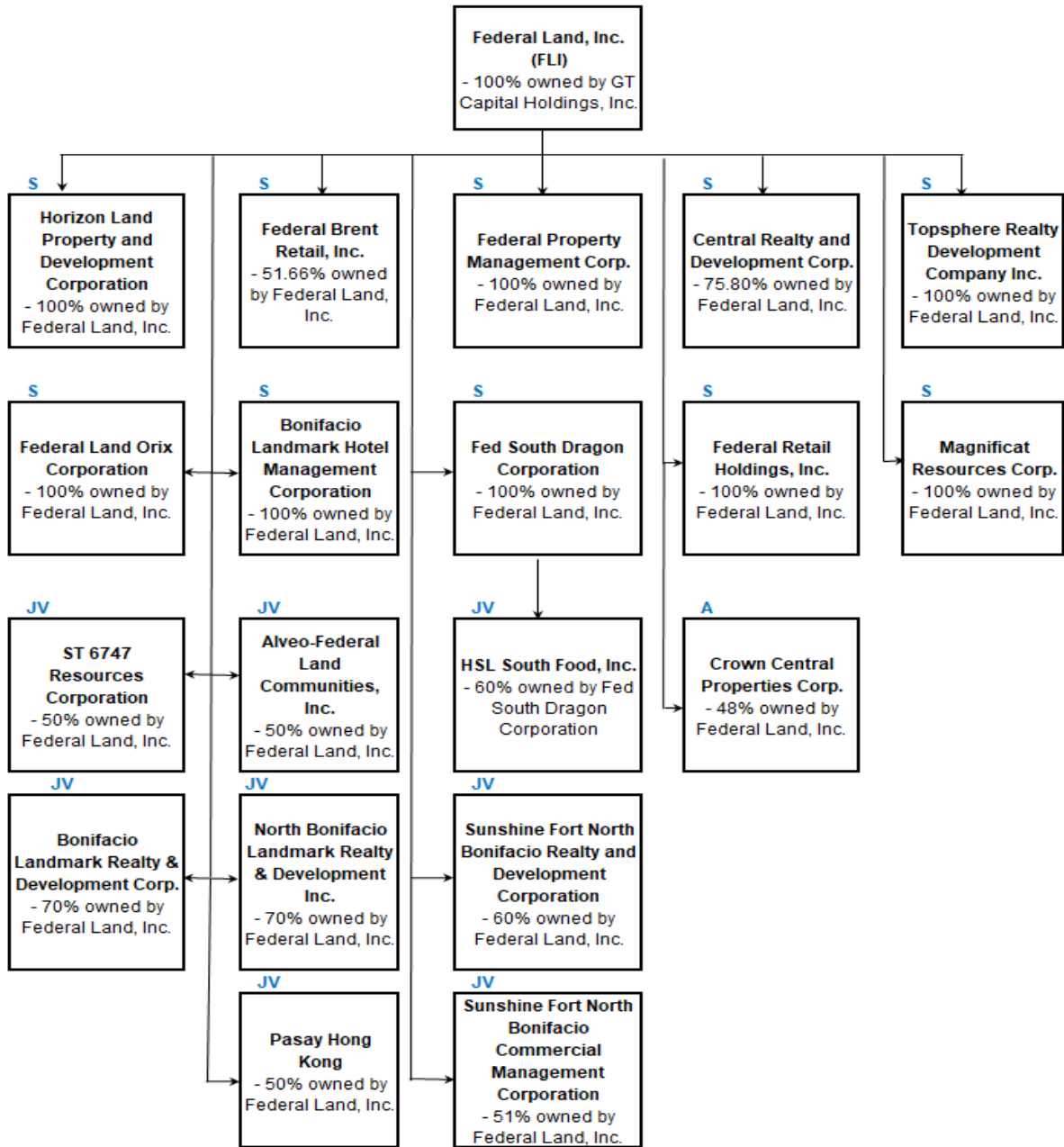


LEGEND:
Subsidiary (S)
Associate (A)
Joint Venture (JV)

FEDERAL LAND, INC.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

AS OF DECEMBER 31, 2019

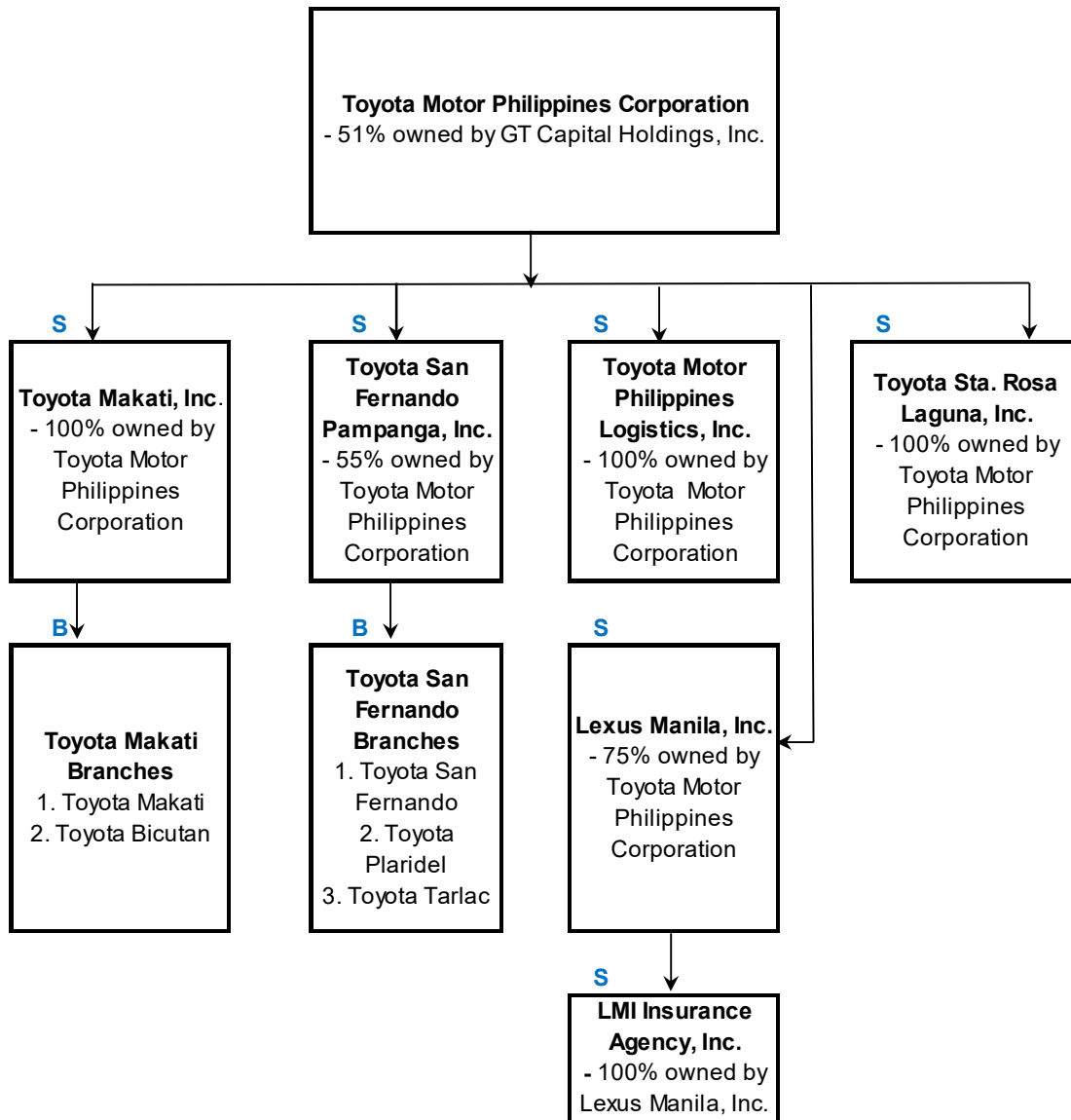


LEGEND:
Subsidiary (S)
Associate (A)
Joint Venture (JV)

TOYOTA MOTOR PHILIPPINES CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2019



LEGEND:

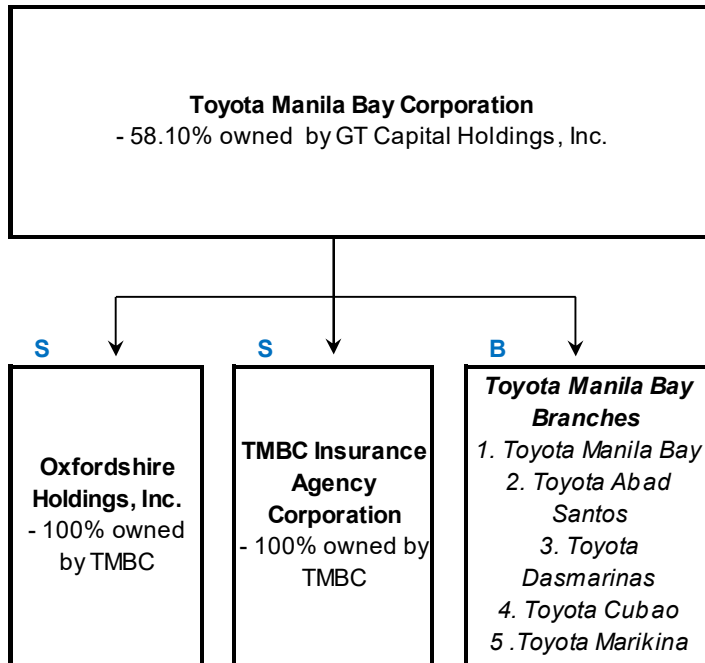
Subsidiary (S)

Branch (B)

TOYOTA MANILA BAY CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2019



LEGEND:

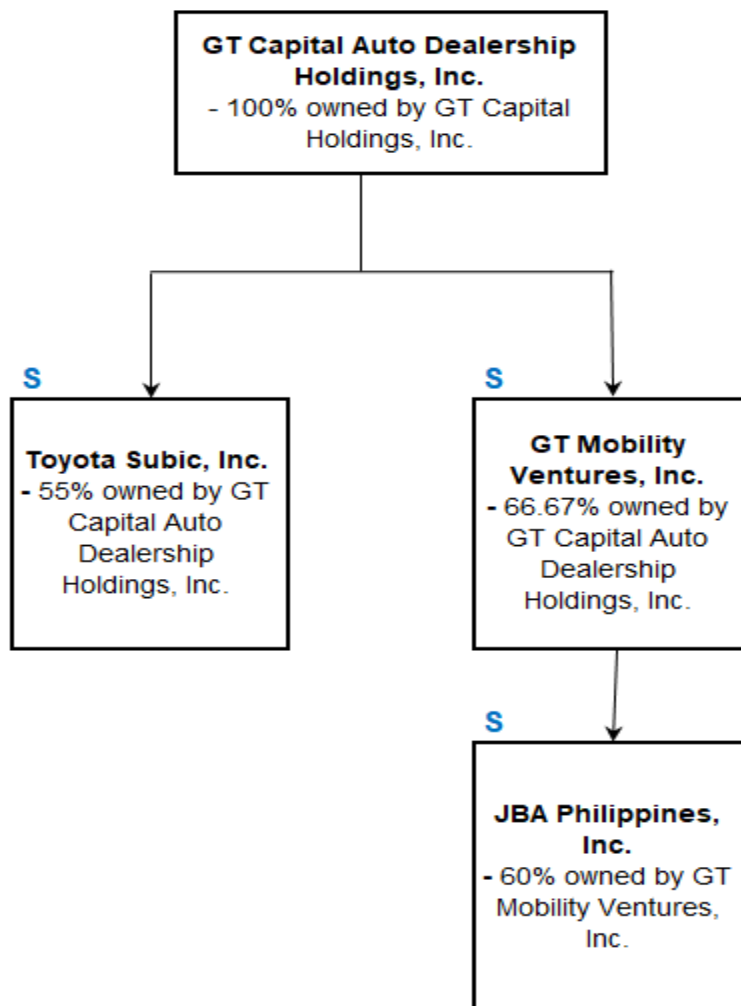
Subsidiary (S)

Branch(B)

GT CAPITAL AUTO DEALERSHIP HOLDINGS, INC.

SUBSIDIARIES

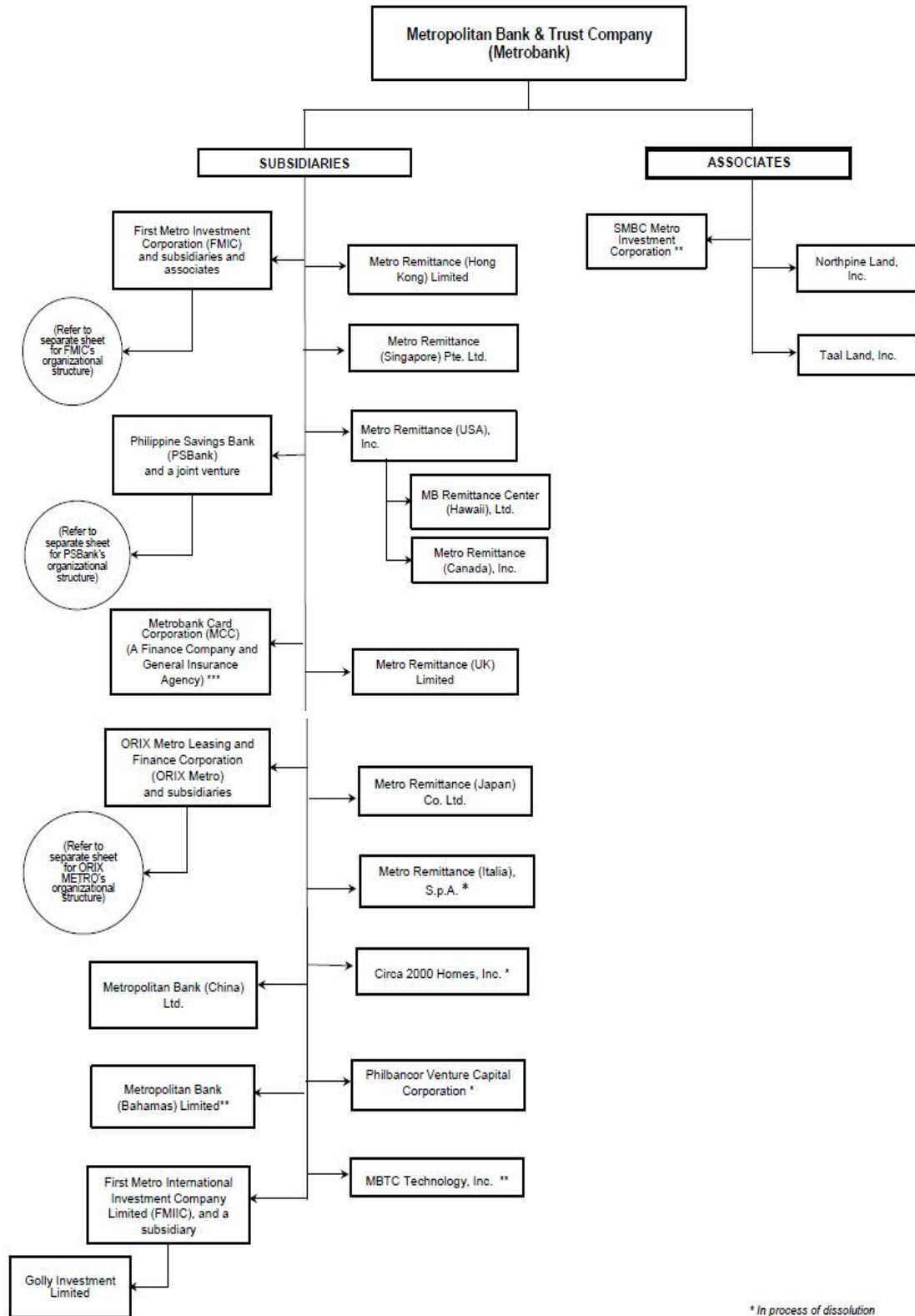
AS OF DECEMBER 31, 2019



LEGEND:

Subsidiary (S)

METROPOLITAN BANK AND TRUST COMPANY
SUBSIDIARIES AND ASSOCIATES
AS OF DECEMBER 31, 2019

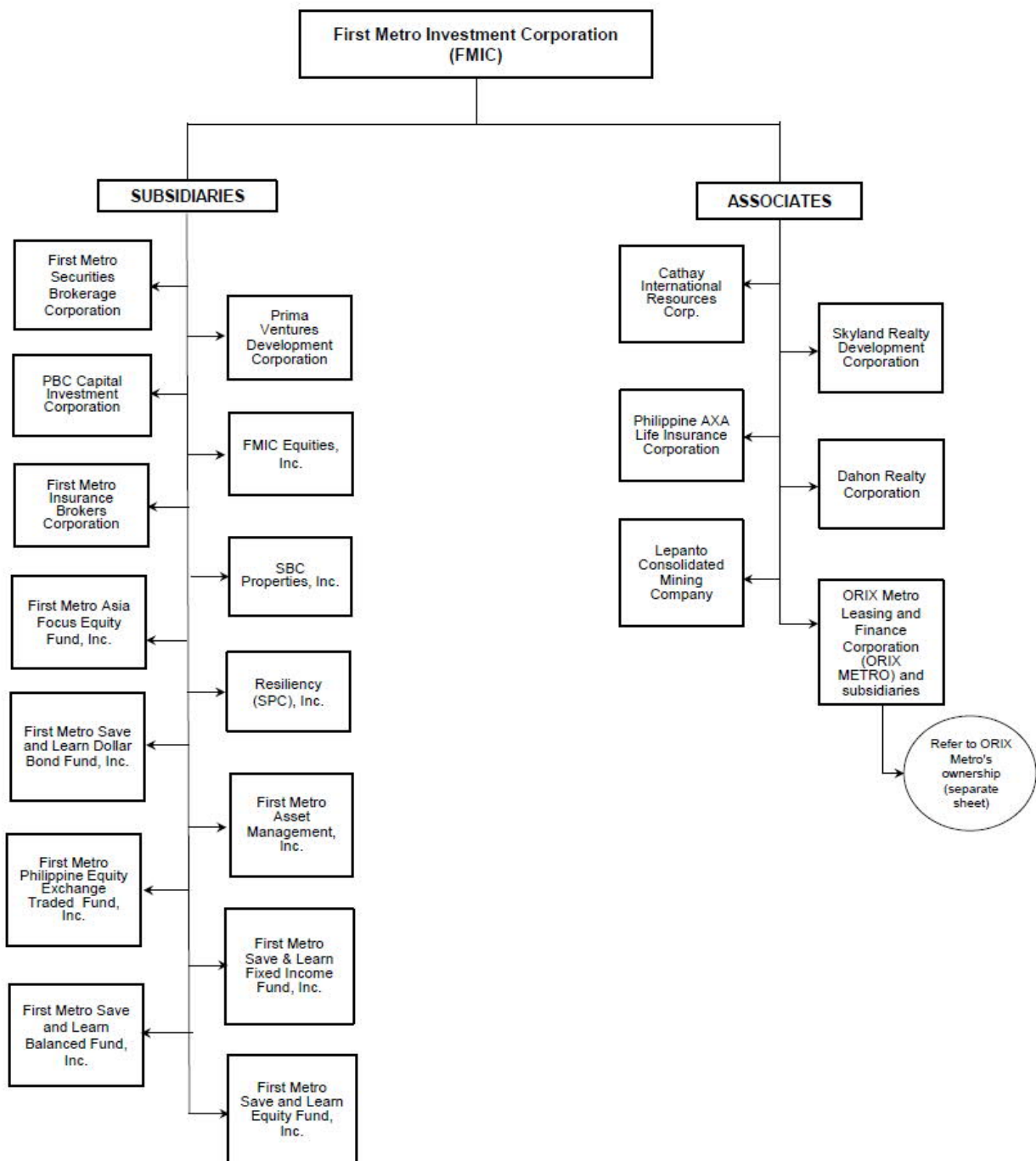


* In process of dissolution

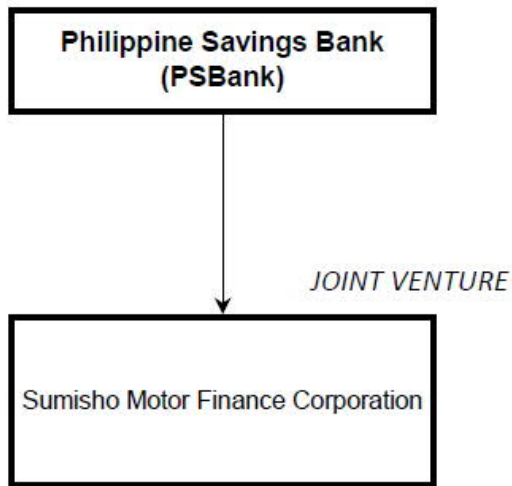
** In process of liquidation

*** The SEC approved the merger of MCC into the Bank effective January 3, 2020

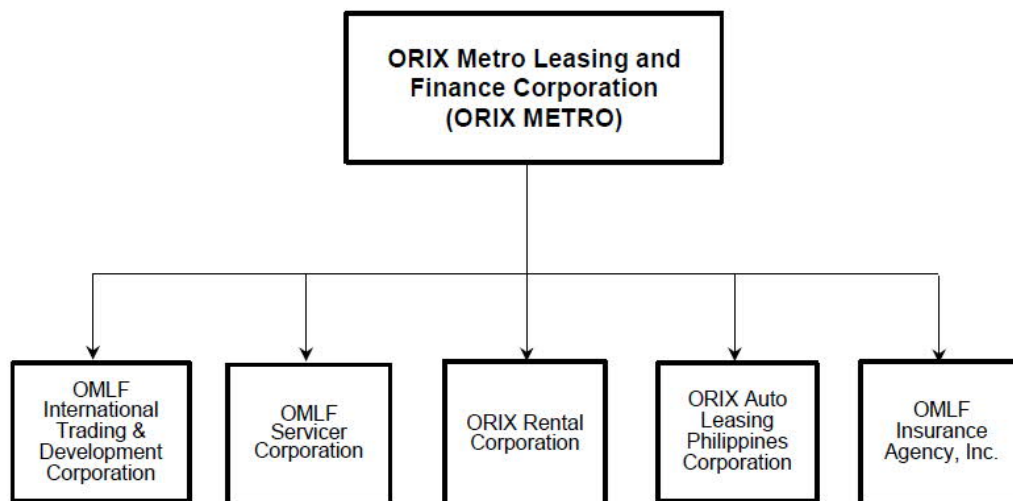
First Metro Investment Corporation
 Subsidiaries, Joint Venture and Associates
 As of December 31, 2019



Philippine Savings Bank
Joint Venture
As of December 31, 2019



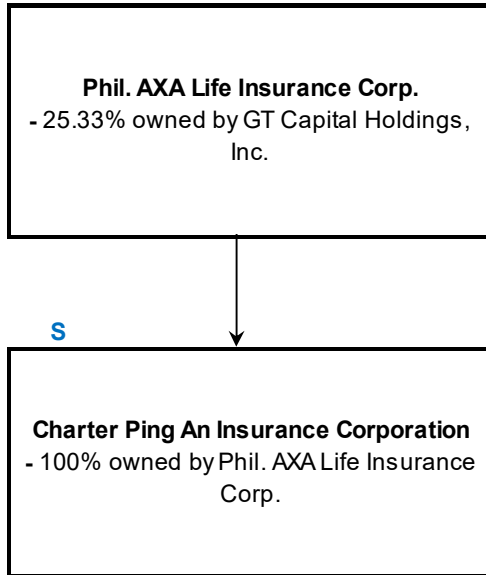
ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2019



PHILIPPINE AXA LIFE INSURANCE CORPORATION

SUBSIDIARY

AS OF DECEMBER 31, 2019

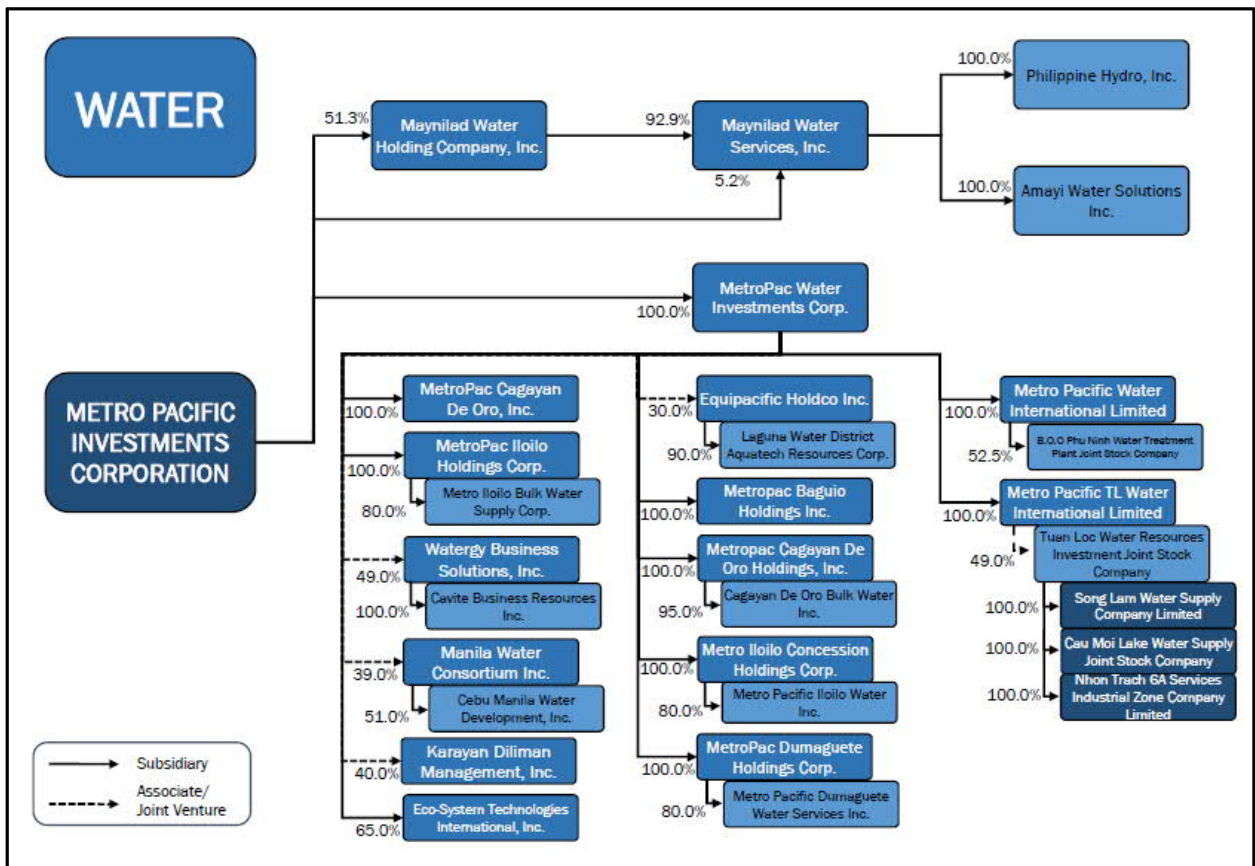
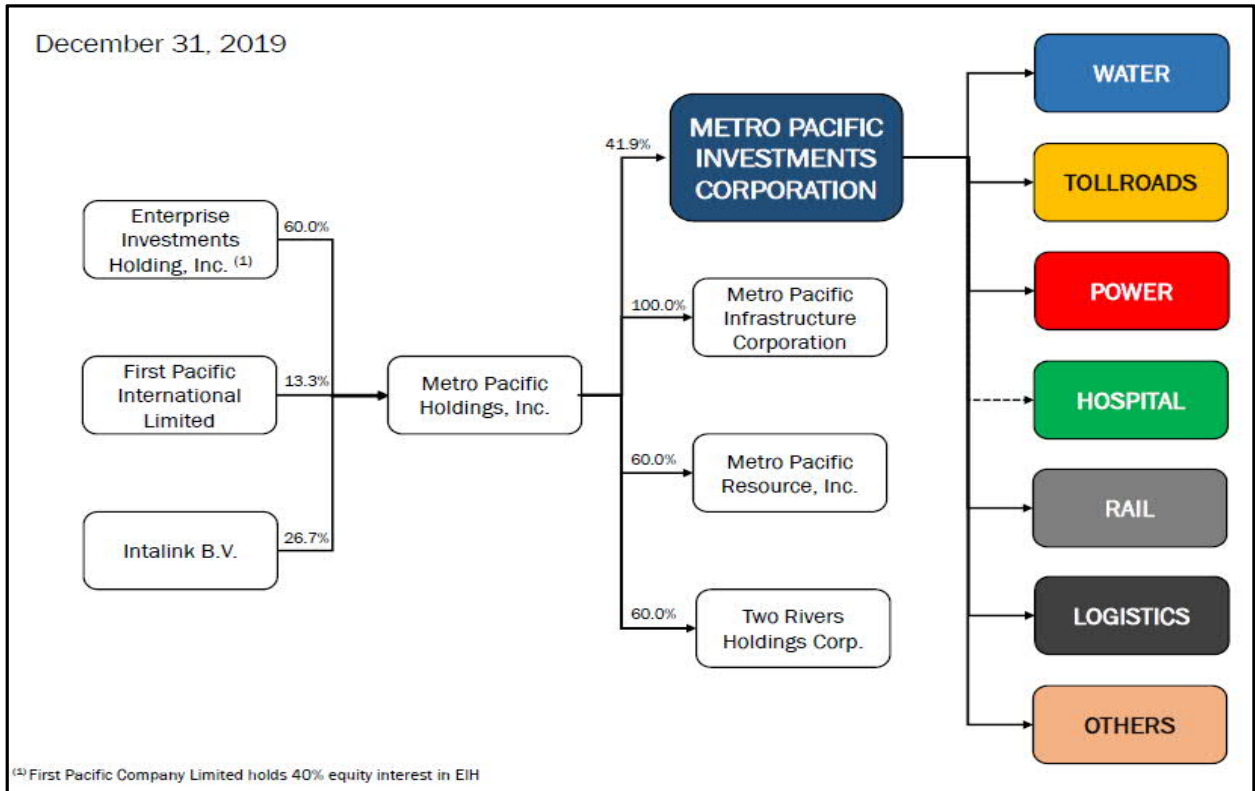


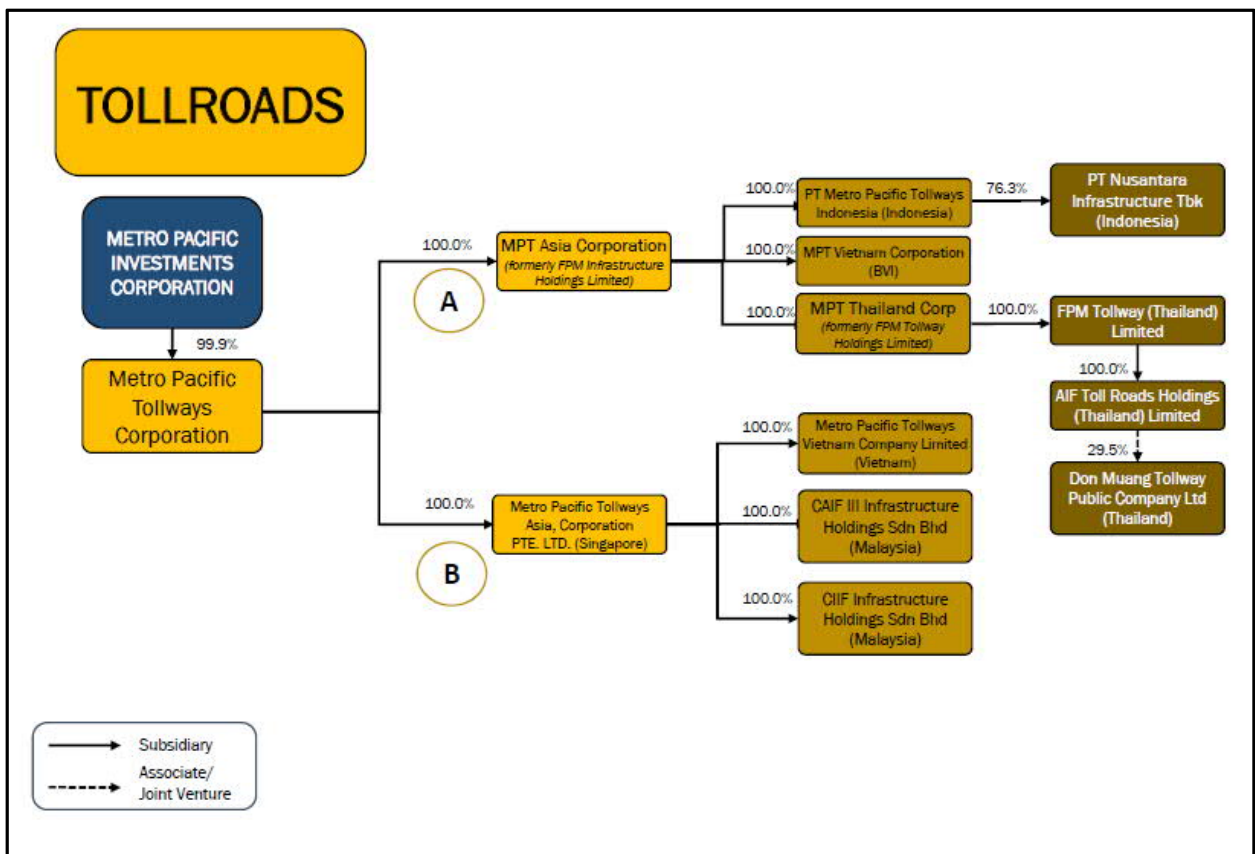
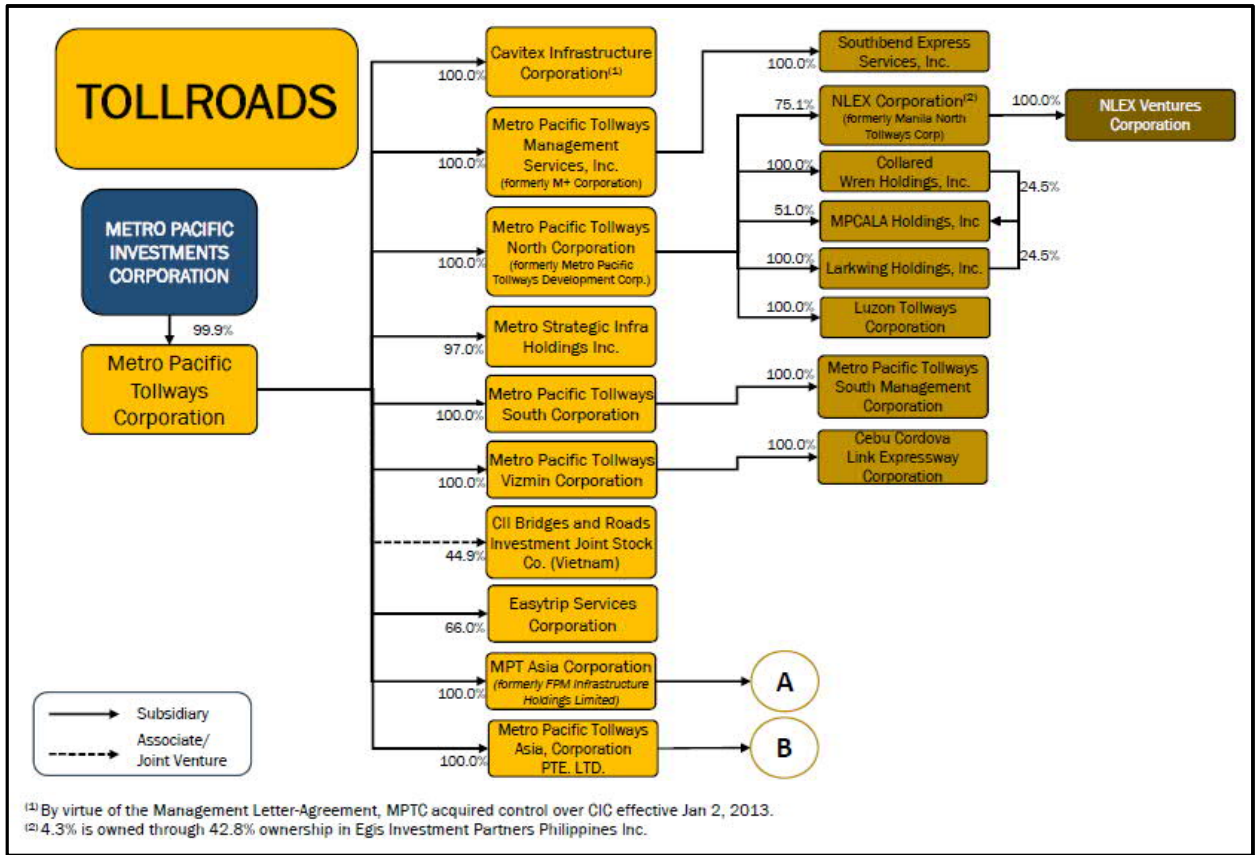
LEGEND:
Subsidiary (S)

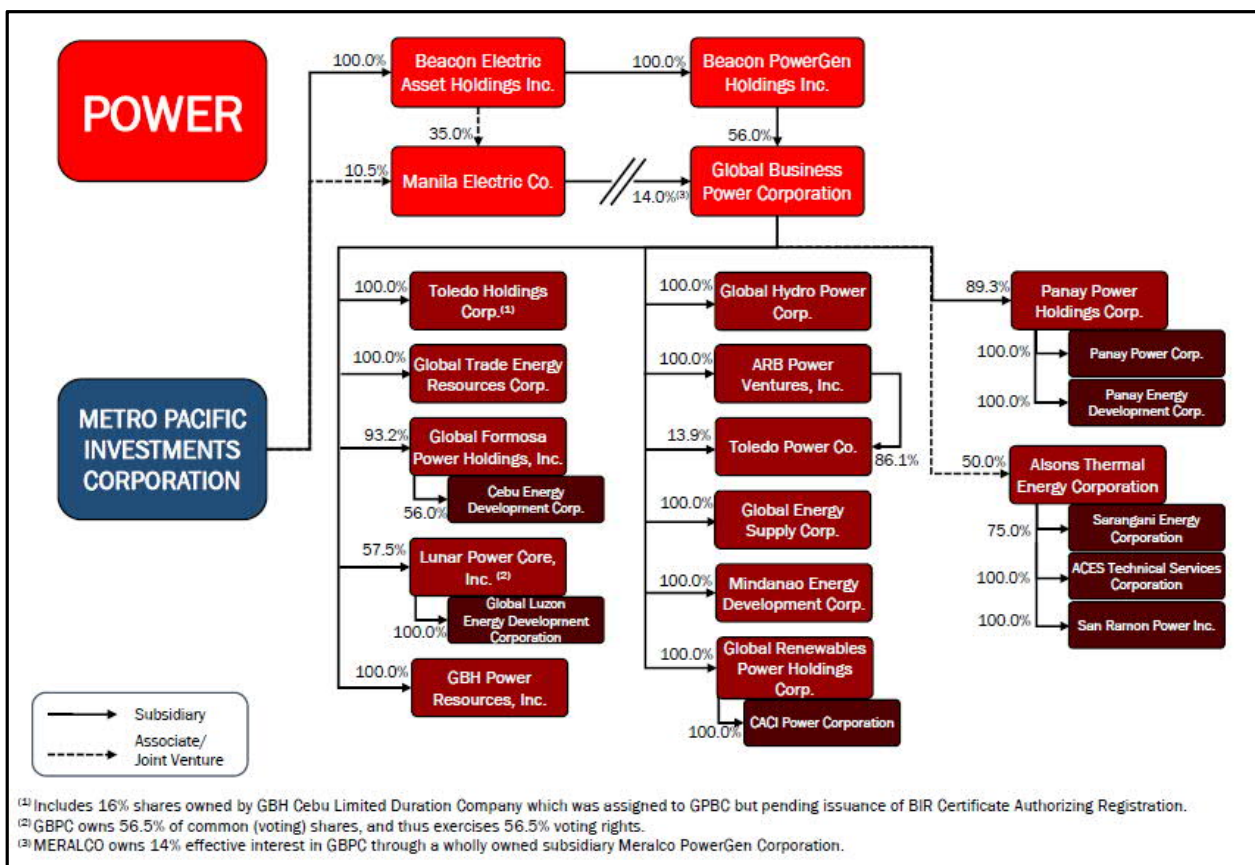
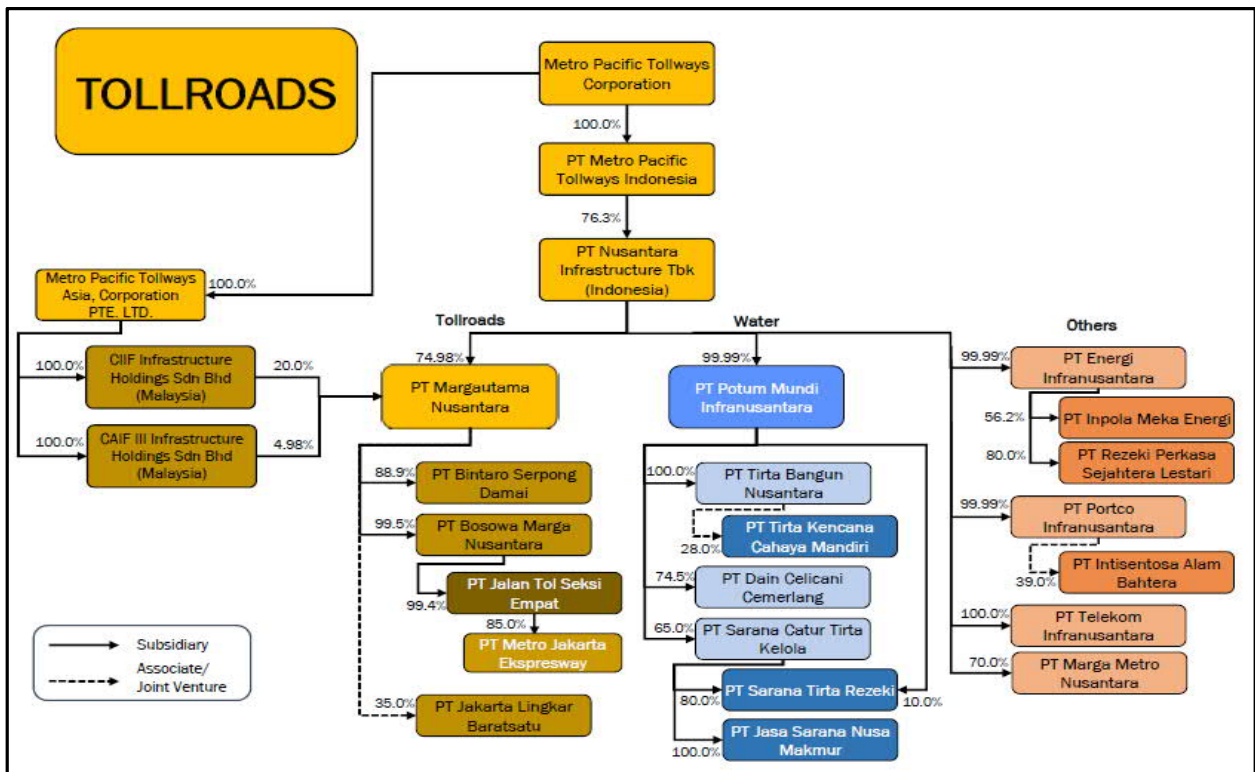
METRO PACIFIC INVESTMENTS CORPORATION

SUBSIDIARIES

AS OF DECEMBER 31, 2019



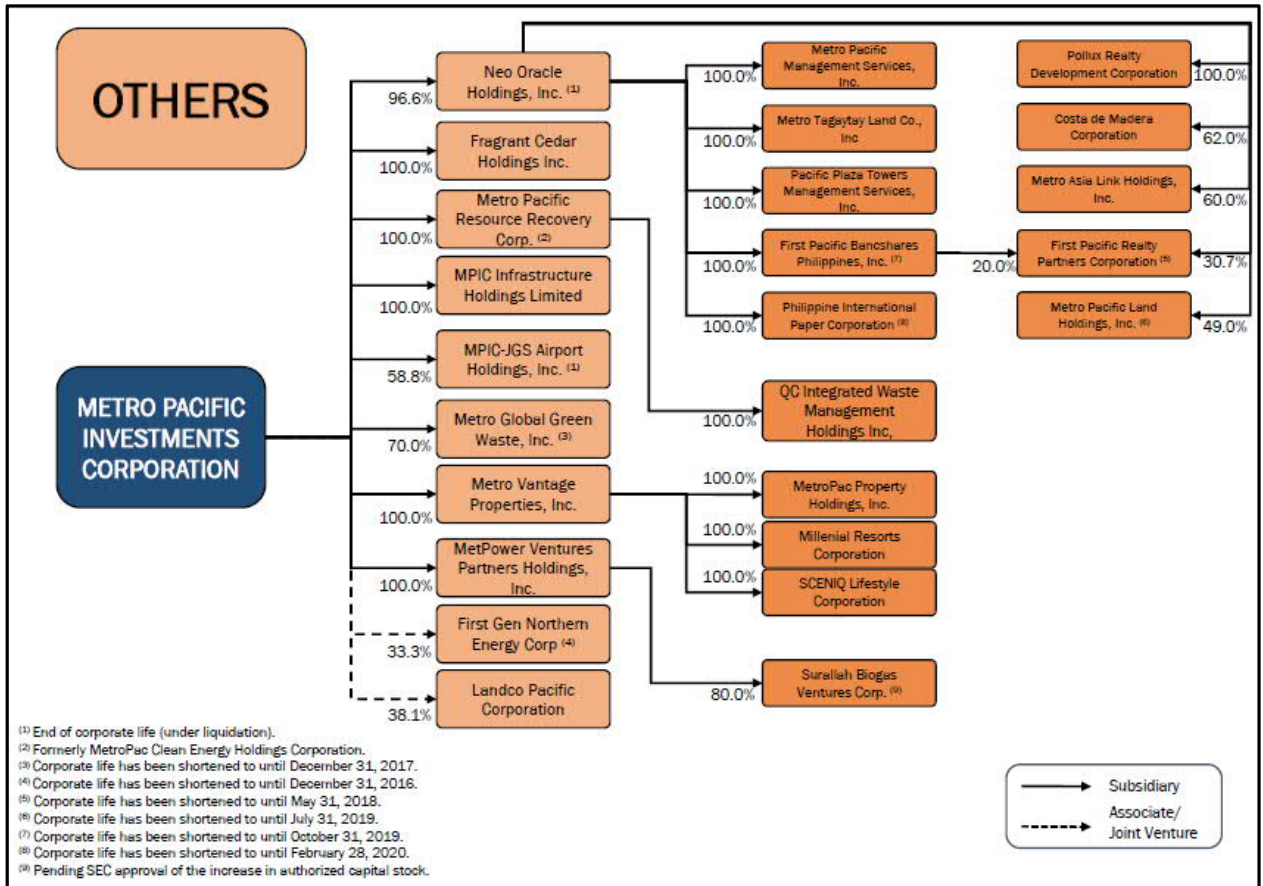
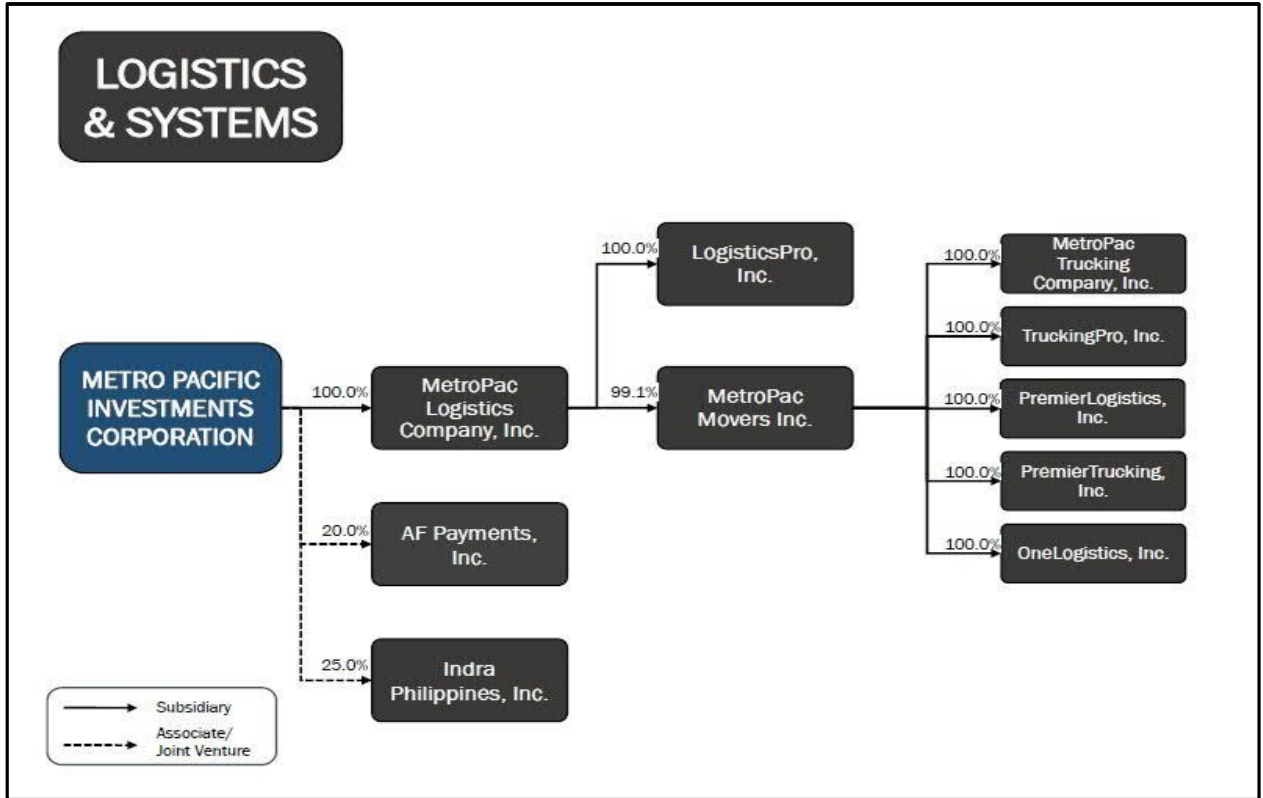




⁽¹⁾ Includes 16% shares owned by GBH Cebu Limited Duration Company which was assigned to GPBC but pending issuance of BIR Certificate Authorizing Registration.

⁽²⁾ GBPC owns 56.5% of common (voting) shares, and thus exercises 56.5% voting rights.

⁽³⁾ MERALCO owns 14% effective interest in GBPC through a wholly owned subsidiary Meralco PowerGen Corporation.



GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS****AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019, 2018 AND 2017**

	2019	2018 (As restated)	2017 (As restated)
Liquidity Ratio			
Current ratio	2.13	2.43	3.05
Current assets	₱118,122	₱126,926	₱130,624
Current liabilities	55,581	52,337	42,790
Solvency Ratio			
Total liabilities to total equity ratio	0.89	0.98	0.77
Total liabilities	168,334	176,838	133,501
Total equity	189,320	180,828	172,527
Debt to equity ratio	0.67	0.72	0.53
Total debt	127,736	130,869	91,132
Total equity	189,320	180,828	172,527
Asset to Equity Ratio			
Asset to equity ratio	1.89	1.98	1.77
Total assets	357,654	357,666	306,028
Total equity	189,320	180,828	172,527
Interest Rate Coverage Ratio*			
Interest rate coverage ratio**	5.12	4.24	6.65
Earnings before interest and taxes (EBIT) **	34,468	25,615	28,146
Interest expense**	6,737	6,041	4,230
Profitability Ratio			
Return on average assets	5.68%	3.96%	5.03%
Net income attributable to Parent Company	20,309	13,156	14,372
Average assets	357,660	331,847	285,737
Return on Average Equity	12.18%	8.74%	11.06%
Net income attributable to Parent Company	20,309	13,156	14,372
Average equity attributable to Parent Company	166,805	150,576	129,908
Income before income tax**	30,240	21,656	26,002
Interest expense**	6,737	6,041	4,230
Interest income**	2,509	2,082	2,086
EBIT**	34,468	25,615	28,146

*computed as EBIT/Interest Expense

**consist of continuing and discontinued operations