



# MACROASIA CORPORATION

24 June 2015



**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
Mandaluyong City

Attention : **Mr. Vicente Graciano P. Felizmenio, Jr.**  
Director, Markets and Securities Regulation Department

Re : **Information Statement of MacroAsia Corporation**

Gentlemen:

We reply to your letter dated 18 June 2015, a copy of which we received on 23 June 2015. This is in connection with SEC Form 20-IS (Preliminary Information Statement) and Management Report of MacroAsia Corporation (the "Company") which we filed with the SEC on 17 June 2015.

We enclose marked-up copies of the Information Statement and Management Report which incorporate the amendments required by the SEC, per the checklist below:

SEC's Comments/Requirements	
Identify the person/s who will vote the shares held by PAL Holdings, Inc. and Conway Equities, Inc. in the forthcoming Annual Stockholders' Meeting	Please see page 2.
Provide brief reason(s) for and the general effect of the amendments to the Articles of Incorporation and By-laws	Please see pages 14-15.
Disclose in the Management's Discussion and Analysis or Plan of Operations the items required by Part III (A) of Annex C	Please see pages 30-34.
Provide the latest stock price as of the latest practicable trading date	Please see page 45.



## MACROASIA CORPORATION

We trust that our Company's SEC Form 20-IS (Information Statement) and Management Report are now in full compliance with SRC Rules and can be distributed to the stockholders of record of the Company as of 15 June 2015.

Very truly yours,

**FLORENTINO M. HERRERA III**  
Corporate Secretary

L1-SEC (062315)  
LTC 1683/MAC/correspondence/2015



# **ANNUAL STOCKHOLDERS' MEETING**

**JULY 17, 2015**

Kachina Room, Century Park Hotel, 599 P. Ocampo Sr. Street, Malate, Manila

## **DEFINITIVE INFORMATION STATEMENT**



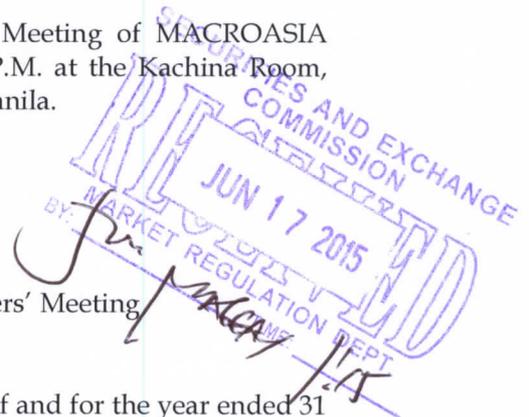
# MACROASIA CORPORATION

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of MACROASIA CORPORATION will be held on Friday, 17 July 2015, at 3:00 P.M. at the Kachina Room, Century Park Hotel, 599 Pablo Ocampo Sr. Street, 1004 Malate, Manila.

The Agenda of the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 18 July 2014
4. Management Report
5. Approval of the Audited Financial Statements as of and for the year ended 31 December 2014
6. Approval, Confirmation & Ratification of all Acts, Proceedings and Resolutions of the Board of Directors and Management since the Annual Stockholders' Meeting held on 18 July 2014 up to 17 July 2015
7. Amendment of the Sixth Article of the Articles of Incorporation to increase the number of directors from nine (9) to eleven (11)
8. Amendment of the By-laws: (i) to reflect the abolition of the position of Vice-Chairman and in view thereof, the deletion of any and all references to the position of Vice-Chairman in Article II, Section 2.05 and Article V, Section 5.01 of the By-laws; and (ii) to include a provision in Article V of the By-laws creating the position of Co Chairman
9. Amendment of the By-laws: (i) Article V, Section 5.02 - to reflect that the Chairman shall be the Chief Executive Officer of the Corporation and to specify his powers and duties; and (ii) Article V, Section 5.03 - to reflect that the President shall be the Chief Operating Officer of the Corporation and to specify his powers and duties
10. Election of Directors
11. Appointment of External Auditor
12. Other Matters
13. Adjournment



The Board of Directors has set 15 June 2015 as the record date in determining the stockholders entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

Stockholders who will not be able to attend the meeting may designate their respective proxies and submit the proxy forms to the Office of the Corporate Secretary at 12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City not later than 10 July 2015.

For your convenience in registering your attendance, please bring some form of identification such as your company I.D., passport or driver's license. Registration will start at 2:30 P.M. on 17 July 2015.

FLORENTINO M. HERRERA III  
Corporate Secretary

**ANNUAL STOCKHOLDERS' MEETING**  
**MACROASIA CORPORATION**  
17 July 2015, 3:00 P.M.  
Kachina Room, Century Park Hotel,  
599 Pablo Ocampo Sr. Street, 1004 Malate, Manila

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13. Adjournment

## PROXY

### KNOW ALL MEN BY THESE PRESENTS:

The undersigned, a stockholder of **MACROASIA CORPORATION** ("Corporation"), hereby constitutes and appoints \_\_\_\_\_ with power of substitution, to be his/her/its true and lawful Attorney, agent, and proxy to attend and represent the undersigned and to vote all shares registered in his/her/its name on the books of the Corporation or owned by the undersigned, at the Annual Stockholders' Meeting of the Corporation on Friday, 17 July 2015 at 3:00 P.M. at the Kachina Room, Century Park Hotel, 599 Pablo Ocampo Sr. Street, 1004 Malate, Manila and any adjournment thereof as fully to all intents and purposes as the undersigned might do if present and acting in person.

Hereby giving and granting unto said attorney, agent, and proxy full and complete power and authority to do every act and thing whatsoever necessary or requisite to be done in and about the premises, as fully to all intents and purposes as the undersigned could do if personally present and acting in person, hereby ratifying and confirming all that anyone of them shall lawfully do or cause to be done under and by virtue hereof, and hereby revoking any proxy or proxies to vote said shares heretofore given by the undersigned to any person or persons whomsoever.

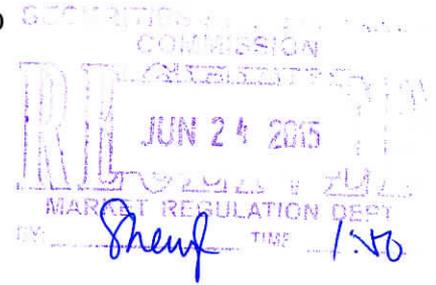
In case of the non-attendance of my proxy, I authorize and empower the Chairman of the Meeting or the President of the Corporation to fully exercise all rights as my proxy at said meeting. I hereby confirm and ratify any and all acts lawfully done by my proxy.

IN WITNESS WHEREOF, the undersigned has executed this proxy this \_\_\_\_\_ day of \_\_\_\_\_ 2015 at \_\_\_\_\_.

\_\_\_\_\_  
Signature Over Printed Name



SECURITIES AND EXCHANGE COMMISSION  
**SEC FORM 20-IS**  
 INFORMATION STATEMENT PURSUANT TO SECTION 20  
 OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

- Preliminary Information Statement
- Definitive Information Statement

2. Name of Registrant as specified in its charter MACROASIA CORPORATION

3. Republic of the Philippines  
 Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 40524

5. BIR Tax Identification Code 004-666-098

6. 12<sup>th</sup> Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226  
 Address of principal office Postal Code

7. Registrant's telephone number, including area code (632) 840-2001

8. 17 July 2015, 3:00 P.M., Kachina Room, Century Park Hotel, 599 P. Ocampo Sr. St., Malate, Manila  
 Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders  
June 26, 2015

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: Not Applicable  
 Address and Telephone No: Not Applicable

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<b>Common Stock, ₱1 par value</b>	<b>1,233,404,000 Outstanding Shares</b>

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes  No

Name of Stock Exchange	Class
<b>Philippine Stock Exchange</b>	<b>Common Stock</b>

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## **A. GENERAL INFORMATION**

*Any references in this Information Statement to “the Parent Company”; or “the Corporation” mean MacroAsia Corporation and references to “MacroAsia Group” or “the Group” mean MacroAsia Corporation and its subsidiaries/affiliates.*

### **Item 1. Date, Time and Place of Meeting of Security Holders**

The meeting will be on **July 17, 2015 at 3:00 P.M.** at the **Kachina Room, Century Park Hotel, 599 P. Ocampo Sr. Street, 1004 Malate, Manila.**

The complete mailing address of the registrant is: **12<sup>th</sup> Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City, Philippines**

The approximate date on which the Information Statement is first to be sent or given to Security Holders is **June 26, 2015.**

### **THE PARENT COMPANY IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

### **Item 2. Dissenters’ Right of Appraisal**

Any stockholder of the Parent Company shall have the right to dissent and demand payment of the fair value of his shares in case (i) any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the value of his shares. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. No payment shall be made to dissenting stockholder unless the Parent Company has unrestricted retained earnings in its books to cover such payment.

None of the proposed corporate actions of MacroAsia Corporation however qualifies as an instance, which allows the exercise by the stockholders of their appraisal rights.

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

- (a) No director or officer of the Parent Company, 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 of the Parent Company has informed in writing that they intend to oppose any action to be taken by the Parent Company at the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

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

- (a) MacroAsia Corporation has 1,233,404,000 common shares outstanding as of May 31, 2015. All outstanding common shares of the registrant as of the record date are entitled to vote at the rate of one (1) vote per share.
- (b) The record date for purposes of determining the stockholders entitled to vote is June 15, 2015.
- (c) A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of director's to be elected.

No discretionary authority to cumulate votes is solicited.

(d) Security Ownership of Certain Record & Beneficial Owners & Management

1. Security Ownership of Certain Record and Beneficial Owners of more than 5% of Registrant's Securities as of May 31, 2015 are:

<u>Title of Class</u>	<u>Name, Address of Record Owner and Relationship with Issuer</u>	<u>Name of Beneficial Owner and Relationship with Record Owner</u>	<u>Citizenship</u>	<u>No. of Shares Held</u>	<u>% of Class</u>
<b>COMMON</b>	PCD Nominee Corporation 37 <sup>th</sup> Flr. Tower One The Enterprise Center 6766 Ayala Ave., Cor. Paseo De Roxas, Makati City (Shareholder)	Various Clients <sup>1</sup>	Filipino	203,723,561	16.52 %
<b>COMMON</b>	PAL Holdings (formerly Baguio Gold Holdings Corp.) 7 <sup>th</sup> Flr. PNB Allied Bank Center 6754 Ayala Ave., Makati City (Shareholder)	Trustmark Holdings Corp. (Shareholder) <sup>2</sup>  Susan T. Lee <sup>4</sup>	Filipino	88,000,000	7.13%
<b>COMMON</b>	Conway Equities, Inc. 10 Quezon Avenue, Quezon City	Melito K. Tan, President <sup>3</sup> Orville C. Go. Jr., Treasurer <sup>3</sup> Dinah T. Paginag, Corporate Secretary <sup>3</sup>	Non-Filipino	85,110,000	6.90%
<b>COMMON</b>	PCD Nominee Corporation 37 <sup>th</sup> Flr. Tower One The Enterprise Center 6766 Ayala Ave., Cor. Paseo De Roxas, Makati City (Shareholder)	Various Clients <sup>1</sup>	Filipino	83,826,007	6.80%

<sup>1</sup> PCD Nominee Corp. (PCD) is a registered owner of certain shares in the books of the Parent Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participant, who hold shares on their behalf or in behalf of their clients. PCD is a private corporation organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The securities are voted by the trustee's designated officers who are not known to the Parent Company. None of the PCD Nominee Corporation (Filipino and Non-Filipino) account beneficially owns 5% or more of the Parent Company's outstanding common shares.

<sup>2</sup> Relationship of beneficial owner with the record owner

<sup>3</sup> Designation in Conway Equities, Inc.

<sup>4</sup> Person authorized by the Board of Directors of the company to vote in the forthcoming annual stockholders' meeting.

## 2. Security Ownership of Directors and Management as of May 31, 2015:

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Ownership</u>	<u>Citizenship</u>	<u>% of Class</u>
COMMON	Washington Z. SyCip Chairman	37,545,250 Direct (Beneficial)	Filipino - American	3.04 %
COMMON	Joseph T. Chua President and CEO	125,000 Direct 3,289,000 Indirect (Beneficial)	Filipino	<1%
COMMON	Harry C. Tan Vice Chairman	100,000 Direct (Beneficial)	Filipino	<1%
COMMON	Lucio K. Tan Jr. Director	125,000 Direct (Beneficial)	Filipino	<1%
COMMON	Jaime J. Bautista Treasurer	125,000 Direct (Beneficial)	Filipino	<1%
COMMON	George Y. SyCip Director	10,862,798 Direct (Beneficial)	American	<1%
COMMON	Carmen K. Tan Director	100,000 Direct (Beneficial)	Filipino	<1%
COMMON	Johnip G. Cua Independent Director	10,000,000 Indirect (Beneficial)	Filipino	<1%
COMMON	Ben C. Tiu Independent Director	100,000 Direct (Beneficial)	Filipino	<1%
COMMON	Atty. Florentino M. Herrera III Corporate Secretary	230,000 Direct 5,368,952 Indirect (Beneficial)	Filipino	<1%
	Atty. Marivic T. Moya Compliance Officer/Corporate Information Officer, VP- Human Resources, Legal and External Relations	-	-	-
	Amador T. Sendin Chief Financial Officer; VP – Administration & Business Development	-	-	-
	Ramon N. Santos VP – Mining Operations	-	-	-
	<b>Total</b>	<b>67,971,000</b>		<b>5.51%</b>

## 3. Voting Trust of Holders of 5% or more

To the extent known to the Corporation, there is no person holding more than 5% of the Parent Company's voting stock under a voting trust or similar agreement.

#### 4. Changes in Control

Since 1998, the Registrant has not had any single controlling shareholder, and there are no arrangements that may result in a change in control of the Parent Company during the period covered by this report.

#### Item 5. Directors and Executive Officers

##### (a) Attendance:

The record of attendance of the Parent Company's directors during the Board meetings held for the year 2014 meets the Securities and Exchange Commission's requirement of more than 50% attendance as indicated below:

Directors	Regular Meetings			Organizational	% of Total
	Mar 20	Jul 18	Dec 16	Jul 18	
Washington Z. SyCip	P	P	P	P	100%
Harry C. Tan	P	P	P	P	100%
Joseph T. Chua	P	P	P	P	100%
Lucio K. Tan Jr.	P	P	P	P	100%
Jaime J. Bautista	P	P	P	P	100%
George Y. SyCip	P	P	P	P	100%
Carmen K. Tan	P	P	P	P	100%
Johnip G. Cua	P	P	P	P	100%
Ben C. Tiu	P	P	P	P	100%

Legend:  
P - Present  
A - Absent

The Directors' term of office is one year. Election for the Board of Directors is conducted during the annual stockholders' meeting held every third Friday of July each year.

##### (b) Information required of Directors and Executive Officers:

1. Directors and Executive Officers - Please refer to Annex A
2. Chairman and Members of the Nomination Committee

Mr. Washington Z. SyCip is the Chairman of the Nomination Committee while Mr. Harry C. Tan and Mr. Johnip G. Cua are committee members. Atty. Marivic T. Moya is a non-voting member of the Nomination Committee. The Nomination Committee pre-screened and shortlisted all candidates nominated in accordance with the qualifications and disqualifications set forth in the By-laws and the Manual on Corporate Governance.

The following are the Final List of Candidates for directors as determined by the Nomination Committee during its meeting held on 11 June 2015:

Dr. Lucio C. Tan	Joseph T. Chua
Washington Z. SyCip	Jaime J. Bautista
Carmen K. Tan	Johnip G. Cua
Lucio K. Tan, Jr.	Ben C. Tiu
Michael G. Tan	

The aforementioned nominees were formally nominated to the Nomination Committee of the Parent Company by a stockholder, Ms. Jovey Serenio.

Mr. Johnip G. Cua and Mr. Ben C. Tiu, both of whom are incumbent independent directors were nominated as independent directors by Ms. Joevy Serenio for the ensuing year. Ms. Serenio is not related to any of the nominees for independent directors.

Messrs. Lucio C. Tan and Michael G. Tan are nominated as directors of the Parent Company. The other nominees have served as directors of the Parent Company for more than five years except for Ms. Carmen Tan and Mr. Ben Tiu who have been directors for three years and two years, respectively.

The Parent Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and compliance therewith has been made.

#### **Guidelines on the Nomination and Election of Independent Directors**

- A. Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:
1. Is not a director or officer of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
  2. Does not own more than two percent (2%) of the shares of the company and/or its related companies or any of its substantial shareholders;
  3. Is not related to any director, officer or substantial shareholder of the company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
  4. Is not acting as a nominee or representative of any director or substantial shareholder of the company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
  5. Has not been employed in any executive capacity by the company, any of its related companies and/or by any of its substantial shareholders within the last two (2) years;
  6. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or
  7. Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial.
- B. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the SRC, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without

prejudice to other disqualifications which the Parent Company's Manual on Corporate Governance provides.

C. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the SEC by appointing independent directors from the list of nominees submitted by the stockholders.

D. Qualifications and Disqualifications

1. An independent director shall have the following qualifications:

- (i) He shall have at least one (1) share of stock of the corporation;
- (ii) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
- (iii) He shall possess integrity/probity; and
- (iv) He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

- (i) He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under Section II (5) of the Code on Corporate Governance;
- (ii) His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company where he is such director;
- (iii) Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency;
- (iv) Such other disqualifications which the covered company's Manual on Corporate Governance provide.

E. Number of Independent Directors

1. All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is the lesser. Provided further that said companies may choose to have more independent directors in their boards than as above required.

F. Nomination and Election of Independent Director/s

1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the company's information or proxy statement or such other reports required to be submitted to the Commission.
2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of SRC Rule 12.
5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.
6. Election of Independent Director/s
  - (i) The conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the covered company or its by-laws.
  - (ii) It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that an independent director/s is elected during the stockholders' meeting.
  - (iii) Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
  - (iv) In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The Parent Company has adopted the Memorandum Circular No. 9 issued by the Securities and Exchange Commission dated December 5, 2011 on the term limits for Independent Director/s effective January 2, 2012. This is to enhance the effectiveness of independent directors and encourage the infusion of fresh ideas in the board of directors. This circular provides the term limits for Independent Directors, as follows:

1. There shall be no limits in the number of covered companies that a person may be elected as Independent Director (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e. parent company, subsidiary or affiliate;
2. IDs can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated;
3. After completion of the five-year service period, an ID shall be ineligible for election as such in the same company unless the ID has undergone a "cooling off" period of two (2) years, provided, that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company;

4. An ID re-elected as such in the same company after the “cooling off” period can serve for another five (5) consecutive years under the conditions mentioned in paragraph (b) above;
5. After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in this Circular.

3. Significant employee

Ms. Jenna Mae V. Diaz, 28, Filipino, a Certified Public Accountant (CPA) has served as Financial Accountant since October 2013. She worked with Navarro, Amper & Co. from November 2008 to August 2010 as an external audit associate. She was with ABS-CBN Corporation as a Financial Analyst from October 2010 – August 2011 and ABS-CBN Shared Services PTE Ltd. as a Film Rights Technical Specialist from September 2011 to September 2013.

4. Family Relationships

Mr. Lucio C. Tan, nominated as director, is the husband of Ms. Carmen K. Tan, incumbent director; is the father of Mr. Lucio K. Tan, Jr., incumbent director and Mr. Michael G. Tan, nominated as director; and the father-in-law of Mr. Joseph T. Chua, President and CEO. Mr. Washington Z. Sycip, Chairman of the Board, is the father-in-law of Atty. Florentino M. Herrera III, Corporate Secretary.

5. Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Parent Company have been involved in any legal proceeding being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree 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, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation 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, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Parent Company.

The registrant has not had any transaction or proposed transaction in which any director, executive officer, nominee or stockholder had a direct or indirect interest during the last two (2) years.

6. Certain Relationships and Related Transactions

For a detailed discussion of our material related party transactions, see Note 18 of the Group’s Notes to Consolidated Financial Statements (pages 47-51).

- a. Part of the Group's excess cash are deposited in savings and current accounts and placed with Philippine National Bank (PNB) (formerly Allied Banking Corporation), an affiliated company under common control, at very competitive rates and based on the outstanding cash balance at the end of the interest earning period. MacroAsia Corporation also leases the office space it currently occupies from the said bank at the bank's current prevailing rental rate. MacroAsia Mining Corporation also entered into a two-year lease contract with Philippine National Bank for its office space starting January 1, 2012. The Parent Company and its subsidiaries have not been given any preferential treatment in any of its transactions with PNB and continues to lease the office space under prevailing terms and conditions.
- b. MAPDC, as an ecozone operator, leases land from MIAA and subsequently leases the same to its Ecozone locators which include LTP, an affiliate. The rental charge, which is at normal market rate, is subject to a fixed price escalation and deposit. Monthly fee due from LTP is equivalent to MAPDC's cost of leasing the land from MIAA, plus administrative fees. MAPDC has outstanding advances to WBSI and CBRI which were eliminated in the consolidation process.
- c. MASCORP provides ground handling services to various airline companies at NAIA and MCIA, including Philippine Airlines Inc., and Air Philippines Inc., affiliates under common control. In September 2011, MASCORP started providing ground handling services to Philippine Airlines (PAL), an affiliated company under common control. The ground handling service rates being charged to Air Philippines and PAL are competitive and were the results of negotiations between the companies. MASCORP bills LTP for ground handling services rendered on behalf of its clients. MASCORP also leases ground-handling equipment from PAL and pays AirPhil for its shares on the rental and utilities in NAIA.
- d. MACS has outstanding payable to PAL representing PAL's share in operation of the passenger lounge at NAIA. In September 2011, MACS started providing catering services to PAL under competitive rates. MACS also leases airline catering equipment from PAL. In 2014 and 2013, MACS provided an unsecured and non-interest bearing cash advances to MacroAsia WLL.
- e. The Parent Company and its subsidiaries have a trust fund for the employees' retirement plan with Philippine National Bank (formerly Allied Banking Corporation) as the fund manager. The Group has not been given any preferential treatment in any of its transactions with PNB.
- f. There are no other on-going contractual or other commitments between the Group and the aforementioned affiliates.
- g. There are no other material transactions with and/or dependence on related parties not discussed above and in the Notes to Consolidated Financial Statements.

There are no other parties that fall outside the definition of "related parties" under Philippine Accounting Standards (PAS) 24 with whom the Parent Company or its related parties have a relationship that enabled the parties to negotiate terms of material transactions that may not be available from others or independent parties on an arm's length basis.

## 7. Ownership Structure and Parent Company

PAL Holdings, Inc. (formerly Baguio Gold Holdings Corp.) and Conway Equities, Inc. owns 14% of the total outstanding common stock of the Parent Company (each owning 7%).

## 8. Resignation of Directors

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders (July 18, 2014) due to disagreement with the registrant on any matter relating to the registrant's operations, policies or practices.

## Item 6. Compensation of Directors and Executive Officers

### (a) Executive Compensation:

The following table summarizes the actual aggregate compensation of all directors and officers of the Parent Company for 2013 and 2014, as well as the estimated aggregate compensation for the year 2015:

### *Summary Compensation Table*

Name and Principal Position	Year	Salaries (P'mil)	Bonus	Other Annual Compensation
Executive Officers  Joseph T. Chua, President/CEO  Atty. Marivic T. Moya, VP-Human Resources, Legal and External Relations, Compliance Officer/Corporate Information Officer/Corporate Secretary  Amador T. Sendin, Chief Financial Officer, VP-Administration & Business Development  Ramon N. Santos, VP-Mining	<b>2013</b> (Actual)	18.59	1.59	1.95
All Other Directors and Officers as a Group Unnamed		2.6	-	-
Executive Officers <sup>1</sup>  Joseph T. Chua, President/CEO  Atty. Marivic T. Moya, VP-Human Resources, Legal and External Relations, Compliance Officer/Corporate Information Officer/Corporate Secretary <sup>2</sup>  Amador T. Sendin, Chief Financial Officer, VP-Administration & Business Development  Atty. Florentino M. Herrera III, Corporate Secretary <sup>3</sup>  Ramon N. Santos, VP-Mining	<b>2014</b> (Actual)	16.03	2.98	0.59
All Other Directors and Officers as a Group Unnamed		2.58	-	-
Executive Officers <sup>1</sup>  Joseph T. Chua, President/CEO	<b>2015</b> (Estimate)	17.31	3.22	0.64

<p>Marivic T. Moya, VP- Human Resources, Legal and External Relations, Compliance Officer / Corporate Information Officer</p> <p>Amador T. Sendin, Chief Financial Officer, VP- Administration &amp; Business Development</p> <p>Atty. Florentino M. Herrera III, Corporate Secretary</p>				
All Other Directors and Officers as a Group Unnamed		2.79	-	-

<sup>1</sup>There are no other persons occupying the position of Executive Officer in 2014 and 2015 except as disclosed herein.

<sup>2</sup>Resigned as the Parent Company's Corporate Secretary in the meeting held by the BOD on December 16, 2014.

<sup>3</sup>Elected as the Parent Company's Corporate Secretary in the meeting held by the BOD on December 16, 2014.

#### (b) Compensation of Directors

- Members of the Board do not receive any regular compensation from the Parent Company, except for every regular, special or committee meeting actually attended, for which members of the Board of Directors receive a per diem of ₱20,000 to ₱50,000.
- Bonus is in pursuant of Section 3.11 of the Corporation's Amended By-laws which states that "the members of the Board of Directors shall receive as additional compensation an amount not to exceed five per centum (5%) of the net profit of the Corporation before payment of income tax for each year, to be divided in such manner and proportions they may deem fit and acceptable". However, no such compensation was declared by the Parent Company during the years mentioned.
- There are no material terms of, nor any other arrangements with regard to compensation as to which directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

#### (c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

- Executive officers' compensation consists of a monthly negotiated salary, a fixed monthly allowance, and 13th month pay.
- There are no other compensatory plans or arrangement with the named executive officers, which results or will result from the resignation, retirement or any other termination of the executive officer's employment with the Parent Company and its subsidiaries or from a change-in-control of the Parent Company or a change in the named executive officer's responsibilities following a change-in-control.

#### (d) Warrants and Options Outstanding: Repricing

The Parent Company has no outstanding warrants and options.

### Item 7. Independent Public Accountants

- SyCip Gorres Velayo & Co. (SGV) will be recommended to security holders as the registrant's independent public accountants for the current year (2015). SGV was the registrant's external auditor for the previous year. SGV has already implemented SRC Rule 68 paragraph 3(b)(iv) which requires the rotation of assignments of audit engagement partners every five (5) years.

- (b) There were no changes in nor disagreement with the independent public accountants during the last three years or any subsequent interim periods.
- (c) Representatives of the independent public accountants are expected to be present at the security holders' meeting. 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.
- (d) Mr. Johnip G. Cua, is the Chairman of the Audit Committee while Mr. Harry C. Tan, Mr. Ben C. Tiu, Mr. Jaime J. Bautista and Ms. Carmen K. Tan are committee members.

#### **Item 8. Retirement Plan**

MacroAsia Group's retirement plan covers substantially all of its regular employees and provides benefits based on years of service and compensation on the last year of employment. (For additional details on retirement benefits plan, refer to Notes 3, 18 and 21 of the attached Notes to the Financial Statements on Management's Significant Judgments and Accounting Estimates, Related Party Transactions and Retirement Benefits, respectively.)

There are no agreements between the Group and any of its directors and executive officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

There are no matters or actions to be taken up in the meeting with respect to authorization or issuance of securities.

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

There are no matters or actions to be taken up in the meeting with respect to the modification of the Parent Company's securities or the issuance of authorization for issuance of one class of the Parent Company's securities in exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

- (a) The audited consolidated financial statements as of December 31, 2014 and 2013, and Management's Discussion and Analysis are attached hereto as Annex C and Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex D. The Schedules required under Part IV (e) of Rule 68 are included in the Annual Report (SEC Form 17-A).
- (b) The consolidated financial statements of MacroAsia Group have been prepared under the historical cost method, except for available-for-sale (AFS) investments, which are carried at fair value.

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

There are no matters or actions to be taken up in the meeting with respect to merger, consolidation, acquisition by, sale or liquidation of the Parent Company.

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

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Parent Company.

**Item 14. Restatement of Accounts**

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments and Philippine interpretation based on the interpretation of the International Financial Reporting Standards Interpretations Committee (IFRIC) effective January 1, 2014. These amendments are currently not relevant to the Group and have no significant impact on the Group's financial statements. See Note 2 – Summary of Significant Accounting Policies and Financial Reporting Policies of the attached Notes to the Consolidated Financial Statements for a more detailed discussion (page 1-27).

There are no matters or actions to be taken up in the meeting with respect to the restatement of any asset, capital, or surplus account of the Group.

**D. OTHER MATTERS****Item 15. Action with Respect to Reports**

The Minutes of the Previous Meeting of Security Holders held on July 18, 2014 (pp.49 to 55), the President's report and the registrant's audited financial statements as of December 31, 2014 will be presented for approval by the security holders.

Security Holders are to be furnished copies of the above-mentioned reports/minutes on or before the date of the stockholders' meeting.

A copy of the minutes of the previous meeting of security holders, and the Company's Quarterly Report as of and for the period ended March 31, 2015 are attached hereto. The President's report will apprise the shareholders of developments during the past year and provide highlights for the ensuing year.

**Item 16. Matters not required to be submitted**

All matters or actions to be taken up in the meeting require the vote of the security holders.

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

### **1. Approval of the Amendment of the Articles of Incorporation**

The Board of Directors approved the amendment of the Sixth Article of the Articles of Incorporation to increase the number of directors from nine (9) to eleven (11).

Most of the current directors of the Corporation are likewise directors of the subsidiaries and affiliates of the Corporation. In view of the growing number of subsidiaries and affiliates as well as new projects that will be implemented starting this year, the Board decided to increase the number of directors from nine (9) to eleven (11).

The aforesaid amendment to the Sixth Article of the Articles of Incorporation shall be subject to the approval of the stockholders of the Corporation representing 2/3 of the outstanding capital stock.

### **2. Approval of the Amendment of the By-laws**

- a) The Board of Directors approved the amendment of the By-laws: (i) to reflect the abolition of the position of Vice-Chairman and in view thereof, the deletion of any and all references to the position of Vice-Chairman in Article II, Section 2.05 and Article V, Section 5.01 of the By-laws; and (ii) to include a provision in Article V of the By-laws creating the position of Co Chairman.

The Board decided to create the position of Co-Chairman who shall perform the duties and responsibilities of the Chairman whenever the latter is unavailable. Since the same will render the existing position of Vice-Chairman redundant, the Board decided to abolish the position of Vice-Chairman.

The aforesaid amendments to the By-laws shall be subject to the approval of the stockholders of the Corporation representing majority of the outstanding capital stock.

- b) The following amendments to the By-laws shall be submitted for the approval of the Board of Directors at the Regular Board Meeting to be held on 17 July 2015: (i) Article V, Section 5.02 - to reflect that the Chairman shall be the Chief Executive Officer of the Corporation and to specify his powers and duties; and (ii) Article V, Section 5.03 - to reflect that the President shall be the Chief Operating Officer of the Corporation and to specify his powers and duties.

In view of the growing number of subsidiaries and affiliates of the Corporation as well as the new projects that will be implemented starting this year, the Board decided that the President should focus on the day-to-day business affairs of the Corporation. The President shall be the Chief Operating Officer of the Corporation and shall have the supervision and direction of the day-to-day business affairs of the Corporation. The

Chairman, on the other hand, shall be the Chief Executive Officer of the Corporation and shall be responsible for the general supervision, administration and management of the business of the Corporation.

The aforesaid amendments to Article V, Sections 5.02 and 5.03 of the By-laws shall be subject to the approval of the stockholders of the Corporation representing majority of the outstanding capital stock.

#### **Item 18. Other Proposed Actions**

- (a) Ratification/Approval of all acts and resolutions of the Board of Directors as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. This includes :
1. Authorization for issuance of the consolidated financial statements of MacroAsia Corporation and subsidiaries as of December 31, 2014 and 2013 on March 31, 2015.
- (b) There are no other acts and resolutions of the Board of Directors from July 18, 2014 up to the present that needs ratification.

#### **Item 19. Voting Procedures**

- (a) Vote Required for Approval/Election:
- Election of Directors - majority vote.
  - President’s Report - majority vote
  - Audited Financial Statements - majority vote
  - Minutes of Previous Shareholders’ Meeting - majority vote
  - Ratification/Approval of all Acts and Resolutions of the Board of Directors - majority vote
  - Appointment of External Auditors - majority vote.
- (b) Method By Which Votes Will Be Counted - Each common share shall be entitled to one vote; total votes cast shall be accounted for/tabulated manually during the meeting. Only the Corporate Secretary and staff of Stock and Transfer Agent are the persons authorized to count the votes.

## **UNDERTAKING**

**Upon written request of the stockholders, the Parent Company undertakes to furnish a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the following:**

**MACROASIA CORPORATION  
12<sup>th</sup> Floor PNB Allied Bank Center  
6754 Ayala Avenue, Makati City**

**Attention: Ms. Sandra C. Estrellado  
Executive Assistant to the Chief Financial Officer,  
Vice President - Administration and Business Development**

**At the discretion of management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the Parent Company in furnishing such exhibits.**

## SIGNATURE PAGE

Pursuant to the requirements of the Securities Regulation Code, the Parent Company has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

After reasonable inquiry and to the best of our knowledge and belief, the Parent Company certifies that the information set forth in this report is true, complete and correct. This report is signed in Makati City on June 24, 2015.

### MACROASIA CORPORATION

Registrant

By:



**JOSEPH T. CHUA**  
President



**AMADOR T. SENDIN**  
Chief Financial Officer  
VP – for Administration and Business  
Development



**ATTY. FLORENTINO M. HERRERA III**  
Corporate Secretary

## ANNEX A – DIRECTORS AND EXECUTIVE OFFICERS

### *Term of Office*

The Directors' term of office is one year. Election for the Board of Directors is conducted during the annual stockholders' meeting held every third Friday of July.

### *Board of Directors and Nominees*

<b>Name</b>	<b>Position</b>	<b>Committee Membership</b>
Washington Z. SyCip	Chairman of the Board	Chairman – Nomination and Investment Committees Vice Chairman – Compensation Committee
Harry C. Tan	Vice Chairman	Vice Chairman – Risk Management Committee, Member – Nomination, Audit and Compensation Committees
Joseph T. Chua	President and Chief Executive Officer	Member – Investment, Mining and Risk Management Committees
Lucio K. Tan Jr.	Director	Member – Compensation, Investment, Mining and Risk Management Committees
Jaime J. Bautista	Treasurer	Chairman – Risk Management Committee Member – Audit, Compensation Committees
George Y. SyCip	Director	Member – Investment and Mining Committees
Carmen K. Tan	Director	Member – Audit and Investment Committees
Johnip G. Cua	Independent Director	Chairman – Audit, Compensation and Mining Committees Member – Nomination, Investment and Risk Management Committees
Ben C. Tiu	Independent Director	Member – Audit and Risk Management Committees
Dr. Lucio C. Tan	Nominated as a member of the Board of Directors during the Nomination Committee Meeting held on June 11, 2015.	
Michael G. Tan	Nominated as a member of the Board of Directors during the Nomination Committee Meeting held on June 11, 2015.	

**Washington Z. SyCip.** Mr. SyCip, 93, Filipino - American, has served as Chairman of the Board of directors since August 1997. He is also the Chairman of the Board of Lufthansa Technik Philippines, Inc. (July 2000-Present) and Cityland Development Corporation (April 1997-Present). He serves as Chairman Emeritus of the Board of Trustees and Governors of the Asian Institute of Management (Phils.). For more than five years, he has been a Director of Belle Corporation (July 1996-Present), First Philippine Holdings (November 1997-Present), Lopez Holdings (April 1997–Present), Philippine Airlines (PAL) (February 1997-Present), PAL Holdings Inc. (Oct. 2014-Present), PHINMA (September 1996-Present), Philamlife (April 2001-Present), Philippine National Bank (December 1999-Present), State Land Group (July 1996-Present) among others.

**Harry C. Tan.** Mr. Tan, 69, Filipino, has served as Director since July 2008. He serves as the Vice Chairman and Treasurer of LT Group Inc. (February 2013-Present). He is the Vice Chairman of Eton Properties Philippines Inc. (February 2007-Present) and Eton City, Inc. (2008 - Present) among others. He is also the President of Century Park Hotel (1986-Present) and Vice-Chairman and Treasurer of Lucky Travel Corp. (1990-Present). He serves as a Director of Asia Brewery Inc. (1979-Present), Basic Holdings Corp. (1989-Present), Tanduy Distillers, Inc. (1997-Present) and Philippine National Bank (2013-Present). He formerly sits as the Chairman for Tobacco Board of Fortune Tobacco Corporation (1971 - March 2010) and was a Director and Treasurer of PAL Holdings, Inc. (Aug. 1994-Oct 2014).

**Joseph T. Chua.** Mr. Chua, 59, Filipino, has served as Director since August 1997 and is the President and CEO of MacroAsia Corporation from July 2003 to the Present. He is also the President of MacroAsia Catering Services, Inc. (July 2003-Present), MacroAsia Airport Services Corp. (2000-Present), MacroAsia Properties Development Corporation (2013-Present), MacroAsia Air Taxi Services, Inc. (July 2004-Present), MacroAsia Mining Corporation (Dec. 2012-Present), and Watery Business Solutions Inc. (2014-Present). He is the Chairman of the Board of J.F. Rubber Phils. (1993-Present), Cavite Business Resources Inc. (2011-Present). He also serves as a Director of Bulawan Mining Corporation (June 2009-Present), ETON Properties Philippines, Inc. (May 2013 - Present) and Lufthansa Technik Philippines, Inc. (2000-Present). He served as the Managing Director of Goodwind Development Corp. (1983-2012) and serves as President from 2013 to Present. He served as a Director of Philippine National Bank from May 2014 to May 2015 and serves as Director of PAL Holdings Inc. from Oct. 23, 2014 to Present.

**Lucio K. Tan Jr.** Mr. Tan, 48, Filipino, has served as Director since August 1997. He is currently the President of Tanduy Distillers, Inc. (2009-Present) and the Executive Vice President of Fortune Tobacco Corporation (1997-Present). He is the Chairman of the Board of MacroAsia Mining Corporation and Airport Specialists' Services Corporation and a Director of MacroAsia Airport Services Corporation and MacroAsia Catering Services Inc. He is a Member of the Executive Committee of Foremost Farms, Inc. (1994-Present). He also serves as Director of ETON Properties Phils. Inc. (2007-Present) and served as President of ETON Properties Phils., Inc. (February 2015-Present), LT Group (2013-Present), Philippine Airlines (2003-Present), Philippine National Bank (2007- Present) and PMFTC Inc. (2010 – Present).

**Jaime J. Bautista.** Mr. Bautista, 58, Filipino, a Certified Public Accountant (CPA) has served as Director since August 1997. He is currently the Chairman of the Board of MacroAsia Airport Services Corporation and Watery Business Solutions Inc. He's the Director and Treasurer of MacroAsia Catering Services, Inc. (1997-Present) and serves a Director in MacroAsia Properties Development Corporation and Cavite Business Resources Inc. He is the Vice Chairman, Board of Trustees-University of the East (1991-Present), Board of Trustees member of University of the East Ramon Magsaysay Medical Center Foundation (1991-Present), the Treasurer of Tan Yan Kee Foundation (2009-Present). He was a Member of the Board of Directors of Air Philippines (2001-March 2012). He resumed his position as the President and Chief Operating Officer (COO) of Philippine Airlines Inc. and PAL Holdings Inc. last October 2014. Prior to his current appointment, he served as PAL's President and COO from August 2004 to April 2012.

**George Y. SyCip.** Mr. SyCip, 58, American, has served as Director since July 1996. He is the Chairman of the Board of MacroAsia Catering Services, Inc. (1997-Present), MacroAsia Properties Development Corporation and MacroAsia Air Taxi Services, Inc. and serves as a Director of Alliance Select Foods International, Inc. (2006-Present), Beneficial Life Insurance Company (July 1996-Present) FMF Development Corporation (July 1996-Present), MacroAsia Air Taxi Services, Inc. (1997-Present) and Paxys, Inc. (October 2004-Present). He also had a career in banking and finance, including American Express International Banking Corporation, Sun Hung

Kai Securities Ltd., Crocker Bank, and United Savings Bank, where he served as Chief Financial Officer up to 1989. Mr. SyCip received his BA from Stanford University and his MBA from Harvard Business School.

**Carmen K. Tan.** Ms. Tan, 74, Filipino, has served as Director since July 2012. She currently serves as a Director of the following companies: Asia Brewery Inc., Buona Sorte Holdings, Inc., Dominion Realty & Construction Corp.; Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation; Fortune Tobacco International Corp.; Himmel Industries, Inc., LT Group Inc., Lucky Travel Corp., Manufacturing Services & Trade Corp.; PAL Holdings Inc., Paramount Land Equities Inc., PMFTC Inc., REM Development Corporation, Progressive Farms, Inc.; Saturn Holdings Inc., Shareholdings, Inc., Sipalay Trading Corp., Tanduary Distillers, Inc., Tangent Holdings Corporation, The Charter House, Inc.

**Johnip G. Cua.** Mr. Cua, 58, Filipino, has served as Independent Director since 2006. He was formerly the President of Procter & Gamble Philippines Inc. (1995-2006). He serves as the Chairman of the Board of the P&Gers Fund Inc. (2009 to Present) and Xavier School, Inc. since Nov. 2012 (Trustee since 1996). He is the Chairman & President of Taibrews Corporation (2011 to Present). He is an Independent Director of BDO Private Bank (2008 to Present), Philippine Airlines Inc. (Oct 2014 to Present), PAL Holdings Inc. (Oct 2014 to Present), Century Pacific Food Inc. (Jan 2014 to Present), Eton Properties Inc. (May 2014 to Present), MacroAsia Catering Services, Inc. (2007 to Present), MacroAsia Airport Services Corp. (2007 to Present), MacroAsia Properties Development Inc. (2013 to Present), PhilPlans First Inc. (2009 to Present), and STI Education Systems Holdings Inc. (2012 to Present). He's also a member of the Board of Directors of Allied Botanical Corporation (2012 to Present), Alpha Alleanza Manufacturing Inc. (2008 to Present), Bakerson Corporation (2002 to Present), Interbake Marketing Corporation (1991 to Present), Lartizan Corporation (2007 to Present), and Teambake Marketing Corporation (1994 to Present). Additionally, he serves as a member of the Board of Trustees of Xavier School Educational & Trust Fund (1996 to Present).

**Ben C. Tiu** Mr. Tiu, 62, Filipino, has served as an Independent Director since July 2013. He serves as the Chairman of the Board of TKC Steel Corporation (2007-Present) and Treasure Steelworks Corp. (2005-Present). He is currently the Chairman and has served as President of BRJ Trading since 1988. He serves as the President of JTKC Equities, Inc. (1993-Present). He also serves as Director of I-Remit Inc. (2006-Present) and Tera Investments, Inc. (2001-Present).

**Lucio C. Tan.** Mr. Tan, 81, Filipino, has been nominated as a member of the Board of Directors as of June 11, 2015. He is the Chairman and Chief Executive Officer of LT Group, Inc., the conglomerate that includes Philippine National Bank, Eton Properties Philippines, Inc., Tanduary Distillers, Inc., Asia brewery, Inc., and Fortune Tobacco Corporation. Necessarily, he also serves as Chairman of the above-named companies, including PMFTC, the company formed by Fortune Tobacco Corporation with Phillip Morris Philippines, Inc. Presently, he is also the Chairman and CEO of Philippine Airlines, Inc., Lucky Travel Corporation, AlliedBankers Insurance Corporation, and PAL Holdings, Inc. He is the Chairman of Basic Holdings Corporation, Century Park Hotel, Charter House Inc., Himmel Industries, Inc., Grandspan Development Corporation, Allied Commercial Bank, PNB Savings Bank, and Allied Banking Corporation (HK) Ltd. Dr. Tan is also the Chairman and President of Tangent Holdings Corporation. In 1986, he founded Tan Yan Kee Foundation, Inc., of which he is Chairman and President. He is likewise the Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., serves as the President of San Lorenzo Ruiz Mission Foundation, Inc., and founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc.

**Michael G. Tan.** Mr. Tan, 49, Filipino, has been nominated as a member of the Board of Directors as of June 11, 2015. He serves as the Director and Chief Operating Officer of Asia Brewery Inc., Director of Abacus Distribution Systems Philippines, Inc., AlliedBankers Insurance Corp., Air Philippines Corporation, Century Park Hotel, Eton Properties Philippines Inc., PMFTC Inc., Grandway Konstruct Inc., Lucky Travel Corp., Philippine Airlines Inc., Philippine Airlines Foundation, Inc, PAL Holdings, Inc., Philippine National Bank, LT Group, Inc., Pan Asia Securities Corp., Shareholdings Inc., Tangent Holdings Corp. and Victorias Milling Company, Inc.

### **Executive Officers**

<b>Name</b>	<b>Position</b>
Atty. Marivic T. Moya	Vice President Human Resources, Legal and External Relations, Compliance Officer / Corporate Information Officer
Amador T. Sendin	Chief Financial Officer Vice President - Administration & Business Development
Ramon N. Santos	Vice President – Mining
Atty. Florentino M. Herrera III	Corporate Secretary

**Atty. Marivic T. Moya.** Ms. Moya, 55, Filipino, has served as an Executive Officer since May 1999. She is the Corporate Secretary of MacroAsia Catering Services Inc. (2004-Present), MacroAsia Airport Services Corp. (2004-Present), MacroAsia Properties Development Corp. (2004-Present), Philippine Airlines, Inc. (2014-Present) and a Director and Corporate Secretary in MacroAsia Air Taxi Services, Inc. (2004-Present), Kabuhayan, Kaunlaran, & Kalikasan, Inc. (2006-Present) and MacroAsia Mining Corp. (2000-Present), Cavite Business Resources Inc. (2011-Present), SNV Resources Development Corp. (2013-Present) and Watery Business Solutions Inc. She is currently the Assistant Corporate Secretary of LT Group (2014-Present). She worked with various Government Institutions from 1987 to 1999, holding key positions such as Legal Officer of the National Bureau of Investigation (NBI) from 1987-1989, Arbitration Specialist of Philippine Overseas Employment Administration (POEA) from 1989 to 1990, Director II (Chief, Legal Service) of Philippine Health Insurance Corporation from 1990 to 1996 and Graft Investigation Officer II at the Office of the Ombudsman from 1997 to 1999. She also held the position of Human Resources Manager of Grand Air from 1996 to 1997. She was a member of the Board of Trustees of the University of Santo Tomas Law Alumni Association (2010-2013).

**Amador T. Sendin.** Mr. Sendin, 52, Filipino, a Certified Public Accountant (CPA), has served as an Executive Officer since October 2003. He is currently the Treasurer of MacroAsia Properties Development Corporation, and the Treasurer and Director of MacroAsia Airport Services Corporation, MacroAsia Air Taxi Services Inc, MacroAsia Mining Corporation (2004-Present), Cavite Business Resources Inc. and Watery Business Solutions Inc. He is a Director of Cebu Pacific Catering Services, Inc. (2004-Present) and currently the President of SNV Resources Development Corp. He was the Finance Manager of MacroAsia Catering Services, Inc. from July 2000 to October 2003, and was a Finance Controller of MIASCOR Catering from June 1998 to June 2000. From 1993 to 1998, he was Operations Head of Amikris Enterprises and was also a Resource Person of the Central Bank Institute (Bangko Sentral Ng Pilipinas Institute). He was Projects Supervisor for SAS Service Partners/Saudia Catering in KSA (1992-1993). His first job after college was with the Central Bank of the Philippines (Bangko Sentral Ng Pilipinas) from 1983-1992, rising from a staff position until and his last position as Division Chief/Staff Officer A.

Mr. Sendin is a holder of Masters in Accountancy, Bachelor of Science in Psychology, and a Certificate in Organizational Development. He has also completed a Management Development Program in Switzerland.

**Ramon N. Santos.** Mr. Santos, 56, Filipino, a Mining Engineer and Geologist with MBA and Ms Ap Sc in Mining and Mineral Technology, has served as an Executive Officer since July 2010. He has worked with the Philippine Mines and Geosciences Bureau and the Natural Resources Development Corporation from 1980 to 1997 and member of Environmental Impacts Assessment Review Committee of the DENR-EMB from 1993-1999. He was an Assistant Professor of the Department of Mining, Metallurgical and Materials Engineering of the University of the Philippines (1996-2006) and has served as an Environmental Consultant in Dames & Moore (1999), Coffey Partners, Pty. (2000), URS Corporation (2001-2003), QNI-BHP Billiton (2003-2004), Toledo Mining Corporation (2005-2006), ERM Indonesia (2006-2009) and PT ENV Indonesia (2009-2010).

**Atty. Florentino M. Herrera III,** 63, Filipino, was elected as corporate secretary last December 16, 2014. He is the Founding Partner of Herrera Teehankee & Cabrera Law Offices. He was a Partner of one of the largest law offices in the Philippines. He engaged in the general practice of law for the past thirty seven (37) years specializing in corporate law practice as counsel for various companies engaged in banking, management of foreign fund investments, airlines, power generation, coconut oil milling and refining, publishing, real estate, polyester, telecommunication, insurance, oil exploration, lumber, shipping and financing, among others. He serves as Chairman and President of Amica Corporation, Andorra Holdings, Inc., Bedarra Holdings, Inc. Bellagio Properties, Inc., Bellcore Holdings Corporation, Bellendorf Peak Resources, Inc., Certosa Resources, Inc., Domain Property Ventures, Inc., Dream 6750, Inc., Dunes and Eagle Land Development Corp., Econolink Investments, Inc., Filgrow Corporation, Filsyn Corp., Fontana Resources Corporation, Genshare Holdings Corporation, Hare Services Corporation, Hunter Valley Resources, Inc., Ipioneer Properties, Inc., Maseena Resources Corporation, Medlinks Resources, Inc., Pomona Properties, Inc., Pergamon Resources Corporation, Regent Resources, Inc., Saville Resources Corporation, Seabright Resources, Inc., Shindig, Inc., SRTC Development Corporation, Trans-Pacific Oriental Holdings, Co., Inc., Vassra Holdings, Inc., Viking Star Ventures, Inc. and Websphere Resources, Inc.

## **ANNEX B – NATURE AND SCOPE OF BUSINESS**

Originally under the name Infanta Mineral & Industrial Corporation, MacroAsia Corporation (the Parent Company or MAC) was incorporated in the Philippines on February 16, 1970 to engage in the business of geological exploration and development. As a mining firm, it had exported to Japan, nickel ore from its mine in Brooke's Point, Palawan during the 1970's. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Parent Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation.

In June 1996, MAC incorporated two of its 100% wholly-owned subsidiaries namely: MacroAsia Properties Development Corporation (MAPDC), which operates the only special economic zone at the Ninoy Aquino International Airport (NAIA) and MacroAsia Air Taxi Services, Inc. (MAATS), which provides helicopter chartering services. The Parent Company started its first in-flight catering business in August of 1996 through its associate - Cebu Pacific Catering Services, Inc. (CPCS), the only full-service airline catering company in Mactan-Cebu International Airport (MCIA) today. By

November 1996, the Parent Company incorporated its second in-flight catering venture, MacroAsia Catering Services, Inc. (MACS), which is the dominant caterer of foreign airlines in NAIA since it operated in 1998. Another subsidiary, MacroAsia Airport Services Corporation (MASCORP) was incorporated in 1997 to service the ground handling requirements of commercial passenger, cargo and military aircrafts.

Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation (LTP), an associate, was incorporated in December 1999, to do aircraft maintenance, repair and overhaul (MRO) in NAIA. With its facilities, LTP is a globally competitive company offering aircraft and engine maintenance, repair, and overhaul in the Philippines, with airline clients from almost all parts of the world.

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary, was incorporated on September 25, 2000 to be an institutional vehicle through and under which the business of a mining enterprise may be explored, established, operated and maintained.

In the medium-term, the Parent Company's growth and expansion is seen to continue, focused principally still on aviation-related services, but also tapping into the growing non-airline markets for food business in the Philippines. The Parent Company also remains committed to optimize its mining assets, a legacy from its history as a mine operator in the 1970's. Within the next year, MAC foresees that revenues will also be derived from its water projects, as it is currently investing on waterworks systems to service the requirements of some towns outside of Metro Manila.

Growth will be driven principally by further internal growth of its current operating subsidiaries and affiliates. LTP, the aircraft maintenance, repair and overhaul affiliate will continue to place the Philippines in the global map of MRO providers with its recent capacity expansion that added a new hangar for Airbus 380 repair. LTP will continue its business model which centers on base maintenance (heavy repair) of wide-body aircrafts. These LTP projects will require further investments in manpower, technology and hangar space. MASCORP, the ground-handling subsidiary, continues to expand through the quest for new airline contracts and growth in its service capability, including airports outside of NAIA. After growing in Mactan, Cebu, MASCORP has already established a presence in Kalibo International Airport, and will continue to expand in secondary airports in the Philippines. MACS, the airline catering subsidiary in NAIA, will expand its infrastructure to accommodate its growing business, as it continues to service new airline clients and to increase its revenue portfolio from non-airline catering. MACS will be opening a food commissary outside of the airport in order to service the requirements of non-airline clients. The project is estimated to be completed within 7-10 months from the commencement of the construction and renovation of the properties in Sucat, Muntinlupa owned MAPDC. MAPDC, the Parent Company's property development subsidiary, is expanding its presence outside of NAIA, and is in the process of establishing its presence in Mactan, Cebu. Apart from developing the Sucat property for MACS commissary, MAPDC will also serve as a vehicle to develop water projects (bulk and retail supply of treated surface water) in the Philippines.

MAATS, the helicopter chartering subsidiary, is also seen to grow as it secures new contracts with mining companies for airborne survey exploration programs, and expands its marketing network for charter services for corporate clients and individuals. MAATS has also added new services for fixed-based aircraft operations, like auxiliary service support of executive jets and Philippine permitting requirements of fixed-wing aircraft operators with no commercial presence in the Philippines.

The Parent Company's principal mining project is basically a reactivation of the Infanta Nickel Mine that was operational in the 1970's. This project, which is already the subject of an exploration report that is compliant with Philippine Mineral Reporting Code (PMRC) is expected to generate revenues after all the mining permits for operations are secured. The mining project has already been

endorsed for operations by the local government units and the Palawan Council for Sustainable Development (PCSD), and has been granted the Environmental Compliance Certificate (ECC) by the Environmental Management Bureau (EMB) for operations on September 8, 2010. The Parent Company is still securing its Certificate of Precondition (CP) from the National Commission on Indigenous People (NCIP). This document signifies the formal granting of Free and Prior Informed Consent (FPIC) by the indigenous people within the host barangays as attested by the NCIP. Today, MMC is providing outsourced exploration services to third party clients utilizing the experiences and expertise gained during the exploration of nickel deposits in Palawan.

MAC continues to operate mainly through its five (5) subsidiaries and two (2) affiliates, as fully discussed below.

### ***MacroAsia Catering Services, Inc.***

MacroAsia Catering Services, Inc. (MACS), the first fully functional In-flight Catering facility located inside the premises of NAIA, was incorporated on November 5, 1996, then with a corporate name of MacroAsia-Eurest Catering Services, Inc. (MECS), to primarily provide in-flight catering services at the NAIA and the Manila Domestic Airport. When MACS started its commercial operations on September 1, 1998, it was a joint venture between MAC (67%) and two foreign partners: Singapore Airport Terminal Services (SATS, at 20%) and Compass Group International B.V. (then known as Eurest International B.V., at 13%). By mutual agreement of the three JV partners, a sale and purchase agreement with Compass Group International B.V. was executed on June 28, 2006 whereby MAC acquired the 13% shareholdings of the Compass Group. Since then, MACS continues to operate as a joint venture between MAC (80%) and SATS (20%) under its official company name of MacroAsia Catering Services Inc.

MACS' in-flight kitchen facility is situated in a two-hectare lot being leased from the Manila International Airport Authority (MIAA). MACS' operations is under a concession agreement with MIAA that grants the right to operate an in-flight catering service for civil and/or military aircraft operating at the NAIA and/or the Manila Domestic Airport. MACS secures such right by remitting the monthly Concessionaire's Privilege Fee (CPF) which is 7% of its gross income.

MACS consistently complies with both local and international hygiene standards and environmental regulations. Its distinction lies in being the only in-flight airline caterer in the Philippines that holds an ISO certification on top of its HACCP and HALAL certificates conferred by independent and professional certifying organizations. To ensure that high standards are maintained at all times, MACS maintains an in-house laboratory manned by registered microbiologists and equipped for basic to advanced microbiological testing.

Capturing more than 63% of the in-flight catering market, MACS is the catering service provider to 13 full-service foreign carriers. It also caters 2 cargo freighters, 11 VIP and General Aviation clients, 2 airport lounges and 4 institutional accounts. MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. In 2014, it received the Gold Award in Cathay Pacific's Caterers' Performance Recognition Program (CPRP) for 2013, indicating that MACS ranking 2<sup>nd</sup> among 46 catering stations in the Cathay Pacific network, worldwide. Also during 2014, MACS was recognized by All Nippon Airways (ANA), as the "Gold Award winner for The Best Short Haul Caterer 2013", besting 13 other caterers in ANA's short-haul network two years in a row. MACS was also recognized as a Merit Winner for Singapore Airlines' 2013 Excellence in Catering Award.

MACS has a wide supplier base, both local and international and it is not dependent on any single raw material supplier. MACS operates a bonded warehouse facility inside NAIA under a Bonded Warehouse License. Based on its quality standards, regular supplier quality audits (SQA) are conducted by MACS' Quality and Food Safety Department at the supplier's premises to inspect and verify the compliance to its manufacturing and supply standards.

Most of MACS' trade revenues are denominated in US dollars. In 2014, 2013, and 2012, this subsidiary's sales contributions to MAC's consolidated gross operating revenues were 61%, 62% and 61%, respectively. MACS' airline clients currently includes Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airways (CI), Emirates (EK), Etihad Airways (EY), Japan Airlines (JL), Korean Air (KE), Qantas Airways (QF), Qatar Airways (QR), Saudia Airlines (SV) and Singapore Airlines (SQ), among others. MACS is also the preferred caterer for VIP flights from NAIA. MACS delivers close to 4 million meals per annum, at an average production of about 10,500 meals a day. It services an average of 30 international flights a day, serving more than half of the foreign airlines that fly to Manila.

As of May 31, 2015, MACS has a core manpower complement of 298 individuals compared to December 2014's 288. This is excluding staff contracted from external providers. Of the total manpower count, 163 are regular employees.

MACS is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

### ***MacroAsia Airport Services Corporation***

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales. As of May 31, 2015, its work force consisted of 724 staff as compared December 31, 2014's 730 staff, with 605 regular employees.

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, MAC acquired the 30% share of Menzies making MASCORP a wholly owned subsidiary of MAC.

On July 2, 1999, a wholly-owned subsidiary of MASCORP, Airport Specialists' Services Corporation (ASSC), was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. Through the restructuring, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

MASCORP has maintained a stable and growing service partnership with its clients, Thai Airways, All Nippon Airways, Air Niugini, China Airlines, Korean Air, Japan Airlines, Philippine Airlines, PAL Express and Cebu Pacific Air.

MASCORP contributes 26% of the Group's total operating revenues for the years ended December 31, 2014, 2013 and 2012.

Through its aggressive marketing efforts, capability to offer a total aviation product (in synergy with the catering and MRO business of MAC), and competitiveness, MASCORP is currently increasing its market share at NAIA. Among the ground handlers in Manila, MASCORP is the only service provider present in three terminals (Terminal 1, 2, and 3). Aside from NAIA, MASCORP is also operating in Mactan Cebu International Airport and Kalibo International Airport.

MASCORP's operations is dependent upon its concession agreements with MIAA and GMR Megawide Cebu Airport Corporation (GMCAC), which grants the company the right to operate ground handling services in NAIA and MCIA terminals. MASCORP secures such right by regularly paying the monthly CPF which is computed as 7% of gross income.

MASCORP is not aware of any existing or probable government regulations that would have an adverse effect on its business. Given the nature of its business, it has no research and development activities during the last three fiscal years.

### ***MacroAsia Properties Development Corporation***

MacroAsia Properties Development Corporation (MAPDC), another wholly-owned subsidiary, was incorporated on June 4, 1996 to primarily engage in the acquisition, development and sale of real properties. After it completed its first infrastructure project in 1997 and following the Asian economic crisis, the company stopped pursuing further property development projects as a core business and refocused its efforts on aviation-support activities.

On August 31, 2000, MAPDC was registered as an Economic Zone (Ecozone) Developer/Operator with the PEZA. As such, it enjoys tax incentives. It re-started commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with LTP as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

The MacroAsia Special Ecozone is presently managed by a lean team of core employees. The support services needed to maintain the ecozone are provided by contracted local service providers. As of May 31, 2015, MAPDC has a workforce of 25 employees out of which, 20 are regular employees as compared to December 31, 2014's 21 employees.

MAPDC is the subsidiary that serves as a vehicle for the entry of the Parent Company into the water services business (bulk water supply or commercial retail of treated surface water into selected localities outside Metro Manila). No revenues are derived as yet from these projects, since the operational development of these projects is medium-term, exceeding a year before revenues become possible.

MAPDC owns a building and a tract of land in Muntinlupa close to the South Luzon Expressway, and part of this property will be developed as a commissary for MacroAsia Catering.

MAPDC's operations do not require the intensive use of raw materials or like items. It does not therefore have any major existing supply contracts.

For the past three years, MAPDC's average rental income represented an average of 11.46% of the Group's consolidated gross operating revenues.

MAPDC is subject to PEZA rules and regulations and is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MAPDC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

***MacroAsia Air Taxi Services, Inc.***

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MAC which was incorporated in June of 1996. MAATS acquired its Airline Operator Certificate from the Civil Aviation Authority of the Philippines (CAAP) and Commercial Permit from the Civil Aeronautics Board (CAB) and periodically re-validated both permits thus allowing MAATS to provide non-scheduled air charter services to both local and foreign customers anywhere in the Philippines (passengers and cargo). MAATS started commercial operations in October 1996 utilizing the reliable and efficient Eucruil AS350-B2, a 5-passenger rotary aircraft for its flight operations. MAATS air operations is best described as a multi-role utility air charter service catering to the diverse needs of its various clients which includes the following; private corporations, persons of importance, media (aerial film/photography), geo-physical survey companies (mining surveys), financial firms and banks for high value cargo, medical evacuations (transporting patients), scenic and tourism packages, mining firms, humanitarian and relief work, cargo companies.

Revenues derived from chartering operations are 100% domestic, with majority of its customers being local businessmen or corporate accounts.

MAATS, as a CAAP-AOC holding company, must strictly adhere to the rules, standards and procedures as prescribed in the ICAO recognized Ph Civil Air Rules. This includes compliance to the strict periodic audits conducted by the CAAP inspectors during the course of its operations. Failure to comply would mean the cancellation of the commercial permit. Compliance includes the periodic re-training and review of the technical crew, pilot and mechanics. MAATS' technical crew is sent to the Airbus training facility every two years for refresher courses, to keep them abreast also of the latest developments in the field of helicopters.

Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO clients of Lufthansa Technik Philippines. FBO work deals with providing administrative solutions or support, and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights. As of December 31, 2014, MAATS team has maintained a lean organization of six (06) regular employees headed by its Accountable Director, 1 pilot, 2 mechanics and 2 support staff. MAATS also retains the services of four technical consultants as required by the AOC organizational structure.

MAATS' charter flight and FBO (fixed-based operations) revenues for the last three years account for an average of two percent (2%) of MAC Group's consolidated profit before tax.

MAATS' operations do not require the intensive use of raw materials or like items. It does not therefore have any major existing supply contracts.

There are no existing or probable government regulations that may have an adverse effect on MAATS operations. It did not incur any research and development expenditures during the last three fiscal years.

### ***MacroAsia Mining Corporation***

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained. The Company has 102 employees, among those, 11 are regular employees as of May 31, 2015. The remaining headcount consists of project employees.

MMC is now geared towards the provision of consultancy and mining exploration services, focusing on nickel areas. On August 24, 2012, the Company entered into a Contract for Service Agreement with a third party to render exploratory drilling and sampling of nickel laterite services on the third party's mining tenement.

MMC's operations do not require the intensive use of raw materials. Therefore, it does not have any major existing supply contracts.

MMC is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MMC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

### ***Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation***

Lufthansa Technik Philippines, Inc. (LTP) is a joint venture between MAC (49%) and Lufthansa Technik AG of Germany (51%). It provides a wide range of aircraft maintenance, repairs and overhaul (MRO) services at the NAIA, DMIA, MCIA and Davao International Airport.

Following the signing of the joint venture agreement on July 12, 2000, and its subsequent registration with the Philippine Economic Zone Authority (PEZA) as an economic zone locator on August 30, 2000, LTP started its commercial operations on September 01, 2000. Since then, it has been recognized as an outstanding company that has consistently generated export revenues for the country.

As an ecozone locator, LTP has a 25-year lease contract with MacroAsia Properties Development Corporation (MAPDC). It has technical services agreements with PAL as a base client, as well as with other airlines, including Lufthansa Technik AG of Germany.

LTP also has a concession agreement with MIAA upon which its business operations is highly dependent. The agreement grants LTP the right to operate as a provider of aircraft MRO services at NAIA Terminals 1, 2 and 3. LTP secures such right by yearly renewal of the agreement and paying the monthly CPF (7% of gross revenue).

On February 10, 2012, LTP opened its third aircraft hangar to accommodate maintenance works for the Airbus A380, the world's biggest and most technologically advanced commercial aircraft today.

LTP continues to have Philippine Airlines (PAL) as its main client in providing aircraft maintenance, repair and overhaul services from its facility in NAIA. Other global clients include among others – Air China, Air Nuigini, China Airlines, Japan Airlines and Korean Air. Moreover, other international airlines including those with non-scheduled flights to Manila also avail of LTP's MRO expertise. These include Lufthansa German Airlines, Virgin Atlantic, Qantas Airways, Jetstar Japan, AirAsiaX, Thai AirAsia X, Solomon Airlines, and Starflyer to name a few.

In a showcase of continuing trust in 2015, eight airlines renewed their alliances with LTP. For line maintenance, these were Air Busan, All Nippon Airways, Asiana Airlines, Etihad Airways, Eva Air, Jeju Air, Mandarin Airlines and Qatar Airways. Moreover, four airlines will renew its contract in the coming months of 2015 namely, Emirates Airlines, Gulf Air, Jin Air and Royal Brunei. There were also three new customers added to the roster of line maintenance namely, Oman Air, Turkish Airlines and Xiamen Airlines. For base maintenance, Qantas signed an exclusive agreement with LTP to perform heavy maintenance checks to its 12 Airbus A380s for the next 10 years. These include various modifications, such as C1-checks, C-2 checks, C-4 checks and in the future, C-8 checks. PAL also extended its base maintenance agreement for another two years. LTP will continue to perform heavy checks for PAL's A320, A321, A330 and A340 aircrafts.

Aviation authorities/agencies from the respective countries of origin of these airline clients issue licenses/certificates to LTP for its accreditation to provide MRO services to the aforementioned associated airlines. It is certified by 33 airworthiness organizations worldwide as a qualified provider of aircraft MRO services including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Industry (FAA) and European Aviation Safety Agency (EASA). It also holds an EASA 21 Design organization extension from Lufthansa Technik AG, enabling them to create in-house change/repair designs. The extent of LTP's work/services largely depends on these certifications, which describe/specify that LTP's services must be carried out in accordance with the respective countries' aviation regulations. These certifications are renewed either annually or every two years.

LTP's income in 2014 is a complete turnaround from last year's losses. This was made possible through LTP's continuous effort to decrease its general expenses. Last year's losses is in line with the decrease in number of serviced aircraft particularly in the line maintenance segment, increase in expenses incurred due to the buildup of base maintenance capability, write-off of inventory in 2013, provisions for tax and other assessments, LTP booked another net loss in 2013, which accounted for 108% of MacroAsia Corporation's total equity in net loss of its associated companies for the said year.

LTP's personnel count did not change significantly as compared to the prior year. They have a labor force of about 2,436 by May 31, 2015. Of the total manpower count, 2,415 are regular employees.

LTP is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

### ***Cebu Pacific Catering Services, Inc.***

Cebu Pacific Catering Services, Inc. (CPCS) is MacroAsia's first in-flight catering venture which started commercial operations in October of 1996. MAC has 40% equity in this joint venture, while its partners - Cathay Pacific Catering Services of Hongkong and MGO Pacific Resources Corporation hold 40% and 20% equity, respectively.

CPCS is the first and presently still the only full-service airline catering company at the MCI. CPCS is an economic zone locator covering 3,050 sqm. in Mactan, Cebu and services both domestic and international airlines.

CPCS owns a two-storey kitchen facility designed to fully meet projected total airline catering demands and to easily accommodate future expansion. The facility is capable of producing

over 3,000 meals a day in accordance with stringent international hygiene standards. The facility was designed and developed by Cathay Pacific Catering Services (HK). With its current portfolio of clients, the facility still has excess capacity to serve the requirements of Mactan Cebu International Airport in the years to come.

CPCS is presently serving an average of 1,800 meals a day, using local raw materials for its menus. It procures its raw materials from the local market and does not have any major raw materials supply contracts. CPCS services Philippine Airlines, Korean Air and Asiana Airlines as well as local airlines like Cebu Pacific and Air Philippines.

CPCS's personnel count increased by 24%, to about 77 employees as of December 31, 2014, compared to staff count in previous year. Of the total manpower count, 38 are regular employees.

As the only full-service airline catering company in Cebu, CPCS expects to provide most if not all of the catering services for future ex-Cebu flights to other regional destinations.

CPCS contributed an average of 13% out of the total MAC equity in the net income of associates as of December 31, 2014.

As a registered entity, CPCS is subject to the rules and regulations of the Philippine Economic Zone Authority (PEZA). It is not aware of any existing or probable government regulations that would have an adverse effect on its operations.

CPCS does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements.

No research and development costs have been incurred by CPCS during the last three fiscal years.

## **ANNEX C – MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

In 2014, MAC carried on its operations through its five subsidiaries namely: MacroAsia Catering Services, Inc. (MACS); MacroAsia Airport Services Corporation (MASCORP); MacroAsia Air Taxi Services, Inc. (MAATS); MacroAsia Properties Development Corporation (MAPDC); and MacroAsia Mining Corporation and through its two associated companies, Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation (LTP) and Cebu Pacific Catering Services, Inc. (CPCS).

MACS, which is 80% owned by MAC, operates an in-flight kitchen at the NAIA and Manila Domestic Airport, while CPCS, 40% owned by MAC, operates similar in-flight kitchen at the MCI. These two kitchens service the in-flight catering needs of most international airlines flying out of Manila and Cebu. MASCORP, a 100% owned subsidiary of MAC handles the operation of aircraft ground-handling requirements not only at NAIA but also at MCI. LTP which is a joint venture with Lufthansa Technik AG Germany provides world-class aircraft maintenance, repair and overhaul (MRO) services at the NAIA, DMIA, MCI and Davao International Airport.

MAATS, 100%-owned subsidiary by MAC, provides aircraft charter services from its base at the Manila Domestic Airport, and also provides auxiliary services for fixed-based operators. MAPDC, another 100% owned subsidiary by MAC, developed and operates the only special economic zone at NAIA. MMC, a wholly owned subsidiary, serves as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained.

The two most important factors that affect the revenue levels of the aviation-services subsidiaries are passenger loads and flight frequencies of airlines.

The Group is not aware of any known trends or any known demands, commitments, events or uncertainties that will have material impact on its liquidity.

The Group is not aware of having or anticipating any cash flow or liquidity problems within the next twelve (12) months. The Group generally sources its liquidity requirements through its increased revenues and collections. These are invested in placements with better yields. The Group also has existing credit lines with several banks.

The Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation. The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures created during the reporting period other than the US\$ 25 million second A380 hangar of LTP which LTP will fund internally and the ongoing Solano Waterworks System under construction for less than ₱300 million, to be funded partly by bank loans.

The Group is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations other than the threat of EBOLA and MERS for airline clients.

There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations. The Group is not aware of any current and future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period. The Group is not aware of any seasonal aspects that have material effect on the financial statements.

### **2014 compared with 2013**

The Group is reporting a consolidated net income after tax of ₱122 million in 2014, reflecting a turnaround from the past two years' losses of ₱161 million and ₱180 million in 2013 and 2012 respectively. The Group's major subsidiaries posted a stronger operating and financial performance in 2014, including LTP and CPCS, its catering associate in Cebu.

Revenues from In-flight catering which contributed 61% of the total revenues had reached one billion pesos for the first time since it started operations. From last year's ₱991 million, the current year's revenues of ₱1.04 billion is brought about by additional institutional clients serviced in 2014. The revenues from ground-handling and aviation services rose to ₱441 million from ₱413 million in 2013. The growth is due to passenger check-in services for the international flights of Cebu Pacific in NAIA Terminal 3, beginning on the second half of 2014. Revenues generated from our charter flight services in the amount of ₱12 million were up by almost half due to the chopper ground time experienced in 2013, arising from permitting delays and the chopper downtime due to mandated repairs and maintenance. FBO revenues contributed ₱3 million this year, consistent with last year's revenue. Revenues from property rental in the MacroAsia Ecozone remained the same. In compliance with Philippine Accounting Standards (PAS) 17, lease rental was accounted on a straight-line basis over the lease term. Administrative fees also remained at the same level as 2013. Our

mining service revenues are generated from exploratory drilling and sampling of nickel laterite services agreement with a third party. Revenues from exploration services amounted to ₱35 million, a 288% growth from last year's ₱9 million.

With the higher cost of personnel-related expenses due to increased manpower in our catering and ground handling subsidiaries, coupled by mandatory salary increases, rise in operating expenses in relation to higher charter flight hours this year and the expenses pertaining to the exploration contract obtained by our mining subsidiary, the group posted an increase of ₱99 million in its direct costs, from ₱1.23 billion in 2013 to ₱1.39 billion in 2014. Direct costs ratio of 77% is 1% higher from the 76% level in 2013, mainly due to the higher labor cost ratio of our ground handling subsidiary. General and administrative expenses amounting to ₱375 million in 2013 increased by 14% to ₱428 million in 2014 due to resulting labor requirement of an institutional client and largely because of the provision for probable losses on input tax and TCCs based on the experience of the group with the BIR.

Interest income amounting to ₱13 million decreased by ₱7 million in 2014 due to lower level of short term investments held by the company. Financing charges increased by ₱4.1 million compared to last year's ₱.6 million due to the loans obtained by our ground-handling subsidiary in December 2013 and early 2014 from the local bank.

Other income and charges decreased by ₱58.6 million as against ₱101.6 million in 2013. Last year's other income consists of the gain on sale of investment in bonds (recorded gain at ₱49.7 million in 2013) and foreign currency fluctuation resulting to an exchange gain of ₱29.3 million. Another component is the increase in the appraisal value of the property held by MAPDC for several years now which resulted in the reversal of the allowance for losses of ₱17.3 million that was kept in the books in prior years. This reversal brings back the value of the property to its original acquisition cost by end of 2013. In 2014, the main contributors of other income are reversals of prior year accruals amounting to ₱19.4 million and foreign exchange gains of ₱12.5 million.

Equity in net income/loss of associates represents MAC's proportionate share in the net income/loss of its associated companies, LTP and CPCS. The changes in the equity share in net income/loss from period to period are dependent upon the results of operations of the associated companies. In 2014, our MRO business exhibited a turnaround, from last year's share in net loss of ₱263.7 million to this year's share in income of ₱111 million. Meanwhile, our catering associate in Cebu continues to contribute income with this year's ₱17.2 million, surpassing last year's ₱13.9 million.

The Group posted a provision for income tax in the amount of ₱24 million in 2014, lower by 31% as compared to 2013's ₱34.7 million.

Management remains confident about the Group's future. LTP is foreseen to continue its profitability within the short term, as it strives to strengthen its base maintenance capability to service foreign airlines, and thus, will become less reliant on line maintenance as a key revenue segment. Continuous growth shall also be driven by new business opportunities in the food business segment, and ground handling opportunities will include passenger lounge servicing and expansion in other secondary airports outside our current locations.

### ***Financial Position***

The consolidated total assets of ₱3.3 billion is higher by 8% compared to ₱3.1 billion in 2013. This is primarily due to the new investments by the company pertaining to waterwork projects, motorpool, and ground support equipment.

Total cash and cash equivalents amounting to ₱681 million decreased by 21% from last year's ₱867 million primarily due to advances and investments related to ongoing projects in 2014, including the purchase of a property in Muntinlupa for the catering project. Accounts receivable increased by ₱41 million or 11% from ₱368 million in 2013 mainly due to trade receivables of our catering and ground handling subsidiaries arising from new clients gained in 2014. The inventory level decreased by ₱3 million from ₱47 million in 2013 to ₱44 million as of December 31, 2014.

Other current assets, which represent restricted short-term investment, tax credit certificates (TCC), unused input taxes, creditable withholding and prepaid taxes, other prepaid expenses for insurance covers, rent, utilities, and unconsumed supplies, were recorded at ₱101 million, net of allowance for probable losses, as of December 31, 2014, posting an increase of ₱39 million as compared to 2013, principally due to the accumulation of input taxes by our catering subsidiary.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, cash dividends that were declared and actually received from LTP and CPCS during the current reporting period, and the incremental equity share in net earnings of the associated companies. The Group recorded a growth of 43% from ₱462 million in 2013 to ₱662 million in 2014. This is mainly attributable to the share in the net income of LTP in 2014.

The 4% rise in property and equipment, from ₱380 million in 2013 to ₱395 million in 2014, is mainly driven by the investments in water-related projects, acquisition of land by MAPDC and the acquisition of catering support equipment by MACS. The investment property of ₱143.8 million pertains to land held for future development by MAPDC. The continuing rise in the property's appraised fair value for several years now no longer justifies the need to book an allowance for loss, and thus the land is now booked at its original acquisition cost, which is still conservatively below the prevailing appraised/market value for the property. The deferred mine exploration cost of ₱233 million remained at the same level as 2013.

Accrued rental receivable and payable are equal in amount, in compliance with PAS 17 which requires the straight-line recognition of operating lease income and expense over the term of the lease. Also, deferred rent expense and unearned rent income are equal in amount as of year-end. These four accounts will be nil after the termination of the lease and sub-lease arrangement of MAPDC with MIAA and LTP.

Available-for-sale investments, in the amount of ₱103 million as of December 31, 2014 posted a decline of 24% from ₱136.8 million in 2013 due to the sale of bonds held. The account consists of Philippine government treasury bonds, corporate bonds, and equity shares. Service concession right amounting to ₱99.7 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as it received the right to charge users of public service. Advances to contractors of ₱48.5 million pertains to payments made to two major contractors as required in their construction agreements.

Deferred income tax assets increased by 27% or ₱4.5 million, from ₱16.9 million in 2013 to ₱21.4 million in 2014, primarily due to the increase in DTA pertaining to remeasurement losses and additional input VAT provision of losses of our catering subsidiary. Deposits and other noncurrent assets increased by 53%, from ₱82 million in 2013 to ₱127 million in 2014, due to the deferred project costs of water-related projects amounting to ₱64 million previously recognized as project advances amounting to ₱18 million. Other noncurrent assets account includes among others, prepayments on rent, retirement benefits, and goodwill of ₱17.5 million, booked during the Parent

Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS.

Total liabilities posted an increase of 9% or ₱43 million from 2013's ₱474 million to this year's ₱516 million. This is largely due to the outstanding balance of ₱68 million from new loans obtained in 2014 by our ground handling subsidiary, MASCORP, from a local bank as an additional source of working capital requirement and to finance its liabilities. This is in addition to the ₱27 loan obtained last December 2013 which has been reduced to an outstanding balance of ₱18 million by end of 2014. Accounts payable and accrued liabilities decreased by ₱11 million (or 4%) due to lower outstanding obligations of our catering and ground-handling subsidiaries as of December 31, 2014. Accrued retirement benefits payable of ₱15 million decreased by ₱4 million from last year's ₱19 million, owing to larger increases in the fair value of plan assets as compared to the increase in retirement obligations of the Group based on the results of actuarial valuation. Other employee benefits pertain to employees' leave entitlement and settlement benefits upon the end of their tenure in their respective companies within the Group.

Rental deposit pertain to the refundable deposit received by MAPDC from LTP which is reported at its accreted value in the consolidated balance sheets.

Dividends payable of ₱8.6 million represents the total outstanding checks payable to the Parent Company's stockholders as of current year-end.

The deferred tax liability in the amount of ₱1.1 million stemmed from the fair value changes of available-for-sale investments.

The Parent Company's share in foreign currency translation adjustments of LTP in the amount of ₱176.8 million last year decreased by ₱4 million to this year's ₱172 million, in accordance to Philippine Accounting Standard (PAS) 21, "The Effects of Changes in Foreign Exchange Rates". The available-for-sale reserve in the amount of ₱9 million represents the unrealized gain on available-for-sale investments due to higher quoted market prices as of December 31, 2014. Remeasurement on defined benefit plans of the Group and its share in the remeasurement on defined benefit plan of associates were recognized in accordance with the Revised PAS 19. These remeasurements comprise 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).

The Parent Company re-acquired through its Share Buy-back Program a total of 16,596,000 shares for ₱49.4 million as of December 31, 2014.

Movement in the "non-controlling interests" depends on the results of operations of MACS. This account reflects the 20% equity share of SATS (JV Partner of MAC) in the catering JV. As of December 31, 2014, non-controlling interests amounted to ₱70 million.

### **2013 compared with 2012(restated)**

The Group is reporting a consolidated net loss after tax of ₱160.8 million in 2013, which is still an improvement of ₱19 million or 10.6% from the net loss of ₱179.8 million in 2012.

The Parent Company and its subsidiaries posted a stronger operating and financial performance in 2013, including CPCS, its catering associate in Cebu. However, such profitability gains were offset by the higher loss recorded as the Company's share in the loss of its MRO associate, LTP.

Revenues from In-flight catering which contributed 62% of the total revenues had an increase of 2% from ₱973.7 to ₱992 million in 2013. This is primarily due to additional institutional/non-airline clients that were serviced, as well as volume increases from airline clients. The revenues from

ground-handling and aviation services was down by ₱2 million, from ₱415 million in 2012 to ₱413 million in 2013. The slight decrease is due to the lower non-routine revenues handled in 2013. Revenues generated from our charter flight services in the amount of ₱7.8 million were down by half compared to last year's revenue of ₱13 million, mainly due to extended chopper ground time in 2013, arising from permitting concerns and the period of mandated repairs and maintenance of the chopper. Revenues from property rental in the MacroAsia Ecozone remained the same. In compliance with Philippine Accounting Standards (PAS) 17, lease rental was accounted on a straight-line basis over the lease term. Administrative fees also remained at the same level as 2012. Our mining service revenues are generated from exploratory drilling and sampling of nickel laterite services agreement with a third party. Revenues from exploration services amounted to ₱9.2 million, which is a slight decline from the ₱10.3 million booked in 2012.

With the higher cost of personnel-related expenses due to the higher required manpower of our catering and ground handling subsidiaries, coupled by mandatory salary increases, the group posted an increase of ₱0.03 billion in its direct costs, from ₱1.20 billion in 2012 to ₱1.23 billion in 2013. Direct costs ratio of 76% is 1% higher from the 75% level in 2012, mainly due to the higher labor costs. General and administrative expenses amounting to ₱362 million in 2013 increased by 4%, from ₱347 million in 2012 due to resulting employee related expenses that were affected by the mandatory salary increases, higher repairs and maintenance expenses of our catering subsidiary and increase in allowance for doubtful accounts from subsidiaries.

Interest income amounting to ₱19.9 million remained at almost the same level as the ₱19.7 million booked in 2012. Financing charges of ₱0.6 million decreased by ₱1.7 million compared to ₱2.3 million in 2012, due to the early settlement by a subsidiary of its 2012 interest-bearing loans from a local bank.

Other income and charges posted an upsurge of ₱157.7 million as against ₱56.1 million in 2012. This is primarily driven by the gain on sale of investment in bonds (recorded gain at ₱49.7 million in 2013), foreign currency fluctuation resulting to an exchange gain of ₱29.3 million compared to an exchange loss of ₱60 million in 2012. Another factor is the continuing increase in the appraisal value of the property held by MAPDC for several years now. Due to the continuing increase in appraised value, the allowance for losses of ₱17.3 million that was kept in the books in prior years for appraisal losses of the property had to be reversed, thus bringing back the value of the property to its original acquisition cost by end of 2013.

Equity in net income/loss of associates represents MAC's proportionate share in the net income/loss of its associated companies, LTP and CPCS. The changes in the equity share in net income/loss from period to period are dependent upon the results of operations of the associated companies. In 2013, the loss in our MRO business more than offset the earnings of our in-flight catering services in Cebu, thus resulting in a net loss being booked for 2013. The total share in net loss of associates of ₱251.9 million is 70% higher than the share in net loss of ₱148.4 million in 2012.

The Group posted a provision for income tax in the amount of ₱34.7 million in 2013, up by 24% as compared to ₱27.9 million in 2012.

Despite the consolidated loss in 2013, management remains confident about the Group's future. LTP is foreseen to be back to profitability within the short term, as it continues to strengthen its base maintenance capability to service foreign airlines, and thus, will become less reliant on line maintenance as a key revenue segment. Continuous growth shall also be driven by new business opportunities in the food business segment, and ground handling opportunities will include passenger lounge servicing and expansion in other secondary airports outside our current locations.

### ***Financial Position***

The consolidated total assets of ₱3.1 billion are lower by 7% compared to the ₱3.3 billion in 2012. This is primarily due to the decrease in investments in associates, principally arising from the losses of the MRO associate, and the reduction of recognized deferred tax assets.

Total cash and cash equivalents amounted to ₱867 million, a rise of 35% from ₱643 million as of December 31, 2012 primarily due to the sale of the investments in bonds and the stronger cash flow of subsidiaries. Accounts receivable increased by ₱71.5 million or 24% from ₱296.3 million in 2012 mainly due to trade receivables of our catering and ground handling subsidiaries. The inventory level decreased by 14% from ₱54.5 million in 2012 to ₱47 million as of December 31, 2013.

Other current assets, which represent tax credit certificates (TCC), unused input taxes, creditable withholding and prepaid taxes, other prepaid expenses for insurance covers, rent, utilities, and unconsumed supplies, were recorded at ₱62.2 million as of December 31, 2013, posting an increase of ₱16.6 million as compared to 2012, principally due to the accumulation of Tax Credit Certificates by our catering subsidiary.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, cash dividends that were declared and actually received from LTP and CPCS during the current reporting period, and the incremental equity share in net earnings of the associated companies. The Group recorded a decrease of 36% from ₱729 billion in 2012 to ₱462 million in 2013. This is mainly attributable to the share in the net loss of LTP in 2013.

The 5% increase in property and equipment, from ₱360 million in 2012 to ₱379 million in 2013, is mainly driven by the investments in MAPDC's water projects and the acquisition of ground support equipment by our ground handling subsidiary. The investment property of ₱143.8 million pertains to land held for future development by MAPDC. The continuing rise in the property's appraised fair value for several years now no longer justifies the need to book an allowance for loss, and thus the land is now booked at its original acquisition cost, which is still conservatively below the prevailing appraised/market value for the property. The deferred mine exploration cost of ₱233 million remained at the same level as 2012.

Accrued rental receivable and payable are equal in amount, in compliance with PAS 17 which requires the straight-line recognition of operating lease income and expense over the term of the lease. Also, deferred rent expense and unearned rent income are equal in amount as of year-end. These four accounts will be nil after the termination of the lease and sub-lease arrangement of MAPDC with MIAA and LTP.

Available-for-sale investments, in the amount of ₱137 million as of December 31, 2013 posted a decline of 69%, from ₱435 million in 2012 due to the sale of bonds in 2013. The account consists of Philippine government treasury bonds, corporate bonds, and equity shares.

Deferred income tax assets decreased by ₱4.8 million or 22%, from ₱21.7 million in 2012 to ₱16.9 million in 2013, mainly due to the decrease in unrecognized revenue of our mining subsidiary. Deposits and other noncurrent assets increased by 12%, from ₱204 million in 2012 to ₱228 million in 2013, due to the accumulation of input taxes during the year. Other noncurrent assets account includes among others, prepayments on rent, retirement benefits, and goodwill of ₱17.5 million, booked during the Parent Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS.

Accounts payable and accrued liabilities increased by ₱40 million (or 17%) due to the additional purchases and repairs made by the operating subsidiaries towards the end of the year. Accrued retirement benefits payable of ₱19.3 million increased by ₱3.1 million or 19%, owing to incremental accruals of expense for the year based on the results of actuarial valuation.

In December 2013, our ground handling subsidiary, MASCORP, obtained a bank loan as additional source of their working capital requirement and to finance its liabilities amounting to P27 million. Dividends payable of ₱12.7 million represents the total outstanding checks payable to the Parent Company's stockholders as of current year-end.

The deferred tax liability in the amount of ₱0.4 million arose from the fair value changes of available-for-sale investments.

The Parent Company's share in foreign currency translation adjustments of LTP in the amount of ₱176.8 million decreased by 20%, from ₱220.3 million in 2012, following the Philippine Accounting Standard (PAS) 21, "The Effects of Changes in Foreign Exchange Rates". The available-for-sale reserve in the amount of ₱2.7 million represents the unrealized gain on available-for-sale investments due to higher quoted market prices as of December 31, 2013.

The Parent Company re-acquired through its Share Buy-back Program a total of 16,596,000 shares for ₱49.4 million as of December 31, 2013.

Movement in the "non-controlling interests" depends on the results of operations of MACS. This account reflects the 20% equity share of SATS (JV Partner of MAC) in the catering JV.

### **2012 (restated) compared with 2011(restated)**

The Group's consolidated service revenues stood at ₱1.60 billion in 2012, a 17% increase from ₱1.36 billion in 2011. However, the Group is reporting a consolidated net loss after tax of ₱179.8 million in 2012, in contrast to the net income of ₱309.5 million in 2011. The principal reason for this loss is the Parent Company's share in the loss of LTP which is due to the start-up costs of its A380 business, lower line maintenance revenues from a base client, and write-off of obsolete inventories. The Group was also hit by the stronger Philippine Peso, compared to the US Dollar, resulting into actual and unrealized foreign exchange losses.

Revenues from In-flight catering which contributed 61% of the total Group revenues had an increase of 16%, coming from the ₱839 million in 2011. This is due to the higher meal volumes arising from the passenger traffic growth of airline clients, and the acquisition of non-airline institutional clients for servicing in 2012. For ground handling, the flights of serviced clients also increased, enabling the revenues from ground-handling to jump by 34%, from ₱309 million in 2011 to ₱415 million in 2012. Revenues generated from our charter flight services in the amount of ₱13 million were down by half in 2012, compared to ₱25 million in 2011, mainly due to the lesser charter flights in 2012. Revenues from property rental in the MacroAsia ecozone remained the same, in compliance with Philippine Accounting Standards (PAS) 17 which requires that the lease rental should be accounted on a straight-line basis over the lease term. Administrative fees also remained at the same level as 2011. For the mining services, starting on the third quarter of 2012, MMC entered into an exploratory drilling service agreement with a third party. The resulting revenues from these exploration services amounted to ₱10 million in 2012.

With the higher cost of raw materials, utilities and personnel-related expenses, the group posted an increase of 19% in its direct costs, from ₱1.01 billion in 2011 to ₱1.21 billion in 2012. Direct costs ratio of 75% is 1% higher than the 74% level in 2011, due to the increase in expenses directly related to catering and ground handling services. General and administrative expenses amounting to ₱347

million in 2012, reflects an increase of 11%, from ₱313.5 million in 2011. This is mainly due to the allowance for the uncollectible input taxes, an accounting provision in the books of the catering subsidiary, professional fees and repairs and maintenance expenses recorded by our subsidiaries. Mining expenses decreased by 61%, from ₱36 million in 2011 to ₱14 million in 2012 due to reduced mining exploration activities.

Interest income increased by ₱2.4 million or 14%, from ₱17.3 million in 2011 to ₱19.7 million in 2012, due to interest earned on the higher cash placements/short-term deposits, as well as earnings from investments in government treasury bonds. Financing charges of ₱2.3 million is lower by 31%, from ₱3.3 million in 2011 due to the settlement of loans obtained from a local bank by our two operating subsidiaries.

Other income and charges reflected a loss of ₱56.1 million, as compared to the income of ₱18.6 million in 2011. This is primarily due to forex losses, arising from the appreciation of the peso against US dollar. The Group's transactional currency exposure arises from sales and cash balances in currencies other than the Philippine Peso (its functional currency).

Equity in net income of associates represents MAC's share in the net income/loss of its associated companies. Changes in equity shares from period to period are dependent upon the results of operations of the associated companies. The total share in net loss of associates of ₱148 million in 2012, starkly contrasts to the share in net earnings of associates amounting to ₱306 million in 2011.

With the increase in temporary differences of the operating subsidiaries for 2012, the group posted a provision for income tax in the amount of ₱27.94 million, a drop of 12% when compared to ₱31.83 million in 2011.

### ***Financial Position***

The consolidated total assets of ₱3.28 billion in 2012 are lower by 14%, compared to ₱3.83 billion in 2011. This is primarily due to the settlement of bank loans, appreciation of peso against the US dollar and the decrease in investments in associates.

Total cash and cash equivalents amounted to ₱643 million, dropping by 43% from ₱1.1 billion as of December 31, 2011. This is because of the settlement of bank loans obtained by the operating subsidiaries and acquisition of additional Available-for-sale investments (bonds). Due to collection efficiency, the receivables decreased by 22% from ₱382 million in 2011 to ₱296 million as of December 31, 2012. The inventory level also decreased by 22%, from ₱69.6 million in 2011 to ₱54.5 million as of December 31, 2012.

Other current assets represent tax credit certificates, unused input taxes, creditable withholding and prepaid taxes, and other prepaid expenses for insurance covers, rent, utilities, and unconsumed supplies in the total amount of ₱48.6 million as of December 31, 2012, almost at the same level of the ₱48.2 million booked in 2011.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, cash dividends declared and actually received from LTP and CPCS during the current reporting period, and the incremental equity share in net earnings of the associated companies. The Group recorded a decrease of 36% from ₱1.14 billion in 2011 to ₱729 million in 2012. This is mainly attributable to the Parent Company's share in the net loss of the MRO associate.

The increase in property and equipment by 21%, from ₱297 million in 2011 to ₱360 million in 2012, is mainly because of the acquisition by our catering and ground handling subsidiaries, of operating vehicles and other support equipment during the year. Investment property of ₱126.6 million pertains to MAPDC's land held for future development. Deferred mine exploration costs of ₱233 million increased by 8%, compared to ₱216 million in 2011, due to the continuing exploration activities during the year.

Accrued rental receivable and payable are equal in amount, in compliance with PAS 17 which requires the straight-line recognition of operating lease income and expense over the term of the lease. Also, deferred rent expense and unearned rent income are equal in amount as of year-end. These four accounts will be nil after the termination of the lease and sub-lease arrangement of MAPDC with MIAA and LTP.

Available-for-sale investments, in the amount of ₱435 million as of December 31, 2012 increased by 465%, from ₱77 million in 2011. The Parent Company invested in retail treasury and corporate bonds during the year. The portfolio consisted of Philippines government treasury bonds, corporate bonds, and equity shares.

Deferred income tax assets amounting to ₱22 million remained at almost the same level as 2011. Deposits and other noncurrent assets of ₱204 million increased by 11%, from ₱184 million in 2011, due to the accumulation of input taxes during the year. Other noncurrent assets account includes prepayments on rent, retirement benefits, and goodwill of ₱17.5 million from the Parent Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS.

Accounts payable and accrued liabilities decreased by ₱50 million (or 18%) due to lower inventory purchases and earlier payment to suppliers and related parties during the yearend. Accrued retirement benefits payable of ₱16.1 million decreased by ₱24.7 million or 61%, owing to incremental accruals of expense for the year based on the results of actuarial valuation, in accordance with the revised PAS 19.

The bank loans obtained by the operating subsidiaries (MACS and MASCORP) as additional source of their working capital requirements were fully settled during the year.

Dividends payable of ₱8.4 million represents the total outstanding checks payable to the Parent Company's stockholders as of year-end. The deferred tax liability in the amount of ₱1.5 million corresponds to the impact of the fair value changes of available-for-sale investments.

The Parent Company's share in the foreign currency translation adjustments in the LTP investment, in the amount of ₱220 million increased by 38%, from ₱160 million in 2011, following the Philippine Accounting Standard (PAS) 21, "The Effects of Changes in Foreign Exchange Rates". The available-for-sale reserve in the amount of ₱29.8 million represents the unrealized gain on available-for-sale investments, the increase is due to higher quoted market prices as of December 31, 2012. The Parent Company re-acquired through its Share Buy-back Program a total of 16,596,000 shares for ₱49.4 million as of December 31, 2012.

Movement in the "non-controlling interests" depends on the results of operations of MacroAsia Catering Services, Inc. This account shows the 20% equity share of SATS in the catering JV.

### ***Key Performance Indicators***

The Group uses the following major performance measures. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year.

### Return on Net Sales (RNS)

This ratio measures the amount of income, after all costs and expenses, including taxes are deducted, for every peso of net revenue earned.

<i>(In Thousands except for Ratios)</i>		2014	2013
Return on Net Sales	= $\frac{\text{NI attributable to Equity Holder of Parent}}{\text{Total Net Revenues}}$	= $\frac{\text{₱ 114,980}}{1,723,193}$	= $\frac{\text{₱ 170,048}}{1,610,119}$
		= <u>6.67%</u>	= <u>(10.56%)</u>

The positive rise in the consolidated RNS basically driven by the income contribution of our MRO associate in 2014, compared to the prior year's loss from this MRO associate that was substantial enough to wipe out the net income derived from the subsidiaries upon reporting consolidation.

### Return on Investment (ROI)

This ratio measures the amount of income earned on invested capital.

<i>(In Thousands except for Ratios)</i>		2014	2013
Return on Investment	= $\frac{\text{NI attributable to Equity holder of Parent}}{\text{Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent}}$	= $\frac{\text{₱ 114,980}}{2,826,387}$	= $\frac{\text{₱ 170,048}}{2,564,027}$
		= <u>4.07%</u>	= <u>(6.63%)</u>

The ROI had a positive turnaround due to the income contribution of our MRO associate this year as compared to last year's loss. While loans were availed of by the ground handling subsidiary, these are small compared to the increase of the Parent's equity. Of the total amount of loans availed, only 67.7 million remain outstanding by end of 2014.

### Return on Equity (ROE)

This KPI is a measure of the owner's return for every peso of invested equity.

<i>(In Thousands except for Ratios)</i>		2014	2013
Return on Equity	= $\frac{\text{NI attributable to Equity holder of Parent}}{\text{Total Equity holder of Parent}}$	= $\frac{\text{₱ 114,980}}{2,740,660}$	= $\frac{\text{₱ 170,048}}{2,537,027}$
		= <u>4.20%</u>	= <u>(6.70%)</u>

The increase of 162% in ROE is attributed by the turnaround of our MRO associates in 2014 and the continuing profit contributions of our key subsidiaries.

### Direct Cost and Expense Ratio

This ratio measures the average rate of direct costs and expense on products/services sold.

<i>(In Thousands except for Ratios)</i>		2014	2013
Direct Cost Ratio	$= \frac{\text{Total Direct Cost}}{\text{Total Net Revenues}}$	$= \frac{\text{₱ 1,328,904}}{1,723,193}$	$= \frac{\text{₱ 1,229,620}}{1,610,119}$
		$= \underline{\underline{77.12\%}}$	$= \underline{\underline{76.37\%}}$

<i>(In Thousands except for Ratios)</i>		2014	2013
Operating Expense Ratio	$= \frac{\text{Total Operating Expenses}}{\text{Total Net Revenues}}$	$= \frac{\text{₱ 427,641}}{1,723,193}$	$= \frac{\text{₱ 375,644}}{1,610,119}$
		$= \underline{\underline{24.82\%}}$	$= \underline{\underline{23.33\%}}$

Direct costs and operating expenses increases is in parallel with the growth in revenues. The increase in ratios above are due to higher increases in costs, mainly labor-related, as compared to the increases in net revenues. The provision for input taxes deemed denied by the BIR also contributed to higher operating expenses.

### Current Ratio

This ratio measures the group's ability to settle its current obligations.

<i>(In Thousands except for Ratios)</i>		2014	2013
Current Ratio	$= \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	$= \frac{\text{₱ 1,235,306}}{295,659}$	$= \frac{\text{₱ 1,344,452}}{292,930}$
		$= \underline{\underline{4.18 : 1}}$	$= \underline{\underline{4.58 : 1}}$

The current assets decreased largely due to usage of cash for investments in water projects, acquisition of property and equipment, and investment in a motorpool this year. Liabilities grew principally in the ground handling company, as external short-term loans were taken up to finance operating expansion.

### Debt-to-Equity Ratio

This ratio indicates relationship of the group's debt to the equity of the owners.

<i>(In Thousands except for Ratios)</i>		2014	2013
Debt-to-Equity Ratio	$= \frac{\text{Total Interest-bearing Debts}}{\text{Total Equity}}$	$= \frac{\text{₱ 85,727}}{2,810,375}$	$= \frac{\text{₱ 27,000}}{2,599,195}$
		$= \underline{\underline{3.1\%}}$	$= \underline{\underline{1\%}}$

On December 2014, MASCORP, our ground-handling subsidiary, acquired an additional interest bearing bank loan to be used for general corporate purposes.

### Interest Coverage Ratio

This ratio measures the number of times a company could make the interest payments on its debt with its earnings before interest and taxes.

<i>(In Thousands except for Ratios)</i>		2014	2013
Interest Coverage Ratio	$= \frac{\text{Total Earnings before Interest and Taxes}}{\text{Interest Expense}}$	$= \frac{\text{₱ 149,929}}{4,013}$	$= \frac{\text{₱ 126,177}}{0}$
		$= \underline{\underline{3,736\%}}$	$= \underline{\underline{N/A}}$

In 2014, our ground-handling recognized interests for loans obtained in 2014 and in 2013. For the large part of 2013, the Parent Company and its subsidiaries had no interest bearing debt from external finance sources. No interest expense was recognized as of December 31, 2013 since the interest bearing external debt was acquired only in late December 2013.

### Asset-to-Equity Ratio

This ratio of the Group's total assets to its stockholder's equity measures the Group's leverage and long-term solvency. The equity multiplier is a measurement of a company's financial leverage.

<i>(In Thousands except for Ratios)</i>		2014	2013
Asset-to-Equity Ratio	$= \frac{\text{Total Assets}}{\text{Total Equity}}$	$= \frac{\text{₱ 3,326,607}}{2,810,375}$	$= \frac{\text{₱ 3,072,854}}{2,599,195}$
		$= \underline{\underline{1.18 : 1}}$	$= \underline{\underline{1.18 : 1}}$

The Group finances the purchase of assets mostly through equity or use of internally-generated funds. The low equity multiplier indicates that asset financing is not largely being done through debt.

### Plans and Prospects

Since the Infanta Nickel Project is a re-opening of an old mine that was operational in the 1970's, a substantial portion of the road network to the mining area is already in place and has been maintained to keep it ready for operational use. If favorable economics dictate and when mining regulatory conditions become clear and supportive of mine operations, MAC intends to start development activities for mining operations as soon as permits to operate are received from the government. Development covers the widening of existing mine roads, construction of campsite to port area haul road, completion of the causeway for ore loading and construction of camp site and support facilities. The said activities are estimated to require a minimum of six month construction period. Full mine production is expected 3 months after the development stage and trial production.

The Parent Company, its subsidiaries and affiliates will keep building on their existing core businesses and will pursue new opportunities related to aviation services. Efforts of existing business units to market their services even outside current locations, and new product offerings shall continue, while cost-cutting programs will always be sustained to improve both consolidated revenues and net earnings. The Parent Company has airport-related projects in the pipeline, whose further development is dependent on the granting of the required airport concessions from airport authorities. Further, the recent developments in the ownership and management of PAL is esteemed to provide new opportunities for the group and its subsidiaries.

MAC and its subsidiaries expect to maintain a respectable liquid position, and will use funding from third-party providers only if any of the new major projects being pursued materialize.

The total number of employees is expected to increase in proportion to growth in the client portfolio. Due to the nature of the Group's operations, no product research and development activities are anticipated during the next 12 months. However, more employees, particularly aircraft-services and passenger services staff shall continue to undergo specialized training and development, since there is a demand for such skills in the global labor market.

***Information on Independent Accountant and Other Related Matters***

***External Audit Fees and Services***

	<b>2014</b>	<b>2013</b>
Regular annual audit of financial statements	₱3,409,250	₱3,169,250
Non audit fees	-	-
<b>Total</b>	<b>₱3,409,250</b>	<b>₱3,169,250</b>

***Audit Committee's Approval Policies for the Services of External Auditor***

All services to be rendered and fees to be charged by the external auditors are presented to and pre-approved by the Audit Committee. An audit planning meeting is conducted at least one month before the actual performance of work. The meeting includes discussion of the following:

- a. client service team
- b. scope of audit work
- c. updates for management
- d. possible risk areas and suggested Management action plans to strengthen internal controls
- e. coordination with the audit of subsidiaries and associates
- f. audit work plan and critical dates
- g. expectations settings

***Independent Public Accountants***

SyCip Gorres Velayo & Co. (SGV & Co.) has acted as the Group's independent public accountant. Audit Partner-in-Charge, Ms. Josephine H. Estomo of SGV & Co. handled the financial audit for the years ended December 31, 2014 and 2013. She has done audit and financial due diligence reviews for some of the largest companies in the Philippines. She has extensive experience in various industries including airline and allied services, real estate, manufacturing (food and beverage, liquor, ceramic tiles), semiconductors, health care services, pharmaceuticals, coconut oil milling, telecommunications, education, oil and gas, mining, hospitals and advertising. She is also knowledgeable on business combinations. She took over from Ms. Aileen L. Saringan of the same auditing firm, who was partner-in-charge from years 2009 to 2013. The change was made in compliance with SEC Memorandum Circular No. 8 – Rotation of External Auditors/Partners-in-Charge.

***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

There were no other changes in or disagreements with independent public accountants during the last three calendar years or any subsequent interim period.

## **Corporate Governance**

### **Evaluation System**

The provisions of the Manual on Corporate Governance vis-à-vis the Self-Rating Form on Corporate Governance are regularly reviewed to ensure compliance and identify potential improvements. Deviations, if any, are discussed in the Parent Company's Regular Board Meeting.

### **Measures To Fully Comply**

In line with SEC Memorandum Circular No. 20 Series of 2013, the Parent Company's Directors and top-level management attend, on an annual basis, Strategic and Corporate Governance Trainings, primarily to identify and strengthen the mission and vision and the strategies to carry out its objectives based on leading practices on good corporate governance. The trainings attended are conducted by SEC accredited training providers.

The Parent Company also holds regular weekly Management Meetings. These meetings are presided by the President/CEO and attended by other officers of the Parent Company and the management heads of each of the operating subsidiaries and affiliates to discuss their respective financial and operational performances. Business risks and challenges are likewise discussed on these meetings.

### **Deviations**

There are no known deviations from the Parent Company's Manual of Corporate Governance.

### **Plan to Improve**

The Parent Company continues its coordination with regulatory government agencies to further improve in-house corporate governance. It shall also adopt globally proven good governance strategies.

In June 2009, the SEC approved the promulgation of a revised Code of Corporate Governance to make several of its provisions mandatory instead of recommendatory. It issued Memorandum Circular No. 6 (Series of 2009) which took effect on July 15, 2009.

Companies are now obliged to follow SEC's prescribed Corporate Governance Manual as a minimum. It shall evaluate the corporate governance manuals of companies concerned on an annual basis. The new code doubled the penalty for non-compliance or violation of the provisions thereof. In addition, the new code listed the minimum internal control responsibilities of the board and stipulated specific qualifications for members of the Audit Committee.

With this development, the Parent Company undertook a revision of its manual on corporate governance to align with the new SEC code. In December 2009, the Board of Directors of MacroAsia Corporation approved the revised manual and disclosed the same to the Philippine Stock Exchange (PSE).

On May 6, 2014, the SEC issued Memorandum Circular No. 9, series of 2014 which mandates all covered corporations to amend their Manuals on Corporate Governance to include therein provisions on stakeholders. In conformity therewith, the Parent Company updated its Corporate Governance Manual which was approved by Board of Directors during its meeting held on July 18, 2014 and which was disclosed to the SEC and the PSE.

## Legal Proceedings

On June 4, 2012, the Parent Company filed a petition for review with the Court of Appeals (CA) on the denial by the National Commission on Indigenous People to issue a Certification Precondition applied for by the Parent Company for its proposed mining operation in Palawan. The Parent Company received a resolution denying its Petition for review which was promulgated last April 22, 2015. The Parent Company, however, filed a Motion for reconsideration last May 20, 2015.

## ANNEX D – SECURITIES OF REGISTRANT

### A. Market for Issuer’s Common Equity and Related Stockholder Matters

MAC’s common shares are listed and traded at the Philippine Stock Exchange. The approximate number of holders of its common equity and the total outstanding common shares as of May 31, 2015 is 859 and 1,233,404,000, respectively.

There were no unregistered securities sold by the registrant for the past three (3) years.

*The high and low prices of the Parent Company's share during 2013 and 2014 are as follows:*

<u>2013</u>		<u>High</u>		<u>Low</u>
First Quarter	₱	2.80	₱	2.40
Second Quarter		2.70		2.16
Third Quarter		2.58		2.00
Fourth Quarter		4.32		1.90
<u>2014</u>		<u>High</u>		<u>Low</u>
First Quarter	₱	4.04	₱	1.98
Second Quarter		2.46		1.95
Third Quarter		3.20		2.01
Fourth Quarter		2.68		2.20
<u>2015</u>		<u>High</u>		<u>Low</u>
First Quarter		2.53		2.10
As of May 31, 2015		2.29		2.00

The price information as of the latest practicable trading date, June 23, 2015 is ₱2.10.

*The top 20 stockholders of MacroAsia Corporation as of May 31, 2015 are shown below. The Parent Company has only one class of shares (common).*

	<u>Name</u>	<u>No. of Common Shares Held</u>	<u>% of Total</u>
1	PCD Nominee Corporation (Filipino)	203,723,561	16.52
2	PAL Holdings (formerly Baguio Gold Holdings Corporation)	88,000,000	7.13
3	Conway Equities, Inc.	85,110,000	6.90
4	PCD Nominee Corporation (Non-Filipino)	83,826,007	6.80
5	Solar Holdings Corporation	59,000,000	4.78
6	Pan-Asia Securities Corp.	55,000,000	4.46

7	Dragonstar Management Corp.	53,750,000	4.36
8	Profound Holdings, Inc.	47,500,000	3.85
9	Excelventures Inc.	47,405,000	3.84
10	Bigearth Equities Corporation	46,500,000	3.77
11	SyCip, Washington Z.	37,545,250	3.04
12	Palomino Ventures, Inc.	28,900,000	2.34
13	Primeline Realty, Inc.	25,000,000	2.03
14	Artisan Merchandising Corp	25,000,000	2.03
15	Golden Path Realty Corporation	25,000,000	2.03
16	Clipper 8 Realty & Development Corp.	25,000,000	2.03
17	Absolute Holdings & Equities, Inc.	25,000,000	2.03
18	Caravan Holdings, Inc.	25,000,000	2.03
19	Quality Holdings, Inc.	25,000,000	2.03
20	Sunway Equities, Inc.	22,370,000	1.81

### ***Dividends***

The general dividend policy of the Parent Company is governed by its By-Laws which provides that dividends upon the capital stock of the Parent Company may be declared by the Board of Directors in the manner and form provided by law, after deducting from the net profit of the Parent Company any approved bonuses to the members of the Board of Directors in an amount not exceeding five percent (5%) of the Parent Company's net profit before tax and the expenses of administration. In each case, no dividend declaration shall be made by the Parent Company which would impair its capital.

Dividends shall not be declared if there are major investments/projects which the Parent Company and its subsidiaries and associated companies anticipate in the near future.

#### ***1. Stock Dividends***

No stock dividends were declared in 2014.

#### ***2. Cash Dividends***

<u>Date Approved</u>	<u>Per share</u>	<u>Stockholder of Record Date</u>	<u>Date Paid/Issued</u>
March 25, 2013	₱0.065	April 24, 2013	May 19, 2013
March 07, 2012	₱0.065	April 24, 2012	May 18, 2012
March 21, 2011	₱0.065	April 25, 2011	May 19, 2011

#### ***3. Cash Dividends Declared After Balance Sheet Date***

No cash dividends were declared after December 31, 2014.

#### ***4. Restrictions on Retained Earnings***

The retained earnings as of December 31 are restricted for dividend declaration for the portion equivalent to the following:

- Undistributed net earnings of subsidiaries and equity in net earnings of associates amounting to ₱151.7 million and ₱54.2 million as of December 31, 2014 and 2013, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of December 31, 2014 and 2013.
- Deferred income tax asset amounting to ₱1.4 million and ₱4.1 million as of December 31, 2014 and 2013, respectively.

#### **5. Appropriation of Retained Earnings**

On December 12, 2014, the MACS' BOD approved the appropriation of its retained earnings amounting to ₱50.0 million for plant expansion in Sucat. MACS' BOD allocated this appropriation for the company's plans to operate an offsite commissary within the next two years.

On September 26, 2012, MACS' BOD approved the appropriation of MACS' retained earnings amounting to ₱50.0 million for various investments to expand business and renovation of facilities of MACS. An additional ₱50.0 million was appropriated by MACS' BOD last December 12, 2014 for the establishment and infrastructure requirements of a commissary for food services to non-airline clients. The company expects the commissary to be operational within the year.

On June 21, 2012, MASCORP's BOD approved to appropriate ₱30 million of its retained earnings for business expansion. The expansion program is expected to run for 2 years.

On December 12, 2011 and July 15, 2011, the Parent Company's BOD approved the appropriation of the Parent Company's retained earnings amounting to ₱393.1 million and ₱300.0 million, respectively, for the mining development projects and water project, respectively. The water project is expected to be completed and operational on the first quarter of 2015. As to the mining project, the Parent Company intends to start development activities and mining operations if permits are secured in 2015, after the period allotted for the extension of the exploration period, if on-going studies indicate favorable economics.

On December 12, 2011, MAATS' BOD authorized and approved the appropriation of ₱15.0 million for purposes of expanding the business of MAATS, particularly the acquisition of an aircraft hangar. Acquisition is to be made in 2015 or earlier. In 2014, however, MAATS' BOD reversed the appropriated amount to declare as dividend during the year.

#### **B. Description of Registrant Securities**

MacroAsia Corporation has 2,000,000,000 authorized capital stock out of which 1,250,000,000 were issued.

On July 16, 2010, the BOD approved a Share Buyback Program involving a total cash outlay of ₱50 million for the repurchase of the outstanding common shares of the Parent Company from the open market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the

₱50 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

As of December 31, 2014, the Parent Company has reacquired 16,596,000 shares for ₱49,418,660.

***Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction***

There were no recent sales of unregistered or exempt securities which constitutes an exempt transaction during the year.

***Voting and Preemption Rights***

All outstanding common shares of the Parent Company as of the record date for the purpose of the Annual Stockholder's Meeting are entitled to vote at the rate of one (1) vote per share.

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Parent Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

Any stockholder of the Parent Company shall have the right to dissent and demand payment of the fair value of his shares in case (i) any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the value of his shares. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. No payment shall be made to dissenting stockholder unless the Parent Company has unrestricted retained earnings in its books to cover such payment.

**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS OF  
MACROASIA CORPORATION**

Held on 18 July 2014 at 3:00 P.M.  
at the Kachina Room, Century Park Hotel  
599 Pablo Ocampo Sr. Street, 1004 Malate, Manila

**I. CALL TO ORDER**

The Chairman, Mr. Washington Z. SyCip, called the meeting to order and presided over the same. The Corporate Secretary, Ms. Marivic T. Moya, recorded the minutes of the meeting.

**II. CERTIFICATION OF NOTICE**

Ms. Moya stated that in accordance with Section 2.03 of Article II of the By-Laws of the Corporation, notices for the meeting were sent by mail and/or special messengerial service at least ten (10) days prior to the date of the meeting to all stockholders of record as of 9 June 2014, the record date fixed by the Board of Directors of the Corporation for the meeting.

Ms. Moya further stated that notices were published in The Philippine Star on 7 July 2014. The Affidavit of Publication issued by Philstar Daily, Inc. publisher of The Philippine Star, is attached hereto as Annex "A".

Ms. Moya therefore certified that notices for the meeting were duly sent.

**III. CERTIFICATION OF QUORUM**

Ms. Moya stated that based on the attendance record and the proxies and/or powers of attorney on hand, stockholders owning Nine Hundred Twenty Three Million Three Hundred Sixty Seven Thousand Five Hundred Forty Eight (923,367,548) shares representing 74.86% of the total outstanding capital stock of the Corporation were present or represented in the meeting.

Ms. Moya certified that a quorum existed for the valid transaction of business.

**IV. APPROVAL OF MINUTES OF PREVIOUS MEETING**

The Chairman then proceeded to the next item in the Agenda, which pertains to the reading and approval of the Minutes of the Annual Stockholders' Meeting held on 19 July 2013.

After discussion and upon motion duly made and seconded, the stockholders approved the Minutes of the Annual Stockholders' Meeting held on 19 July 2013.

**V. MANAGEMENT REPORT**

Mr. Joseph T. Chua, the Corporation's President and Chief Executive Officer, reported on the results of operations of the Corporation and its subsidiaries for the year ended 31 December 2013. A copy of the President's Report is attached hereto as Annex "B".

In response to a stockholder's question on the mining business of the Corporation, Mr. Chua stated that Management is evaluating various offers relating to the disposition or joint operation of the mine. Mr. Chua further stated that MacroAsia Mining Corporation, a wholly-owned subsidiary of the Corporation, is performing nickel exploration and mine management services to 3<sup>rd</sup> party clients.

In response to a stockholder's question on the A380 business of Lufthansa Technik Phils., Inc. ("LTP"), Mr. Chua stated that there is so much potential for LTP in this area. LTP is performing cabin modification works for the entire A380 fleet of Qantas Airways and will also carry out C-checks for Air France's A380 aircraft. LTP is also looking at either expanding its A380 hangar or building an additional hangar for its growing A380 business.

After the foregoing discussion and upon motion duly made and seconded, the stockholders approved the Management Report.

**VI. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

The Chairman then proceeded to the next item on the Agenda, which pertains to the approval of the Audited Financial Statements of the Corporation for the year ended 31 December 2013.

Upon motion duly made and seconded, the stockholders approved the Audited Financial Statements of the Corporation for the year ended 31 December 2013.

**VII. APPROVAL, CONFIRMATION AND RATIFICATION OF ALL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT**

The Chairman then proceeded to the next item on the Agenda, which pertains to the approval, confirmation and ratification of all acts, proceedings and resolutions of the Board of Directors and Management of the Corporation since the last Annual Stockholders' Meeting held on 19 July 2013.

Upon motion duly made and seconded, the stockholders approved the following resolution:

**“RESOLVED**, That all acts, proceedings and resolutions of the Board of Directors and of Management since the last Annual Stockholders’ Meeting held on 19 July 2013 up to today’s meeting be, as they are hereby approved, confirmed and ratified.”

#### **VIII. AMENDMENT OF ARTICLES OF INCORPORATION**

Ms. Moya informed the stockholders that the Securities and Exchange Commission, per its Memorandum Circular No. 6 dated 20 February 2014, has required companies to specify their complete address in their Articles of Incorporation.

In view of the foregoing, the Corporation has to amend the Third Article of its Articles of Incorporation to change the principal office address of the Corporation from “Makati, Metro Manila” to “12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.”

Ms. Moya informed the stockholders that the Board approved the amendment to the Third Article of the Articles of Incorporation of the Corporation.

After discussion and upon motion duly made and seconded, the stockholders approved the following resolutions:

**“RESOLVED**, That the Third Article of the Articles of Incorporation of the Corporation be amended to read as follows:

**“THIRD** - That the place where the principal office of the Corporation is to be established or located shall be at 12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City, without prejudice to the opening or maintenance of such branch correspondents or representative offices or outside of the Republic of the Philippines, as the exigencies of the business or operation of the Corporation may require or dictate from time to time.”

**“RESOLVED FURTHER**, That the President, Corporate Secretary, and other proper officers of the Corporation be, as they are hereby authorized to sign, execute, deliver, and file any and all necessary documents with the Securities and Exchange Commission and perform all acts and deeds as may be necessary or appropriate to fully implement the foregoing resolution.”

#### **IX. AMENDMENT OF BY-LAWS**

Ms. Moya informed the stockholders that the Corporation has to amend Article I, Section 1.04 of its By-Laws to change the principal office address of the Corporation from “Metro Manila” to “12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.”

Ms. Moya informed the stockholders that the Board approved the amendment to Article I, Section 1.04 of the By-Laws.

After discussion and upon motion duly made and seconded, the stockholders approved the following resolutions:

**“RESOLVED**, That Article I, Section 1.04 of the By-Laws of the Corporation be amended to read as follows:

#### **ARTICLE I**

“Section 1.04 - Principal Office and Branches - The principal office of the corporation shall be located at 12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City. The Board of Directors, however, may establish from time to time branches, agencies and correspondents in other places as are necessary for the proper conduct of its business.”

**“RESOLVED FURTHER**, That the President, Corporate Secretary, and other proper officers of the Corporation be, as they are hereby authorized to sign, execute, deliver, and file any and all necessary documents with the Securities and Exchange Commission and perform all acts and deeds as may be necessary or appropriate to fully implement the foregoing resolution.”

#### **X. ELECTION OF DIRECTORS**

The Chairman explained that the Articles of Incorporation provides for nine (9) directors, two (2) of whom are required to be independent directors.

Ms. Moya explained that under the Corporation’s By-Laws and Manual on Corporate Governance, the nomination of the Corporation’s directors shall be conducted by the Nomination Committee prior to the Annual Stockholders’ Meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the nominees and shall be submitted to the Nomination Committee and the Corporate Secretary at least thirty (30) days before the date of the actual meeting.

The Nomination Committee shall then pre-screen the qualifications and prepare a Final List of all Candidates for directors. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors.

Ms. Moya stated that based on the Final List of Candidates for directors as determined by the Corporation’s Nomination Committee, and as disclosed in the Corporation’s Information Statement and upon motion duly made and seconded, the following were elected Directors of the Corporation to serve as such for the ensuing year and until the election and qualification of their successors:

1. Washington Z. Sycip
2. Harry C. Tan

3. Joseph T. Chua
4. Carmen K. Tan
5. Lucio K. Tan, Jr.
6. Jaime J. Bautista
7. George Y. Sycip

For independent directors:

1. Johnip G. Cua; and
2. Ben Tiu

## **XI. APPOINTMENT OF EXTERNAL AUDITOR**

The Chairman then proceeded to the next item on the Agenda, which pertains to the appointment of the external auditor of the Corporation for the ensuing year.

Upon motion duly made and seconded, SGV & Co. was unanimously appointed as the external auditor of the Corporation for the ensuing year.

## **XII. ADJOURNMENT**

There being no further business to transact, upon motion duly made and seconded, the meeting was adjourned.

CERTIFIED CORRECT:

**MARIVIC T. MOYA**  
Corporate Secretary

ATTEST:

**WASHINGTON Z. SYCIP**  
Chairman

ash\_min 071914  
LTC USB3/MAC

REPUBLIC OF THE PHILIPPINES )  
 CITY OF MANILA ) s.s.

**AFFIDAVIT OF PUBLICATION**

I, **PERLITA R. DE LARA**, of legal age, married, Filipino and with office address at c/o **PhilSTAR Daily, Inc.**, 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila, after being duly sworn to in accordance with law, depose and state:

That I am the **ACCOUNTING SUPERVISOR** of the **PhilSTAR Daily, Inc.** a domestic corporation duly organized and existing under by virtue of Philippine laws with office and business address at 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila.

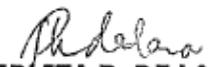
That the said corporation publishes **THE PHILIPPINE STAR**, a daily broadsheet newspaper published in English and of general circulation.


 That the order of MACROASIA CORPORATION

 captioned as follows: NOTICE

 (Please see attached printed text) had been published in **The Philippine STAR** in its issues of: JULY 7, 2014

 FURTHER AFFIANT SAYETH NAUGHT.  
 Manila, Philippines

  
**PERLITA R. DE LARA**  
 Affiant

 SUBSCRIBED AND SWORN to before me this 7<sup>th</sup> day of JULY 20 14  
 affiant exhibited to me her Community Tax Certificate No. 34270204 issued at Manila on January 02, 2014.

 Doc. No. 22  
 Page No. 5  
 Book No. 12  
 Series of 2014

**ATTY. AGUSTIN B. CARREIRO**  
 Notary Public for Manila  
 Notarial Commission No. 2013-109  
 Until December 31, 2014  
 Rm. 409, First United Bldg. Co.,  
 Escolta, Manila  
 Roll No. 26047  
 PTR No. 2450249 / 1-2-14 / Manila  
 IBF Life Member 05097  
 MCLC No. IV 0000822



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Date : July 18, 2014

To : ATTY. MARIVIC T. MOYA  
Corporate Secretary

Re : FINAL TABULATION OF ATTENDANCE

Gentlemen:

Below is our final tabulation of attendance for the Macroasia Corporation's Annual Stockholders' Meeting as of 3:00 o'clock in the afternoon of July 18, 2014:

	Number of Shares	Percentage to Total Outstanding & Issued Shares
IN PERSON :	<u>49,114,048</u>	<u>3.93 %</u>
BY PROXY :	<u>874,253,500</u>	<u>69.94 %</u>
TOTAL ATTENDANCE :	<u>923,367,548</u>	<u>73.87 %</u>
 TOTAL OUTSTANDING & ISSUED SHARES		 1,250,000,000

Very truly yours,

PHILIPPINE NATIONAL BANK  
 Trust Banking Group  
 Transfer Agent

By:

  
 HELEN Y. ANG  
 Vice President

## PRESIDENT'S MESSAGE

*Dear Fellow Shareholders,*

The 1996 vision of MacroAsia to be the best provider for aviation and support services in the Philippines comes to mind, as I recall the recent awards bestowed upon MacroAsia. These awards somehow manifest that the vision is being achieved, and that the MacroAsia service quality is at par or even better than comparable service providers all over the world.

In 2013, MacroAsia Catering Services was awarded the top award by Cathay Pacific for the Caterer's Performance Recognition Programme (CPRP) Diamond Award 2012 and Hygiene Award 2012, recognizing our subsidiary as the best among 46 caterers serving Cathay Pacific worldwide. This Award was affirmed in 2013 by the Gold Award from All Nippon Airways, and a Silver Award from Dragon Airlines.

Cebu Pacific Catering Services was also granted by Cathay Pacific a Hygiene Award for 2012 for its consistent compliance with the airline's hygiene standards.

Also, MacroAsia Airport Services Corporation was recognized by All Nippon Airways after the ANA Manila Station was ranked as number 1 for the 1st and 2nd CSI Global survey of 2012, out of ANA's 36 stations worldwide.

While the awards are testaments to our competitiveness and service excellence, we remain focused on sustaining our ability to generate shareholder value in an industry that is difficult, dynamic and challenging.

### *Review of 2013 Operations and Performance:*

Our Group's operating revenues in 2013 came from our five subsidiaries and two affiliates.

We started 2013 with expectations for a turnaround to profitability, after our Group's consolidated loss in 2012. We were banking on the strong growth being posted by our subsidiaries. We were also hoping that LTP, our MRO affiliate, will break even or revert to profitability in 2013, as it has been pursuing its transformation to rely on foreign airline clients rather than on a major local client, and depend less on line maintenance but more on base maintenance revenues. As the year progressed, the prognosis for LTP indicated another tough year for the affiliate, as its revenue portfolio dwindled while its overhead and other costs were quite a challenge to trim.

Despite the earnings progress made by our Group, we still ended 2013 with a consolidated net loss of P160.8 million, which is a 10.6% improvement from the net loss of P179.8 million in 2012. This loss, when added with other items that make up the consolidated statements of comprehensive income, comprise a comprehensive loss of P185.8 million, compared to P246.6 million in 2012 (a 25% decline in losses).

The Parent Company, its key subsidiaries and Cebu Pacific Catering Services (CPCS), posted stronger net operating income in 2013, but such gains were negated by the higher loss attributed to Lufthansa Technik Philippines (LTP).

LTP's net loss in 2013 is P538 million compared to P326 million in 2012. LTP had higher operating expenses in 2013, most of which are related to capacity increases due to its transformation efforts, and one-time provisions for non-operating items related to insurance, taxes, foreign exchange losses, property disposal and inventory obsolescence.

In 2013, LTP gained clients for its base maintenance business, adding 3 new customers starting with Jetstar Japan and Virgin Australia - both for a series of C-checks on A330 aircraft. Lufthansa Airlines also returned to LTP for the maintenance checks of its A340 fleet. The arrival of the first aircraft in December 2013 signaled the start of the modification campaign for the airlines' A340 aircraft.

The A380 hangar that we built in 2012 for USD30 million has been quite busy. After the successful conclusion of the first cabin works and C-checks on seven A380 fleet of Qantas, Qantas also entrusted two C4 checks to LTP. This is a major step for LTP to further strengthen its capabilities in base maintenance for the A380. LTP also welcomed its latest Airbus A380 customer, Air France. Air France contracted LTP to perform C2 checks on two A380 aircrafts - the first time for Air France to work with a Lufthansa Technik facility for base maintenance.

Despite its 2013 financial results, LTP is optimistic that it will retain its leadership position in servicing the Airbus and Boeing aircraft, both of which continue to dominate the commercial airline market today.

### ***Financial Position***

Notwithstanding the year-on-year operating losses, our Group remains financially stable and strong, as our consolidated total assets at end of 2013 stand at P3.1 billion, while our net assets amounted to P2.6 billion.

Total cash and cash equivalents amounted to P867 million, a rise of 35% from P643 million as of December 31, 2012. In 2013, like in previous years, the parent company paid dividends to shareholders amounting to P0.065 (6 ½ centavos) per share.

### ***Operating Outlook & Prospects***

On our Infanta Nickel Project, we have received offers related to the disposition or joint operation of this mine from several parties. We have been evaluating the various options, within the context of issues beyond us, like pending permits and mining regulations. We will advise our investing public as soon as we have more developments in this area.

As for our food business, we will strengthen our presence in the non-airline food segment. We have started investing in a property in Muntinlupa, particularly a 3-storey building beside our existing lots, to serve as a commissary and site for a new catering

facility for business and industry clients. We will decongest our NAIA catering facility, and we will strive to grow both airline and non-airline catering as we add more physical capacity. Our catering company has already started building its portfolio of non-airline clients, and we have acquired key reference accounts like ADB, Sodexo/Google, Solaire and others.

Ground handling opportunities also abound, like passenger lounge servicing and new service areas for ground handling, including passenger handling for Cebu Pacific's international flights in Terminal 3. We also have ongoing projects related to airport services in the pipeline, such as airport lounges, another PEZA zone and a cargo warehouse. The viability of these projects though are largely dependent on permits that are still being secured from government authorities.

We are also banking on revenues from startup projects in the resource development segment. MacroAsia Mining Corporation is offering nickel exploration and mine management services to 3<sup>rd</sup> party clients, and has so far bagged contracts for nickel exploration of some tenements of two mining companies. We also look forward to the completion by 1<sup>st</sup> quarter of 2015, of our first waterworks system project in Solano, a town in Nueva Vizcaya that serves as the commercial center of the province. This project entails treating water from the river and distributing the treated water as retail to the households in the town.

Considering the foregoing developments, we remain confident about our Group's future.

### *Our Debt of Gratitude*

With our hard-working operational management teams, we are witness to the hard work done by our people who are passionate about our common mission and vision. We owe it to our people, our partners at work that MacroAsia has progressed this far.

I trust that the good relations with our clients, co-workers and other stakeholders will continue to be a strong foundation of our success. With your untiring support, we are confident that we can face the challenges ahead of us, and continue to build value for our stakeholders.

On behalf of the management and the operating teams, we are truly grateful for your support and inspiration as we continue to chart MacroAsia's journey to further success.

Maraming salamat po at Mabuhay tayong lahat!

Sincerely yours,

(sgd) Joseph T. Chua

## AFFIDAVIT OF UNDERTAKING

I, **FLORENTINO M. HERRERA III**, of legal age, Filipino, with office address at the 5/F SGV II Building, 6758 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **MACROASIA CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine laws with principal office address at 12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.
2. I hereby undertake to facilitate the submission of the Certification on the Qualification of Independent Directors of the Corporation to the Securities and Exchange Commission ("SEC") within thirty (30) days after the holding of the Annual Stockholders' Meeting on 17 July 2015.
3. This Affidavit of Undertaking is executed to comply with the requirements of the SEC for the submission of the Corporation's SEC Form 20-IS and for whatever legal purpose it may serve.

IN WITNESS WHEREOF, I have executed this Affidavit of Undertaking this 16<sup>th</sup> day of June 2015 at Makati City.



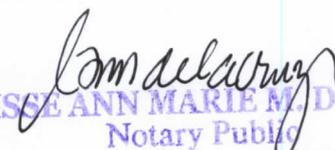
**FLORENTINO M. HERRERA III**  
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )SS.

**SUBSCRIBED AND SWORN** to before me this 16<sup>th</sup> day of June 2015 at Makati City, affiant exhibited to me his Republic of the Philippines Passport No. EC3606842 issued on 7 March 2015 at Manila.

Doc. No. 420;  
Page No. 85;  
Book No. 4;  
Series of 2015.

Affidavit of Undertaking  
LTC USBS/MAC

  
**CLARISSE ANN MARIE M. DE LA CRUZ**  
Notary Public  
Until 31 December 2015  
PTR No. 4761102 / Makati / 9 January 2015  
IBP LM No. 012622 / Laguna / Lifetime Member  
Appointment No. M-530  
ROLL OF ATTORNEY NO. 63471  
5/F SGV II BLDG., 6758 AYALA AVE.  
MAKATI CITY

## SECRETARY'S CERTIFICATE

I, **FLORENTINO M. HERRERA III**, of legal age, with office address at 5<sup>th</sup> Floor SGV II Building, 6758 Ayala Avenue, Makati City, after being duly sworn to in accordance with law, depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **MACROASIA CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office address at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.
2. I hereby certify that no director or officer of the Corporation is connected with any government agency or government instrumentality.
3. The foregoing information is in accordance with the records of the Corporation in my possession.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 8<sup>th</sup> day of June 2015 at Makati City.

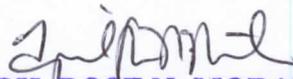


**FLORENTINO M. HERRERA III**  
*Corporate Secretary*

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

SUBSCRIBED AND SWORN to before me this 8<sup>th</sup> day of June 2015 in Makati City, affiant exhibiting to me his Passport No. EC3606842 issued on 7 March 2015 at DFA NCR East.

Doc. No. 382;  
Page No. 78;  
Book No. I;  
Series of 2015.



**APRIL ROSE N. MORATO**  
Notary Public

Until 31 December 2015

PTR No. 4761103 / Makati / 9 January 2015  
IBP LM No. 012833/ Makati / Lifetime Member  
Appointment No. M-556

ROLL OF ATTORNEY NO. 63222  
5/F SGV II BLDG., 6758 AYALA AVE.  
MAKATI CITY



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

The management of MacroAsia Corporation is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the 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.

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Washington SyCip  
Chairman of the Board

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Joseph T. Chua  
President and Chief Executive Officer

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Amador T. Sendin  
Chief Financial Officer

Signed this 31<sup>st</sup> day of March 2015



## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
MacroAsia Corporation

We have audited the accompanying consolidated financial statements of MacroAsia Corporation and subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MacroAsia Corporation and subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo  
Partner

CPA Certificate No. 46349

SEC Accreditation No. 0078-AR-3 (Group A),

February 14, 2013, valid until February 13, 2016

Tax Identification No. 102-086-208

BIR Accreditation No. 08-001998-18-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751279, January 5, 2015, Makati City

March 31, 2015



**MACROASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**



	December 31	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5, 18, 22 and 23)	P681,237,533	P867,380,929
Receivables (Notes 6, 18 and 23)	408,750,678	367,802,650
Inventories (Note 7)	44,065,584	47,041,678
Other current assets (Note 8)	101,252,075	62,226,299
<b>Total Current Assets</b>	<b>1,235,305,870</b>	<b>1,344,451,556</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) investments (Note 13)	103,335,900	136,791,871
Investments in associates (Note 9)	661,709,466	461,760,771
Property and equipment (Note 11)	395,257,498	379,222,077
Investment property (Note 12)	143,852,303	143,852,303
Service concession right (Note 15)	99,665,179	-
Accrued rental receivable (Note 18)	118,031,312	117,649,865
Advances to contractors (Note 15)	48,466,997	-
Input taxes - net (Note 8)	128,711,152	144,640,191
Deferred income tax assets - net (Note 25)	21,360,200	16,856,778
Deferred rent expense (Note 28)	10,290,482	11,243,849
Deferred mine exploration costs (Note 32)	233,308,688	233,308,688
Deposits and other noncurrent assets (Notes 14, 18, 21 and 28)	127,311,983	83,076,360
<b>Total Noncurrent Assets</b>	<b>2,091,301,160</b>	<b>1,728,402,753</b>
<b>TOTAL ASSETS</b>	<b>P3,326,607,030</b>	<b>P3,072,854,309</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Notes 17, 18, 23 and 28)	P259,546,612	P270,123,735
Notes payable - current portion (Note 16 and 22)	25,254,560	9,000,000
Income tax payable	2,237,204	1,185,597
Dividends payable	8,620,761	12,620,761
<b>Total Current Liabilities</b>	<b>295,659,137</b>	<b>292,930,093</b>
<b>Noncurrent Liabilities</b>		
Notes payable - net of current portion (Notes 16 and 22)	60,472,773	18,000,000
Accrued rental payable (Note 28)	118,031,312	117,649,865
Accrued retirement benefits payable (Note 21)	15,333,726	19,260,151
Other employee benefits (Note 21)	10,000,529	9,538,576
Unearned rent income (Note 18)	10,290,482	11,243,849
Rental deposit (Note 18)	5,328,763	4,622,196
Deferred income tax liabilities (Notes 13 and 25)	1,115,000	415,000
<b>Total Noncurrent Liabilities</b>	<b>220,572,585</b>	<b>180,729,637</b>
<b>Total Liabilities</b>	<b>516,231,722</b>	<b>473,659,730</b>

(Forward)



	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Equity attributable to equity holders of the Company</b>		
Capital stock - ₱1 par value:		
Authorized - 2,000,000,000 shares		
Issued - 1,250,000,000 shares		
(held by 856 and 867 equity holders in 2014 and 2013, respectively)	<b>₱1,250,000,000</b>	₱1,250,000,000
Additional paid-in capital	<b>281,437,118</b>	281,437,118
AFS investments reserve (Note 13)	<b>9,082,599</b>	2,688,890
Share in foreign currency translation adjustments of an associate (Note 9)	<b>(172,111,426)</b>	(176,800,404)
Remeasurements on defined benefit plans (Note 21)	<b>14,402,661</b>	11,283,010
Share in remeasurements on defined benefit plan of associates (Note 9)	<b>(70,629,572)</b>	(155,662,465)
Retained earnings (Note 27):		
Appropriated	<b>823,100,000</b>	788,100,000
Unappropriated	<b>654,797,069</b>	585,399,166
Treasury shares - 16,596,000 shares (Note 27)	<b>(49,418,660)</b>	(49,418,660)
	<b>2,740,659,789</b>	2,537,026,655
<b>Non-controlling interests (Note 10)</b>	<b>69,715,519</b>	62,167,924
<b>Total Equity</b>	<b>2,810,375,308</b>	2,599,194,579
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱3,326,607,030</b>	₱3,072,854,309

*See accompanying Notes to Consolidated Financial Statements.*



**MACROASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2014	2013	2012
<b>NET SERVICE REVENUE</b> (Note 19)			
In-flight and other catering (Note 18)	<b>₱1,046,764,899</b>	₱991,894,569	₱973,666,042
Ground handling and aviation (Note 18)	<b>440,562,222</b>	413,258,559	415,252,864
Rental and administrative (Note 18)	<b>188,881,639</b>	187,921,638	187,914,423
Exploratory drilling fees (Note 28)	<b>34,904,148</b>	9,163,174	10,290,299
Charter flights	<b>12,079,872</b>	7,881,517	12,574,235
	<b>1,723,192,780</b>	1,610,119,457	1,599,697,863
<b>DIRECT COSTS</b> (Notes 19 and 28)			
In-flight and other catering	<b>734,878,489</b>	690,509,483	684,728,667
Ground handling and aviation	<b>372,505,516</b>	344,225,185	323,898,744
Rental and administrative	<b>176,652,833</b>	175,900,641	176,367,192
Exploratory drilling expense	<b>35,657,085</b>	11,406,071	10,499,692
Charter flights	<b>9,210,054</b>	7,578,337	7,875,674
	<b>1,328,903,977</b>	1,229,619,717	1,203,369,969
<b>GROSS PROFIT</b>	<b>394,288,803</b>	380,499,740	396,327,894
<b>SHARE IN NET INCOME (LOSS)</b> <b>OF ASSOCIATES</b> (Note 9)	<b>128,226,824</b>	(251,868,481)	(148,403,979)
	<b>522,515,627</b>	128,631,259	247,923,915
<b>OPERATING EXPENSES</b> (Note 20)	<b>(427,641,252)</b>	(375,643,818)	(361,043,049)
<b>INTEREST INCOME</b> (Notes 5, 13, 18, 22, and 28)	<b>12,847,063</b>	19,884,763	19,688,213
<b>FINANCING CHARGES</b> (Notes 16, 18 and 22)	<b>(4,719,554)</b>	(612,880)	(2,286,071)
<b>OTHER INCOME (CHARGES) - net</b> (Note 22)	<b>42,913,824</b>	101,563,537	(56,125,693)
<b>INCOME (LOSS) BEFORE</b> <b>INCOME TAX</b>	<b>145,915,708</b>	(126,177,139)	(151,842,685)
<b>PROVISION FOR INCOME TAX</b> (Note 25)			
Current	<b>29,876,789</b>	28,340,775	34,966,600
Deferred	<b>(5,871,370)</b>	6,325,057	(7,024,853)
	<b>24,005,419</b>	34,665,832	27,941,747
<b>NET INCOME (LOSS)</b>	<b>₱121,910,289</b>	(₱160,842,971)	(₱179,784,432)
Attributable to:			
Equity holders of the Company	<b>₱114,979,503</b>	(₱170,047,500)	(₱186,160,179)
Non-controlling interests (Note 10)	<b>6,930,786</b>	9,204,529	6,375,747
	<b>₱121,910,289</b>	(₱160,842,971)	(₱179,784,432)
<b>Basic/Diluted Earnings (Loss) Per Share</b> (Note 26)	<b>₱0.09</b>	(₱0.14)	(₱0.15)

See accompanying Notes to Consolidated Financial Statements.



**MACROASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2014	2013	2012
<b>NET INCOME (LOSS)</b>	<b>₱121,910,289</b>	<b>(₱160,842,971)</b>	<b>(₱179,784,432)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Net foreign currency translation adjustments (Note 9)	4,688,978	43,465,251	(60,741,752)
Changes in fair value of AFS investments - net of tax effect of ₱700,000, (₱1,050,000) and ₱1,300,000 in 2014, 2013 and 2012, respectively (Note 13)	5,625,890	(13,097,937)	26,019,120
Unrealized gain (loss) in fair value of AFS investments recycled to profit or loss through disposal (Note 13)	767,819	(14,067,293)	-
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Share in remeasurement gains (losses) on defined benefit plan of associates, net of tax effect (Note 9)	85,032,893	(42,966,223)	(49,668,669)
Remeasurement gains (losses) on defined benefit plans, net of tax effect of (₱905,761), ₱1,594,688 and (₱7,718,704) in 2014, 2013, and 2012, respectively (Note 21)	3,736,460	1,665,594	17,545,479
	<b>99,852,040</b>	<b>(25,000,608)</b>	<b>(66,845,822)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱221,762,329</b>	<b>(₱185,843,579)</b>	<b>(₱246,630,254)</b>
<b>Other comprehensive income (loss) attributable to:</b>			
Equity holders of the Company	₱99,235,231	(₱24,394,364)	(₱68,981,358)
Non-controlling interests (Note 10)	616,809	(606,244)	2,135,536
	<b>₱99,852,040</b>	<b>(₱25,000,608)</b>	<b>(₱66,845,822)</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Equity holders of the Company	₱214,214,734	(₱194,441,864)	(₱255,141,537)
Non-controlling interests (Note 10)	7,547,595	8,598,285	8,511,283
	<b>₱221,762,329</b>	<b>(₱185,843,579)</b>	<b>(₱246,630,254)</b>

See accompanying Notes to Consolidated Financial Statements.



**MACROASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

	Attributable to Equity Holders of the Company											
	Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjustments of an Associate (Note 9)	Remeasurements on Defined Benefit Plans (Note 21)	Share in Remeasurements on Defined Benefit Plan of Associates (Note 9)	AFS Investments Reserve (Note 13)	Retained Earnings (Note 27)		Treasury Shares (Note 27)	Subtotal	Non-controlling Interests (Note 10)	Total
							Appropriated	Unappropriated				
<b>BALANCES AT DECEMBER 31, 2011</b>	<b>₱1,250,000,000</b>	<b>₱281,437,118</b>	<b>(₱159,523,903)</b>	<b>(₱6,398,771)</b>	<b>(₱63,027,573)</b>	<b>₱3,835,000</b>	<b>₱708,100,000</b>	<b>₱1,182,212,550</b>	<b>(₱31,962,225)</b>	<b>₱3,164,672,196</b>	<b>₱58,651,977</b>	<b>₱3,223,324,173</b>
Total comprehensive income	–	–	(60,741,752)	15,409,943	(49,668,669)	26,019,120	–	(186,160,179)	–	(255,141,537)	8,511,283	(246,630,254)
Acquisition of treasury shares (Note 27d)	–	–	–	–	–	–	–	–	(17,456,435)	(17,456,435)	–	(17,456,435)
Appropriation of retained earnings	–	–	–	–	–	–	80,000,000	(80,000,000)	–	–	–	–
Cash dividends at ₱0.065 per share	–	–	–	–	–	–	–	(80,434,445)	–	(80,434,445)	–	(80,434,445)
Acquisition of non-controlling interest (Note 27h)	–	–	–	–	–	–	–	–	–	–	(2,062,496)	(2,062,496)
<b>BALANCES AT DECEMBER 31, 2012</b>	<b>1,250,000,000</b>	<b>281,437,118</b>	<b>(220,265,655)</b>	<b>9,011,172</b>	<b>(112,696,242)</b>	<b>29,854,120</b>	<b>788,100,000</b>	<b>835,617,926</b>	<b>(49,418,660)</b>	<b>2,811,639,779</b>	<b>65,100,764</b>	<b>2,876,740,543</b>
Investment of non-controlling interest in a newly incorporated subsidiary	–	–	–	–	–	–	–	–	–	–	468,875	468,875
Total comprehensive income (loss)	–	–	43,465,251	2,271,838	(42,966,223)	(27,165,230)	–	(170,047,500)	–	(194,441,864)	8,598,285	(185,843,579)
Cash dividends at ₱0.065 per share (Note 27c)	–	–	–	–	–	–	–	(80,171,260)	–	(80,171,260)	–	(80,171,260)
Cash dividends received by non-controlling interest at ₱16 per share (Note 27g)	–	–	–	–	–	–	–	–	–	–	(12,000,000)	(12,000,000)
<b>BALANCES AT DECEMBER 31, 2013</b>	<b>1,250,000,000</b>	<b>281,437,118</b>	<b>(176,800,404)</b>	<b>11,283,010</b>	<b>(155,662,465)</b>	<b>2,688,890</b>	<b>788,100,000</b>	<b>585,399,166</b>	<b>(49,418,660)</b>	<b>2,537,026,655</b>	<b>62,167,924</b>	<b>2,599,194,579</b>
Acquisition of non-controlling interest in a subsidiary during the year (Note 27h)	–	–	–	–	–	–	–	(10,581,600)	–	(10,581,600)	–	(10,581,600)
Appropriation of retained earnings	–	–	–	–	–	–	50,000,000	(50,000,000)	–	–	–	–
Reversal of appropriation of retained earnings	–	–	–	–	–	–	(15,000,000)	15,000,000	–	–	–	–
Total comprehensive income	–	–	4,688,978	3,119,651	85,032,893	6,393,709	–	114,979,503	–	214,214,734	7,547,595	221,762,329
<b>BALANCES AT DECEMBER 31, 2014</b>	<b>₱1,250,000,000</b>	<b>₱281,437,118</b>	<b>(₱172,111,426)</b>	<b>₱14,402,661</b>	<b>(₱70,629,572)</b>	<b>₱9,082,599</b>	<b>₱823,100,000</b>	<b>₱654,797,069</b>	<b>(₱49,418,660)</b>	<b>₱2,740,659,789</b>	<b>₱69,715,519</b>	<b>₱2,810,375,308</b>

See accompanying Notes to Consolidated Financial Statements.



**MACROASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>₱145,915,708</b>	(₱126,177,139)	(₱151,842,685)
Adjustments for:			
Depreciation and amortization (Note 11)	<b>101,633,900</b>	94,455,279	81,220,130
Share in net loss (income) of associates (Note 9)	<b>(128,226,824)</b>	251,868,481	148,403,979
Interest income (Notes 5, 13, 18, 22 and 28)	<b>(12,847,063)</b>	(19,884,763)	(19,688,213)
Unrealized foreign exchange loss (gain) - net	<b>(11,217,296)</b>	(20,618,579)	7,472,606
Financing charges (Notes 16, 18 and 22)	<b>4,719,554</b>	612,880	2,286,071
Gain on sale of AFS investments (Note 22)	<b>(811,298)</b>	(49,782,205)	–
Retirement benefits costs (Note 21)	<b>16,369,229</b>	25,211,067	17,303,086
Provision for other long-term benefits (Note 21)	<b>751,970</b>	(1,326,258)	1,838,107
Reversal of impairment loss on investment property to cost (Notes 12 and 22)	–	(17,260,303)	–
Gain on sale of disposal of property and equipment	–	(788,460)	–
Impairment loss on AFS investments (Note 13)	–	–	400,000
Operating income before working capital changes	<b>116,287,880</b>	136,310,000	87,393,081
Decrease (increase) in:			
Receivables	<b>(40,948,028)</b>	(57,806,448)	83,611,891
Inventories	<b>2,976,094</b>	7,434,030	15,136,273
Advances to contractors	<b>(48,466,997)</b>	–	–
Other current assets	<b>(53,041,165)</b>	(38,653,085)	(14,161,226)
Increase (decrease) in accounts payable and accrued liabilities	<b>2,754,963</b>	25,203,674	(44,263,223)
Additions to service concession right (Note 15)	<b>(89,066,055)</b>	–	–
Cash generated from (used in) operations	<b>(109,503,308)</b>	72,488,171	127,716,796
Interest received	<b>13,608,680</b>	20,740,941	14,233,774
Financing charges paid	<b>(4,012,987)</b>	–	(1,754,455)
Contributions to the retirement fund	<b>(14,992,917)</b>	(21,040,667)	(16,854,000)
Retirement benefits paid	<b>(228,946)</b>	(100,767)	(355,014)
Other employee benefits paid	<b>(290,017)</b>	–	–
Income taxes paid, including creditable withholding taxes	<b>(38,033,794)</b>	(29,659,769)	(37,259,705)
Net cash from (used in) operating activities	<b>(153,453,289)</b>	42,427,909	85,727,396

(Forward)



	<b>Years Ended December 31</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment (Note 11)	<b>(₱146,983,036)</b>	(₱112,296,582)	(₱143,789,101)
Proceeds from disposal of property and equipment	<b>4,834</b>	1,125,600	-
Acquisition of non-controlling interest in a subsidiary (Note 27)	<b>(10,581,600)</b>	-	-
Investment in MacroAsia WLL (Note 9)	-	-	(2,310,175)
Dividends received (Note 9)	<b>18,000,000</b>	24,000,000	158,032,320
Acquisitions of investment in AFS debt securities (Note 13)	-	(100,612,194)	(333,376,955)
Proceeds from sale of investment in bonds	<b>41,511,117</b>	421,052,326	-
Payments for project advances (Note 14)	-	(2,350,000)	-
Payments for deferred mine exploration costs (Note 32)	-	-	(17,221,541)
Returns from (payments for) refundable deposits and other noncurrent assets	<b>1,132,264</b>	2,319,346	(227,452)
<b>Net cash from (used in) investing activities</b>	<b>(96,916,421)</b>	233,238,496	(338,892,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availment of notes payable (Note 16)	<b>81,530,200</b>	27,000,000	-
Payments of notes payable (Note 16)	<b>(22,588,367)</b>	-	(131,022,311)
Contribution of non-controlling interest in a subsidiary	-	468,875	-
Dividends paid	<b>(4,000,000)</b>	(88,007,275)	(80,181,073)
Acquisition of treasury shares (Note 27)	-	-	(17,456,435)
<b>Net cash from (used in) financing activities</b>	<b>54,941,833</b>	(60,538,400)	(228,659,819)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>9,284,481</b>	9,441,677	(4,606,680)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(186,143,396)</b>	224,569,682	(486,432,007)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>867,380,929</b>	642,811,247	1,129,243,254
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>	<b>₱681,237,533</b>	₱867,380,929	₱642,811,247

*See accompanying Notes to Consolidated Financial Statements.*



# MACROASIA CORPORATION AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information and Business Operations

#### Corporate Information

MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and changed its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Company's Articles of Incorporation was again amended to change its corporate name to its present name. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

#### Business Operations

The principal activities of the Company and its subsidiaries (collectively referred to as the Group) are described in Note 4. The Company, through its subsidiaries and associates (see Note 9), is presently engaged in aviation-support businesses at the Ninoy Aquino International Airport (NAIA), Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA), Kalibo International Airport (KIA) and the General Aviation Areas. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MacroAsia Catering Services, Inc. (MACS), the Company, is now providing the food requirements of some passenger terminal lounges in NAIA. It has also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Further, considering the expertise of staff gained through the exploration of the Company's Infanta Nickel Project in Palawan, the Company started providing nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC), a wholly-owned subsidiary. Through MacroAsia Properties Development Corporation (MAPDC), the Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Company provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

The consolidated financial statements as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issuance by the Board of Directors (BOD) on March 31, 2015.

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### 2. Summary of Significant Accounting and Financial Reporting Policies

#### Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis, except for available-for-sale financial assets which are carried at fair values. The consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and rounded to the nearest Peso except when otherwise indicated.



### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments and Philippine interpretation based on the interpretation of the International Financial Reporting Standards Interpretations Committee (IFRIC) effective beginning January 1, 2014.

- PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements* and PAS 27, *Separate Financial Statements: Investment Entities* (Amendments). These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are currently not relevant to the Group since none of the entities within the Group qualifies as investment entity under PFRS 10. The Company will continue to assess its Group entities in relation to identifying an investment entity.
- Philippine Accounting Standards (PAS) 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments). These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments did not have impact on the Group’s financial statements since the Group has no offsetting arrangements.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments). These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments did not have impact on the Group’s financial position or performance.
- Philippine Interpretation IFRIC 21, *Levies*. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation did not have significant impact on the Group’s financial statements as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

### Annual Improvements to PFRS (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment did not have material impact to the Group.

### Annual Improvements to PFRS (2011-2013 cycle)

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. The amendment to PFRS 1 clarifies that an entity may choose to apply either a current



standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment did not have impact to the Group as it is not a first time PFRS adopter.

Accounting Standards, Amendments to Existing Standards  
and Interpretations Effective Subsequent to December 31, 2014

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2014 are disclosed below. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended standards to have a significant impact on its financial position or performance.

- PFRS 9, *Financial Instruments: Classification and Measurement*. PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group is currently assessing the impact of adopting this standard.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group will not opt to early adopt the standard.

The following new standards and amendments were already adopted by the FRSC but are still for approval by BOA.

*Effective in 2015*

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments). PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is expected that this amendment would not be relevant to the Group since the Group's retirement plan is noncontributory.



- Annual Improvements to PFRS (2010 to 2012 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.
- PFRS 2, *Share-based Payment - Definition of Vesting Condition*. This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*. The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*. The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*. The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. These amendments are not relevant to the Group.
- Annual Improvements to PFRS (2011-2013 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.



- PFRS 3 - *Scope Exceptions for Joint Arrangements*. The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13 - *Portfolio Exception*. The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- PAS 40, *Investment Property*. The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

*Effective in 2016*

- PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments). The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.
- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments). The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company does not intend to change its accounting for its subsidiaries and associates in the separate financial statements.



- PFRS 10 and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments). These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- PFRS 11 - *Accounting for Acquisitions of Interests in Joint Operations* (Amendments). The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- Annual Improvements to PFRS (2012-2014 cycle). The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to the Group. They include:
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*. PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.



- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*. This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- PAS 19 - *Regional Market Issue Regarding Discount Rate*. This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*. The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### *Effective in 2018*

- PFRS 9 - *Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39*. PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

- PFRS 9, *Financial Instruments* (2014). In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

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



### *Deferred Effectivity*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standard and amendments issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted.
- Amendments to International Accounting Standards (IAS) 1, *Presentation of Financial Statements*. In December 2014, the IASB issued the amendments to IAS 1. The amendments include narrow-focus improvements in five areas; namely, materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective on or after January 1, 2016.
- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28, *Investments in Associates and Joint Ventures*. In December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception* (amendments to IFRS 10, IFRS 12 and IAS 28). The amendments address certain issues that have arisen in applying the investment entities exception under IFRS 10.

The Group is currently assessing the impact of IFRS 15 and the amendments to IAS 1 and IFRS 10, IFRS 12 and IAS 28 and plans to adopt the new and amended standards on their required effective dates once adopted locally.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its direct subsidiaries, the subsidiaries of MAPDC and the subsidiary of Watergy Business Solutions, Inc. (WBSI) which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission, as of December 31 of each year.



	Nature of business	Percentage of Direct Ownership by MAPDC		Percentage of Ownership by MAC			
		2014	2013	2014		2013	
				Direct	Indirect <sup>(2)</sup>	Direct	Indirect <sup>(2)</sup>
MAPDC	Economic Zone (Ecozone) developer/operator and water supply	-	-	100	-	100	-
MacroAsia Airport Services Corporation (MASCORP)	Groundhandling aviation services	-	-	100	-	100	-
MacroAsia Air Taxi Services, Inc. (MAATS)	Helicopter chartering services	-	-	100	-	100	-
Airport Specialists' Services Corporation (ASSC) <sup>(1)</sup>	Manpower services	-	-	100	-	100	-
MMC	Mine exploration, development and operation	-	-	100	-	100	-
MACS	In-flight and other catering services	-	-	80	-	80	-
WBSI	Water projects	100	-	-	100	-	-
SNV Resources Development Corporation (SNVRDC)	Water projects	100	100	-	100	-	100
Dragon Resources Development Corporation (DRDC)	Water projects	100	100	-	100	-	100
Cavite Business Resources Inc. (CBRI)	Water projects	99	-	-	99	-	-
Panay Water Business Resources, Inc. (PWBRI)	Water projects	90	90	-	90	-	90

<sup>(1)</sup> Ceased commercial operations effective May 1, 2001.

<sup>(2)</sup> Effective ownership interest through MAPDC and WBSI.

Subsidiaries are entities over which the Group has control. Control is achieved when the Group 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.

Specifically, the Group controls an investee if and only if the Group 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:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

#### Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the



consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained; (h) earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Prior to January 1, 2010, acquisition of non-controlling interest was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized as goodwill (see Note 14). After the initial recognition, goodwill is measured at cost less accumulated impairment loss.

#### Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of the investee is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of associates is shown in the profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value, and then recognizes the loss in the profit or loss.



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

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investments in associates pertain to the Company's investments in shares of stock of Cebu Pacific Catering Services, Inc. (CPCS), 40%-owned, LTP, 49%-owned and MacroAsia WLL, 35%-owned (see Note 9).

#### Functional Currency-denominated Transactions

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at end of reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Various factors are considered in determining the functional currency of each entity within the Group, including prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing deals are primarily undertaken. Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of the Group rather than being carried out with significant autonomy.

The financial position and results of operations of an associate in United States (US) \$ functional currency is translated into the Group's presentation currency using the following procedures:

- a. Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date.
- b. Income and expenses for each statement of income are translated using the monthly average rate.
- c. All resulting exchange differences are recognized as part of other comprehensive income (loss) and as a separate component of equity.

#### 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 by 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 economic best 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 re-assessing 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.

The Group's Finance Committee determines the policies and procedures for both recurring fair value measurement. At each reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

As of December 31, 2014 and 2013, the Group's investments in AFS are carried at fair value and with recurring fair value measurements. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 31. The Group also discloses the fair value of its investment properties with unrecognized fair value measurements (Notes 12 and 31).

#### Current versus Non-Current Classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.



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 the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### Cash and Cash Equivalents

Cash consists of 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 acquisition and are subject to an insignificant risk of changes in value.

#### Financial Assets and Financial Liabilities

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes any transaction cost.

Subsequent to initial recognition, the Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of a financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

#### *Financial assets or financial liabilities at FVPL*

Financial assets or financial liabilities classified in this category are financial assets or financial liabilities that are held for trading or financial assets and financial liabilities that are designated by management as at FVPL on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities, or recognizing gains or losses on them on a different basis, or



- The assets and liabilities are part of a group of financial assets and financial liabilities, respectively, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets are classified as held for trading if these are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in profit or loss. Interest earned is recorded as interest income, while dividend income is recorded as income according to the terms of the contract, or when the right of the payment has been established. Interest incurred is recorded as financing charges.

Where a contract contains one or more embedded derivatives, the hybrid contract may be designated as financial asset or financial liabilities at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

#### Derivative Financial Instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract (sometimes called the “underlying”);
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- It is settled at a future date.

The Group uses derivative financial instruments such as currency forwards contracts as economic hedge to its risks arising from foreign currency fluctuations. Such derivative financial instrument is initially recognized at fair value on the date on which the derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of freestanding forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profile.

There are no outstanding derivatives as of December 31, 2014 and 2013.

#### *Embedded derivatives*

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;



- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized as at fair value through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group has no bifurcated embedded derivatives and has opted not to designate its derivative transactions under hedge accounting.

#### *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are initially recognized at fair value, which normally pertains to the billable amount. After initial measurement, these are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As of December 31, 2014 and 2013, the Group's cash in banks and cash equivalents, receivables project advances and deposits are classified as loans and receivables.

#### *HTM investments*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. HTM investments are carried at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months from the end of reporting date and noncurrent assets if maturity is more than a year.

As of December 31, 2014 and 2013, the Group has not designated any financial asset as HTM investment.

#### *AFS investments*

AFS investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. AFS investments are carried at fair value in the consolidated balance sheet. Changes in the fair value of investments classified as AFS investments are recognized in other comprehensive income, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest which are taken directly to profit or loss. These changes in fair values are recognized as other comprehensive income and remain in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

As of December 31, 2014 and 2013, the Group's investments in retail treasury and corporate bonds, golf club share and other proprietary and equity shares are classified as AFS investments.



*Other financial liabilities*

This category pertains to financial liabilities that are not held for trading and are not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables and accruals). Dividends payable also fall under this category.

Borrowings are recognized initially at fair value, net of any transaction cost incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowing using the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

Notes payable, accounts payable and accrued liabilities, dividends payable and rental deposit are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to the nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction cost.

Derecognition of Financial Assets and Financial Liabilities

*Financial assets*

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

- the right to receive cash flows from the asset has expired; or
- 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
- the Group has transferred its right 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset 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.

*Financial liabilities*

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 profit or loss.



### Impairment of Financial Assets

An assessment is made at the end of reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such exists, any impairment loss is recognized in profit or loss.

The Group assesses at each end of the reporting date whether a financial asset or a group of financial assets is impaired.

#### *Assets carried at amortized cost*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract (such as a default or delinquency in interest or principal payments), probability that the borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss, if any, is recognized in the profit or loss. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, have been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

#### *Assets carried at cost*

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *AFS investments*

In case of equity investments classified as AFS investments, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment loss, 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 profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the other comprehensive income.



In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount cash flows for the purpose of measuring impairment loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in income, the impairment loss is reversed through income.

Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### “Day 1” Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss 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.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet 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. This is generally not the case with the master netting agreements, and the related assets and liabilities are presented in the consolidated balance sheet.

#### Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost, which includes purchase price and costs incurred in bringing the product to its present location and condition, is determined on the basis of the moving average method.

NRV of food and beverage is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the recoverable value of the inventories when disposed of at their current condition.

#### Other Current Assets

Other current assets include input taxes, tax credit certificates, excess creditable withholding taxes and prepayments. Tax credit certificates pertain to amount of tax credit for which the Group is allowed or entitled to in accordance with applicable laws and can be used to settle the Group’s obligations due to the national government. Creditable withholding taxes are deducted from income tax due on the same year the revenue was recognized, with excess recognized as current asset. Prepayments are expenses paid in advance and recorded as asset before they are utilized. They are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent assets.



Value-Added Tax (VAT)

Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of VAT included. For sale or purchase of services, related VAT is deferred until the related receivable or payable from the transaction has been collected or paid.

The net amount of VAT recoverable from taxation authority is included as part of “Other current assets” and “Deposit and other noncurrent assets” in the consolidated balance sheet. The Group maintains an allowance for any possible disallowance of input VAT. A review of input VAT is made on a continuing basis to determine the adequacy of allowance for probable losses at each reporting date.

The net amount of VAT payable to taxation authority is included in “Accounts payable and accrued liabilities” in the consolidated balance sheet.

Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less impairment in value, if any.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Construction in progress, which is included in property and equipment, is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and become available for use.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Except for a helicopter unit which is depreciated based on estimated 5,358 flying hours, depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	No. of years
Building	5 to 25
Kitchen and other operations equipment	3 to 10
Transportation equipment	5
Helicopter units and spare parts	3 to 5
Aviation equipment	2 to 10
Office furniture, fixtures and equipment	3 to 7
Drilling equipment	5



Building and leasehold and land improvements are amortized over the respective lease term or the lives of the assets (which range from 2 to 25 years), whichever is shorter.

Depreciation and amortization of an item of property and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization ceases at the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, or the date the asset is derecognized, whichever is earlier.

The useful lives and depreciation and amortization methods are reviewed periodically to ensure that the residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are sold or retired, their cost, related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts. Any gain or loss resulting from their disposal is included in the profit or loss.

#### Investment Properties

Investment properties, which pertain to parcel of land held for appreciation in value and land and building held for rentals, are measured at cost less any impairment in value.

Investment properties are derecognized when it has either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses resulting from the derecognition of an investment property is recognized in the profit or loss in the year of derecognition. Transfers are made to investment property when, and only when, there is a change in use, evidenced by cessation of owner-occupation, commencement of an operating lease to another party or completion 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.

#### Service Concession Arrangements

The Group accounts for its service concession arrangements in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, under the intangible asset model as it receives the right (license) to charge users of public service (see Note 15).

*Revenue and Cost Recognition.* The Group recognizes and measures revenue and cost in accordance with PAS 11, *Construction Contracts* and PAS 18, *Revenue*, for the services it performs. When the Group provides construction or upgrade services, the consideration received or receivable by the Group is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project.

*Service Concession Right.* The service concession right is recognized initially at the fair value of construction works incurred, which include professional and consultancy fees, structural costs, etc. The Group applies PAS 38 on measuring the intangible assets. Following initial recognition, the service concession right is carried at cost less accumulated amortization and any impairment losses.



The service concession right will be derecognized upon turnover to the Grantor. There will be no gain or loss upon derecognition as the service concession right, which is expected to be fully amortized by then, will be handed over to the Grantor with no consideration.

#### Deferred Mine Exploration Costs

Expenditures for mine exploration works on mining properties are deferred as incurred, carried at cost less any impairment in value and presented as “Deferred mine exploration costs” in the consolidated balance sheet. When, as a result of the exploration work, recoverable reserves are determined to be present in quantities that can be commercially produced, exploration expenditures and subsequent development costs are capitalized as mine and mining properties and classified as part of property and equipment. A valuation allowance is provided for estimated unrecoverable costs based on the technical assessment by the Group of the future prospects of each mining property. When a project is abandoned, the related deferred mine exploration costs are written off.

Mining expenses, which are not related to establishing the technical feasibility and commercial viability of mineral resource extraction, are expensed outright.

#### Deferred Project Costs

Deferred project costs pertain to expenditures related to ongoing water projects where technical feasibility has been completed and the Group has the intention and ability (e.g., technical and financial) to complete the relevant activities to have grants from government authorities either to provide bulk or retail water services. Once grants from government authorities are awarded, the Group assesses whether these assets shall be accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, or property and equipment. Deferred project costs are not amortized until these are transferred as property and equipment or either financial or intangible asset under IFRIC 12.

#### Deferred Rent Expense

Deferred rent expense represents the difference between the face amount and the present value of refundable rental deposits made and is being amortized on a straight-line basis over the lease term. Amortization of deferred rent expense is included under “Rent expense” account in the profit or loss. Accretion of the refundable rental deposits using the effective interest rate method is included under “Interest income” account in the profit or loss.

#### Unearned Rent Income

Unearned rent income represents the difference between the face amount and the present value of refundable rental deposits received and is being amortized on a straight-line basis over the lease term. Amortization of unearned rent income is included under “Rental income” account in the profit or loss. Accretion of the refundable rental deposits using the effective interest rate method is included under “Financing charges” account in the profit or loss.

#### Impairment of Nonfinancial Assets

##### *Nonfinancial assets other than goodwill*

The Group assesses at each reporting date whether there is an indication that investments in associates, property and equipment, investment properties, deferred project costs, service concession right and input and other taxes 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. The Group also assesses its deferred mine exploration costs for impairment when facts and circumstances suggest that its carrying amount may exceed its recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value-in-use. The recoverable amount 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 value-in-use, the estimated future cash flows are discounted to their present value using a pretax 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 profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each 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 and recognized in profit or loss 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal, the depreciation 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.

#### *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 cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized immediately in the profit or loss. 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 as of December 31 of each year.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and sales taxes or duties. 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 a principal in all of its major revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

#### *Sale of goods (in-flight and other catering)*

Catering revenue is recognized upon delivery of goods to and acceptance by airline clients and other customers.

#### *Rendering of services*

Revenue from ground handling, aviation and administrative services, charter flights and exploratory drilling services is recognized when the related services are rendered.

#### *Rental income*

Rental income is accounted for on a straight-line basis over the lease term. The cumulative excess of rental income on a straight-line basis over the related rent collections is presented as "Accrued rental receivable" in the consolidated balance sheet.



*Interest income*

Interest income is recognized as the interest accrues using, where applicable, the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected term of the financial assets to the net carrying amount of the financial asset.

*Construction revenue*

See accounting policy under “Service Concession Right”.

*Dividend income*

Dividend income is recognized when the Group’s right as a shareholder to receive the payment is established.

*Other income*

Other income is recognized when the right to receive payment is established.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group includes share in foreign currency translation adjustments on investment in an associate, unrealized gain (loss) in changes in fair value of AFS investments and remeasurements in the Group’s defined benefit plans.

Direct Costs and General and Administrative Expenses

Direct costs, which include expenses incurred by the Group for the generation of revenue from rendering of in-flight and other catering services, rental and administrative services, ground handling and aviation services, exploratory services and charter flights are expensed as incurred.

General and administrative expenses, which include the cost of administering the business and are not directly associated with the generation of revenue, are generally expensed as incurred.

Employee Benefits

*Retirement Benefits Costs*

Retirement benefits costs are actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each separately to build up the final obligation. Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- 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 profit or loss. 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 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 profit or loss.



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).

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 when and only when reimbursement is virtually certain.

The amount recognized as accrued retirement benefits payable or pension 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.

#### *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 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. For leave credits expected to be settled at the date of retirement or recognition, the liability is presented at its present value using assumptions consistent with those used to discount retirement benefits. The expense recognized comprise the service cost, net interest of the liability and remeasurements.

#### *Termination benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, production or construction of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs not qualified for capitalization are expensed as incurred.



### Leases

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.

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

### *Group as lessor*

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 period in which they are earned.

### *Group as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating leases are recognized as an expense in the profit or loss on a straight-line basis over the lease term. The cumulative excess of rent expense on a straight line basis over the related rent payment is presented as "Accrued rental payable" in the consolidated balance sheet.

### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued and outstanding.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

### Retained Earnings

Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

### Treasury Shares

Own equity instruments, which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and consideration, if reissued, is recognized in "Additional paid-in capital" account.



## Income Taxes

### *Current income tax*

Current income 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 reporting date. Current income tax for the current and prior period, shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" in the balance sheet. If the amount already paid, including the cumulative creditable withholding taxes, in respect of the current and prior period exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" in the consolidated balance sheet.

### *Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and unused 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 profit nor taxable profit.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income are recognized in the consolidated statement of comprehensive income and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off the deferred income tax assets against the deferred income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.



#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense.

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. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

#### Events After the Reporting Date

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

#### Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support service provided by its four subsidiaries, water-related projects and mining-related activities. This is the basis on which the Group reports its primary segment information. The Group also monitors the revenue and operating results of its associates. Information with respect to these subsidiaries, as well as the Group's associates, are disclosed in Notes 4 and 9. The Group has only one geographic segment.

#### Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year attributable to ordinary equity holders of the parent company by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued upon conversion of all dilutive potential ordinary shares. The Company has no potentially dilutive shares as of December 31, 2014 and 2013.

#### Dividend Distributions

Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the shareholders of the Group. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting date.

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### **3. Significant Judgments and Accounting Estimates**

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's



evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

#### 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 amounts recognized in the consolidated financial statements.

#### *Determination of the Company's functional currency*

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken. Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of that of the Group rather than being carried out with significant autonomy.

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currency of LTP, one of the Group's associated companies (see Notes 2 and 9), has been determined to be US\$.

#### *Classification of financial instruments*

The Group classifies a financial instrument, or its components, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial liability, a financial asset or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated balance sheets. The classification of the Group's financial instruments is disclosed in Note 30.

#### *Impairment of AFS investments*

For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the market prices of these bonds indicate objective evidence of impairment. Based on management's assessment, there is no objective evidence of impairment on its investment in bonds, especially as the counterparties are able to pay the contractual payments. The carrying value of AFS debt investments amounted to ₱66.2 million and ₱106.6 million as of December 31, 2014 and 2013, respectively (see Note 13).

For AFS equity investments, management exercised judgment in assessing whether the quoted market price of the AFS equity investments at reporting date indicated an impairment vis-à-vis the cost. Management assesses that impairment is sustained once the decline in value reaches 20% of cost or that the decline in value persisted for more than 12 months. The Company believes that its outstanding investments in golf club and other proprietary and equity shares are not impaired. The carrying value of AFS equity investments amounted to ₱37.1 million and ₱30.2 million as of December 31, 2014 and 2013, respectively (see Note 13).

#### *Accounting for acquisition of WBSI shares and water project*

As discussed in Note 14 to the consolidated financial statements, on July 11, 2011, MAPDC acquired the 70% of the shares of stock of WBSI pursuant to a share purchase agreement between MAPDC and the former stockholders of WBSI. On the same date, MAPDC entered into a sale and purchase agreement for the Maragondon Bulk Water Supply Project (the Water Project) from



Islington Capital Holdings, Inc. (ICH). On September 15, 2011, MAPDC signed an amended sale purchase agreement with stockholders of WBSI and ICH, related to the acquisition of additional 12.6% shares over WBS and rights to the Water Project, respectively.

Prior to MAPDC's acquisition of WBSI shares, WBSI assigned and transferred its rights over the Water Project to ICH on September 15, 2010. Having regard to the substance of the agreements, the acquisition of WBSI shares is deemed to be linked to the acquisition of the Water Project from ICH and as such, the acquisition is treated as one transaction for accounting purposes. As of December 31, 2013, the sale and purchase agreement has not been consummated in view of certain water permits inherent in the Water Project that are yet to be secured. Accordingly, the investment in WBSI shares are still presented as part of "Project advances and investment" under the "Deposits and other noncurrent assets" account in the consolidated balance sheets.

In 2014, MAPDC entered into compromise agreement with the former stockholders of WBSI where a final consideration for the acquisition of the Water Project was agreed. This event confirmed the control of the MAPDC over WBSI. Accordingly, WBSI, as well as CBRI, which is WBSI's wholly owned subsidiary, was consolidated with the Group.

*Classification of lease arrangements - the Group as Lessee and Lessor*

The Group has property leases where it has determined that the risks and rewards related to such property are retained with the lessor (e.g., no transfer of ownership of leased assets by the end of the lease term). Both the lease and sub-lease agreements are accounted for as operating leases. Rental income amounted to ₱161.5 million in 2014, 2013 and 2012 (see Note 18d). Rental expense amounted to ₱195.2 million in 2014 and 2013 and ₱188.1 million in 2012 (see Notes 18 and 28).

*Determination of indicators of impairment of nonfinancial assets*

The Group assesses at each reporting date whether there is any indication that its investments in associates, property and equipment and investment property may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount.

The factors that the Group considers important which could trigger an impairment review included the following, among others:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant negative industry or economic trends.

In 2013, an impairment test was made on the Group's investment in LTP primarily due to losses incurred by LTP (See Note 9). The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering a three-year projection. The projected cash flows was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the three year period are extrapolated into perpetuity assuming a zero growth rate, for impairment test purposes. The discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used in 2013 was 13%.



Based on management's evaluation as of December 31, 2013, the Company's investment in LTP is not impaired. Management believes that no reasonably possible change in these key assumptions would cause the carrying value of the cash generating unit to materially exceed its recoverable amount.

In 2014, LTP reported positive results from its operations. Management believes that LTP will continue to report positive results of operations in the next years based on the associate's operating budget. Accordingly, management believes that the 2013 indication of impairment is not anymore present.

Except for the Group's investment in LTP in 2013, management believes that there are no impairment indicators on its investment in associates, property and equipment, investment property, deferred project costs, service concessions, and deferred mine exploration cost as of December 31, 2014 and 2013.

*Assessment whether SNVRDC is an operator under Philippine Interpretation IFRIC 12*

Management has assessed that MAPDC's memorandum of agreement with the Municipality of Solano, NuevaVizcaya (Solano) to provide water distribution facilities is covered by the Philippine Interpretation IFRIC 12. MAPDC has assigned to SNVRDC the rights and obligations under the memorandum of agreement. The memorandum of agreement qualifies under the intangible asset model with respect to the operation of the waterwork facilities as SNVRDC has the right (license) to charge users of public service (see Note 15).

*Contingencies*

The Group, in its normal course of business, is involved in various legal cases and claims. Based on management's assessment, the Group will be able to defend its position on these cases and that the ultimate outcome will not have a significant impact on the group financial statements. Accordingly, no provision has been recognized for these contingencies.

Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

*Determination of fair value of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these assumptions about these factors could affect the reported fair value of financial instruments. See Note 31 for further disclosures.

*Determination of fair value of investment property*

The Group's fair value of investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of December 31, 2014 and 2013, the fair value of the investment property is based on valuation performed by an accredited independent value (see Note 12).



*Estimation of allowance for doubtful accounts*

Allowance for doubtful accounts is provided for accounts that are specifically identified to be doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectability of the accounts, such as historical performance of counterparties, among others.

In addition to specific allowance against individually significant receivables primarily from airline customers, the Group also assesses, at least on an annual basis, a collective impairment allowance against credit exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally granted to customers. This collective allowance is based on various factors such as historical performance of the counterparties within the collective group, deterioration in the markets in which the customers operate, various country or area risks, overall performance of the airline industry, and technological obsolescence which affects the confidence of the air transport market, as well as identified structural weaknesses or deterioration in the cash flows of counterparties.

The carrying value of the Group's receivables amounted to ₱408.8 million and ₱367.8 million as of December 31, 2014 and 2013, respectively. Allowance for doubtful accounts amounted to ₱13.1 million and ₱11.6 million as of December 31, 2014 and 2013, respectively (see Note 6).

The carrying value of the Group's project advances and investments related to advances made to ICH and its stockholders amounted to ₱15.6 million as of December 31, 2013 (see Note 14).

*Determination of NRV of inventories*

The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age and status of the inventories and the Group's experience on write-off and expirations.

The carrying value of inventories amounted to ₱44.1 million and ₱47.0 million, net of allowance for probable losses of ₱1.0 million as of December 31, 2014 and 2013, respectively (see Note 7).

*Estimating allowances for probable losses on input taxes and tax credit certificates (TCC)*

The Group estimates the level of provision for probable losses on input taxes and TCC based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCC. As of December 31, 2014 and 2013, the carrying value of input taxes and TCC amounted to ₱203.0 million and ₱200.7 million, respectively. Allowance for probable losses amounted to ₱72.3 million and ₱66.6 million, respectively (see Notes 8 and 14).

*Estimation of useful lives of property and equipment and number of flying hours of helicopter unit*

The Group estimates the useful lives of property and equipment and number of flying hours of helicopter unit based on the internal technical evaluation and experience with similar assets. Estimated useful lives and number of flying hours are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property and equipment and number of flying hours in 2014 and 2013.

The carrying value of property and equipment as of December 31, 2014 and 2013 amounted to ₱395.3 million and ₱379.2 million, respectively (see Note 11).



*Estimation of retirement benefits costs and obligation*

The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement benefits payable amounted to ₱15.3 million and ₱19.3 million as of December 31, 2014 and 2013, respectively (see Note 21). Pension asset amounted to ₱0.1 million and ₱0.5 million as of December 31, 2014 and 2013, respectively, and is included under “Deposit and other noncurrent assets” account (see Note 14). Retirement benefits cost amounted to ₱16.4 million, ₱25.2 million and ₱17.3 million in 2014, 2013 and 2012, respectively (see Note 21).

*Recognition of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions about the Group’s future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT.

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱31.0 million and ₱29.3 million as of December 31, 2014 and 2013, respectively. The Group also has unrecognized deferred income taxes primarily on the Company’s and non-operating subsidiaries’ temporary differences, NOLCO and MCIT (see Note 25).

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires the estimation of value-in-use of the cash generating unit to which goodwill relates. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the purpose of impairment testing, goodwill has been allocated to MACS, the cash generating unit. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets as approved by management covering a three-year projection. The projected cash flows was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management’s future plans. Cash flows beyond the three year period are extrapolated into perpetuity assuming a zero growth rate, for impairment test purposes. The discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used in 2014 and 2013 is 9% , while for 2012 is 8%.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill to exceed its recoverable amount.



Based on management's assessment, the recoverable amount of the goodwill is higher than the carrying value, thus no impairment loss was noted on the goodwill with carrying amount of ₱17.5 million as of December 31, 2014 and 2013 (see Note 14).

*Estimation of provisions for probable loss*

The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. In 2014 and 2013, the Group recognized provision for contingencies in the normal course of business amounting to ₱3.8 million and ₱4.7 million, respectively. Outstanding amounts of provision amounted to ₱3.8 million and ₱4.7 million as of December 31, 2014 and 2013, respectively (see Note 17). The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

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#### 4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support services provided by the four subsidiaries, mining-related activities and water-related projects, which is the basis on which the Group reports its primary segment information. The Group also monitors its share in the results of operations of its associates (LTP and CPCS) that are accounted for using the equity method.

The operations of Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.
- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at NAIA, MCIA and KIA.
- Charter flights segment, which is handled by MAATS, provides international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners.
- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA (see Note 28), which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator (see Note 18d).
- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.
- Water-related projects, which pertain to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC and its subsidiaries.
- Associates - this segment represents the Group's investments in associates that are accounted for using the equity method. Information with respect to these associates are disclosed in Note 9.



The Group has only one geographic segment. There were no inter-segment sales in 2014, 2013 and 2012. In 2014, 2013 and 2012, ₱245 million (or 15%), ₱236.6 million (or 15%) and ₱288.6 million (or 18%), respectively of the Group's total revenue was derived from two customers. For this purpose, the customers pertain to an entity known to the Group to be under common control.

Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets and property and equipment, net of allowances, depreciation and any impairment in value. Segment liabilities include all operating liabilities for and consist principally of notes payable, accounts payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes. Segment results pertain to operating income.

Financial information on the Group's business segments as of and for the years ended December 31 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

	2014	2013	2012
<b>SERVICE REVENUE - External</b>			
In-flight and other catering	<b>₱1,046,764,899</b>	₱991,894,569	₱973,666,042
Ground handling and aviation	<b>440,562,222</b>	413,258,559	415,252,864
Rental and administrative	<b>188,881,639</b>	187,921,638	187,914,423
Charter flights	<b>12,079,872</b>	7,881,517	12,574,235
Mining	<b>34,904,148</b>	9,163,174	10,290,299
Total segment and consolidated revenue	<b>₱1,723,192,780</b>	₱1,610,119,457	₱1,599,697,863

	2014	2013	2012
<b>RESULT - Segment results</b>			
In-flight and other catering services	<b>₱21,643,010</b>	₱52,965,130	₱54,362,410
Ground handling and aviation services	<b>17,416,929</b>	17,425,611	38,043,105
Rental and administrative services	<b>(1,836,966)</b>	3,103,994	4,700,991
Charter flights services	<b>(2,991,126)</b>	(7,057,119)	(556,260)
Mining	<b>(4,647,312)</b>	(16,814,278)	(15,341,992)
Water-related projects	<b>(22,106,130)</b>	-	-
Share in net income (loss) of associates	<b>128,226,824</b>	(251,868,481)	(148,403,979)
Total segment results	<b>135,705,229</b>	(202,245,143)	(67,195,725)
Unallocated corporate expenses and eliminations	<b>10,210,479</b>	76,068,004	(84,646,960)
Provision for income tax	<b>(24,005,419)</b>	(34,665,832)	(27,941,747)
Consolidated net income (loss)	<b>₱121,910,289</b>	(₱160,842,971)	(₱179,784,432)

	2014	2013	2012
<b>OTHER INFORMATION</b>			
<b>Segment Assets</b>			
In-flight and other catering services	<b>₱612,447,594</b>	₱615,546,351	₱583,748,359
Rental and administrative services	<b>259,391,390</b>	240,069,782	205,237,383
Ground handling and aviation services	<b>308,844,129</b>	316,191,613	281,775,851
Mining	<b>268,523,385</b>	255,730,152	259,809,386

(Forward)



	2014	2013	2012
Water-related projects	<b>₱194,016,874</b>	₱–	₱–
Charter flights services	<b>39,749,780</b>	43,150,035	36,122,471
Investments in associates	<b>661,709,466</b>	461,760,771	729,130,224
Total segment assets	<b>2,344,682,618</b>	1,932,448,704	2,095,826,674
Investment property	<b>143,852,303</b>	143,852,303	126,592,000
Deferred income tax assets	<b>21,360,201</b>	16,856,778	21,680,372
Unallocated corporate assets and eliminations	<b>816,711,908</b>	979,696,524	1,036,632,208
Consolidated total assets	<b>₱3,326,607,030</b>	₱3,072,854,309	₱3,280,728,254

	2014	2013	2012
<b>Segment Liabilities</b>			
In-flight and other catering services	<b>₱285,724,800</b>	₱323,324,797	₱276,838,966
Rental and administrative services	<b>444,181,494</b>	214,182,195	187,034,491
Ground handling and aviation services	<b>157,665,013</b>	172,775,377	147,535,689
Charter flights services	<b>22,942,035</b>	13,728,178	4,755,131
Mining	<b>43,681,420</b>	24,961,134	25,625,072
Water-related projects	<b>118,770,244</b>	–	–
Total segment liabilities	<b>1,072,965,006</b>	748,971,681	641,789,349
Deferred income tax liabilities	<b>1,115,000</b>	415,000	1,465,000
Eliminations	<b>(596,664,599)</b>	(312,955,761)	(260,280,808)
Unallocated corporate liabilities	<b>38,816,315</b>	37,228,810	21,014,170
Consolidated total liabilities	<b>₱516,231,722</b>	₱473,659,730	₱403,987,711

<b>Capital Expenditures</b>			
In-flight and other catering services	<b>₱21,191,943</b>	₱30,828,217	₱24,668,954
Rental and administrative services	<b>93,621,018</b>	1,423,349	3,391,149
Ground handling and aviation services	<b>17,413,349</b>	34,422,342	106,833,375
Charter flights services	<b>138,271</b>	2,360,426	430,166
Mining	<b>4,658,457</b>	955,625	8,260,181
Water-related projects	<b>101,390,214</b>	–	–
	<b>₱238,413,252</b>	₱69,989,959	₱143,583,825

<b>Depreciation and Amortization</b>			
In-flight and other catering services	<b>₱53,932,094</b>	₱50,958,133	₱47,265,910
Ground handling and aviation services	<b>31,854,805</b>	27,670,206	16,910,324
Rental and administrative services	<b>1,910,777</b>	2,208,066	2,673,714
Charter flights services	<b>1,372,546</b>	1,251,135	1,421,585
Mining	<b>2,622,945</b>	3,464,314	918,349
Water-related projects	<b>1,357,778</b>	–	–
Unallocated corporate depreciation and amortization	<b>8,582,955</b>	10,569,902	12,030,248
	<b>₱101,633,900</b>	₱96,121,756	₱81,220,130

<b>Noncash Expenses Other than Depreciation and Amortization</b>			
In-flight and other catering services	<b>₱48,094,461</b>	₱6,251,340	₱25,200,000
Ground handling and aviation services	<b>3,400,000</b>	4,562,386	–
Charter flights services	<b>–</b>	1,386,394	–
	<b>₱51,494,461</b>	₱12,200,120	₱25,200,000

<b>Reversals of Impairment Loss</b>			
Rental and administrative services	<b>₱–</b>	₱17,260,303	₱–



	2014	2013	2012
<b>Cash Flows from Operating Activities</b>			
In-flight and other catering services	<b>₱30,913,672</b>	₱106,385,180	₱128,135,821
Rental and administrative services	<b>(58,415,761)</b>	(30,301,587)	(103,681,761)
Ground handling and aviation services	<b>47,718,722</b>	(6,511,987)	57,084,930
Charter flights services	<b>(10,035,420)</b>	(8,230,882)	2,368,462
Mining	<b>(14,206,401)</b>	(1,587,209)	4,968,195
	<b>(₱4,025,188)</b>	₱59,753,515	₱88,875,647
<b>Cash Flows from Investing Activities</b>			
In-flight and other catering services	<b>(₱21,191,943)</b>	(₱36,290,891)	(₱26,979,132)
Rental and administrative services	<b>(270,147,255)</b>	174,777,582	(302,718,015)
Ground handling and aviation services	<b>(17,012,755)</b>	(29,105,383)	(108,471,592)
Charter flights services	<b>(138,270)</b>	(1,580,292)	(430,167)
Mining	<b>(4,658,457)</b>	(931,800)	(8,260,180)
	<b>(₱313,148,680)</b>	₱106,869,216	(₱446,859,086)
<b>Cash Flows from Financing Activities</b>			
In-flight and other catering services	<b>(₱20,000,000)</b>	(₱52,450,821)	(₱85,989,025)
Rental and administrative services	<b>286,037,714</b>	108,653,169	(97,953,955)
Ground handling and aviation services	<b>(24,106,838)</b>	29,954,184	45,497,133
Charter flights	<b>(6,684,000)</b>	–	–
Mining	<b>14,970,518</b>	–	4,479,098
	<b>₱250,217,394</b>	₱86,156,532	(₱133,966,749)

## 5. Cash and Cash Equivalents

	2014	2013
Cash on hand and cash in banks (Note 18a)	<b>₱150,018,490</b>	₱234,730,895
Short-term deposits (Note 18a)	<b>531,219,043</b>	632,650,034
	<b>₱681,237,533</b>	₱867,380,929

Cash in banks earn interest at the respective bank deposits rates. Short-term deposits are made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱7.6 million, ₱11.0 million and ₱13.5 million in 2014, 2013 and 2012, respectively (see Note 22).

## 6. Receivables

	2014	2013
Trade:		
Third parties	<b>₱322,995,497</b>	₱227,260,789
Related parties (Notes 18f, 18g, 18h and 18i)	<b>49,711,414</b>	75,190,541
Due from:		
Related parties (Notes 18e and 18n)	–	38,761,938
Officers and employees	<b>16,907,870</b>	12,344,665
Suppliers, contractors and others	<b>16,574,378</b>	5,096,300
Interest receivable	<b>2,573,415</b>	2,709,385
Other receivables	<b>13,071,974</b>	18,022,902
	<b>421,834,548</b>	379,386,520
Less allowance for doubtful accounts	<b>13,083,870</b>	11,583,870
	<b>₱408,750,678</b>	₱367,802,650



Trade receivables arise from the revenue-generating activities of the Group. These are non-interest bearing with normal credit terms ranging from 30 to 60 days.

Due from suppliers, contractors and others pertain to down payments for various purchases or operating expenses of the Group.

Other receivables pertain to amounts due from certain airline clients for the processing of client's landing in aviation areas in the NAIA.

A reconciliation of the allowance for doubtful accounts for trade receivables (all arising from specific impairment) by class is as follows:

	MACS	MAATS	MASCORP	Total
<b>December 31, 2011</b>	<b>₱9,247,720</b>	<b>₱1,257,621</b>	<b>₱-</b>	<b>₱10,505,341</b>
Reversal of allowance (Note 22)	(2,600,000)	-	-	(2,600,000)
<b>December 31, 2012</b>	<b>6,647,720</b>	<b>1,257,621</b>	<b>-</b>	<b>7,905,341</b>
Provision (Note 20)	2,400,000	-	1,278,529	3,678,529
<b>December 31, 2013</b>	<b>9,047,720</b>	<b>1,257,621</b>	<b>1,278,529</b>	<b>11,583,870</b>
Provisions (Note 20)	1,500,000	-	-	1,500,000
<b>December 31, 2014</b>	<b>₱10,547,720</b>	<b>₱1,257,621</b>	<b>₱1,278,529</b>	<b>₱13,083,870</b>

#### 7. Inventories

	2014	2013
At net realizable value:		
Food and beverage - net of allowance for probable losses of ₱1.0 million in 2014 and 2013	<b>₱38,409,554</b>	₱24,080,540
At cost - materials and supplies	<b>5,656,030</b>	22,961,138
	<b>₱44,065,584</b>	₱47,041,678

#### 8. Other Current Assets

	2014	2013
Restricted short-term investment	<b>₱11,329,160</b>	₱-
Input taxes	<b>54,718,114</b>	36,159,364
Tax credit certificates	<b>30,737,274</b>	30,737,274
Prepaid expenses	<b>12,848,403</b>	11,898,779
Creditable withholding and prepaid taxes	<b>12,649,227</b>	11,543,095
Other current assets	<b>8,175,846</b>	1,093,736
	<b>130,458,024</b>	91,432,248
Less allowance for probable losses	<b>29,205,949</b>	29,205,949
	<b>₱101,252,075</b>	₱62,226,299

Restricted short-term investment pertains to a time deposit placed by the Company to guaranty an institutional catering contract.

Input taxes represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The tax credit



certificate can be used to pay any income tax due. The Group also has input taxes arising from acquisition of property and equipment and other assets and those which are not expected to be utilized in the next 12 months. Provision for losses on input taxes amounted to ₱31.3 million, ₱3.9 million and ₱25.2 million in 2014, 2013 and 2012, respectively (see Note 20).

Details of input taxes follow:

	2014	2013
Gross input tax	<b>₱226,526,961</b>	₱218,211,862
Less allowance for probable losses	<b>72,303,644</b>	66,618,256
	<b>154,223,317</b>	151,593,606
Less: noncurrent portion	<b>128,711,152</b>	144,640,191
	<b>₱25,512,165</b>	₱6,953,415

In 2014, the Group wrote off input taxes amounting to ₱43.1 million which is fully provided with allowance and ₱25.4 million as direct write-off.

Prepaid expenses and others mostly consist of prepaid insurance, rent, utilities, and unconsumed supplies.

## 9. Investments in Associates

	Percentage of ownership interest	2014	2013
Acquisition costs:			
LTP	49	<b>₱935,759,560</b>	₱935,759,560
CPCS	40	<b>5,000,000</b>	5,000,000
MacroAsia WLL	35*	<b>2,310,175</b>	2,310,175
		<b>943,069,735</b>	943,069,735
Accumulated equity in net earnings:			
Beginning of year		<b>(148,846,095)</b>	119,022,386
Share in net income (loss) for the year		<b>128,226,824</b>	(251,868,481)
Dividends declared to the Company		<b>(18,000,000)</b>	(16,000,000)
End of year		<b>(38,619,271)</b>	(148,846,095)
Share in re-measurement losses on defined benefit plan of associates:			
Beginning of year		<b>(155,662,465)</b>	(112,696,242)
Remeasurement gains (losses) on defined benefit plan for the year		<b>85,032,893</b>	(42,966,223)
End of year		<b>(70,629,572)</b>	(155,662,465)
Share in foreign currency translation adjustments:			
Beginning of year		<b>(176,800,404)</b>	(220,265,655)
Net foreign currency translation adjustments for the year		<b>4,688,978</b>	43,465,251
End of year		<b>(172,111,426)</b>	(176,800,404)
		<b>₱661,709,466</b>	₱461,760,771

\* Effective ownership interest through MACS

As of December 31, 2014 and 2013, the shares of stock of the associated companies are not traded in public and as such, have no publicly traded price quotation.



LTP

On July 12, 2000, the Company entered into an agreement with Lufthansa Technik AG, a corporation organized and existing under the laws of the Federal Republic of Germany, and formed LTP. LTP provides maintenance, repairs and overhaul services on aircraft and components at the NAIA, MCIA, Diosdado Macapagal International Airport and Davao International Airport. The agreement provides for supermajority (i.e., two-thirds) vote of directors for the approval of the annual budget as well as other critical corporate acts of the agreement. The registered office address of LTP is LTP Technical Center, MacroAsia Ecozone, Villamor Airbase, Pasay City.

CPCS

CPCS is the Company's first in-flight catering venture, which started commercial operations in 1996. It is the only in-flight catering company at Mactan-Cebu International Airport and serves both domestic and international airlines. The registered office address of the CPCS is 1<sup>st</sup> Ave. Extension, Block B6, MEZ I, Lapu-lapu City.

MacroAsia WLL

On June 5, 2012, MACS entered into a Shareholders' Agreement with individuals to establish MacroAsia WLL, a national institutional catering and laundry company in Doha, Qatar. As of December 31, 2014, MacroAsia WLL has not yet started its commercial operations.

Summarized financial information of the associates as of and for the years ended December 31 is as follows:

	2014	
	LTP	CPCS
Current assets	P2,864,678,992	P51,800,017
Noncurrent assets	2,593,870,592	6,315,059
Current liabilities	2,609,308,025	16,859,374
Noncurrent liabilities	1,532,995,294	-
Equity before foreign currency translation adjustments	1,667,494,073	41,255,702
Foreign currency translation adjustments	(351,247,808)	-
Equity	1,316,246,265	41,255,702
Proportion of the Group's ownership	49%	40%
Carrying amount of the investment	P644,960,670	P16,502,281
Revenue	P6,150,493,011	P136,079,822
Direct cost	4,409,561,214	79,644,445
Gross profit	1,740,931,797	56,435,377
Net income	226,401,850	43,224,793
Other comprehensive income	173,058,364	585,732
Total comprehensive income	399,460,214	43,810,525
Proportion of the Group's ownership	49%	40%
Group's share in total comprehensive income	P195,735,505	P17,524,210



	2013	
	LTP	CPCS
Current assets	₱3,304,904,753	₱46,252,239
Noncurrent assets	2,385,352,451	6,262,575
Current liabilities	3,253,618,807	10,069,638
Noncurrent liabilities	1,529,421,690	–
Equity before foreign currency translation adjustments	1,268,033,858	42,445,176
Foreign currency translation adjustments	(360,817,151)	–
Equity	907,216,707	42,445,176
Proportion of the Group's ownership	49%	40%
Carrying amount of the investment	₱444,536,186	₱16,978,070
Revenue	₱7,309,076,067	₱118,653,033
Direct cost	6,115,481,861	73,613,444
Gross profit	1,193,594,206	45,039,589
Net income (loss)	(538,128,040)	34,694,801
Other comprehensive income (loss)	(87,710,215)	29,455
Total comprehensive income (loss)	(625,838,255)	34,724,256
Proportion of the Group's ownership	49%	40%
Group's share in total comprehensive income (loss)	(₱306,660,745)	₱13,889,702

The Group has interest in an immaterial associate that are accounted for using the equity method. The financial information of this associate follows:

	2014	2013
Carrying amount of immaterial associate	₱246,515	₱246,515
Amount of the Group's share in net loss	–	(2,063,661)

The associates have no contingent liabilities or capital commitments as of December 31, 2014 and 2013.

#### 10. Material Partly-owned Subsidiary

Set out below are the summarized financial information of MACS that has non-controlling interest that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Summarized balance sheets:

	2014	2013
Current assets	₱371,186,010	₱343,724,523
Noncurrent assets	260,972,721	288,194,542
Current liabilities	276,135,377	312,035,756
Noncurrent liabilities	9,589,423	11,289,041
Equity	346,433,931	308,594,268
Attributable to non-controlling interest	69,286,786	61,718,854



Summarized statements of income:

	2014	2013
Revenue	<b>₱1,046,764,899</b>	₱991,985,449
Direct costs	<b>734,878,490</b>	690,583,891
Operating expenses	<b>290,243,399</b>	248,436,428
Net income	<b>34,755,620</b>	46,121,667
Attributable to non-controlling interest	<b>6,951,124</b>	9,224,333

Summarized statements of comprehensive income:

	2014	2013
Net income	<b>₱34,755,620</b>	₱46,121,667
Other comprehensive income	<b>3,084,043</b>	(3,031,218)
Total comprehensive income	<b>37,839,663</b>	43,090,449
Attributable to non-controlling interest	<b>7,567,933</b>	8,618,090

Summarized statements of cash flows:

	2014	2013
Cash flows from operations	<b>₱30,913,672</b>	₱101,443,301
Cash flows used in investing activities	<b>(21,191,942)</b>	(30,678,146)
Cash flows used in financing activities	<b>(20,000,000)</b>	(52,450,821)
Dividends paid to non-controlling interest	-	8,000,000

As of December 31, 2014 and 2013, the equity attributable to non-controlling interest in PWBRI amounted to ₱428,733 and ₱449,070, respectively. Total comprehensive loss attributed to PWBRI amounted to ₱20,338 and ₱19,805 in 2014 and 2013, respectively.

## 11. Property and Equipment

	2014					December 31, 2014
	January 1, 2014	Acquisition from WBSI (Note 14)	Additions	Disposal	Reclassification	
<b>Cost</b>						
Building	<b>₱259,116,018</b>	₱-	₱5,701,231	₱-	₱-	₱264,817,249
Kitchen and other operations equipment	275,276,801	59,764	15,410,103	-	-	290,746,668
Transportation equipment	175,990,514	2,789,242	5,307,414	(4,026,948)	-	180,060,222
Helicopter unit and spare parts	114,143,490	-	1,503,249	-	-	115,646,739
Aviation equipment	233,388,859	-	15,115,404	(502,581)	-	248,001,682
Office furniture, fixtures and equipment	59,688,382	528,895	6,960,109	(47,389)	-	67,129,997
Drilling equipment	5,735,469	-	-	-	-	5,735,469
Building and leasehold improvements	87,121,653	1,418,824	1,166,171	-	-	89,706,648
Land and land improvements	31,931,927	-	92,438,989	-	-	124,370,916
Construction in progress	28,702,186	-	-	-	(28,702,186)	-
	<b>1,271,095,299</b>	<b>4,796,725</b>	<b>143,602,670</b>	<b>(4,576,918)</b>	<b>(28,702,186)</b>	<b>1,386,215,590</b>

(Forward)



2014						
	January 1, 2014	Acquisition from WBSI (Note 14)	Additions	Disposal	Reclassification	December 31, 2014
<b>Accumulated Depreciation and Amortization</b>						
Building	(₱229,960,753)	₱-	(₱32,912,250)	₱-	₱-	(₱262,873,003)
Kitchen and other operations equipment	(225,790,737)	(29,165)	(15,448,991)	-	-	(241,268,893)
Transportation equipment	(113,210,970)	(1,301,645)	(14,401,259)	4,026,943	-	(124,886,931)
Helicopter unit and spare parts	(74,045,305)	-	(7,896,168)	-	-	(81,941,473)
Aviation equipment	(126,537,747)	-	(19,211,377)	502,573	-	(145,246,551)
Office furniture, fixtures and equipment	(61,609,944)	(290,243)	(5,543,577)	42,568	-	(67,401,196)
Drilling equipment	(5,410,950)	-	(324,519)	-	-	(5,735,469)
Building and leasehold improvements	(44,956,536)	(402,001)	(5,853,883)	-	-	(51,212,420)
Land improvements	(10,350,280)	-	(41,876)	-	-	(10,392,156)
	(891,873,222)	(2,023,054)	(101,633,900)	4,572,084	-	(990,958,092)
<b>Net Book Value</b>	<b>₱379,222,077</b>	<b>₱2,773,671</b>	<b>₱41,968,770</b>	<b>(₱4,834)</b>	<b>(₱28,702,186)</b>	<b>₱395,257,498</b>

2013					
	January 1, 2013	Additions	Disposal	Reclassification	December 31, 2013
<b>Cost</b>					
Building	₱252,242,882	₱6,873,136	₱-	₱-	₱259,116,018
Kitchen and other operations equipment	262,642,967	12,633,834	-	-	275,276,801
Transportation equipment	166,826,455	11,344,576	(2,180,517)	-	175,990,514
Helicopter unit and spare parts	113,782,721	360,769	-	-	114,143,490
Aviation equipment	227,923,565	6,167,184	(701,890)	-	233,388,859
Office furniture, fixtures and equipment	56,553,592	3,870,216	(994,355)	258,929	59,688,382
Drilling equipment	5,735,469	-	-	-	5,735,469
Building and leasehold improvements	60,535,104	26,586,549	-	-	87,121,653
Land and land improvements	14,134,432	17,797,495	-	-	31,931,927
Construction in progress	258,929	28,702,186	-	(258,929)	28,702,186
	1,160,636,116	114,335,945	(3,876,762)	-	1,271,095,299
<b>Accumulated Depreciation and Amortization</b>					
Building	(196,971,425)	(32,989,328)	-	-	(229,960,753)
Kitchen and other operations equipment	(215,496,210)	(10,294,527)	-	-	(225,790,737)
Transportation equipment	(102,833,036)	(12,530,253)	2,152,319	-	(113,210,970)
Helicopter unit and spare parts	(65,985,774)	(8,059,531)	-	-	(74,045,305)
Aviation equipment	(109,174,991)	(18,064,639)	701,883	-	(126,537,747)
Office furniture, fixtures and equipment	(57,286,941)	(5,008,423)	685,420	-	(61,609,944)
Drilling equipment	(4,263,856)	(1,147,094)	-	-	(5,410,950)
Building and leasehold improvements	(38,844,668)	(6,111,868)	-	-	(44,956,536)
Land improvements	(10,100,664)	(249,616)	-	-	(10,350,280)
	(800,957,565)	(94,455,279)	3,539,622	-	(891,873,222)
<b>Net Book Value</b>	<b>₱359,678,551</b>	<b>₱19,880,666</b>	<b>(₱337,140)</b>	<b>₱-</b>	<b>₱379,222,077</b>

Acquisitions of property and equipment on credit amounting to ₱1.4 million and ₱2.0 million in 2014 and 2013, respectively, are included as part of "Accounts payable and accrued liabilities" account as of December 31, 2014 and 2013, respectively. These are treated as noncash investing activities in the consolidated statements of cash flows. The outstanding amount in 2013 was paid in 2014.



Depreciation and amortization is distributed as follows:

	2014	2013	2012
Direct costs (Note 19)	<b>₱72,752,447</b>	₱68,126,740	₱52,628,948
General and administrative expenses (Note 20)	<b>28,881,453</b>	26,328,539	28,591,182
	<b>₱101,633,900</b>	₱94,455,279	₱81,220,130

The helicopter unit was depreciated based on 139,176, and 246 flying hours in 2014, 2013 and 2012, respectively.

The costs of fully depreciated property and equipment which are still in use amounted to ₱705.2 million and ₱454.4 million as of December 31, 2014 and 2013, respectively.

## 12. Investment Property

The Group's investment property pertains to a parcel of land held for future development which amounted to ₱143.8 million as of December 31, 2014 and 2013. In 2013, the Group recognized full recovery of impairment losses on investment property (see Note 22). As of December 31, 2014, the fair value of the investment property amounted to ₱258.0 million which is based on the appraisal report rendered by a recognized professional firm of appraisers (see Note 31).

The independent appraiser used the "Market Data Approach" in valuing the property. This approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use and time element were also taken into consideration in order to estimate the fair value of the property.

Operating expense incurred in relation to investment property pertains to real property taxes which amounted to ₱0.2 million in each of the three years in the period ended December 31, 2014 (see Note 20).

There are neither restrictions on the realizability of investment property nor contractual obligations to develop such property or for maintenance.

## 13. AFS Investments

	2014	2013
Debt:		
Philippine government treasury bonds	<b>₱66,197,600</b>	₱66,871,704
Corporate bonds	-	39,743,367
Equity - Golf club share and other proprietary and equity shares	<b>37,138,300</b>	30,176,800
	<b>₱103,335,900</b>	₱136,791,871

The changes in fair values of AFS investments are presented in other comprehensive income and the cumulative changes in fair value are presented as "AFS investments reserve" account in equity section of the consolidated balance sheets.



The movement of AFS investments reserve follows:

	2014	2013
Beginning balance	<b>₱2,688,890</b>	₱29,854,120
Fair value changes of AFS investments sold and recycled through profit or loss*	<b>767,819</b>	(14,067,293)
Changes in fair value of AFS investments, net of tax effect amounting to (₱700,000) in 2014 and ₱1,050,000 in 2013	<b>5,625,890</b>	(13,097,937)
<b>Ending balance</b>	<b>₱9,082,599</b>	₱2,688,890

\*Included under "Gain on sale of investments in bonds" account (see Note 22).

Deferred income tax liabilities on the fair value changes of the AFS equity investments amounted to ₱1.1 million and ₱0.4 million as of December 31, 2014 and 2013, respectively (see Note 25).

- a. The Company had investments in Philippine government treasury bonds which carry interest rate of 3.25% to 6% in 2014 and 2013 and 6.12% to 8% in 2012.

In 2013, the Company disposed certain of its outstanding investments in Philippine government treasury bonds amounting to ₱109.4 million, realizing a total gain of ₱41.2 million (see Note 22). Total proceeds from the sale amounted to ₱244.8 million.

As of December 31, 2014 and 2013, outstanding investment in Philippine government treasury bonds amounted to ₱66.2 million and ₱66.9 million, respectively.

Total interest earned from these government bonds (including the amortization of premium) amounted to ₱2.3 million, ₱1.1 million and ₱3.2 million in 2014, 2013 and 2012 respectively (see Note 22).

- b. In prior years, the Company had investments in various corporate bonds. In 2013, the Company disposed certain investments in corporate bonds for a total gain of ₱8.6 million (see Note 22). Total proceeds from the sale amounted to ₱176.3 million.

As of December 31, 2013, investment in corporate bonds amounted to ₱39.7 million.

In 2014, the Company disposed all of its outstanding investments in corporate bonds amounting to ₱39.7 million, realizing a total gain of ₱0.8 million (see Note 22). Total proceeds from the sale amounted to ₱41.5 million.

Total interest income earned from these corporate bonds (including the amortization of premium) amounted to ₱2.3 million, ₱7.1 million and ₱2.5 million in 2014, 2013, and 2012 respectively (see Note 22).

- c. The Group's investments in golf club share and other proprietary and equity shares are carried at fair value based on published club share quotes that are publicly available from the local dailies and from the website of club share brokers.

In 2012, the Group determined that one of its investments in club shares is impaired because of the prolonged decline in fair value below its cost. As such, the Group recognized impairment loss on this club share for ₱0.4 million in 2012 (see Note 22).



**14. Deposits and Other Noncurrent Assets**

	<b>2014</b>	2013
Deferred project costs	<b>₱63,473,737</b>	₱–
Deposits (Note 28)	<b>19,639,957</b>	19,384,751
Tax credit certificates	<b>18,080,753</b>	18,080,753
Goodwill	<b>17,531,232</b>	17,531,232
Prepaid rent (Note 28)	<b>8,051,823</b>	8,455,038
Pension asset (Note 21)	<b>82,796</b>	514,366
Project advances and investment	–	18,876,088
Others	<b>451,685</b>	234,132
	<b>₱127,311,983</b>	₱83,076,360

*Deferred project costs*

As of December 31, 2014, “Deferred project costs” include:

Maragondon Bulk Water project costs	₱34,067,350
Engineering design, consultancy, development and geodetic surveys costs,	29,406,387
	<b>₱63,473,737</b>

a. Maragondon Bulk Water project costs

On July 11, 2011, the Group acquired 70% of WBSI outstanding shares amounting to ₱3.3 million pursuant to a share purchase agreement between the Company and the stockholders of WBSI. On the same date, the Group entered into a sale and purchase agreement for the acquisition of the Maragondon Bulk Water Supply Project (the Water Project) from ICH. Prior to the Group’s acquisition of WBSI shares, WBSI assigned and transferred its rights over the Water Project to ICH. On September 15, 2011, the Group signed amended sale agreements, respectively with shareholders of WBSI and ICH, related to the acquisition of additional 12.6% shares in WBSI and the corresponding rights to the Maragondon Bulk Water Supply Project. Total payments made to WBSI former stockholders for the water rights as of December 31, 2013 amounted to ₱15.8 million.

Having regard to the substance of the agreements, the acquisition of WBSI shares is deemed to be linked to the acquisition of the water project from ICH and as such, the acquisition is treated as one transaction for accounting purposes. As of December 31, 2013, the acquisition of the Water Project has not yet been consummated in view of certain water permits inherent in the project that are yet to be secured. As such, the Group accounted for its investment in WBSI shares and payments made to WBSI former stockholders totaling to ₱19.1 million as “Project advances and investment” in view of the Group’s right to refund from WBSI stockholders the total payments made if the water permits inherent in the project are not secured.

In 2014, the Group entered into a compromise agreement with the former stockholders of WBSI where a final consideration for the Water Project was agreed. The reduced consideration is due to the unsecured permits which are still unavailable as of date of the compromise agreement. The compromise agreement confirmed the Group’s control over WBSI. Accordingly, the Group accounted for WBSI as its subsidiary (see Note 3). Further,



as a result of the compromise agreement, the Group paid additional ₱18.3 million to WBSI former stockholders. As of December 31, 2014, total payments pertaining to the Water Project amounted to ₱34.1 million, which is included as part of the “Deferred project costs” account in the 2014 balance sheet.

b. Others

In relation to the Group’s water-related projects, the Group incurs expenditures related to the technical feasibility studies which include engineering designs, consultancy fees, geodetic surveys and other project costs. As of December 31, 2014, these costs amounted to ₱29.4 million and are included as part of the “Deferred project costs” account in the 2014 balance sheet.

*Goodwill*

The goodwill recognized by the Group amounting to ₱17.5 million as of December 31, 2014 and 2013 resulted from the Company’s acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006. The carrying amount of goodwill is allocated to MACS, the cash-generating unit.

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**15. Service Concession Right**

As of December 31, 2014, the cost of service concession right amounted to ₱99.7 million. The amount pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities. The amortization of the service concession right has not started as the SNVRDC has not yet started its commercial operations. SNVRDC is the operating entity of the waterworks system in connection with MAPDC’s agreement with the Municipality Government of Solano, Nueva Vizcaya (Solano) (see Note 28e).

Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2. Service concession right mainly consist of costs incurred for the construction of the waterwork facility.

Advances to contractors pertain to SNVRDC’s advance payments for its two major contractors as required by the construction agreements. The payments serve as the mobilization fee of the major contractors and are diminished by the contractors through progress billings (see Note 28e).

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**16. Notes Payable**

- a. On December 23, 2013, MASCORP obtained a three-year term loan amounting to ₱27.0 million for general corporate purposes and to finance its liabilities. The loan carried an interest of 5.5% per annum subject to monthly re-pricing.

As of December 31, 2014, current and noncurrent portion of the loan both amounted to ₱9.0 million. Interest expense amounted to ₱1.3 million in 2014 (nil in 2013).

- b. On February 25, 2014, MASCORP obtained five-year term loans from China Banking Corporation (CBC) amounting to ₱37.0 million and US\$0.99 million to support working capital requirement and to finance its liabilities. The loans will be payable in 60 equal and successive monthly amortization commencing at the end of the 1st month from initial drawn date of the loan. The Peso and US\$ loans carry an interest of 5.25% and 4.06% per annum, respectively.



As of December 31, 2014, current and noncurrent portion of the loans amounted to ₱16.3 million and ₱51.5 million, respectively. Interest expense amounted to ₱2.8 million in 2014.

- c. In 2012, MASCORP and MACS incurred interest expense amounting to ₱0.7 million and ₱1.1 million, respectively, from loans availed in 2011 which were settled in 2012.

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## 17. Accounts Payable and Accrued Liabilities

	2014	2013
Accounts payable:		
Trade	₱74,423,567	₱95,805,620
Non-trade	30,758,456	53,626,727
Related parties		
Trade (Notes 18i, 18j and 18k)	28,003,942	9,590,703
Non-trade (Note 18e)	–	2,531,250
Accrued:		
Utilities and others	81,144,816	70,850,086
Payable to contractors	10,599,124	–
Service fee (Note 28c)	8,762,122	6,670,348
Volume discounts	–	8,120,447
Payable to government agencies	25,854,585	22,928,554
	<b>₱259,546,612</b>	<b>₱270,123,735</b>

Trade payables are incurred in the conduct of the Group's business with normal credit terms ranging from 30 to 45 days. Nontrade payables include concession privilege fee payable and payable to mine surveyor and subcontractor.

Accrued expenses include the provision for probable loss which represents management's best estimate of probable cost of claims arising from the normal course of business that has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results.

Accrued volume discounts are incentives due to airline clients of MACS. Accrued service fee pertains to the 20% of the service fee declared by MACS, which is payable to SATS (see Note 28c).

Payable to government agencies include deferred output VAT and other tax-related payable such as withholding tax and payable to Social Security System, Philippine Health Insurance Corporation and Pag-IBIG Fund Contributions. Deferred output VAT pertains to output VAT of uncollected receivables from the rendering of the Group's services.

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## 18. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. It includes companies in which one or more of the directors and/or shareholder of the Company either has a beneficial controlling interest or are in a position to exercise significant influence therein. Transactions between the Company and its subsidiaries and the related balances are eliminated at consolidation and are no longer included in the disclosures.



The following tables summarize the transactions with the Group's related parties and their account balances:

<i>(Amounts in millions)</i> Nature of Transaction	Outstanding balance/ Amount of transactions		Terms and conditions
	2014	2013	
<b>Affiliates:</b>			
Deposits and cash equivalents (Note 18a)	<b>₱159.2</b>	₱148.3	On demand; prevailing interest rate
Interest income on deposits and cash equivalents (Note 18a)	<b>3.0</b>	4.0	On demand; prevailing interest rate
Rental deposit (Note 18b)	<b>0.1</b>	0.1	To be refunded at the end of lease term
Trust fund retirement plan (Note 18c)	<b>85.6</b>	69.8	Based on trustee agreement

<i>(Amounts in millions)</i> Nature of Transaction	Amount of Transactions			Outstanding Balance				Terms And Conditions
	2014	2013	2012	Receivable		Payable		
<b>Affiliates:</b>								
Office rent (Note 18b)	<b>₱3.1</b>	₱3.1	₱3.1	₱-	₱-	₱-	₱-	(a)
Service fees from ground handling services (Notes 18f and g)	<b>245.0</b>	236.6	228.7	<b>47.7</b>	73.2	-	-	(a)
Equipment rent (Notes 18i and m)	<b>2.1</b>	2.3	2.4	-	-	<b>3.0</b>	1.0	(c)
Catering services (Note 18l)	-	-	77.6	<b>1.9</b>	1.9	-	-	(a)
Payable arising from share in passenger lounge (Note 18k)	<b>0.1</b>	4.7	3.2	-	-	<b>7.5</b>	8.0	(c)
Share in rental and utilities in MIAA (Note 18j)	<b>1.4</b>	2.0	1.9	-	-	<b>0.4</b>	0.5	(c)
<b>Associated companies:</b>								
Rent and administrative income from sublease of land (Note 18d)	<b>188.9</b>	187.9	187.9	<b>118.0</b>	117.6	-	-	(b)
Service fee from contracted ground handling services (Note 18h)	<b>0.3</b>	3.0	21.8	<b>0.1</b>	-	-	-	(a)
Cash advances (Note 18e)	-	-	2.5	-	-	-	2.5	(c)
Cash advances (Note 18e)	-	-	3.2	-	32.9	-	-	(c)
Cash advances (Note 18n)	-	5.9	-	-	5.9	-	-	(c)
<b>Total</b>				<b>₱167.7</b>	<b>₱231.5</b>	<b>₱10.9</b>	<b>₱12.0</b>	

(a) 30 day, unsecured, non-interest bearing, unimpaired

(b) 25 years, non-interest bearing, includes impact of straight-line recognition of lease income

(c) On-demand, unsecured, non-interest bearing

Outstanding balances at year-end are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2014 and 2013, the Group recognized provision for doubtful accounts pertaining to amounts owed by a related party amounting to ₱6.2 million and ₱1.3 million, respectively (nil in 2012).



Group

- a. The Group has outstanding Peso and US dollar-denominated short-term investments as well as current and savings deposits, which bear interest based on prevailing market rates with an affiliated local bank under common control. Total deposits and cash equivalents amounted to ₱159.2 million and ₱148.3 million as of December 31, 2014 and 2013, respectively. Interest income amounted to ₱3.0 million, ₱4.0 million and ₱2.4 million in 2014, 2013 and 2012, respectively.
- b. MAC leases from the local affiliated bank the office space it currently occupies. The lease agreement is for a period of two years up to October 2011, with an annual rental rate that is subject to review every year. Total rent expense amounted to ₱2.5 million in 2014, 2013 and 2012. The contract of lease was renewed for a period of two years starting October 16, 2011 and unless earlier terminated, shall expire on October 15, 2013. The lease agreement has not been renewed but MAC continues to lease the office space under the last term and condition.

On the other hand, MMC also entered into a two-year lease contract with the local affiliated bank for its office space starting on November 1, 2011. The monthly rental fee is subject to a fixed price escalation rate of 5% starting on November 1, 2012. MMC has rental deposit amounting to ₱147,610 equivalent to three months advanced rental and is refundable and non-interest bearing. The discounting effect is not significant to the Group. The parties thereafter amended the contract of lease postponing the commencement of the lease term to January 1, 2012 and shortening the lease period to 22 months. The lease agreement has not been renewed but MMC continues to lease the office space. Total rent expense in 2013 and 2012 amounted to ₱0.6 million.

- c. The Group has a trust fund for its retirement plan with the local affiliated bank. As of December 31, 2014 and 2013, the fund assets amounted to ₱85.6 million and ₱69.8 million, respectively (see Note 21).

MAPDC

- d. MAPDC has a contract with LTP covering the sub-lease of a parcel of land located within NAIA. The contract, which commenced on September 1, 2000, is for a period of 25 years and renewable for another 25 years thereafter, subject to mutual agreement of the parties. The rental charge, which is at normal market rate, is subject to a fixed price escalation and deposit. Monthly fee due from LTP is equivalent to MAPDC's cost of leasing the land from MIAA, plus administrative fees (see Note 28). Rental and administrative income amounted to ₱188.9 million in 2014 and ₱187.9 million in 2013 and 2012.

MAPDC received refundable rental deposit from LTP amounting to ₱24.6 million (presented as "Rental deposit" account in the consolidated balance sheets), which is valued and reported at its accreted value of ₱5.3 million and ₱4.6 million as of December 31, 2014 and 2013, respectively. Accretion of interest (included as part of "Financing charges" account) amounted to ₱0.7 million, ₱0.6 million and ₱0.5 million in 2014, 2013 and 2012 (see Note 22b). The difference between the face amount and present value of the deposits at inception date of ₱19.1 million is treated and presented as "Unearned rent income" in the consolidated balance sheets. This is being amortized on a straight-line basis over the term of the lease. The related amortization amounted to ₱1.0 million in 2014, 2013 and 2012. As of December 31, 2014 and 2013, the unearned rent income amounted to ₱10.3 million and ₱11.2 million, respectively.

Further, as a result of the straight-line recognition of operating lease income, accrued rental receivable was recognized which amounted to ₱118.0 million and ₱117.6 million as of December 31, 2014 and 2013, respectively.



- e. MAPDC has an outstanding short-term, unsecured and non-interest bearing advances to WBSI amounting to ₱32.9 million as of December 31, 2013 (see Note 6). On the other hand, MAPDC has an outstanding short-term non-interest bearing advances from Cavite Business Resources, Inc. (CBRI) as of December 31, 2013 amounting to ₱2.5 million (see Note 17). In 2014, since WBSI and CBRI became subsidiaries of the Company, outstanding balances were eliminated.

#### MASCORP

- f. MASCORP provides ground handling services to Air Philippines, Inc. (Air Phil.), an affiliated company under common control. Fees for these services amounted to ₱88.2 million, ₱105.8 million and ₱117.5 million in 2014, 2013 and 2012, respectively. The related receivables as of December 31, 2014 and 2013 amounted to ₱18.6 million and ₱25.6 million, respectively (see Note 6).
- g. MASCORP provides ground handling services to Philippine Airlines, Inc. (PAL), an affiliated company under common control. Fees for these service amounted to ₱156.8 million, ₱130.8 million and ₱111.2 million in 2014, 2013 and 2012, respectively. The related receivables as of December 31, 2014 and 2013 amounted to ₱29.1 million and ₱47.6 million, respectively, and are presented under “Receivables” in the consolidated balance sheets (see Note 6).
- h. MASCORP bills LTP for ground handling services it rendered on behalf of LTP’s clients. Fees for these services amounted to ₱0.3 million, ₱3.0 million and ₱21.8 million in 2014, 2013 and 2012, respectively. The related receivables as of December 31, 2014 and 2013 amounted to ₱138 thousand and ₱30 thousand, respectively (see Note 6).
- i. MASCORP also leases ground support equipment from PAL with total rental cost amounting to ₱2.1 million, ₱2.3 million and ₱1.8 million in 2014, 2013 and 2012, respectively. Outstanding payable as of December 31, 2014 and 2013 relating to this transaction amounted to ₱3.0 million and ₱1.0 million, respectively (see Note 17).
- j. MASCORP pays to Air Phil. its shares on the rental and utilities in MIAA amounting to ₱1.4 million, ₱2.0 million and ₱1.9 million in 2014, 2013 and 2012, respectively. Outstanding payable as of December 31, 2014 and 2013 relating to this transaction amounted to ₱0.4 million and ₱0.5 million, respectively (see Note 17).

#### MACS

- k. MACS has outstanding payable to PAL aggregating to ₱7.5 million and ₱8.0 million as of December 31, 2014 and 2013, respectively, representing PAL’s share in the results of operation of the passenger lounge at NAIA (see Note 17).
- l. MACS provided catering services to PAL with total revenue earned amounting to ₱77.6 million in 2012 (nil in 2014 and 2013). Receivables outstanding as of December 31, 2014 and 2013 amounted to ₱1.9 million (see Note 6).
- m. MACS leased airline catering equipment from PAL. Lease expense amounted to ₱0.6 million in 2012 (nil in 2014 and 2013). There is no outstanding payable relating to this transaction.
- n. In 2014 and 2013, MACS provided an unsecured and non-interest bearing cash advances to MacroAsia WLL amounting to ₱5.9 million. In 2014, MACS wrote off the total outstanding balance of cash advances to MacroAsia WLL amounting to ₱5.9 million.



Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱62.05 million, ₱60.24 million and ₱58.7 million in 2014, 2013 and 2012, respectively. There are no termination benefits or share-based payments granted to key management personnel.

**19. Net Service Revenue and Direct Costs**

Net Service Revenue

	2014	2013	2012
Gross service revenue	<b>₱1,830,231,762</b>	₱1,719,908,393	₱1,687,606,346
Less discount	<b>107,038,982</b>	109,788,936	87,908,483
	<b>₱1,723,192,780</b>	₱1,610,119,457	₱1,599,697,863

Direct costs

	2014	2013	2012
Food	<b>₱412,834,939</b>	₱408,888,635	₱405,004,540
Salaries and wages	<b>279,760,778</b>	232,097,904	213,963,926
Leases (Note 28b)	<b>161,473,267</b>	161,473,267	161,466,052
Concession privilege fee (Note 28a)	<b>106,892,886</b>	99,129,972	95,806,611
Contractual services	<b>75,815,323</b>	74,913,962	76,857,286
Depreciation and amortization (Note 11)	<b>72,752,447</b>	68,126,740	52,628,948
Overhead	<b>70,585,700</b>	62,126,082	64,082,468
Repairs and maintenance	<b>26,729,089</b>	19,056,260	20,340,219
Employee benefits (Note 21)	<b>25,938,816</b>	19,440,159	18,301,379
Exploratory drilling	<b>17,825,019</b>	7,774,630	9,673,109
Supplies	<b>17,374,914</b>	19,284,765	17,964,431
Rent (Note 28b)	<b>16,554,691</b>	16,267,928	12,658,586
Laundry	<b>11,931,065</b>	10,227,882	8,749,701
Insurance	<b>8,822,072</b>	9,547,140	11,305,609
Storage and brokerage	<b>2,511,617</b>	2,909,344	4,820,488
Others	<b>21,101,354</b>	18,355,047	29,746,616
	<b>₱1,328,903,977</b>	₱1,229,619,717	₱1,203,369,969

**20. Operating Expenses**

	2014	2013	2012
General and administrative:			
Salaries and wages	<b>₱105,805,761</b>	₱102,904,955	₱103,279,573
Actual and provisions for probable losses (Notes 6, 7, 8 and 17)	<b>51,494,461</b>	12,200,120	25,200,000
Employee benefits	<b>48,837,860</b>	62,798,030	38,598,082
Depreciation and amortization (Note 11)	<b>28,881,453</b>	26,328,539	28,591,182

(Forward)



	2014	2013	2012
Repairs and maintenance	₱21,097,329	₱22,798,233	₱20,086,262
Professional and legal fees	20,610,144	15,691,888	17,665,582
Project expenses	20,178,795	-	-
Rent (Notes 18b and 28b)	19,350,478	17,416,032	13,955,364
Taxes and licenses (Note 12)	17,487,532	11,606,803	13,112,878
Security and janitorial	13,214,339	11,793,217	11,121,499
Utilities	10,611,423	8,619,111	8,272,360
Service fee (Note 28c)	9,682,030	8,271,003	8,761,623
Cleaning and other laboratory supplies	7,117,253	7,018,524	4,659,429
Entertainment, amusement and recreation	5,755,078	5,038,329	6,255,838
Mining expenses (Notes 28d and 32)	4,953,533	13,291,897	13,798,455
Transportation and travel	4,609,302	4,360,514	5,828,715
Communications	3,981,390	4,252,347	4,227,668
Supplies	3,888,968	10,787,629	8,261,662
Gas and oil	2,956,151	2,869,882	3,080,871
Directors' fees	2,881,618	3,255,147	3,164,951
Insurance	2,664,754	3,677,887	3,132,268
Others	18,689,189	17,246,681	17,334,958
	<b>424,748,841</b>	<b>372,226,768</b>	<b>358,389,220</b>
Selling - Advertising and promotions	2,892,411	3,417,050	2,653,829
	<b>₱427,641,252</b>	<b>₱375,643,818</b>	<b>₱361,043,049</b>

## 21. Employee Benefits Costs

### Retirement Benefits Cost

The Group has a funded, non-contributory defined benefit group retirement plan, administered by a trustee, covering all of their permanent employees. The retirement benefit is equal to a certain percentage of the monthly final salary for every year of service. The fund is administered by a trustee bank which is responsible for investment strategy of the plan, in consultation with the Group's Management.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost recognized in profit or loss follow:

	2014	2013	2012
Current service cost	₱15,529,069	₱13,074,783	₱14,948,329
Net interest cost	840,160	839,567	2,354,757
Past service cost	-	11,296,717	-
	<b>₱16,369,229</b>	<b>₱25,211,067</b>	<b>₱17,303,086</b>

(Forward)



	2014	2013	2012
Portions recognized in:			
Direct costs (Note 19)	<b>₱8,162,122</b>	₱6,406,036	₱8,799,275
General and administrative expenses (Note 20)	<b>8,207,107</b>	18,805,031	8,503,811
	<b>₱16,369,229</b>	₱25,211,067	₱17,303,086

In 2013, MAC amended its retirement plan increasing the benefits of covered employees which resulted in past service cost amounting to ₱11.3 million.

The details of the accrued retirement benefits payable, net of pension assets, are as follows:

	2014	2013
Present value of defined benefit obligation	<b>₱100,851,544</b>	₱88,562,026
Fair value of plan assets	<b>85,600,614</b>	69,816,241
	<b>₱15,250,930</b>	₱18,745,785

The details of the remeasurement in other comprehensive income are as follows:

	2014	2013	2012
Actuarial gain (loss) arising from changes in:			
Experience adjustments	<b>(₱3,525,247)</b>	₱5,547,259	(₱4,191,366)
Financial assumptions	<b>7,806,902</b>	(4,119,053)	29,189,723
Demographic assumptions	-	-	-
Remeasurement on plan assets	<b>360,566</b>	(1,675,474)	567,958
Changes in the effect of asset ceiling	-	318,174	(302,132)
	<b>4,642,221</b>	70,906	25,264,183
Tax effect	<b>(905,761)</b>	1,594,688	(7,718,704)
	<b>₱3,736,460</b>	₱1,665,594	₱17,545,479

Movements in asset ceiling adjustments in 2013 are as follows:

Beginning balance	₱302,132
Interest on the effect of asset ceiling	16,042
Changes in the effect of asset ceiling	(318,174)
Ending balance	<b>₱-</b>



Movements in accrued retirement benefits payable and pension asset follow:

2014:

	Accrued retirement benefits payable	Pension asset (Note 14)
Beginning balance*	<b>₱19,061,625</b>	<b>(₱315,840)</b>
Retirement benefits cost recognized in profit or loss	<b>16,124,305</b>	<b>244,924</b>
Contributions	<b>(14,992,917)</b>	-
Remeasurements in other comprehensive income	<b>(4,630,341)</b>	<b>(11,880)</b>
Benefits paid directly by the Company	<b>(228,946)</b>	-
<b>Ending balance</b>	<b>₱15,333,726</b>	<b>(₱82,796)</b>

\* Beginning balance of accrued retirement benefits payable includes net pension asset of MAPDC amounting to ₱198,526, which was presented as part of pension asset as of December 31, 2013. The same amount was deducted from the beginning balance of pension asset. As of December 31, 2014, MAPDC has an accrued retirement liability position.

2013:

	Accrued retirement benefits payable	Pension asset (Note 14)
Beginning balance	₱16,157,863	(₱1,410,805)
Retirement benefits cost recognized in profit or loss	23,026,742	2,184,325
Contributions	(19,840,667)	(1,200,000)
Remeasurements in other comprehensive income	16,980	(87,886)
Benefits paid directly by the Company	(100,767)	-
<b>Ending balance</b>	<b>₱19,260,151</b>	<b>(₱514,366)</b>

The details of accrued retirement benefits payable and pension asset by entity are as follows:

	Accrued retirement benefits payable		Pension asset (Note 14)	
	2014	2013	2014	2013
MAC	<b>₱8,547,315</b>	₱13,539,313	₱-	₱-
MACS	<b>2,692,041</b>	4,343,927	-	-
MASCORP	<b>1,420,150</b>	1,376,911	-	-
MAPDC	<b>657,629</b>	-	-	198,526
MAATS	-	-	<b>722,581</b>	315,840
MMC	<b>2,656,376</b>	-	-	-
	<b>15,973,511</b>	19,260,151	<b>722,581</b>	514,366
Intercompany transfers	<b>(639,785)</b>	-	<b>(639,785)</b>	-
	<b>₱15,333,726</b>	₱19,260,151	<b>₱82,796</b>	₱514,366

Changes in present value of defined benefit obligation are as follows:

	2014	2013
Beginning balance	<b>₱88,562,026</b>	₱64,201,339
Current service cost	<b>15,529,069</b>	13,074,783
Interest cost	<b>4,114,223</b>	3,400,040

(Forward)



	2014	2013
Past service cost	P-	P11,296,717
Actuarial gain on retirement obligation	(4,281,655)	(1,428,206)
Benefits paid out of the Group's plan assets	(2,843,173)	(1,881,880)
Benefits paid by the Group	(228,946)	(100,767)
Ending balance	<b>P100,851,544</b>	P88,562,026

Changes in fair value of plan assets are as follows:

	2014	2013
Beginning balance	<b>P69,816,241</b>	P49,756,413
Interest income on plan assets	3,274,063	2,576,515
Contributions to the plan	14,992,917	21,040,667
Benefits paid	(2,843,173)	(1,881,880)
Remeasurement on plan assets	360,566	(1,675,474)
Ending balance	<b>P85,600,614</b>	P69,816,241
Actual return on plan assets	<b>P3,634,629</b>	P901,041

The major categories of plan assets are as follows:

	2014	2013
Cash and cash equivalents	<b>P60,493,522</b>	P43,605,141
Debt instruments:		
Government securities	20,612,130	16,995,669
Unquoted debt securities	4,261,860	9,062,570
Receivables	233,102	152,861
	<b>P85,600,614</b>	P69,816,241

The government securities held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits cost and obligations are shown below:

	2014	2013
Average discount rates	4.45%-4.46%	4.4%-5%
Average future salary increases	5%	5%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, assuming if all other assumptions were held constant:

Assumptions:	2014	2013
Discount rate:		
+100 basis points	(P13,487,473)	(P7,660,222)
-100 basis points	18,439,032	10,324,125



Assumptions:	2014	2013
Salary increase rate:		
+1%	17,642,304	17,504,738
-1%	(13,224,187)	(17,837,549)

Shown below is the maturity analysis of the undiscounted benefit payments:

Date of retirement:	2014	2013
1 year and less	₱435,830	₱1,036,475
more than 1 year to 5 years	5,531,066	6,678,393
more than 5 years to 10 years	55,385,938	45,518,651
more than 10 years to 15 years	103,000,968	115,043,183
more than 15 years to 20 years	109,959,285	111,791,240
more than 20 years	2,740,259,196	2,318,066,181

The Group expects to contribute ₱28.2 million in 2015. The Group does not currently employ any asset-liability matching strategies.

#### Other Employee Benefits

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits" which amounted to ₱10.0 million and ₱9.5 million as of December 31, 2014 and 2013, respectively. Provision for accumulating leave credits amounted to ₱0.8 million, (₱1.3) million and ₱1.8 million in 2014, 2013 and 2012, respectively.

## 22. Interest Income, Financing Charges, and Other Income (Charges)

a. Interest income was derived from:

	2014	2013	2012
Cash and cash equivalents (Note 5)	₱7,583,733	₱11,030,322	₱13,492,768
AFS investments (Note 13)	4,556,763	8,241,561	5,663,830
Accretion of refundable deposits (Note 28b)	706,567	612,880	531,615
	<b>₱12,847,063</b>	<b>₱19,884,763</b>	<b>₱19,688,213</b>

b. Financing charges consists of:

	2014	2013	2012
Notes payable (Note 16)	₱4,012,987	₱-	₱1,754,456
Accretion of refundable deposits (Note 18d)	706,567	612,880	531,615
	<b>₱4,719,554</b>	<b>₱612,880</b>	<b>₱2,286,071</b>



c. Other income (charges) - net consist of:

	2014	2013	2012
Construction revenue (Note 15)	₱99,665,179	₱–	₱–
Construction costs (Note 15)	(99,665,179)	–	–
Reversal of prior years' accruals	19,358,658	534,511	–
Foreign exchange gain (loss) (Notes 23 and 30)	12,506,949	29,308,411	(59,732,308)
Gain on sale of investments in bonds (Notes 13a and 13b)	811,298	49,782,205	–
Reversal of impairment loss on investment property (Note 12)	–	17,260,303	–
Reversal of allowance for doubtful accounts (Note 6)	–	–	2,600,000
Impairment loss on AFS investments (Note 13c)	–	–	(400,000)
Reclaimed water income	1,037,615	884,410	–
Others - net	9,199,304	3,793,697	1,406,615
	<b>₱42,913,824</b>	<b>₱101,563,537</b>	<b>(₱56,125,693)</b>

23. Foreign Currency-denominated Monetary Assets and Liabilities

The Group's foreign currency-denominated monetary assets and liabilities as of December 31 are as follows:

	2014			2013		
	US Dollar	Chinese Renminbi (RMB or ¥)	Total Peso Equivalent	US Dollar	Chinese RMB	Total Peso Equivalent
<b>Assets</b>						
Cash and cash equivalents	\$7,948,676	¥54,316	₱355,854,829	\$4,154,191	¥54,467	₱184,802,673
Receivables	5,063,371	–	226,433,959	1,920,697	–	85,269,373
AFS debt investments	–	–	–	2,223,673	–	98,719,960
	<b>13,012,047</b>	<b>54,316</b>	<b>582,288,788</b>	<b>8,298,561</b>	<b>54,467</b>	<b>368,792,006</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$115,517	¥–	₱5,165,920	\$59,331	¥–	₱2,633,994
Net foreign currency- denominated assets	<b>\$12,896,530</b>	<b>¥54,316</b>	<b>₱577,122,868</b>	<b>\$8,239,230</b>	<b>¥54,467</b>	<b>₱366,158,012</b>

As of December 31, 2014 and 2013, the exchange rates of the Peso to US\$ dollar were ₱44.72 and ₱44.39 to US\$1, respectively, while the exchange rates of the Peso to RMB as of December 31, 2014 and 2013 were ₱7.18 and ₱7.31 to RMB1, respectively.

24. Registrations with the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA)

- a. On July 15, 2008, the Company registered with the BOI, under the Omnibus Investment Code of 1987, as a producer of beneficiated nickel ore. Under this registration with the BOI, the Company is entitled to certain tax and non-tax incentives including income tax holiday (ITH) for a period of six years from January 2009 or actual start of commercial operations,



whichever is earlier. As the mining operations have not yet started, no benefit from ITH was availed of in 2014, 2013 and 2012. As of December 31, 2014, the Company has ongoing request to the BOI to amend the submitted Project Timetable for mining operations from January 2009 to the fourth quarter of 2015.

- b. On August 31, 2000, MAPDC was registered with the PEZA and started commercial operations as the Ecozone Developer/Operator of the MacroAsia Special Ecozone at the Ninoy Aquino International Airport (NAIA). At present, the MacroAsia Special Ecozone is the only existing ecozone within NAIA. Under the terms of its registration, MAPDC is subject to certain requirements and is entitled to certain tax benefits provided for under Republic Act No. (R.A.) 7916 (The Special Economic Zone Act of 1995), as amended by R.A. No. 8748, which include, among others, exemption from payment of all national internal revenue taxes and all local government imposed fees, licenses or taxes. In lieu thereof, MAPDC shall pay a 5% final tax on gross income earned from its operation of the MacroAsia Special Ecozone.

## 25. Income Taxes

- a. The current provision for income tax in 2014, 2013 and 2012 consists of the MCIT of the Company, MAATS (for 2014, 2013 and 2012) and MAPDC (for 2013 income from unregistered activities), the RCIT of MACS, MASCORP (for 2014, 2013 and 2012), the 5% tax on MAPDC's gross income from its PEZA-registered activities (see Note 24) and final tax on interest income of the Group.
- b. The Company's and subsidiaries' net deferred income tax assets (liabilities) as of December 31 are as follows:

	2014						
	MAC	MMC	MACS	MASCORP	MAPDC	MAATS	SNVRDC
<i>Recognized directly in the statements of income:</i>							
Deferred income tax assets on:							
Tax effect of:							
Allowances for:							
Probable losses	₱-	₱-	₱12,929,309	₱-	₱-	₱-	₱-
Doubtful accounts		-	3,164,316	383,559	-	377,286	-
NOLCO	1,420,809	-	-	-	-	-	1,418,794
Lease rental receivables	-	-	-	-	5,901,565	-	-
Accrued retirement benefits payable	-	-	3,984,682	1,550,765	-	-	-
Accrued sick leave	-	-	-	430,708	-	109,646	-
Accrued expenses not yet deductible	-	-	148,777	660,028	-	-	-
Allowance for inventory obsolescence	-	-	300,000	-	-	-	-
Unamortized past service cost	-	-	676,389	520,417	-	218,941	-
	1,420,809	-	21,203,473	3,545,477	5,901,565	705,873	1,418,794
Deferred tax liabilities on:							
Lease rental liabilities	-	-	-	-	(5,901,565)	-	-
Unrealized foreign exchange gain	(1,420,809)	-	(625,442)	(69,895)	-	(491,449)	-
Pension asset	-	-	-	-	-	(21,265)	-
	(1,420,809)	-	(625,442)	(69,895)	(5,901,565)	(512,714)	-
	-	-	20,578,031	3,475,582	-	193,159	1,418,794

(Forward)



	2014						
	MAC	MMC	MACS	MASCORP	MAPDC	MAATS	SNVRDC
<i>Recognized directly in other comprehensive income:</i>							
Deferred income tax liability on:							
Remeasurement gain	P-	P-	(P3,177,070)	(P1,124,721)	P-	(P3,564)	P-
Fair value changes of AFS investments	(1,115,000)	-	-	-	-	-	-
	(1,115,000)	-	(3,177,070)	(1,124,721)	-	(3,564)	-
Deferred income tax assets (liabilities)- net	(P1,115,000)	P-	P17,400,961	P2,350,861	P-	P189,595	P1,418,794
	2013						
	MAC	MACS	MASCORP	MAPDC	MAATS	MMC	
<i>Recognized directly in the statements of income:</i>							
Deferred income tax assets on:							
Tax effect of:							
Allowances for:							
Probable losses	P-	P11,142,692	P-	P-	P-	P-	
Doubtful accounts	-	2,714,316	383,559	-	377,286	-	
NOLCO	4,118,387	-	-	-	-	-	
Lease rental receivables	-	3,158,515	-	5,862,421	-	-	
Accrued retirement benefits payable	-	-	1,957,330	-	-	-	
Accrued sick leave	-	-	337,535	-	46,184	-	
Accrued expenses not yet deductible	-	163,097	523,027	-	-	-	
Unrealized foreign exchange loss	-	-	284,186	-	122,618	-	
Advances from customer	-	-	-	-	-	25,226	
Allowance for inventory obsolescence	-	300,000	-	-	-	-	
Unamortized past service cost	-	765,497	154,796	-	246,726	-	
	4,118,387	18,244,117	3,640,433	5,862,421	792,814	25,226	
Deferred tax liabilities on:							
Lease rental liabilities	-	-	-	(5,862,421)	-	-	
Unrealized foreign exchange gain	(4,118,387)	(2,326,241)	-	-	-	(25,226)	
Pension asset	-	-	-	-	(30,151)	-	
	(4,118,387)	(2,326,241)	-	(5,862,421)	(30,151)	(25,226)	
	-	15,917,876	3,640,433	-	762,663	-	
<i>Recognized directly in other comprehensive income:</i>							
Deferred income tax liability on:							
Remeasurement gain	-	(1,855,337)	(1,531,285)	-	(64,601)	-	
Fair value changes of AFS investments	(415,000)	-	-	-	-	-	
	(415,000)	(1,855,337)	(1,531,285)	-	(64,601)	-	
Deferred income tax assets (liabilities) - net	(P415,000)	P14,062,539	P2,109,148	P-	P698,062	P-	



- c. As of December 31, the deductible temporary differences, excess MCIT and NOLCO for which no deferred income tax assets were recognized in the consolidated balance sheets are as follows:

	2014	2013	2012
Deductible temporary differences on:			
Allowances for probable losses on:			
Input VAT	<b>₱29,205,949</b>	₱29,205,949	₱29,205,949
Deferred mine exploration costs	<b>4,181,184</b>	4,181,184	4,181,184
Unrecoverable creditable withholding taxes	-	-	1,747,707
Impairment in value of investment property	-	-	17,260,303
Accrued retirement benefits payable	<b>11,221,535</b>	13,539,313	6,163,668
Unrealized foreign exchange losses	<b>4,075,394</b>	11,569,003	4,503,154
Accrued incentive pay	<b>1,271,970</b>	1,243,769	-
NOLCO	<b>122,476,200</b>	205,594,458	323,960,449
MCIT	<b>5,062,072</b>	4,384,308	3,349,970

MAC, MMC, ASSC, PWBRI, DRDC and MAPDC did not recognize deferred income tax assets on these temporary differences, MCIT and NOLCO as management believes that the said companies may not have enough taxable regular income and capital gains against which these temporary differences and NOLCO can be used or RCIT payable against which the MCIT can be applied.

- d. MCIT can be deducted against the RCIT and NOLCO can be claimed as deduction from regular taxable income. As of December 31, the details of NOLCO and MCIT follow:

Year Incurred	Expiry Date	2014		2013	
		NOLCO	MCIT	NOLCO	MCIT
<b>MAC</b>					
2014	2017	<b>₱10,677,961</b>	<b>₱1,388,748</b>	₱-	₱-
2013	2016	-	<b>2,137,781</b>	-	2,137,781
2012	2015	<b>93,238,245</b>	<b>1,432,268</b>	93,238,245	1,432,268
2011	2014	-	-	117,074,979	781,001
		<b>103,916,206</b>	<b>4,958,797</b>	210,313,224	4,351,050
<b>MMC</b>					
2014	2017	<b>2,257,070</b>	<b>30,050</b>	-	-
2013	2016	<b>6,193,809</b>	-	6,193,809	-
		<b>8,450,879</b>	<b>30,050</b>	6,193,809	-
<b>ASSC</b>					
2014	2017	<b>42,764</b>	-	-	-
2013	2016	<b>42,181</b>	-	42,181	-
2012	2015	<b>66,404</b>	-	66,404	-
2011	2017	-	-	44,375	-
		<b>151,349</b>	-	152,960	-
<b>SNVRDC</b>					
2014	2017	<b>3,677,455</b>	-	-	-
2013	2016	<b>1,051,855</b>	-	1,051,855	-
		<b>4,729,310</b>	-	2,461,856	-
<b>PWBRI</b>					
2014	2017	<b>203,380</b>	-	-	-
2013	2016	<b>200,566</b>	-	200,566	-
		<b>403,946</b>	-	200,566	-

(Forward)



Year Incurred	Expiry Date	2014		2013	
		NOLCO	MCIT	NOLCO	MCIT
<b>DRDC</b>					
2014	2017	<b>₱29,724</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>
		<b>29,724</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>MAPDC</b>					
2014	2017	<b>8,605,557</b>	<b>53,103</b>	<b>-</b>	<b>-</b>
2013	2016	<b>918,539</b>	<b>20,122</b>	<b>918,539</b>	<b>20,122</b>
		<b>9,524,096</b>	<b>73,225</b>	<b>918,539</b>	<b>20,122</b>
		<b>₱127,205,510</b>	<b>₱5,062,072</b>	<b>₱218,830,953</b>	<b>₱4,384,308</b>

e. Movements of NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2014	2013	2014	2013
<b>MAC</b>				
Beginning balance	<b>₱210,313,224</b>	₱323,765,931	<b>₱4,351,050</b>	₱3,349,970
Additions	<b>10,677,961</b>	-	<b>1,388,748</b>	2,137,781
Expired	<b>(117,074,979)</b>	(100,990,220)	<b>(781,001)</b>	(1,136,701)
Application	-	(12,462,487)	-	-
Ending balance	<b>₱103,916,206</b>	₱210,313,224	<b>₱4,958,797</b>	₱4,351,050
<b>MMC</b>				
Beginning balance	<b>₱6,193,809</b>	₱-	<b>₱-</b>	₱-
Additions	<b>2,257,070</b>	6,193,809	<b>30,050</b>	-
Ending balance	<b>₱8,450,879</b>	₱6,193,809	<b>₱30,050</b>	₱-
<b>ASSC</b>				
Beginning balance	<b>₱152,960</b>	₱194,518	<b>₱-</b>	₱-
Additions	<b>42,764</b>	42,181	-	-
Expired	<b>(44,375)</b>	(83,739)	-	-
Ending balance	<b>₱151,349</b>	₱152,960	<b>₱-</b>	₱-
<b>SNVRDC</b>				
Beginning balance	<b>₱1,051,855</b>	₱-	<b>₱-</b>	₱-
Additions	<b>3,677,455</b>	1,051,855	-	-
Ending balance	<b>₱4,729,310</b>	₱1,051,855	<b>₱-</b>	₱-
<b>PWBRI</b>				
Beginning balance	<b>₱200,566</b>	₱-	<b>₱-</b>	₱-
Additions	<b>203,380</b>	200,566	-	-
Ending balance	<b>₱403,946</b>	₱200,566	<b>₱-</b>	₱-
<b>DRDC</b>				
Beginning balance	<b>₱-</b>	₱-	<b>₱-</b>	₱-
Additions	<b>29,724</b>	-	-	-
Ending balance	<b>₱29,724</b>	₱-	<b>₱-</b>	₱-
<b>MAPDC</b>				
Beginning balance	<b>₱918,539</b>	₱-	<b>₱20,122</b>	₱-
Additions	<b>8,605,557</b>	918,539	<b>53,103</b>	20,122
Ending balance	<b>₱9,524,096</b>	₱918,539	<b>₱73,225</b>	₱20,122
<b>MAATS</b>				
Beginning balance	<b>₱-</b>	₱-	<b>₱-</b>	₱66,224
Additions	-	-	-	-
Application	-	-	-	(66,224)
Ending balance	<b>₱-</b>	₱-	<b>₱-</b>	₱-



- f. The reconciliation of the provision for (benefit from) income tax at the statutory tax rates to the provision for income tax as shown in the consolidated statements of income is as follows:

	2014	2013	2012
Provision for (benefit from) income tax computed at the statutory tax rate	<b>₱43,774,712</b>	(₱37,853,142)	(₱45,552,806)
Adjustments resulting from:			
Share in net income (loss) of associates	<b>(38,468,047)</b>	75,560,544	44,521,194
Nondeductible expenses	<b>3,277,740</b>	1,618,358	1,653,450
Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	<b>19,063,163</b>	1,305,501	31,521,731
Interest income already subjected to final tax at lower rates or not subject to income tax	<b>(3,642,149)</b>	(5,965,429)	(4,201,822)
<b>Provision for income tax</b>	<b>₱24,005,419</b>	<b>₱34,665,832</b>	<b>₱27,941,747</b>

## 26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share are computed as follows:

	2014	2013	2012
Net income (loss) attributable to equity holders of the Company	<b>₱114,979,503</b>	(₱170,047,500)	(₱186,160,179)
Divided by weighted average number of common shares outstanding*	<b>1,233,404,000</b>	1,233,404,000	1,242,935,186
	<b>₱0.09</b>	(₱0.14)	(₱0.15)

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

## 27. Equity

- a. Restriction on retained earnings of the Company

The retained earnings as of December 31 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱151.7 million and ₱54.2 million as of December 31, 2014 and 2013, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of December 31, 2014 and 2013.
- Deferred income tax assets amounting to ₱1.4 million and ₱4.1 million as of December 31, 2014 and 2013.



b. Appropriation of retained earnings

On December 12, 2014, the MACS' BOD approved the appropriation of its retained earnings amounting to ₱50.0 million for plant expansion. MACS' BOD allocated this appropriation for the company's plans to operate an offsite commissary within the next two years.

On September 26, 2012, MACS' BOD approved the appropriation of its retained earnings which amounted to ₱50.0 million for various investments to expand business and renovation of facilities of MACS. On December 31, 2013, MACS' BOD has allotted this appropriation for the operation of an offsite commissary within the next two years.

On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30 million for business expansion. The expansion program is expected to run for another two years.

On December 12, 2011 and July 15, 2011, the Company's BOD approved the appropriation of the Company's retained earnings which amounted to ₱393.1 million and ₱300.0 million, respectively, for the mining development projects and water project, respectively. The water project is expected to be completed and operational on the last quarter of 2015. As to the mining project, the Company intends to start development activities and mining operations on 2015, after the period allotted for the extension of exploration, if on-going studies indicate favorable economics.

On December 12, 2011, MAATS' BOD approved the appropriation of its retained earnings which amounted to ₱15.0 million for purposes of expanding the business of MAATS, particularly the construction of an aircraft hangar. Acquisition is to be made in 2015 or earlier. In 2014, however, MAATS' BOD reversed the appropriated amount to declare as dividend during the year.

c. Cash dividends declared by the Company from the unappropriated retained earnings are as follows:

Date Approved	Per share	Stockholder of Record Date	Date of Payment
March 25, 2013	₱0.065	April 24, 2013	May 19, 2013
March 7, 2012	0.065	April 24, 2012	May 18, 2012

d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

There was no reacquisition of shares in 2014 and 2013. In 2012, the Company reacquired 6,125,000 shares for ₱17.5 million.



e. Movement in the Company's outstanding shares follows:

Outstanding shares as of December 31, 2011	1,239,529,000
Acquisition of treasury shares in 2012	6,125,000
<u>Outstanding shares as of December 31, 2013 and 2014</u>	<u>1,233,404,000</u>

f. Track record of registration of securities

On August 30, 1974, the SEC authorized the registration and licensing of the Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On March 22, 2000, the Philippine Stock Exchange, Inc. authorized to list the Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

- i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;
- ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and
- iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.
- iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and the approximate number of holders of its common equity as of December 31, 2014 and 2013 is 856 and 867, respectively.

g. Cash dividends received by non-controlling interest

On December 10, 2013, MACS' BOD approved the declaration of cash dividends amounting to ₱20.0 million or ₱16 per share payable on or before April 15, 2014.

On March 27, 2013, MACS' BOD approved the declaration of cash dividends amounting ₱20.0 million or ₱16 per share payable on or before May 15, 2013 and another ₱20.0 million or ₱16 per share payable on or December 31, 2013. These were fully paid in 2013.

Dividends attributed to non-controlling interest amounted to ₱12.0 million. Outstanding payable as of December 31, 2013 amounted to ₱4.0 million, which was paid in 2014.

h. Acquisition of non-controlling interest

In 2014, MAPDC paid a total of ₱10.6 million for the remaining 12.6% non-controlling interest to the previous stockholders of WBSI.

In 2012, MAC paid for the subscription payable of all of the previous non-controlling stockholders of MMC bringing MAC's ownership over MMC from 67% to 100%. The carrying value of the interest acquired as of that date amounted to ₱2.1 million.



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## 28. Significant Agreements and Commitments

### a. Concession Agreements

MACS and MASCORP have concession agreements with Manila International Airport Authority (MIAA) and Mactan-Cebu International Airport Authority (MCIAA) [the airport authorities] to exclusively operate within the airport authorities' premises. MACS operates an in-flight catering service for civil and/or military aircraft operating at NAIA and or MDA. In 2012, the concession agreement of MACS was renewable every year upon mutual agreement of the parties. In 2013, the concession agreement of MACS is renewed for a period of three years commencing on June 1, 2013 and expiring on May 31, 2016 or earlier depending upon the MIAA development plan affecting the area. The agreement is renewable yearly up to three years, subject to certain conditions. Meanwhile, MASCORP operates domestic and international groundhandling services at Terminals 1 and 2, MCIAA and KIA. The concession agreement of MASCORP is for a period of one year, subject to renewal at the sole option of the airport authorities. In consideration of the concession privilege, MACS and MASCORP pay the airport authorities a monthly concession privilege fee equivalent to 7% of monthly gross income on catering services and groundhandling services, respectively.

Concession privilege fee amounted to ₱106.9 million, ₱99.1 million, and ₱95.8 million in 2014, 2013 and 2012, respectively, which is presented under direct cost (see Note 19).

### b. Lease Agreements

- i. In 1996, the Company assigned all its rights and obligations to MACS under the lease agreement it entered in the same year with MIAA for the use of a parcel of land where the catering concession facilities are located. The lease contract is for a period of 10 years from the start of the construction of the facilities, renewable every five years under such terms and conditions as may be agreed upon by both parties. Minimum annual rental payment amounts to ₱8.5 million. Upon expiration of the lease agreement, both parties mutually agreed to continue the lease on a renewable short-term basis using the terms in effect during the last year that the original lease agreement was in force.

In 2004, the Supreme Court (SC) issued a decision declaring current rental charges of MIAA at ₱35.55 per square meter (the current rate) as null and void. From 2004 to August 2013, MACS settles the lease charges using the contested rate notwithstanding the SC's ruling on the validity of such rate.

The lease contract between MACS and MIAA expired in July 2008. One of the provisions of the lease agreement is that MACS will transfer to MIAA all permanent improvements which MACS might have constructed in the leased premises upon the expiration of the original lease or upon cancellation of the lease agreement. As of December 31, 2012, the lease agreement was not renewed.

In October 2013, MACS has renewed the lease agreement with MIAA for a period of three (3) years commencing on June 1, 2013 and expiring on May 31, 2016 or earlier, depending upon the MIAA development plan affecting the area, renewable yearly up to three years, subject to certain conditions. Total minimum lease payment for this lease agreement follow:

Within one year	₱14,696,372
After one year up to end of lease contract	6,123,488
	<hr/>
	₱20,819,860



Lease expense relating to this lease agreement amounted to ₱16.1 million in 2014 and 2013, ₱11.3 million in 2012.

- ii. On August 7, 2000, MAPDC entered into a lease contract with MIAA covering the use of a parcel of land for 25 years of 23 hectares of land within NAIA. Significant terms and conditions of the contract are as follows:
  1. MAPDC is allowed to sub-lease the leased property to an affiliate. Since the leased property is declared as an economic zone, the sublease is preferably extended by MAPDC to an entity which is also PEZA-registered.
  2. MAPDC and/or its sub-lessee intends to invest US\$200 million over the next five years by introducing additional capabilities and enhancing the competitiveness in terms of productivity, quality, turnover time and customer orientation.
  3. The monthly rental fee shall be ₱53.34 per square meter, or a total of ₱12.1 million, with guaranty deposit of two months advance rental. The rental and other charges shall be subject to a fixed price escalation of 5% starting on the sixth year and by another 5% on years 11, 16 and 21. The escalation shall be on a compounded basis.
  4. The contract may be terminated and cancelled at the instance of MAPDC if:
    - a. MAPDC, its sub-lessee or any of its successors-in-interest, cease to operate their business; and or
    - b. MIAA or the government decides to transfer the airport to another location, making it impossible for MAPDC to conduct its business.

Future minimum rentals payable as of December 31 under MAPDC's operating lease agreement with MIAA are as follows:

	2014	2013
Within one year	<b>₱162,800,092</b>	₱160,131,238
After one year but not more than five years	<b>843,491,296</b>	659,874,143
Five years up to end of lease contract	<b>823,875,219</b>	1,140,534,742
	<b>₱1,830,166,607</b>	₱1,960,540,123

The rental deposit made to MIAA amounting to ₱24.6 million is reported at amortized cost in the consolidated balance sheets. The carrying value of the deposit amounted to ₱5.3 million and ₱4.6 million as of December 31, 2014 and 2013, respectively, and is included as part of "Deposits and other noncurrent assets" account. The difference between the face amount of the refundable deposit and its present value at the inception of the lease, amounting to ₱20.0 million, is treated as a deferred rent expense and is being amortized over the lease term. Related amortization amounted to ₱0.9 million in 2014, 2013 and 2012. Accretion of the rental deposit (included as part of "Interest income" account) amounted to ₱0.7 million, ₱0.6 million and ₱0.5 million in 2014, 2013, and 2012, respectively. As of December 31, 2014 and 2013, deferred rent expense amounted to ₱10.3 million and ₱11.2 million, respectively.

Further, as a result of the straight-line recognition of operating lease expense, accrued rental payable was recognized which amounted to ₱118.0 million and ₱117.6 million as of December 31, 2014 and 2013, respectively.

Rent expense amounted to ₱161.5 million in 2014, 2013 and 2012 (see Note 19).



iii. MASCORP has a lease agreement with MIAA for the lease of office space and staging area in the following locations:

1. Terminal 1 on a month-to-month basis.
2. Terminal 2 on a month-to month basis.

One of the provisions of the lease agreement is that MASCORP will transfer to MIAA all permanent improvements which MASCORP might have constructed in the lease premises upon the expiration of the original lease or upon cancellation of the lease agreement due to breach or violation of the terms and conditions of MIAA, or termination without renewal or extension of the terms of the lease. All permanent improvements shall automatically become the absolute property of MIAA and MASCORP shall have no right of reimbursement of the cost.

On August 10, 2009, the Company paid surety cash deposit to MIAA amounting to ₱2.0 million as requirement for the renewal of the lease agreement. Currently, management is in discussions with necessary parties to ensure the renewal of the lease. As negotiation with MIAA is handled at the Group level, the offer has also not been accepted by MASCORP. Meanwhile, MIAA continues to bill and MASCORP continues to pay the rental fee based on current rates.

Rent expense amounted to ₱5.7 million, and ₱6.4 million and ₱3.9 million in 2014, 2013 and 2012, respectively.

iv. In 2012, MASCORP entered into a lease agreement with Sky Freight Center located at Ninoy Aquino Avenue, Paranaque City for its office space. The lease is for a period of five years, commencing on April 16, 2012 until April 15, 2017, subject to 5% escalation starting on the third year of the lease term. Total rent expense charged to operations amounted to ₱1.2 million in 2014 and 2013. MASCORP paid security deposit amounting to ₱2.3 million which was included under the “Deposits and other noncurrent assets” account (see Note 14).

The future annual rental commitments of the foregoing lease agreement as of December 31 follow:

	2014	2013
Within one year	<b>₱1,248,526</b>	₱1,191,465
After one year but not more than five years	<b>1,698,699</b>	2,896,983
	<b>₱2,947,225</b>	₱4,088,448

v. The Company has several lease agreements with third party lessors covering the use of parcels of land for 35 years in Palawan starting 2010. In 2012, the Company entered into additional lease of land with another third party lessor. The leased properties will be used by the Company as drying area and/or stockpile of its mine products and other related purposes (see Note 32). The Company prepaid the rental charges up to 18 to 30 years totalling ₱8.5 and ₱9.0 million as of December 31, 2014 and 2013, respectively, and is included under “Deposits and other noncurrent assets” account (see Note 14). Rental rates are subject to escalation during the lease periods. Rental expense charged to operations amounted to ₱0.6 million in 2014, 2013 and 2012. This is included as part of “Mining expenses” under “Operating expenses” account (see Note 19).



c. Service Fee

In 2007, MACS BOD passed a resolution whereby MACS shall pay service fee to the Company and SATS provided that MACS' profit before tax, after calculating the service fee, is not less than the amount of service fee. The fee shall be equivalent to 5% of quarterly net sales, which shall be divided according to the equity ratio between the Company and SATS of 80% and 20% share, respectively. Total service fee recognized by MACS amounted to ₱48.4 million, ₱41.4 million and ₱43.8 million in 2014, 2013 and 2012, respectively. SATS' corresponding share of the service fee amounted to ₱9.7 million, ₱8.3 million and ₱8.8 million in 2014, 2013 and 2012, respectively. Outstanding payable to SATS amounted to ₱8.8 million and ₱6.7 million as of December 31, 2014 and 2013, respectively (see Note 17).

d. Exploratory Service Agreements

MMC has various service agreements with third parties, wherein the MMC will undertake exploratory drilling and sampling of nickel laterite services on the third party's mining tenement.

Revenue recognized amounted to ₱34.9 million, ₱9.2 million and ₱10.3 million in 2014, 2013 and 2012, respectively, while the outstanding receivables balance as of December 31, 2014 and 2013 amounted to ₱11.8 million and ₱4.0 million, respectively.

e. Waterworks System Agreement

On February 12, 2013, MAPDC entered into a Memorandum of Agreement (the Agreement) with Solano to design, construct, commission and maintain a new and complete waterworks system in Solano, Nueva Vizcaya ("Service Area"). The Agreement is for a period of 25 years from February 12, 2013 subject to renewal based on the provisions of the Agreement.

MAPDC is allowed to bill or invoice and collect payment from its customers for services rendered, including one-time service and installation charge and meter and consumption deposit. After a certain period from commencement date, MAPDC shall pay Solano service fee per cubic meter of water sold. For purposes of implementing the services, MAPDC incorporated SNVRDC to serve as the operating entity (See Note 15).

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## 29. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of December 31, 2014 and 2013. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2014.

The Group monitors capital vis-à-vis after-tax profit. The Group also monitors the equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.



The following summarizes the total capital considered by the Group and the computation of the return on equity:

	2014	2013
Capital stock	<b>₱1,250,000,000</b>	₱1,250,000,000
Additional paid-in-capital	<b>281,437,118</b>	281,437,118
Treasury shares	<b>(49,418,660)</b>	(49,418,660)
Retained earnings	<b>1,477,897,069</b>	1,373,499,166
	<b>₱2,959,915,527</b>	₱2,855,517,624
Net income (loss)	<b>₱121,910,289</b>	(₱160,842,971)
Return on equity	<b>4.12%</b>	-5.63%

### 30. Financial Risk Management Objectives and Policies

#### **Risk Management Structure**

##### Audit Committee

The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

##### Risk Management Committee

The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

##### BOD

The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

#### **Financial Risk Management**

The Group's principal financial instruments comprise cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks, arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

##### *Foreign currency risk*

The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately 90% of MACS' and 63% of MASCORP's revenue in 2014, 2013, and 2012, respectively, are denominated in US\$. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations. Foreign currency monetary assets and liabilities are disclosed in Note 23.



The following table demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US\$, with all other variables held constant (amounts in millions):

	Movement in US\$ and RMB	Increase (decrease) in Income before Income Tax US\$	Increase (decrease) in Income before Income Tax RMB
<b>2014</b>	<b>Increase of 4%</b>	<b>₱23.1</b>	<b>₱0.05</b>
	<b>Decrease of 4%</b>	<b>(23.1)</b>	<b>(0.05)</b>
	Movement in US\$ and RMB	Increase (decrease) in Loss before Income Tax US\$	Increase (decrease) in Loss before Income Tax RMB
2013	Increase of 5%	(₱13.4)	(₱0.02)
	Decrease of 5%	13.4	0.02
2012	Increase of 4%	(11.6)	–
	Decrease of 4%	11.6	–

The Group reported net foreign exchange gain of ₱12.5 million and ₱29.3 million in 2014 and 2013, respectively, and net foreign exchange loss of ₱59.7 million in 2012 (see Note 22).

*Credit and concentration risk*

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis with the result that the Group's exposure to bad debts is not significant. The Group has major concentration of credit risk given that the Group's cash and cash equivalents are deposited in the local affiliated bank. Further, MASCORP's major customers include PAL and Air Phil. MMC also has a single customer. However, since these companies are related parties and the local affiliated bank is one of the country's reputable banks, management believes that the Company is not exposed to any significant risk.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements.

*Credit quality per class of financial assets*

The credit quality of financial assets is managed by the Group using internal credit ratings.

The next tables show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired receivables.



December 31, 2014:

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
<b>Loan and receivable:</b>					
Cash in bank and cash equivalents*	₱680,209,788	₱-	₱-	₱-	₱680,209,788
Receivables:					
Trade	158,830,386	41,756,342	-	172,120,184	372,706,911
Due from related parties	-	-	-	-	-
Due from officers and employees	16,907,870	-	-	-	16,907,870
Interest receivables	2,573,415	-	-	-	2,573,415
Other receivables	9,847,087	-	-	3,224,887	13,071,974
Deposits	20,335,958	-	-	-	20,335,958
<b>AFS investments-</b>					
Retail treasury and corporate bonds	66,197,600	-	-	-	66,197,600
	<b>₱954,902,104</b>	<b>₱41,756,342</b>	<b>₱-</b>	<b>₱175,345,071</b>	<b>₱1,172,003,516</b>

\*Exclusive of cash on hand amounting to ₱1,027,745 as of December 31, 2014.

December 31, 2013:

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
<b>Loan and receivable:</b>					
Cash in bank and cash equivalents*	₱866,454,493	₱-	₱-	₱-	₱866,454,493
Receivables:					
Trade	93,626,585	27,107,932	29,341,649	152,375,164	302,451,330
Due from related parties	38,761,938	-	-	-	38,761,938
Due from officers and employees	12,344,665	-	-	-	12,344,665
Interest receivables	2,709,385	-	-	-	2,709,385
Other receivables	14,651,493	-	-	3,371,409	18,022,902
Deposits	19,384,751	-	-	-	19,384,751
Project advances and investment**	-	15,572,088	-	-	15,572,088
<b>AFS investments-</b>					
Retail treasury and corporate bonds	106,615,071	-	-	-	106,615,071
	<b>₱1,154,548,381</b>	<b>₱42,680,020</b>	<b>₱29,341,649</b>	<b>₱155,746,573</b>	<b>₱1,382,316,623</b>

\*Exclusive of cash on hand amounting to ₱926,436 as of December 31, 2013.

\*\*Exclusive of nonfinancial assets of ₱3,304,000 as of December 31, 2013.

The Group's financial assets are categorized based on the Group's collection experience with affiliates and third parties.

- High Grade - settlements are obtained from counterparty following the terms given to the counterparty.
- Standard Grade - some reminder follow-ups are performed to obtain settlement from the counterparty.
- Sub-standard Grade - constant reminder follow-ups are performed to collect accounts from counterparty.
- Impaired - difficult to collect with some uncertainty as to collectability of the accounts.

The aging analysis of receivables as of December 31 are as follows:

	Past Due but not Impaired					Total
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Impaired	
2014	₱37,153,642	₱58,588,286	₱23,408,940	₱43,110,333	₱13,083,870	₱175,345,071
2013	₱33,378,250	₱55,822,716	₱20,796,741	₱34,164,996	₱11,583,870	₱155,746,573



*Impairment assessment*

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

*Interest rate risk*

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows. Management closely monitors the behaviour of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The table below sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel changes in the interest rate curve in terms of basis points (bp) as of December 31, 2014 and 2013, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

	<b>Increase (decrease) in income before income tax 2014</b>	Increase (decrease) in loss before income tax 2013	Increase (decrease) in loss before income tax 2012
100 bp rise	<b>(P0.86 million)</b>	P0.27 million	P39.5 million
100 bp fall	<b>0.86 million</b>	(0.27 million)	(39.5 million)
50 bp rise	<b>(0.43 million)</b>	0.14 million	19.7 million
50 bp fall	<b>0.43 million</b>	(0.14 million)	(19.7 million)

*Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows, advances from related parties and short-term bank loans.

In addition, MASCORP has an available credit line for P20.0 million as of December 31, 2014. The line of credit is available through drawing of checks up to the approved credit line and will be effective up to November 2015. As of December 31, 2014, there was no amount drawn against this line of credit.



The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

December 31, 2014:

	<1 year	>1-2 years	>2-3 years	>5 years	Total
<b>Loans and receivables:</b>					
Cash and cash equivalents	₱681,237,533	₱-	₱-	₱-	₱681,237,533
Receivables:		-	-	-	
Trade	372,706,911	-	-	-	372,706,911
Due from officers and employees	16,907,870	-	-	-	16,907,870
Interest receivable	2,573,415	-	-	-	2,573,415
Other receivables	13,071,974	-	-	-	13,071,974
Deposits*	-	-	-	40,195,739	40,195,739
<b>Available for sale - debt</b>	-	<b>66,197,600</b>	-	-	<b>66,197,600</b>
	<b>1,086,497,703</b>	<b>66,197,600</b>	-	<b>40,195,739</b>	<b>1,192,891,042</b>
<b>Other financial liabilities:</b>					
Accounts payable and accrued liabilities**	241,594,196	-	-	-	241,594,196
Notes payable***	88,048,792	-	-	-	88,048,792
Dividends payable	8,620,761	-	-	-	8,620,761
Deposit****	-	-	-	39,596,190	39,596,190
	<b>338,263,749</b>	-	-	<b>39,596,190</b>	<b>377,859,939</b>
<b>Liquidity position</b>	<b>₱748,233,954</b>	<b>₱66,197,600</b>	<b>₱-</b>	<b>₱599,549</b>	<b>₱815,031,103</b>

\* Inclusive of accretion of interest of ₱19,859,781.

\*\*Exclusive of nonfinancial liabilities of ₱17,952,416.

\*\*\* Inclusive of interest to maturity of ₱2,321,459.

\*\*\*\*Inclusive of accretion of interest of ₱19,260,232

December 31, 2013:

	<1 year	>1-2 years	>2-3 years	>5 years	Total
<b>Loans and receivables:</b>					
Cash and cash equivalents	₱867,380,929	₱-	₱-	₱-	₱867,380,929
Receivables:		-	-	-	
Trade	302,451,330	-	-	-	302,451,330
Due from related parties	38,761,938	-	-	-	38,761,938
Due from officers and employees	12,344,665	-	-	-	12,344,665
Interest receivable	2,709,385	-	-	-	2,709,385
Other receivables	18,022,902	-	-	-	18,022,902
Deposits*	-	-	-	39,951,100	39,951,100
Project advances and investment**	15,572,088	-	-	-	15,572,088
<b>Available for sale - debt</b>	-	<b>106,615,071</b>	-	-	<b>106,615,071</b>
	<b>1,257,243,237</b>	<b>106,615,071</b>	-	<b>39,951,100</b>	<b>1,403,809,408</b>

(Forward)



	<1 year	>1-2 years	>2-3 years	>5 years	Total
<b>Other financial liabilities:</b>					
Accounts payable and accrued liabilities***	₱241,694,069	₱–	₱–	₱–	₱241,694,069
Notes payable****	10,275,313	9,773,438	9,272,708	–	29,321,459
Dividends payable	12,620,761	–	–	–	12,620,761
Deposit*****	–	–	–	24,588,996	24,588,996
	264,590,143	9,773,438	9,272,708	24,588,996	308,225,285
Liquidity position	₱981,069,224	₱96,841,633	(₱9,272,708)	₱15,362,104	₱1,084,000,253

\* Inclusive of accretion of interest of ₱20,566,349.

\*\* Exclusive of nonfinancial assets of ₱3,304,000 as of December 31, 2013.

\*\*\* Exclusive of nonfinancial liabilities of ₱28,429,666.

\*\*\*\* Inclusive of interest to maturity of ₱2,321,459

\*\*\*\*\* Inclusive of accretion of interest of ₱19,966,800

### 31. Fair Value

The following table provides the comparison of carrying amounts and fair values of the Group's assets and liabilities:

As at 31 December 2014:

	Date of valuation	Carrying value	Fair value measurements using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Available for sale financial investments (Note 13)					
Government securities	December 31, 2014	₱66,197,600	₱66,197,600	₱–	₱–
Golf club shares	2014	37,138,300	37,138,300	–	–
<b>Assets for which fair value is disclosed:</b>					
Investment property (Note 12)	December 31, 2014	143,852,303	–	–	257,959,500
Deposits (Note 14)	December 31, 2014	16,208,078	–	–	16,208,078
<b>Liabilities for which fair value is disclosed</b>					
Deposits (Note 18)	December 31, 2014	5,328,763	–	–	5,328,763

As at 31 December 2013:

	Date of valuation	Carrying value	Fair value measurements using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value:</b>					
Available for sale financial investments (Note 13)					
Government securities		₱66,871,704	₱66,871,704	₱–	₱–
Corporate bonds	December 31, 2013	39,743,367	39,743,367	–	–
Golf club shares	2013	30,176,800	30,176,800	–	–

(Forward)



	Date of valuation	Carrying value	Fair value measurements using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair value is disclosed:</b>					
Investment property (Note 12)	December 17, 2013	₱143,852,303	₱-	₱-	₱174,064,000
Deposits (Note 14)	December 31, 2013	30,767,121	-	-	30,767,121
<b>Liabilities for which fair value is disclosed</b>					
Deposits (Note 18)	December 31, 2013	16,004,566	-	-	16,004,566

There have been no transfers between Level 1 and 2 in 2014 and 2013.

*Cash and cash equivalents, receivables, accounts payables and accrued liabilities*

The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

*Notes payable*

The carrying value of notes payable approximates its fair value due to the re-pricing feature of the interest it carries.

*AFS investments*

Fair value of the quoted notes and bonds is based on exit price at the reporting date.

*Investment property*

The independent appraiser used the “Market Data Approach” in valuing the property. The Group has determined that the highest and best use of the property is its current use. The highest and best use of the property at the measurement date would be for industrial or residential condominium use. For strategic reasons, the property is not being used in this manner.

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## 32. Deferred Mine Exploration Costs and Mining-Related Activities

As of December 31, 2014 and 2013, deferred mine exploration costs follow:

Beginning/ending balance	<b>₱237,489,872</b>
Less accumulated impairment loss	<b>4,181,184</b>
	<b>₱233,308,688</b>

*Infanta Nickel Project*

Deferred mine exploration costs pertain to costs incurred by the Company in the exploration of its mining property located in Brooke’s Point, Palawan, the Infanta Nickel Project (the Project).

The Project is the Company’s tenement under a Mineral Production Sharing Agreement (MPSA) with the government. The MPSA is a consolidation of the Company’s eight mining lease contracts with the Government that were granted under Commonwealth Act No. 137 and P.D. 463. In the 1970’s, the Company operated the mine as an export producer of beneficiated nickel laterite. As such, it had sales and purchase agreements with Sumitomo Metal Mining Co.,



Ltd. of Japan, and thus, had made shipments of nickel ore to Japan in the 1970's until very low nickel prices forced the operations to be suspended. The previous quarry and road network within the tenement still exist and is currently being maintained for future use.

The MPSA runs for a term not exceeding 25 years from the date of the grant of the MPSA, and is renewable for another term not exceeding 25 years under the same terms and conditions, without prejudice to changes that will be mutually agreed upon by the DENR and the Company.

In 2008, the Supreme Court has ruled with finality that the Company has vested and legal rights to its MPSA; and with the grant of the environmental compliance certificate (ECC) in 2010 for operations by the DENR, the Company has secured two major permits necessary to bring back the mine to operations. Currently, the Company is working on the acquisition of a Certificate of Pre-condition (CP) from the National Commission on Indigenous Peoples (NCIP) and approval of its Declaration of Mining Feasibility from the Mines and Geosciences Bureau. Simultaneously, it has ongoing discussions with potential partners for the development of the project for the best interest of the various stakeholders.

In 2010, the exploration efforts of the Company resulted in the delineation of 10.8 million dry metric ton of measured mineral resource with average grade of 1.30% nickel (Ni) and 31.28% iron (Fe) at 1% NI cut-off. The reserves calculation was validated by the Mines and Geosciences Bureau (MGB) to be acceptable. MGB's independent calculation revealed a measured mineral resource of 12.8 million dry metric ton with average grade of 1.29% Ni and 32.20% Fe at 1.0% Ni cut off.

On September 13, 2010, the Company received the ECC for operations of the Project. The ECC was granted by the Department of Environment and Natural Resources (DENR), after a thorough project review and series of consultations were conducted principally under the supervision of the Environmental Management Bureau (EMB) and Environmental Impact Assessment Review Committee.

The recovery of deferred mine exploration costs depends upon the success of exploration activities and future development of the mining properties, as well as the discovery of recoverable reserves in quantities that can be commercially produced. The Company has cumulative impairment loss of ₱4.2 million considering the market condition in prior years.

Additions to deferred mine exploration costs primarily pertain to drilling, assay analysis, geological survey and site management expenditures.

Administrative expenses related to the mining exploration activities are expensed as incurred and presented under "Mining expenses" account in the consolidated statements of income. These amounted to ₱5.0 million, ₱13.3 million and ₱13.8 million in 2014, 2013 and 2012, respectively (see Note 20).

*Deeds of Assignment with Bulawan Mining Corporation (BUMICO)*

In 2012, the Company entered into two deeds of assignment with BUMICO. The first deed of assignment covered BUMICO's rights, title to, interests and obligations under the former's application for exploration permit with the MGB of the DENR over certain properties in Basay, Negros Oriental under Exploration Permit Application No. 000103 VII. In consideration, the Company paid BUMICO ₱16.0 million, which is included under "Deferred mine exploration costs" account in the consolidated balance sheets. The said assignment was approved by the Regional Director of the MGB on January 28, 2013.



The second deed of assignment covered BUMICO's rights, interests and obligations under an Operating Agreement with Philex Mining Corporation (PHILEX). The Operating Agreement granted PHILEX the exclusive right and privilege to take over, as an independent contractor, the working and operation of Mineral Claims as defined in the Operating Agreement for a period of 25 years. In consideration, the Company offered its technical services for BUMICO to tie up with PHILEX. The said deed of assignment was consented by PHILEX. Currently, PHILEX has no operations over the Mineral Claims. Once PHILEX resumes the operations of and generates income from the Mineral Claims, the Company shall be entitled to royalty payments and that BUMICO shall be entitled to a certain percentage of such royalties.



## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
MacroAsia Corporation  
12th Floor, Allied Bank Center  
6754 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MacroAsia Corporation and its subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 31, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo  
Partner  
CPA Certificate No. 46349  
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February 14, 2013, valid until February 13, 2016  
Tax Identification No. 102-086-208  
BIR Accreditation No. 08-001998-18-2015,  
February 27, 2015, valid until February 26, 2018  
PTR No. 4751279, January 5, 2015, Makati City

March 31, 2015



**MacroAsia Corporation and Subsidiaries**  
**Schedule A - Financial Assets**  
**As of December 31, 2014**

Financial Assets	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Income received and accrued
<u>Loan and Receivables</u>			
Cash in bank and cash equivalents		680,209,788	
Receivables		405,260,170	
Deposits		20,335,958	
<u>AFS investments:</u>			
Investment in stock	PLDT	38,300	-
Investment in stock	Tower Club	100,000	-
	Manila Golf and Country Club	37,000,000	-
Retail treasury bond	Philippine Government	66,197,600	1,819,500
<b>Total</b>		<b>1,209,141,816</b>	<b>1,819,500</b>

**MacroAsia Corporation and Subsidiaries**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**  
**As of December 31, 2014**

	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
<u>Advances to officers &amp; employees</u>							
of MAC	1,296,033	3,972,225	2,709,225		2,559,033		2,559,033
of MACS	5,452,311	8,658,062	6,899,501		7,210,872		7,210,872
of MASCORP	34,350	3,177,114	3,141,185		70,279		70,279
of MAPDC	450,543	631,062	-		1,081,605		1,081,605
of WBSI	-	195,500	-		195,500		195,500
of MAATS	2,833,668	932,381	-		3,766,049		3,766,049
of MMC	1,020,607	3,372,284	2,389,886		2,003,005		2,003,005
<u>Receivables from Related Parties</u>							
of MACS to PAL	1,936,302	-	-		1,936,302		1,936,302
of MACS to MAC	373,394	164,565	-		537,959		537,959
of MACS to MASCORP	144,563	157,082	108,789		192,855		192,855
of MASCORP to PAL	47,618,145	156,804,617	175,355,493		29,067,269		29,067,269
of MASCORP to Airphil	25,604,174	88,245,745	95,280,035		18,569,884		18,569,884
of MASCORP to LTP	186,051	207,070	255,162		137,959		137,959
of MASCORP to MAATS	669,855	3,258,065	3,311,869		616,051		616,051
of MAPDC to WBSI	32,876,082	8,245,978	625,971		40,496,089		40,496,089
of MAPDC to MMC	4,116,484	1,619,106	3,000,000		2,735,590		2,735,590
of MAPDC to SNVRDC	1,418,449	51,446,340	5,000,000		47,864,789		47,864,789
of MAPDC to WBSI	32,876,082	8,245,978			41,122,060		41,122,060
<b>Total</b>	<b>158,907,093</b>	<b>339,333,174</b>	<b>298,077,117</b>	<b>-</b>	<b>200,163,150</b>	<b>-</b>	<b>200,163,150</b>

**MacroAsia Corporation and Subsidiaries**  
**Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**  
**As of December 31, 2014**

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amounts written off	Current	Not Current	Balance at end of period	Amount Eliminated
<u>MAC to</u>								
MAATS	5,052,895	23,576,094	14,854,338	-	13,774,651		13,774,651	13,774,651
MAPDC	147,965,830	243,524,521	23,412,654	-	368,077,696		368,077,696	368,077,696
MACS	105,829,280	38,728,121	-	-	144,557,401		144,557,401	144,557,401
MASCORP	-	13,913,832	-	-	13,913,832		13,913,832	13,913,832
MMC	8,128,966	17,492,823	1,141,411	-	24,480,378		24,480,378	24,480,378
ASSC	284,417	47,616	-	-	332,034	-	332,034	332,034
<b>Total</b>	<b>267,261,388</b>	<b>337,283,006</b>	<b>39,408,404</b>	<b>-</b>	<b>565,135,990</b>	<b>-</b>	<b>565,135,990</b>	<b>565,135,990</b>

Following are the related party transactions and balances that were eliminated during the consolidation:

- MACS' BOD passed a resolution in 2007 whereby its stockholders, MAC and SATS, shall receive service fee provided that MACS' profit before tax, after calculating the service fee, is not less than the amount of the service fee. The fee shall be equivalent to 5% of the quarterly net sales which shall be divided according to the equity ratio between MAC and SATS (80% and 20%, respectively). Service fee of MACS recognized by MAC amounted to ₱38 million in 2014.
- In 2014, the BOD of MAC charged service fee to MASCORP equivalent to 20% of income before interest, income tax, depreciation and amortization. Total service fee earned amounted to ₱12.6 million.
- MAC has a rental agreement with MAATS for the use of MAC's helicopter for six months, renewable every six months at the option of both parties. The rental fee consists of a basic monthly fee of ₱44,000 plus an amount computed at a rate based on flying time. Rental fees charged to MAATS amounted to ₱1.2 million in 2014. Total short-term and noninterest-bearing advances to MAATS amounted to ₱5.5 million as of December 31, 2014.
- MAATS declared dividends during the year. Outstanding dividends receivable by MAC amounts to ₱8.3 million as of December 31, 2014.
- MMC obtains noninterest-bearing cash advances from MAC and MAPDC. Outstanding amount of advances from MAC amounted to ₱24.5 million as of December 31, 2014. Meanwhile, outstanding amount of advances from MAPDC amounted to ₱2.7 million as of December 31, 2014.
- AASC obtains noninterest-bearing advances from MAC in the normal course of business. Outstanding advances amounted to ₱0.3 million as of December 31, 2014.

**MacroAsia Corporation and Subsidiaries**  
**Schedule D - Intangible Assets and Other Assets**  
**As of December 31, 2014**

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	17,531,232	-	-	-	-	17,531,232
Software Licenses - net	15,780		14,016	-	-	1,764
Service Concession Right		99,665,179				99,665,179
<b>Total</b>	<b>17,547,012</b>	<b>99,665,179</b>	<b>14,016</b>	<b>-</b>	<b>-</b>	<b>117,198,175</b>

**MacroAsia Corporation and Subsidiaries**  
**Schedule E - Long Term Debt**  
**As of December 31, 2014**

Title of issue and type of obligation	Amount authorized by indenture		Amount shown under caption "Current portion of long-term debt" in related balance sheet		Amount shown under caption "Long-Term Debt" in related balance sheet		Balance at end of period	Interest Rate
	(In original currency)	(In PhP)	(In original currency)	(In PhP)	(In original currency)	(In PhP)		
China Bank	P27,000,000	27,000,000	P9,000,000	9,000,000	P9,000,000	9,000,000	18,000,000	5.50%
China Bank	P37,000,000	37,000,000	P7,400,000	7,400,000		23,433,333	30,833,333	4.06%
China Bank	US\$990,000	44,530,200	US\$198,000	8,854,560		28,039,440	36,894,000	5.25%
<b>TOTAL</b>		<b>108,530,200</b>		<b>25,254,560</b>		<b>60,472,773</b>	<b>85,727,333</b>	

**MacroAsia Corporation and Subsidiaries**  
**Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**  
**As of December 31, 2014**

Name of related party	Balance at beginning of period	Balance at end of period
-----------------------	--------------------------------	--------------------------

Not Applicable

**MacroAsia Corporation and Subsidiaries**  
**Schedule G - Guarantees of Securities and Other Issuers**  
**As of December 31, 2014**

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
--	---	---	---	---------------------

Not Applicable

**MacroAsia Corporation and Subsidiaries**  
**Schedule H - Capital Stock**  
**As of December 31, 2014**

Title of Issue	Number of Shares authorized	Number of shares issued as shown under related balance sheet caption	Number of treasury shares	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors and officers
Common Stock	2,000,000,000	1,250,000,000	(16,596,000)	1,233,404,000	-	875,035,000 (70.94%)	67,971,000 (5.51%)

**MacroAsia Corporation and Subsidiaries**  
**Schedule I - Financial Soundness Indicators**  
**As of December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Return on Net Sales (RNS) <sup>1</sup>	6.67%	(10.56%)
Return on Investment (ROI) <sup>2</sup>	4.07%	(6.63%)
Return on Equity (ROE) <sup>3</sup>	4.20%	(6.70%)
Direct Cost Ratio <sup>4</sup>	77.12%	76.37%
Operating Expense Ratio <sup>4</sup>	24.82%	23.33%
Current Ratio <sup>5</sup>	4.18:1	4.58:1
Debt-to-Equity Ratio <sup>6</sup>	3%	1%
Interest Coverage Ratio <sup>7</sup>	3,736%	N/A
Asset-to-Equity Ratio <sup>8</sup>	1.18:1	1.18:1

<sup>1</sup> This is the ratio is computed by dividing net income attributable to equity holders of the parent by the total net revenues.

<sup>2</sup> This ratio is computed by dividing net income attributable to equity holders of the parent by the sum of total interest-bearing liabilities plus equity attributable to equity holders of the parent.

<sup>3</sup> This ratio is computed by dividing net income attributable to equity holders of the parent by the equity attributable to equity holders of the parent.

<sup>4</sup> Direct Cost ratio is computed by dividing total cost over total net revenues, while total operating expenses is divided by total net revenues to arrive at operating expense ratio.

<sup>5</sup> Current Ratio is the ratio of the total current assets divided by the total current liabilities.

<sup>6</sup> Debt-to-Equity Ratio is the ratio of the total interest-bearing debts divided by total stockholders' equity.

<sup>7</sup> Interest coverage ratio is the ratio of the total earnings before interest and taxes (EBIT) divided by the interest expense of the period.

<sup>8</sup> The asset-to-equity ratio is the total assets divided by the equity.

**MACROASIA CORPORATION AND SUBSIDIARIES**  
**RECONCILIATION OF RETAINED EARNINGS\***  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2014**

Unappropriated retained earnings, as adjusted, beginning		₱584,716,014
Less: Treasury Shares		49,418,660
Gross deferred income tax assets		3,946,195
<hr/>		
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		531,351,159
Net income during the year closed to retained earnings	19,715,855	
Add: Decrease in gross deferred income tax assets	2,525,386	
<hr/>		
Net income actually earned during the year		22,241,241
<hr/>		
Retained earnings available for dividend declaration, end		₱553,592,400
<hr/>		

*\*Based on parent company retained earnings.*



**MACROASIA CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF ALL EFFECTIVE**  
**STANDARDS AND INTERPRETATIONS (PART 1, 4J)**

**List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2014:**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources	✓		
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓*	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities		✓*	
<b>PFRS 11</b>	Joint Arrangements	✓		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities		✓*	
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Date	✓		
<b>PAS 11</b>	Construction Contracts			✓

\* Not early adopted



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✓*	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✓*	

\* Not early adopted



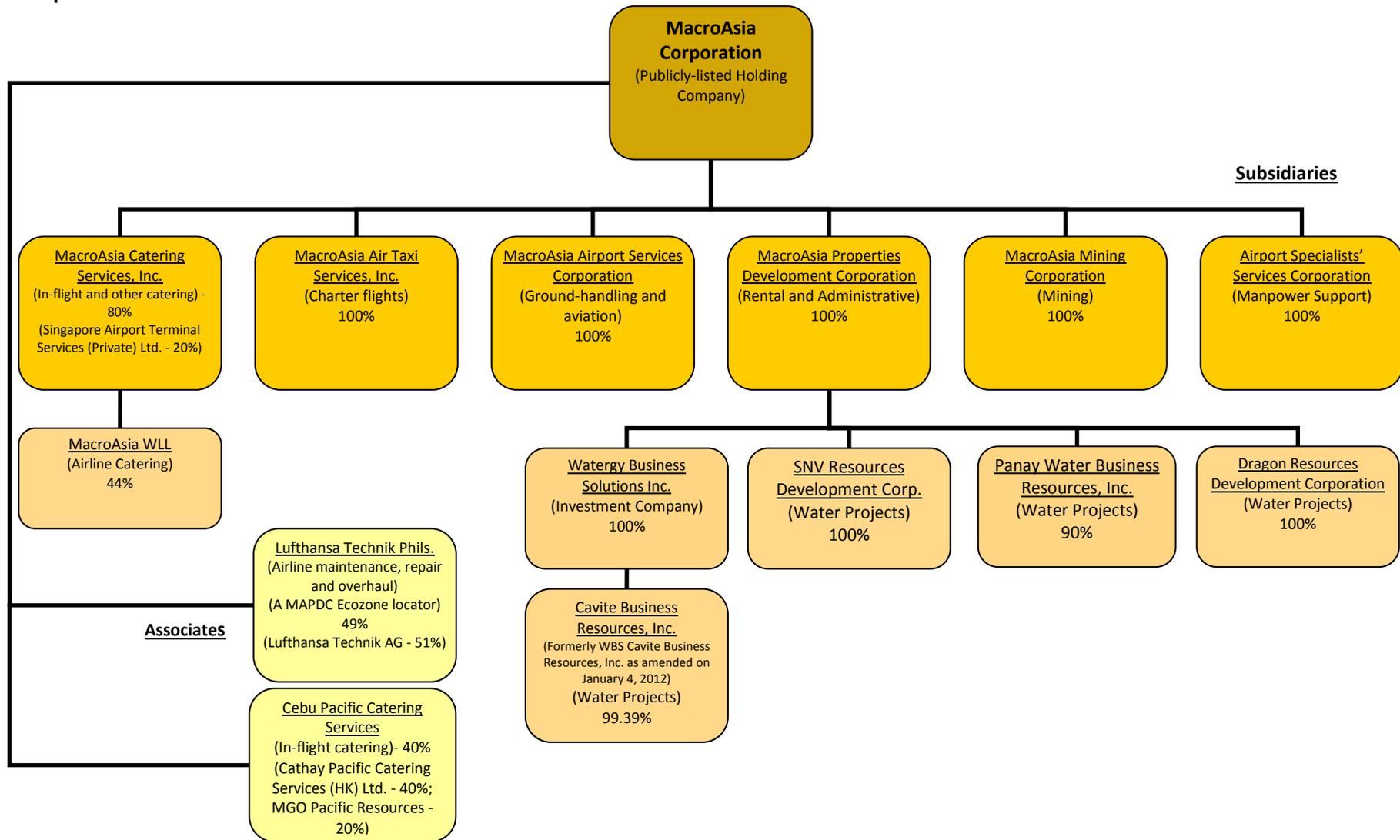
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2014		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions	✓		
<b>IFRIC 12</b>	Service Concession Arrangements	✓		
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners	✓		
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.	✓		
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓



## Group Structure



SECURITIES AND EXCHANGE COMMISSION  
SEC FORM – ACGR  
ANNUAL CORPORATE GOVERNANCE REPORT  
GENERAL INSTRUCTIONS



**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".



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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	Nine (9)
---	----------

Actual number of Directors for the year	Nine (9)
---	----------

#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
WASHINGTON Z. SYCIP	NED	N/A	Joey Serenio	1997	18 JULY 2014	AGM*	17 YRS
HARRY C. TAN	NED	N/A	Joey Serenio	2008	18 JULY 2014	AGM*	6 YRS
JOSEPH T. CHUA	ED	N/A	Joey Serenio	1997	18 JULY 2014	AGM*	17 YRS
CARMEN K. TAN	NED	N/A	Joey Serenio	2012	18 JULY 2014	AGM*	2.5 YRS
LUCIO K. TAN, JR.	NED	N/A	Joey Serenio	1997	18 JULY 2014	AGM*	17 YRS
JAIME J. BAUTISTA	NED	N/A	Joey Serenio	1997	18 JULY 2014	AGM*	17 YRS
GEORGE Y. SYCIP	NED	N/A	Joey Serenio	1997	18 JULY 2014	AGM*	17 YRS
JOHNIP G. CUA	ID	N/A	Joey Serenio (not related to ID)	2006	18 JULY 2014 2.5 YEARS <sup>1</sup>	AGM*	8 YRS
BEN C. TIU	ID	N/A	Joey Serenio (not related to ID)	2013	18 JULY 2014 1.5 YEARS <sup>1</sup>	AGM*	1 YR & 6 MONTHS

\*Annual Stockholders' Meeting held on July 18, 2014.

#### (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

*It has always been MacroAsia Corporation's commitment to serve and protect the interests of stakeholders, management, employees, government regulatory agencies and the general public by adhering to accepted ethical standards and best industry practices. With a well-defined corporate governance structure in place, MAC is guided by the principles of integrity, objectivity, accountability and transparency.*

MAC ensures that the following general distinct disclosures are integrated in its overall system of corporate governance:

- Financial data and information disclosure;
- Ownership structure and control rights;
- Corporate responsibility and compliance;
- Management and Board structure and process;
- Auditing

<sup>1</sup>Reckoned from the election immediately following January 2, 2012.

### Treatment of all shareholders

All outstanding common shares of the Company as of the record date for the purpose of the Annual Stockholder's Meeting are entitled to vote at the rate of one (1) vote per share.

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected, multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in case (i) any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) of merger or consolidation.

### Respect for the rights of minority shareholders and of other stakeholders

The Board of Directors and Management are committed to respect and protect investor's rights and interests, whether majority or minority, at all times.

### Disclosure Duties

Shareholders shall have access to corporate reports and disclosures at reasonable times during business hours. The Corporation maintains a corporate website to allow online access to corporate disclosures and reports.

Transparency and fair disclosure of material information that could adversely affect the viability or interests of stakeholders shall be publicly disclosed within the earliest time possible through appropriate Exchange mechanisms and submissions to the SEC.

### Board Responsibilities

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

Compliance with the principles of good corporate governance shall start with the Board of Directors.

### **(c) How often does the Board review and approve the vision and mission?**

The Board regularly reviews the company's mission and vision, including statements about its business objectives/philosophy as part of its business planning and annual reporting to stakeholders that they are still relevant for the current challenges and environment. Management ensures that the organization operates in a way that is consistent with its vision, mission and core values. Any potential improvements and deviations, if any, are further discussed in the Company's Regular Board meeting.

**(d) Directorship in Other Companies**

**(i) Directorship in the Company's Group<sup>2</sup>**

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
WASHINGTON Z. SYCIP	<ul style="list-style-type: none"> <li>• LUFTHANSA TECHNIK PHIL. INC.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director/Chairman</li> </ul>
JOSEPH T. CHUA	<ul style="list-style-type: none"> <li>• MACROASIA PROPERTIES DEVELOPMENT CORPORATION</li> <li>• MACROASIA AIR TAXI SERVICES SERVICES, INC.</li> <li>• MACROASIA AIRPORT SERVICES CORPORATION</li> <li>• MACROASIA CATERING SERVICES INC.</li> <li>• MACROASIA MINING CORPORATION</li> <li>• AIRPORT SPECIALISTS' SERVICES CORPORATION</li> <li>• LUFTHANSA TECHNIK PHIL. INC.</li> <li>• WATERGY BUSINESS SOLUTIONS INC.</li> <li>• CAVITE BUSINESS RESOURCES INC.</li> <li>• DRAGON RESOURCES DEVELOPMENT CORPORATION</li> <li>• SNV RESOURCES DEVELOPMENT CORP.</li> <li>• PANAY WATER BUSINESS RESOURCES INC.</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Non-Executive Director</li> <li>• Executive Director/Chairman</li> <li>• Non-Executive Director/Chairman</li> <li>• Executive Director</li> <li>• Non-Executive Director/Chairman</li> <li>• Non-Executive Director/Chairman</li> </ul>
LUCIO K. TAN, JR.	<ul style="list-style-type: none"> <li>• MACROASIA AIRPORT SERVICES CORPORATION</li> <li>• MACROASIA CATERING SERVICES INC.</li> <li>• MACROASIA MINING CORPORATION</li> <li>• AIRPORT SPECIALISTS' SERVICES CORPORATION</li> <li>• LUFTHANSA TECHNIK PHIL. INC.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director/Chairman</li> <li>• Non-Executive Director/Chairman</li> <li>• Non-Executive Director</li> </ul>
JAIME J. BAUTISTA	<ul style="list-style-type: none"> <li>• MACROASIA PROPERTIES DEVELOPMENT CORPORATION</li> <li>• MACROASIA AIRPORT SERVICES CORPORATION</li> <li>• MACROASIA CATERING SERVICES INC.</li> <li>• AIRPORT SPECIALISTS' SERVICES CORPORATION</li> <li>• DRAGON RESOURCES DEVELOPMENT CORPORATION</li> <li>• WATERGY BUSINESS SOLUTIONS INC.</li> <li>• CAVITE BUSINESS RESOURCES INC.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director</li> <li>• Non-Executive Director/Chairman</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director/Chairman</li> <li>• Non-Executive Director/Chairman</li> <li>• Executive Director</li> </ul>

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

GEORGE Y. SYCIP	<ul style="list-style-type: none"> <li>• MACROASIA PROPERTIES DEVELOPMENT CORPORATION</li> <li>• MACROASIA AIR TAXI SERVICES SERVICES, INC.</li> <li>• MACROASIA CATERING SERVICES INC.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director/Chairman</li> <li>• Non-Executive Director/Chairman</li> <li>• Non-Executive Director/Chairman</li> </ul>
JOHNIP G. CUA	<ul style="list-style-type: none"> <li>• MACROASIA PROPERTIES DEVELOPMENT CORPORATION</li> <li>• MACROASIA AIRPORT SERVICES CORPORATION</li> <li>• MACROASIA CATERING SERVICES INC.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director*</li> <li>• Independent Director</li> <li>• Independent Director</li> </ul>

\*Elected as Independent Director on January 2013

**(ii) Directorship in Other Listed Companies**

**Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:**

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
WASHINGTON Z. SYCIP	<ul style="list-style-type: none"> <li>• Cityland Development Corporation</li> <li>• First Philippine Holdings Corp.</li> <li>• Belle Corporation</li> <li>• Philippine National Bank</li> <li>• Lopez Holdings Corporation</li> <li>• Century Properties Group, Inc.</li> <li>• LT Group, Inc.</li> <li>• Metro Pacific Investments Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director/Chairman</li> <li>• Independent Director</li> <li>• Independent Director</li> <li>• Non-Executive Director</li> <li>• Independent Director</li> <li>• Independent Director</li> <li>• Non-Executive Director</li> <li>• Independent Director</li> </ul>
GEORGE Y. SYCIP	<ul style="list-style-type: none"> <li>• Alliance Select Foods Int'l. Inc.</li> <li>• Paxys, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director/Chairman</li> <li>• Independent Director</li> </ul>
LUCIO K. TAN, JR.	<ul style="list-style-type: none"> <li>• LT Group, Inc.</li> <li>• PAL Holdings, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> </ul>
HARRY C. TAN	<ul style="list-style-type: none"> <li>• LT Group, Inc.</li> <li>• PAL Holdings, Inc.</li> <li>• Philippine National Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> </ul>
CARMEN K. TAN	<ul style="list-style-type: none"> <li>• LT Group, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director</li> </ul>
JOHNIP G. CUA	<ul style="list-style-type: none"> <li>• STI Education Systems Holdings, Inc.</li> <li>• PhilPlans First Inc.</li> <li>• BDO Private Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director</li> <li>• Independent Director</li> <li>• Independent Director</li> </ul>
BEN C. TIU	<ul style="list-style-type: none"> <li>• TKC Steel Corporation</li> <li>• I-Remit Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Director/Chairman</li> <li>• Director</li> </ul>
JOSEPH T. CHUA	<ul style="list-style-type: none"> <li>• PAL Holdings, Inc.</li> <li>• Philippine National Bank</li> <li>• LT Group, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Non-Executive Director</li> <li>• Non-Executive Director</li> </ul>
Jaime J. Bautista	<ul style="list-style-type: none"> <li>• PAL Holdings, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Director</li> </ul>

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
WASHINGTON Z. SYCIP	George Y. SyCip	Son
LUCIO K. TAN, JR.	PAL Holdings, Inc. (formerly Baguio Gold Holdings)	Lucio K. Tan, Jr. is the son of Carmen K. Tan and Lucio C. Tan (Chairman of PAL). Harry C. Tan and Lucio C. Tan are brothers.
CARMEN K. TAN		
HARRY C. TAN		
JOSEPH T. CHUA	Carmen K. Tan	Mother-in-law
	Lucio K. Tan, Jr.	Brother-in-law
	Harry C. Tan	Uncle

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Any Director may hold any number of directorships outside the Corporation, provided that in the Director's opinion, these other positions do not detract from the Director's capacity to diligently and efficiently perform his duties and responsibilities as a Director of the Corporation.	N/A
Non-Executive Director		
CEO		

(c) Shareholding in the Company (as of December 31, 2014)

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
WASHINGTON Z. SYCIP	37,545,250	-	3.0440%
HARRY C. TAN	100,000	-	0.0081%
LUCIO K. TAN, JR.	125,000	-	0.0101%
JAIME J. BAUTISTA	125,000	-	0.0101%
JOSEPH T. CHUA	125,000	3,289,000	0.2768%
GEORGE Y. SYCIP	10,862,798	-	0.8807%
CARMEN K. TAN	100,000	-	0.0081%
JOHNIP G. CUA	-	10,000,000	0.8108%
BEN C. TIU	100,000	-	0.0081%
<b>TOTAL</b>	<b>49,083,048</b>	<b>13,289,000</b>	<b>5.0569%</b>

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

Identify the Chair and CEO:

Chairman of the Board	WASHINGTON Z. SYCIP
CEO/President	JOSEPH T. CHUA

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
<b>Role</b>	<i>He shall preside at all meetings of the stockholders and Board of Directors, and shall ensure that all meetings are held in accordance with the by-laws, or as he may deem necessary. He shall perform all such other duties as are incident to his office, or are properly required of him by the Board. Acting as counselor, adviser and listener to the Chief Executive and, where necessary, other members of the Board.</i>	<i>a) To preside at the meeting of the Board of Directors and of the shareholders in the absence of the Chairman of the Board of Directors; b) To represent the corporation at all functions and proceedings; c) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.</i>
<b>Accountabilities</b>	<i>a) Ensuring the proper working of the Board; b) Maintaining proper shareholder relations; c) Ensuring that the Board plays an active role in strategic review and that development proposals and planning issues are referred to the Board for discussion and approval; d) Monitoring the Chief Executive's performance against established criteria/measures of financial and operating performance, in conjunction with the Board.</i>	<i>a) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation; b) To ensure that the administrative and operational policies of the corporation are carried out under his supervision and control; c) To have over-all supervision and management of the business affairs and properties of the corporation;</i>
<b>Deliverables</b>	<i>Deciding, together with the Chief Executive, what matters should be the concern of the Board, and which are purely management matters, to be left to the executive management.</i>	<i>a) To prepare such statements and reports of the corporation as may be required of him by law; b) To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interest of the corporation which require the approval of the Board of Directors; except as otherwise directed by the Board of Directors.</i>

**3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?**

*If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, subject to any right of any shareholder to nominate candidates of said office, by majority vote may elect a successor who shall hold office for the unexpired term.*

**4) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

*It is the Board’s responsibility to install a process of selection to ensure a mix of competent directors and officers to ensure a high standard of best practice for the Corporation and its stockholders.*

*The Board has organized a Nomination Committee composed of three voting directors, one of whom is an independent director, and one non-voting member in the person of the VP for Legal, Human Resources and External Relations. The Committee meets as necessary and is authorized by the Board on new appointments of directors.*

*All candidates nominated to become a member of the board are pre – screened and rated in accordance with certain qualifications and disqualifications criteria as set forth in the Manual on Corporate Governance.*

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

*Not Applicable. One of the specific duties of a director set forth in our revised manual on corporate governance is that a director should devote sufficient time to familiarize himself with the Corporation’s business. He should be constantly aware of and knowledgeable with the Corporation’s operations to enable him to meaningfully contribute to the Board’s work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation. A Director should also keep abreast with industry developments and business trends in order to promote the Corporation’s competitiveness.*

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

	Executive	Non-Executive	Independent Director
<b>Role</b>	<i>It is the Board’s responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.</i>		
	<i>The Board shall formulate the Corporation’s vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management’s performance. Compliance with the principles of good corporate governance shall start with the Board of Directors.</i>		
<b>Accountabilities</b>	<p><i>To ensure a high standard of best practice for the Corporation and its stockholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:</i></p> <ul style="list-style-type: none"> <li><i>a) Ensure the Corporation’s faithful compliance with all applicable laws, regulations and best business practices;</i></li> <li><i>b) Identify the Corporation’s major and other stakeholders, and formulate a clear policy on communicating or relating with them through an effective investor relations program;</i></li> <li><i>c) Identify the sectors in the community in which the Corporation operates or are directly</i></li> </ul>		

	<p><i>affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;</i></p> <p><i>d) Adopt a system of internal checks and balances;</i></p> <p><i>e) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;</i></p> <p><i>f) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;</i></p> <p><i>g) Meet at such times or frequency as may be needed, in line with the Amended By-laws. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration;</i></p> <p><i>h) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-laws, and in accordance with existing laws, rules and regulations;</i></p> <p><i>i) Appoint a Compliance Officer who shall have the rank of at least Vice-President. In the absence of such appointment, the Corporate Secretary shall act as Compliance Officer.</i></p> <p><i>j)</i></p>
<p><b>Deliverables</b></p>	<p><i>a) Install a process of selection to ensure a mix of competent directors and officers;</i></p> <p><i>b) Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;</i></p> <p><i>c) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;</i></p> <p><i>d) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;</i></p>

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

*Independence is defined in terms of a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.*

*Following the Amended Articles of Incorporation of the Corporation, the number of directors of the Corporation shall be nine (9), who shall be elected by the Corporation's stockholders entitled to vote at the Annual Meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the Amended By-Laws of the Corporation.*

*The Corporation shall have at least two (2) independent directors out of the nine (9) directors. MacroAsia Corporation shall comply with the SEC requirement of at least two (2) independent directors, or having such number of independent directors that constitutes Twenty Percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2) directors. The nomination and election of independent directors shall be in accordance with the Amended By-Laws of the Corporation.*

**Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.**

*The Company adopted Memorandum Circular No. 9 issued by the Securities and Exchange Commission dated December 5, 2011 on the term limits for Independent Director/s effective January 2, 2012. This is to enhance the*

effectiveness of independent directors and encourage the infusion of fresh ideas in the board of directors. This circular provides the term limits for Independent Directors, as follows:

1. There shall be no limits in the number of covered companies that a person may be elected as Independent Director (ID), except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e. parent company, subsidiary or affiliate;
2. IDs can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated;
3. After completion of the five-year service period, an ID shall be ineligible for election as such in the same company unless the ID has undergone a "cooling off" period of two (2) years, provided, that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company;
4. An ID re-elected as such in the same company after the "cooling off" period can serve for another five (5) consecutive years under the conditions mentioned in paragraph (2) above;
5. After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the Circular.

**5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

**(a) Resignation/Death/Removal**

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
There is nothing to report			

**(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension**

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
<b>(i) Executive Directors</b>	Under the Corporation's By-Laws and Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Nomination Committee prior to the Annual Stockholders' Meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Nomination Committee and the Corporate Secretary at least thirty (30) days before the date of the actual meeting.	a) Any stockholder having at least one hundred thousand (100,000) shares of stock of the Corporation may be elected director, provided however that no person shall qualify or be eligible for nomination or election as director if such person is connected with or engaged in any business or activity or holds positions or interests which are antagonistic to those of the Corporation. (except for Independent Director) b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education; c) He shall be at least twenty-one (21) years old; d) He shall have proven to possess integrity and probity; and e) He shall be assiduous.
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		

b. Re-appointment		
<b>(i) Executive Directors</b>	<i>The process for re-appointment is the same process adopted in the selection / appointment of Directors. The Company adopted Memorandum Circular No. 9 issued by the Securities and Exchange Commission dated December 5, 2011 on the term limits for Independent Director/s effective January 2, 2012.</i>	<i>The criteria for re-appointment are the same criteria adopted in the selection / appointment of Directors.</i>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		
c. Permanent Disqualification		
<b>(i) Executive Directors</b>	<i>The determination of whether a person is disqualified to become a director shall be made by the Nomination Committee which shall have at least three (3) voting Directors (one of whom must be an Independent Director) and one (1) non-voting member in the person of the HR Director/Manager.</i>	<p><i>The following shall be grounds for the permanent disqualification of a Director:</i></p> <p><i>(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:</i></p> <p style="margin-left: 20px;"><i>a) involves the purchase or sale of securities, as defined in the Securities Regulation Code;</i></p> <p style="margin-left: 20px;"><i>b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or</i></p> <p style="margin-left: 20px;"><i>c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</i></p> <p><i>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:</i></p> <p style="margin-left: 20px;"><i>a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, future commission merchant, commodity trading advisor, or floor broker;</i></p> <p style="margin-left: 20px;"><i>b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;</i></p> <p style="margin-left: 20px;"><i>c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</i></p> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or</i></p>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		

		<p><i>administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</i></p> <p><i>(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</i></p> <p><i>(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</i></p> <p><i>(v) Any person earlier elected as Independent Director who becomes an officer, employee or consultant of the same Corporation;</i></p> <p><i>(vi) Any person judicially declared as insolvent;</i></p> <p><i>(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to(v) above;</i></p> <p><i>(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</i></p>
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d. Temporary Disqualification		
<b>(i) Executive Directors</b>	<p><i>The determination of whether a person is disqualified to become a director shall be made by the Nomination Committee which shall have at least three (3) voting Directors (one of whom must be an Independent Director) and one (1) non-voting member in the person of the HR Director/Manager.</i></p> <p><i>A temporarily disqualified Director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</i></p>	<p><i>The Board may temporarily disqualify a Director for any of the following reasons:</i></p> <p><i>(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;</i></p> <p><i>(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</i></p> <p><i>(iii) Dismissal or termination for cause as director of any corporation covered by this Securities Regulation Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;</i></p> <p><i>(iv) If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</i></p> <p><i>(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</i></p>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		
e. Removal		
<b>(i) Executive Directors</b>	<p><i>Notice of the intention to act upon such matter must have been given in the notice calling such meeting.</i></p>	<p><i>Article III, Section 3.09 of the Corporation's By-Laws states that any director may be removed, either for or without cause, at any regular or special meeting of the stockholders by the affirmative vote of the stockholders holding or representing two-thirds (2/3) of the subscribed capital stock entitled to vote. In this case, notice of the intention to act upon such matter must have been given in the notice calling such meeting.</i></p>
<b>(ii) Non-Executive Directors</b>		
<b>(iii) Independent Directors</b>		
f. Re-instatement		
<b>(i) Executive Directors</b>		
<b>(ii) Non-Executive Directors</b>	There is nothing to report	
<b>(iii) Independent Directors</b>		

g. Suspension	
(i) Executive Directors	
(ii) Non-Executive Directors	There is nothing to report
(iii) Independent Directors	

**Voting Result of the last Annual General Meeting (July 18, 2014)**

Name of Director	Votes Received
WASHINGTON Z. SYCIP	923,367,548
HARRY C. TAN	923,367,548
JOSEPH T. CHUA	923,367,548
CARMEN K. TAN	923,367,548
LUCIO K. TAN JR.	923,367,548
JAIME J. BAUTISTA	923,367,548
GEORGE Y. SYCIP	923,367,548
JOHNIP G. CUA	923,367,548
BEN C. TIU	923,367,548

**6) Orientation and Education Program**

**(a) Disclose details of the company's orientation program for new directors, if any.**

*A director before assuming his post, shall be required to attend a seminar on Corporate Governance, which shall be conducted by a duly recognized private or government institute.*

**(b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:**

Directors / Senior Management	Trainings	Date	Provider
Washington Z. SyCip Chairman	Corporate Governance Requirement Under US Laws and Regulations and The Foreign Corrupt Practices Act of 1977	1 April 2014	PLDT
Harry C. Tan Vice-Chairman	Distinguished Corporate Governance Speaker Series	19 August 2014	The Institute of Corporate Directors
Joseph T. Chua President	Distinguished Corporate Governance Speaker Series	19 August 2014	The Institute of Corporate Directors
Lucio K. Tan Jr. Director	Corporate Governance	21 October 2014	Risks, Opportunities, Assessment and Management (ROAM), Inc.
George Y. SyCip Director	Corporate Governance	8 August 2014	Risks, Opportunities, Assessment and

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

			Management (ROAM), Inc.
<b>Jaime J. Bautista</b> Treasurer/Director	Corporate Governance	21 October 2014	Risks, Opportunities, Assessment and Management (ROAM), Inc.
<b>Carmen K. Tan</b> Director	Corporate Governance	21 October 2014	Risks, Opportunities, Assessment and Management (ROAM), Inc.
<b>Johnip G. Cua</b> Director	Orientation Course on Corporate Governance	28 May 2014	The Institute of Corporate Directors
<b>Ben Tiu</b> Director	Corporate Governance	21 October 2014	Risks, Opportunities, Assessment and Management (ROAM), Inc.
<b>Amador T. Sendin</b> CFO, VP – Administration & Business Development	Corporate Governance	21 October 2014	Risks, Opportunities, Assessment and Management (ROAM), Inc.
	PICPA 68 <sup>th</sup> Annual Conference	13-16 November 2013	PICPA
	The Euromoney Philippines Investment Forum 2013	12 March 2013	Euromoney Conferences
	Tax Updates	24 January 2013	SGV & Co.
	Bond Training	27, 28 & 29 November 2012	UA&P
<b>Atty. Marivic T. Moya</b> VP-HR, Legal & External Relations COO/CIO	Corporate Governance	21 October 2014	Risks, Opportunities, Assessment and Management (ROAM), Inc.
<b>Ramon N. Santos</b> VP- Mining Operations	Corporate Governance	21 October 2014	Risks, Opportunities, Assessment and Management (ROAM), Inc.
	3 <sup>rd</sup> Mindanao Mining Summit	1-2 October 2013	Mindanao Business Council, Inc.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
		<i>There is nothing to report</i>	

**B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<i>It is the obligation of every member to declare and divulge in writing his own</i>		

	<p><i>involvement in any conflict of interest with the company. The very existence of a conflict-of-interest situation is not in itself a punishable offense. However, failure, whether deliberate or through neglect, to divulge the same to the company shall be punishable.</i></p> <p><i>After the member makes such a declaration, the company shall determine whether or not the actual or potential conflict-of-interest poses any danger to the Company. If so, the company shall take measures to protect itself from any harmful effects of such conflict.</i></p>
<b>(b) Conduct of Business and Fair Dealings</b>	<p><i>Proper attitude and conduct must be observed in dealing with clients, guests, inquirers and suppliers. Everyone is expected to give clients, guests, inquirers and suppliers with utmost courtesy and respect. The Company strictly adheres /observes its suppliers warranties in relation to the exercise of good corporate governance.</i></p>
<b>(c) Receipt of gifts from third parties</b>	<p><i>For the protection and preservation of the good name and reputation of the company, employees are expected to conduct their official business in the straightforward manner. All directors, officers and employees are encouraged not to involve in any unauthorized solicitation / accepting directly or indirectly, money or anything in value from suppliers, creditors or other parties doing business with the Company in exchange for a favor, decision or service that may or maybe not be detrimental to the Company.</i></p>
<b>(d) Compliance with Laws &amp; Regulations</b>	<p><i>All are bound to comply with all the applicable rules, regulations, policies, procedures and standards, including standards, of quality, productivity and behavior as issued and promulgated by the Corporation through its duly authorized officials.</i></p>
<b>(e) Respect for Trade Secrets/Use of Non-public Information</b>	<p><i>All employees and officers are bound by the confidentiality of intellectual property provision in their contract.</i></p>
<b>(f) Use of Company Funds, Assets and Information</b>	<p><i>Efficiency and effectivity in operation are part of the goals set by the Company towards a world class Corporation. Consequently, it is expected that all members will not tolerate wastage of company resources, and disruption of work. For the protection and preservation of the good name and reputation of the company, employees are expected to conduct their official business in a straightforward manner. A reprehensible conduct will result in the destruction of the good image of the company, hence, the company reserves the right to prosecute in court any employee whom it feels is deliberately working against company interest.</i></p>
<b>(g) Employment &amp; Labor Laws &amp; Policies</b>	<p><i>The Company has certain guidelines which are developed to reflect good business practices. In establishing rules of conduct, the company has no intention of restricting the personal rights of any individual. Rather, the objective is to define the guidelines that protect the rights of all members in compliance to the Government mandated Employment &amp; Labor Laws &amp; Policies.</i></p>
<b>(h) Disciplinary action</b>	<p><i>Disciplinary actions or penalties, when found warranted by the evidence, shall be imposed immediately or as soon as possible after the offense. Anyone charged with an offense shall be afforded ample opportunity to be heard, but shall not be allowed to unduly delay the administrative proceedings and the final resolution of the case.</i></p>
<b>(i) Whistle Blower</b>	<p><i>No written policy on whistle blower yet.</i></p>
<b>(j) Conflict Resolution</b>	<p><i>There may come a time when problems or misunderstanding may arise between the members in connection with the discharge of their duties. If this has already</i></p>

	<p><i>affected the quality of their work, it is suggested that the same be brought to the attention of either the Department Head concerned or the HRD Head.</i></p> <p><i>On problems relating to employment, personnel policies, house rules and regulations, HRD shall assist and advise and serve the member.</i></p>
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**2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

*The HRD issues Corporation’s Handbook to all members of the board, senior management and employees.*

**3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

*Every official shall ensure the maintenance of discipline within his area of responsibility and by the personnel subordinate to him of the highest standards of behavioral traits expected of a member of MacroAsia family. He shall see to it that all his subordinates are aware of and comply with all the provisions of the Code and all other policies, rules, regulations, and guideline promulgated by the company. Each superior or supervisors are strictly accountable for the proper discipline and job performance of all subordinates under him. Correspondingly, each superior or supervisor shall be given sufficient authority and power to effectively discharge the foregoing responsibilities.*

**4) Related Party Transactions**

**(a) Policies and Procedures**

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
<b>(1) Parent Company</b>	<p><i>The company recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stockholders' best interests. The Board has constituted the Audit Committee comprised of five members of the Board, two of whom are independent directors who have adequate understanding and competence at the Company’s financial systems and control environment which monitors a transparent financial management system that will ensure the integrity of activities throughout the Company. All identified related party transactions by management shall be brought to the attention of the Committee for consideration and approval.</i></p>
<b>(2) Joint Ventures</b>	
<b>(3) Subsidiaries</b>	
<b>(4) Entities Under Common Control</b>	
<b>(5) Substantial Stockholders</b>	
<b>(6) Officers including spouse/children/siblings/parents</b>	
<b>(7) Directors including spouse/children/siblings/parents</b>	
<b>(8) Interlocking director relationship of Board of Directors</b>	

**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
<b>Name of Director/s</b>	<p><i>To the extent known to the Corporation, there are no directors/officers/persons holding more than 5% of the Company’s share, which will give rise to any actual or probable conflict of interest.</i></p>
<b>Name of Officer/s</b>	
<b>Name of Significant Shareholders</b>	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Directors/Officers/Significant Shareholders	
<b>Company</b>	<i>It is the obligation of every member to declare and divulge in writing his own involvement in any conflict of interest with the company. The very existence of a conflict-of-interest situation is not in itself a punishable offense. However, failure, whether deliberate or through neglect, to divulge the same to the company shall be punishable.</i>
<b>Group</b>	<p><i>After the member makes such a declaration, the company shall determine whether or not the actual or potential conflict-of-interest poses any danger to the Company. If so, the company shall take measures to protect itself from any harmful effects of such conflict</i></p> <p><i>All identified related party transactions by management shall be brought to the attention of the Audit Committee for consideration and approval.</i></p>

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>PAL Holdings, Inc. (formerly Baguio Gold Holdings Corp.)</i>	<i>Shareholder (5% or more beneficial ownership in MAC) as of December 31, 2014.</i>	<i>Trustmark Holdings owns 89.78% of PAL Holdings, Inc. Trustmark is a subsidiary of BuonaSorteHoldings, Inc. Lucio C. Tan owns 47.70% of Buona Sorte.</i>

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>PAL Holdings Inc. (formerly Baguio Gold Holdings Corp.)</i>	<i>Business relationship with PAL</i>	<i>In 2013, PAL remained as one of our affiliate's core client. The company's biggest clients remain to be related-party local carriers. Also, one of our subsidiaries has supported PAL in the supply of its business class meals for a short period of time beginning last quarter of 2011. These business relationships were fully disclosed to the Board of Directors and were</i>

<sup>4</sup>Family relationship up to the fourth civil degree either by consanguinity or affinity.

		<i>done in the regular course of business and conducted on an arm's length basis. Related party transactions are fully disclosed in the Notes to Financial Statements, SEC 17-A, and 20-IS.</i>
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(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>The Company has no any single controlling shareholder and there are no known shareholder agreements that may impact on the control, ownership and strategic direction of the company.</i>		

6) **Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	<i>The Board of Directors shall establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.</i>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

**C. BOARD MEETINGS & ATTENDANCE**

1) **Are Board of Directors' meetings scheduled before or at the beginning of the year?**

*The frequency of board meetings and the quorum requirements are embodied in the Amended By-laws of the Corporation.*

**First Regular Meeting** – *After each meeting of stockholders at which a Board of Directors shall have been elected, the Board of directors so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business. In the event the Directors are unable to agree as to the day and hour and place of their organization meeting, the said Board of Directors shall meet at such time and place as the majority of the Directors may designate.*

**Additional Regular Meeting** – *In addition to the first regular meeting, regular meetings of the Board of Directors shall be held on such dates and such places as may be fixed, from time to time, by said Board.*

**Special Meeting** – *Special Meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or by the President or by any three (3) Directors in writing and such meetings may be held at any place designated in the calls therefore.*

**2) Attendance of Directors**

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Washington Z. SyCip	July 2014	4	4	100%
Member	Harry C. Tan	July 2014	4	4	100%
Member	Joseph T. Chua	July 2014	4	4	100%
Member	Lucio K. Tan, Jr.	July 2014	4	4	100%
Member	Jaime J. Bautista	July 2014	4	4	100%
Member	George Y. SyCip	July 2014	4	4	100%
Member	Carmen K. Tan	July 2014	4	4	100%
Independent	Johnip G. Cua	July 2014	4	4	100%
Independent	Ben C. Tiu	July 2014	4	4	100%

**3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**

*Not Applicable.*

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

*In accordance with the Corporation's By-Laws and Manual on Corporate Governance a quorum at any meeting of the Board of Directors shall consist of a majority of the Directors and every decision of a majority of such quorum duly assembles as a Board shall be valid as a corporate act.*

**5) Access to Information**

**(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?**

*Board papers for board of directors are provided at least three days in advance of the board meetings.*

**(b) Do board members have independent access to Management and the Corporate Secretary?**

*To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken up in their meetings.*

*Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members shall have independent access to Management and the Corporate Secretary.*

*The information from Management may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.*

*The members, either individually or as a Board, and in furtherance of their duties and responsibilities, may have access to independent professional advice at the Corporation's expense.*

*Full Minutes of each Board Meeting are kept by the Corporate Secretary and available for inspection by any Directors during office hours.*

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

*In accordance with the Corporation's By-Laws and Manual on Corporate Governance the Corporate Secretary shall have the following functions:*

- 1) *Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;*
- 2) *Be loyal to the mission, vision and objectives of the Corporation;*
- 3) *Work fairly and objectively with the Board, Management and stockholders;*
- 4) *Have appropriate administrative and interpersonal skills;*
- 5) *If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;*
- 6) *Have a working knowledge of the operations of the Corporation;*
- 7) *Inform the members of the Board, in accordance with the by laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;*
- 8) *Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;*
- 9) *Ensure that all Board procedures, rules and regulations are strictly followed by the members;*
- 10) *If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual on Corporate Governance.*

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

*"The Corporate Secretary has been engaged in corporate law practice for the past thirty seven (37) years, is aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities and has a working knowledge of the operations of the Company."*

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<i>The members, either individually or as a Board, and in furtherance of their duties and responsibilities, may have access to independent professional advice at the Corporation's expense. Full Minutes of each Board Meeting are kept by the Corporate Secretary and available for inspection by any Directors during office hours.</i>
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
	<i>The members, either individually or as a Board, and in furtherance of their duties and responsibilities, may have access to independent professional advice at the Corporation's expense.</i>

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
	There is nothing to report	

**D. REMUNERATION MATTERS**

Remuneration Process

- 1) Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
<b>(1) Fixed remuneration</b>	<p><i>In accordance to Article V Section 5.08 of the Corporation's By-Laws, the Board of Directors shall have the power to fix, increase or reduce the compensation of all officers of the Corporation. It may authorize any executive officer, upon whom the power of appointing subordinate officers may have been conferred to fix the compensation of such subordinate officers.</i></p> <p><i>The compensation committee is tasked to establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and Directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment. The compensation committee designates the amount of remuneration, which shall be in a sufficient level to attract and retain Directors and officers who are needed to run the Corporation successfully.</i></p>	
<b>(2) Variable remuneration</b>	<p><i>Reasonable per diem both for local and foreign travel approved by the Board.</i></p>	
<b>(3) Per diem allowance</b>		
<b>(4) Bonus</b>	<p><i>Bonuses are given based on performance of the officers and the Corporation and as recommended by the Compensation Committee.</i></p>	
<b>(5) Stock Options and other financial instruments</b>	<p><i>Not Applicable</i></p>	
<b>(6) Others (specify)</b>	<p><i>None</i></p>	

- 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
<b>Executive Directors</b>	<p>Members of the Board do not receive any regular compensation from the Company, except for every regular, special or committee meeting actually attended, for which members of the Board of Directors receive a per diem of ₱20,000 to ₱50,000.</p> <p>Bonus is in pursuant of Section 3.11 of the Corporation's Amended By-laws which states that "the members of the Board of Directors shall receive as additional compensation an amount not to exceed five per centum (5%) of the net profit of the Corporation before payment of income tax for each year, to be divided in such manner and proportions they may deem fit and acceptable".</p>		
<b>Non-Executive Directors</b>	<p>There are no material terms of, nor any other arrangements with regard to compensation as to which directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director</p>		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Yes. Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
There has been no change in the total remuneration of the board of directors for the past 3 years.	

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year (as of December 31, 2014):

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	PHP8.1M	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	0.2M	PHP2.4M	PHP0.5M
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
<b>Total</b>	PHP8.3M	PHP2.4M	PHP0.5M

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors

1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	-	-	-
(f) Hospitalization Plan	PHP0.04M	-	-
(g) Car Plan		-	-
(h) Others (Specify)	-	-	-
<b>Total</b>	PHP0.04M	-	-

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

*The Company has no outstanding stock rights, options and warrants.*

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<i>There is nothing to report</i>				

##### (b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
<i>There has been no amendment of incentive programs</i>		

#### 5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
<b>Amador T. Sendin</b> CFO, VP – Administration & Business Development	<b>PHP 9.5 M</b>
<b>Atty. Marivic T. Moya</b> VP-HR, Legal & External Relations COO/CIO	

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
<i>Executive</i>	<i>The members of the executive / management committee includes the head of operating subsidiaries, meets weekly to discuss the results of operations, including risk management.</i>						
<i>Audit</i>	-	3	2	Approved 20 July 2012	<p>a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of Internal Control, audit process, and monitoring of compliance with applicable laws, rules and regulations.</p> <p>b) Perform oversight functions over the Corporation's Internal and External auditors. It should ensure that the Internal and External Auditors act independently from each other, and that both Auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.</p> <p>c) Review reports submitted by Internal and External Auditors.</p>	<p>a) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities</p> <p>b) Monitor and evaluate the adequacy and effectiveness of the Corporation's Internal Control System, including financial reporting control and information technology security.</p>	<p>a) Review the annual audit plans to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.</p> <p>b) Organize an Internal Audit Office, and consider the appointment of an Independent Internal Auditor and the terms and conditions of its engagement and removal.</p>
<i>Nomination</i>	-	2	1	Committee Charter to be formalized	Install and maintain a process to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and ensure that none of the disqualifications (as stated in our Amended Manual on Corporate Governance) are	Encourage the selection of a mix of competent Directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies.	It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications set in our Amended Manual

					present.		on Corporate Governance.
Remuneration/ Compensation	-	4	1	Committee Charter to be formalized	<p>a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and Directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;</p> <p>b) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain Directors and officers who are needed to run the Corporation successfully;</p> <p>c) Establish a formal and transparent procedure for developing a policy on executive remuneration packages of individual Directors, if any, and officers;</p> <p>d) Never allow any Director to decide his or her own remuneration;</p> <p>e) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly be in conflict with the performance of their duties once hired.</p> <p>f) Provide in the Corporation's annual reports, information and proxy statements, a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;</p> <p>Review the existing Human Resources Development or Personnel Handbook, to strengthen the provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</p>		
Investment	1	4	1	Committee Charter to be formalized	<p>a) Assist the Board in determining the Corporation's investment goals and objectives based on the culture, strategy and the business environment in which the Corporation operates;</p> <p>b) Review the Corporation's investment plans and risks, in line with the business plan or medium-term plans of the Corporation</p> <p>Perform such other functions related to investment decisions as may be designated by the Board from time to time.</p>		
Risk Management	1	3	2	Committee Charter to be formalized	<p>The Committee helps the Board understand the risks the Group faces (range of outcomes, relative probabilities,</p>	<p>The Committee shall ensure that the management has implemented a process and an</p>	

					etc.) for type of risk like: market, credit, liquidity, foreign exchange, equity and structural risks, interest rate risk, insurance, operational, regulatory, compliance and reputation, among others.	annual risk management plan to identify, manage, and report on the risks that might prevent the Company from achieving its strategic objectives.
Mining	1	2	1	Committee Charter to be formalized	A special committee that was organized by the Board to study, discusses, and assists the Board and Management in the pursuit of the mining project.	

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)	Joseph T. Chua	18 July, 2014	34	34	100%	Since 2003
Member	Amador T. Sendin	18 July, 2014	34	34	100%	Since 2003
Member	Atty. Marivic T. Moya	July 18, 2014	34	34	100%	Since 1999
Member	Ramon N. Santos	18 July, 2014	34	34	100%	Since 2010
Member	Rhodel Esteban	Oct 11, 2007	34	34	100%	Since 2007
Member	Emerson Bonoan	Mar 16, 2004	34	34	100%	Since 2004
Member	Ferdinand Ylagan	Nov 16, 2012	34	34	100%	Since 2012

The members of the executive / management committee includes the head of operating subsidiaries, meets weekly to discuss the results of operations, including risk management.

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Johnip G. Cua	18 July 2014	2	2	100%	Since 2006
Member (NED)	Harry C. Tan	18 July 2014	2	2	100%	Since 2008
Member (NED)	Jaime J. Bautista	18 July 2014	2	2	100%	Since 2003
Member (NED)	Carmen K. Tan	18 July 2014	2	2	100%	Since 2012
Member (ID)	Ben C. Tiu	18 July 2014	2	2	100%	Since 2013

#### Disclose the profile or qualifications of the Audit Committee members.

The Audit Committee shall consist of at least three (3) Directors, who shall preferably have accounting or finance backgrounds, one of whom shall be an Independent Director and another with audit experience. A Director with extensive business management experience and with competence on financial management systems and environment may also be considered.

The Chair of the Audit Committee shall be an Independent Director.

**Johnip G. Cua.** Mr. Cua, 58, Filipino, has served as Director since December 2006 and served as Independent Director from December 2009 to present. He was formerly the President of Procter & Gambles Philippines Inc. (1995-2006), and currently the Chairman of the Board of the P&Gers Fund Inc. (2009 to present) and Xavier School, Inc. since Nov. 2012 (Trustee since 1996). He is currently the Chairman & President of Taibrews Corporation (2011-present). He is an Independent Director of BDO Private Bank (March 2008-Present), PhilPlans First Inc. (October 2009-Present), STI Education Systems

*Holdings, Inc. (December 2012-Present), MacroAsia Catering Services, Inc. (2007-Present) and MacroAsia Airport Services Corp. (2007-Present). He is also a member of the Board of Directors of Interbake Marketing Corporation (May 1991-Present), Teambake Marketing Corporation (January 1994-Present), Bakerson Corporation (April 2002-Present), Lartisan Corporation (May 2007-Present), Alpha Alleanza Manufacturing Inc. (March 2008-Present), and Allied Botanical Corporation (2012-Present) and Member of the Board of Trustees of Xavier School Educational & Trust Fund (1996-Present). He is former Chairman of the Board of Trustees of Advertising Foundation of the Philippines (2006-2010), former Director and President of the Soap & Detergent Association of the Philippines (1995-2006), former Director of Metrobank (1996-1999) and former Independent Director of PAL Holdings, Inc. (September 2009-April 2012).*

**Harry C. Tan.** *Mr. Tan, 69, Filipino, has served as Director since July 2008. He serves as the Vice Chairman and Treasurer of LT Group, Inc. (February 2013-Present). He is the Vice Chairman of Eton Properties Philippines Inc. (February 2007-Present), Tanduay Holdings, Inc. and Tanduay Distillers, Inc. (2009 - Present), and Eton City, Inc. (2008 - Present) among others. He is also the President of Century Park Hotel (1986-Present) and Vice- Chairman and Treasurer of Lucky Travel Corp. (1990-Present). He serves as a Director of Asia Brewery Inc.(1979-Present), Basic Holdings Corp.(1989-Present), Philippine Airlines, Inc. (Aug. 1994-Present) and holds the position of Vice Chairman and Treasurer of the Board of Directors of PAL (August 2009-Present). He formerly sits as the Chairman of the Board of Fortune Tobacco Corporation (1971 - March 2010).*

**Jaime J. Bautista.** *Mr. Bautista, 58, Filipino, a Certified Public Accountant (CPA) has served as Director since August 1997. He is currently the Chairman of the Board of MacroAsia Airport Services Corporation, Dragon Resources Development Corporation and the Director of MacroAsia Catering Services, Inc. (1997-Present) and MacroAsia Properties Development Corporation. He is the Vice Chairman, Board of Trustees-University of the East (1991-Present), Board of Trustees member of University of the East Ramon Magsaysay Medical Center Foundation (1991-Present), the Treasurer of Tan Yan Kee Foundation (2009-Present). He was formerly the President and Chief Operating Officer of Philippine Airlines Inc. and Member of the Board of Directors (August 2004-May 2012), the former President and Member of the Board of Directors of PAL Holdings, Inc. (2004-April 2012), and a Member of the Board of Directors of Air Philippines (2001-March 2012).*

**Carmen K. Tan.** *Ms. Tan, 74, Filipino, has served as Director since July 2012. She currently serves as a Director of the following companies: Asia Brewery Inc., Buona Sorte Holdings, Inc., Dominion Realty & Construction Corp.; Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation; Fortune Tobacco International Corp.; Himmel Industries, Inc., Lucky Travel Corp., Manufacturing Services & Trade Corp.; Progressive Farms, Inc.; REM Development Corporation, Paramount Land Equities Inc., PMFTC Inc., Saturn Holdings Inc., Shareholdings, Inc., Sipalay Trading Corp., Tanduay Distillers, Inc. , Tangent Holdings Corporation, The Charter House, Inc., and the LT Group Inc.*

**Ben C. Tiu** *Mr. Tiu, 63, Filipino, has served as an Independent Director since July 2013. He serves as the Chairman of the Board of TKC Steel Corporation (2007-Present) and Treasure Steelworks Corp. (2005-Present). He is currently the President of Philippine Calcium Industries Company, Inc. and BRJ Trading since 1988, and JTKC Equities, Inc. (1993-Present). He also serves as Director of I-Remit Inc. (2006-Present) and Tera Investments, Inc. (2001-Present).*

**Describe the Audit Committee's responsibility relative to the external auditor.**

*In accordance to the Corporation's Audit Committee Charter, the Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage external auditors for special audits, reviews and other procedures and to retain and obtain advice from special counsel and other experts and consultants, without need for Board approval. It shall perform oversight functions over the Corporation's internal and external auditors. It should ensure that internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective duties and functions. The committee is tasked to review the reports submitted by the internal and external auditors.*

**(c) Nomination Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Washington Z. SyCip	18 July 2014	1	1	100%	Since 2003
Member (ID)	Johnip G. Cua	18 July 2014	1	1	100%	Since 2013
Member (NED)	Harry C. Tan	18 July 2014	1	1	100%	Since 2008
Non-Voting Member	Atty. Marivic T. Moya	18 July 2014	1	1	100%	Since 2004

**(d) Remuneration Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Johnip G. Cua	18 July 2014	1	1	100%	Since 2006
Vice Chairman (NED)	Washington Z. SyCip	18 July 2014	1	1	100%	Since 2006
Member (NED)	Harry C. Tan	18 July 2014	1	1	100%	Since 2008
Member (NED)	Lucio K. Tan Jr.	18 July 2014	1	1	100%	Since 2006
Member (NED)	Jaime J. Bautista	18 July 2014	1	1	100%	Since 2004

**(e) Investment Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Washington Z. SyCip	18 July 2014	2	2	100%	Since 2012
Member (ED)	Joseph T. Chua	18 July 2014	2	2	100%	Since 2005
Member (NED)	Lucio K. Tan Jr.	18 July 2014	2	2	100%	Since 2006
Member (NED)	George Y. SyCip	18 July 2014	2	2	100%	Since 2006
Member (NED)	Carmen K. Tan	18 July 2014	2	2	100%	Since 2012
Member (ID)	Johnip G. Cua	18 July 2014	2	2	100%	Since 2006

**(f) Risk Management Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jaime J. Bautista	18 July 2014	1	1	100%	Since 2010
Vice Chairman (NED)	Harry C. Tan	18 July 2014	1	1	100%	Since 2010
Member (ED)	Joseph T. Chua	18 July 2014	1	1	100%	Since 2010
Member (NED)	Lucio K. Tan, Jr.	18 July 2014	1	1	100%	Since 2010
Member (ID)	Johnip G. Cua	18 July 2014	1	1	100%	Since 2010
Member (ID)	Ben C. Tiu	18 July 2014	1	1	100%	Since 2013

**(g) Mining Committee**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Johnip G. Cua	18 July 2014	1	1	100%	Since 2007
Member (ED)	Joseph T. Chua	18 July 2014	1	1	100%	Since 2007
Member (NED)	George Y. Sycip	18 July 2014	1	1	100%	Since 2007
Member (NED)	Lucio K. Tan, Jr.	18 July 2014	1	1	100%	Since 2009

**3) Changes in Committee Members**

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
	NOTHING TO REPORT	

**4) Work Done and Issues Addressed**

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Meets weekly to discuss business operating results, including business risks management.	Mitigate any identified business risks, such as but not limited to the following: foreign currency risks, liquidity risks and other financial and non-financial risks.
Audit	Approves the scope of the audit for internal and external auditors.  Review and recommend approval of the audited financial statement to the Board of Directors.  Discussed with the internal and external auditors, the result of the audit done for the year	Recommends the approval of the audited financial statement for the year 2013.  Evaluate the performance of the committee through the self-assessment worksheet prepared in accordance with the committee charter and manual on corporate governance.
Nomination	Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and ensure that none of the disqualifications (as stated in our Amended Manual on Corporate Governance) are present.	Pre-screened and shortlisted all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications set in amended manual on corporate governance.

Remuneration	Review the established policy on executive remuneration and remuneration packages for corporate officers and directors.	Updated remuneration packages for corporate officers and directors are in place.
Risk Management	Helps the Board understand the risks the Group faces for the risks like: market, credit, liquidity, foreign exchange, equity and structural risks, interest rate risk, insurance, operational, regulatory, compliance and reputation, among others.	Reviewed the process and annual risk management plan implemented by the management to identify and manage the risks that might prevent the Company from achieving its strategic objectives.

#### 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Review of the results of operations and management of identified business risks.	Management of identified business risks to improve results of operations.
Audit	Compliance with the Audit Committee Charter	Possible non-compliance with the existing Audit Committee Charter.
Nomination	Review and evaluate qualifications of the nominated executive officers and directors of the company	Review the criteria in evaluating the qualifications and disqualifications of the executive officers and directors of the company.
Remuneration	Review and evaluate the remuneration packages given to the executive officers and directors of the company	Update the remuneration packages of the executive officers and directors of the company.
Others (specify)		

#### F. RISK MANAGEMENT SYSTEM

##### 1) Disclose the following:

###### (a) Overall risk management philosophy of the company;

To ensure a high standard of business practice for the Corporation and its stakeholders, the Board has established a process and an annual risk management plan to identify, manage, and report on the risks that might prevent the Company from achieving its strategic objectives.

###### (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

Through the Audit Committee a report is being issued on an annual basis which forms part of the annual report. The Internal and External Auditor meets separately with the Audit Committee to discuss the results of all audit works performed, including internal control evaluations and the overall substance of the MacroAsia Group's financial reports.

###### (c) Period covered by the review;

Year 2013

###### (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Risk Management system is reviewed annually. COSO ERM Framework is used in assessing the effectiveness of the risk management system.

(e) Where no review was conducted during the year, an explanation why not.

*Annual review is conducted.*

## 2) Risk Policy

### (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<i>Volatility of Foreign Exchange Rates</i>	<ul style="list-style-type: none"> <li>Engage in foreign exchange hedging transactions to minimize impact of losses from such fluctuation;</li> </ul>	<i>To minimize exposure to foreign exchange fluctuations.</i>
<i>Increased Liquidity</i>	<ul style="list-style-type: none"> <li>Investment in placements with better yields and hedged for foreign exchange volatility.</li> </ul>	<i>To generate better yields and limit investments to instruments with minimum exposure to significant risks.</i>
<i>Valuation of Non-Current Assets</i>	<ul style="list-style-type: none"> <li>Non-current assets are adjusted at fair values for impairment, recoverability and timing of reclassification.</li> </ul>	<i>To ensure that assets are fairly valued in accordance with generally accepted accounting principles.</i>

### (b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<i>Operational and financial risks of subsidiaries and affiliates</i>	<ul style="list-style-type: none"> <li>Group-wide monitoring process performed by executive/management committee held on a weekly basis.</li> </ul>	<i>To hold timely business reviews of each operating subsidiary and affiliate for operational and financial assessments, business risks evaluation and control process planning to mitigate and eliminate risks.</i>
<i>Global Economic Slowdown</i>	<ul style="list-style-type: none"> <li>Aggressive marketing, offering of innovative products and service;</li> <li>Optimizing resources and provision of quality services;</li> <li>Sustainable cost leadership efforts.</li> </ul>	<i>To continuously adopt a simultaneous approach of employing revenue generating strategies for both core and non-core businesses while cutting down on costs that will help maintain and expand client patronage.</i>
<i>Industry Regulations</i>	<ul style="list-style-type: none"> <li>Year-round preventive maintenance of helicopter units and equipments in accordance with the manufacturer's specifications;</li> <li>Employees year-round training program in order to keep up with the latest trends with emphasis on operational safety, reliability and customer service;</li> <li>Regular audits to ensure compliance with local and</li> </ul>	<i>To strictly comply with the stringent safety standards and procedures set by international and local industrial regulating agencies.</i>

	<p><i>international quality standards;</i></p> <ul style="list-style-type: none"> <li>• <i>Regular renewal of accreditations and certifications to ensure services are carried out in accordance with respective countries' aviations regulations.</i></li> </ul>	
<p><i>Competition</i></p>	<ul style="list-style-type: none"> <li>• <i>Maintain close relationships with airline clients, which in turn enables reciprocal arrangements for auxiliary aviation services;</i></li> <li>• <i>Strong backing of the Company's venture partners for a globally-competitive expertise and market reach;</i></li> <li>• <i>Operational funding requirements and adequate capital to continue and expand its existing businesses and develop or venture into new business activities.</i></li> </ul>	<p><i>To maintain operational track record and high quality of services coupled with competitive prices.</i></p>
<p><i>Volatility of Foreign Exchange Rates</i></p>	<ul style="list-style-type: none"> <li>• <i>Engage in foreign exchange hedging transactions to minimize impact of losses from such fluctuation;</i></li> </ul>	<p><i>To minimize exposure to foreign exchange fluctuations.</i></p>
<p><i>Valuation of Non-Current Assets</i></p>	<ul style="list-style-type: none"> <li>• <i>Non-current assets are adjusted at fair values for impairment, recoverability and timing of reclassification.</i></li> </ul>	<p><i>To ensure that assets are fairly valued in accordance with generally accepted accounting principles.</i></p>

**(c) Minority Shareholders**

**Indicate the principal risk of the exercise of controlling shareholders' voting power.**

<b>Risk to Minority Shareholders</b>
<p><i>The Board of Directors and Management are committed to respect and protect investor's rights and interests, whether majority or minority, at all times. In order to mitigate and eliminate risks arising from restriction of rights of minority and undue preference to controlling shareholders, the following provisions are being recognized by the Corporation as set out in our Amended Manual on Corporate Governance:</i></p> <ul style="list-style-type: none"> <li>• <i>A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</i></li> <li>• <i>It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.</i></li> <li>• <i>Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.</i></li> </ul>

### 3) Control System Set Up

#### (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Volatility of Foreign Exchange Rates Increased Liquidity	Established Investment Committee to perform oversight role on investment management functions.	<ul style="list-style-type: none"> <li>Utilized foreign exchange hedging to minimize impact of losses from foreign exchange fluctuations;</li> <li>Limit was set on the Company's foreign currency holdings to not more than 25% in US Dollar portfolio and hold the rest in local currency (at least 75% of the portfolio in Philippine Peso);</li> <li>Excess cash are considered for investment to placements with better yields.</li> </ul>
Valuation of Non-Current Assets	Established Audit Committee to perform oversight role on financial management functions.	<ul style="list-style-type: none"> <li>Periodic review of financial reports to ensure compliance with both the internal and regulatory requirements</li> <li>Recommends external auditors based on track record and qualifications and in consideration of management's proposal;</li> <li>Conducted discussions with external auditors on results of audit works, including internal control evaluations.</li> </ul>

#### (b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Operational and financial risks of subsidiaries and affiliates Global Economic Slowdown Industry Regulations Competition Volatility of Foreign Exchange Rates Valuation of Non-Current Assets	<p>As part of its Corporate Governance practice, a Risk Management Committee has been formed to assist the Board of Directors in fulfilling its oversight responsibilities with regards to managing inherent risks and control process with respect to such risks.</p> <p>As part of its group-wide monitoring process, an executive/management committee meeting is held on a weekly basis. The President/CEO presides over the meeting and is attended by the executive management team, as well as management heads of each operating subsidiary and affiliate. Business reviews of each operating subsidiary are done on a timely basis, to include operational and financial assessments, business risks evaluation and control process planning to mitigate or completely eliminate such risks.</p> <p>The MAC Group observes the following four-objective categories of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework as its standard:</p> <ul style="list-style-type: none"> <li>Strategy – goals that are supportive of the Group's objectives;</li> <li>Operations – effective and efficient use of resources;</li> </ul>	

	<ul style="list-style-type: none"> <li>• <i>Financial Reporting – reliability of operational and financial reporting;</i></li> <li>• <i>Compliance – adherence to applicable laws and Regulations.</i></li> </ul>
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**(c) Committee**

**Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:**

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
<i>Audit Committee</i>	<i>The Committee checks all financial reports in compliance with both the internal and regulatory requirements.</i>	<i>The Committee performs an oversight role on financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation.</i>
<i>Risk Management Committee</i>	<i>The Committee assists the Board in assessing the different types of risks to which the organization is exposed.</i>	<i>The Audit Committee Chairman is a member of the Risk Management Committee to ensure the flow of relevant information between the Audit and Risk Management Committees. The Risk Management Committee helps the Board understand the risks the Group faces and ensures that the management has implemented a process and an annual risk management plan to identify, manage, and report on the risks that might prevent the Company from achieving its strategic objectives.</i>
<i>Investment Committee</i>	<i>The Committee is the investment fiduciary for the prudent management of the Company’s investment portfolio.</i>	<i>The Committee has the exclusive authority to establish, execute and interpret investment policy statement for the portfolio. It monitors a transparent financial management system that will ensure the integrity of activities throughout the Company.</i>

**G. INTERNAL AUDIT AND CONTROL**

**1) Internal Control System**

**Disclose the following information pertaining to the internal control system of the company:**

**(a) Explain how the internal control system is defined for the company;**

*Internal control system is the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed.*

*Internal control is the system established by the Board of Directors and Management for the accomplishment of the Corporation's objectives, the efficient operation of its business, the reliability of its financial reporting and faithful compliance with applicable laws, regulations and internal rules.*

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;**

*The Audit Committee issues a report on an annual basis which forms part of the annual report available to the stakeholders through the company's website.*

*The Internal and External Auditor meets separately with the Audit Committee to discuss the results of all audit works performed, including internal control evaluations and the overall substance of the MacroAsia Group's financial reports.*

- (c) Period covered by the review;**

*Year ended December 31, 2013.*

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and**

*Internal controls are reviewed regularly through the reports of the auditors (internal and external) and representations made by management. COSO ERM framework is used in assessing the effectiveness of internal control system.*

- (e) Where no review was conducted during the year, an explanation why not.**

*Review of Internal controls is regularly conducted.*

## 2) Internal Audit

- (a) Role, Scope and Internal Audit Function**

**Give a general description of the role, scope of internal audit work and other details of the internal audit function.**

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p><i>To provide an independent, objective assurance and consulting services designed to add value to and improve the Corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.</i></p>	<p><i>The scope of work of the internal audit is to assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</i></p> <ul style="list-style-type: none"> <li><i>• Promoting appropriate ethics and values within the organization</i></li> <li><i>• Ensuring effective organizational performance</i></li> </ul>	<p><i>In-house</i></p>	<p><i>Allan P. Tabayan</i></p>	<p><i>Internal Audit reports administratively to the Management and functionally to the Audit Committee and/or Risk Management Committee.</i></p>

	<p><i>management and accountability</i></p> <ul style="list-style-type: none"> <li>• <i>Communicating risk and control information to appropriate areas of the organization</i></li> <li>• <i>Coordinating the activities of and communicating information among the board, external and internal auditors, and management</i></li> </ul> <p><i>To evaluate the risk exposures relating to, and the adequacy and effectiveness of the controls in responding to risks within the organization's governance, operations, and information systems regarding the:</i></p> <ul style="list-style-type: none"> <li>• <i>Achievement of the organization's strategic objectives</i></li> <li>• <i>Reliability and integrity of financial and operational information</i></li> <li>• <i>Effectiveness and efficiency of operations and programs</i></li> <li>• <i>Safeguarding of assets</i></li> <li>• <i>Compliance with laws, regulations, policies, procedures, and contracts.</i></li> </ul>			
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

*Yes, the committee reviews/approves the appointment and replacement of the internal auditor.*

- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

*Internal Audit reports administratively to the Management and functionally to the Audit Committee and/or Risk Management Committee. Internal Auditor/s have free and full access to all the Corporation’s records, properties, and personnel relevant to and required by its function and that the internal audit activity is free from interference in determining its scope, performing its work, and communicating its results.*

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm)and the reason/s for them.

Name of Audit Staff	Reason
	There is nothing to report

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	<i>The progress of the actual audit activity against annual internal audit plan is being monitored on a semi-annual basis and is reported to the management and Audit Committee</i>
<b>Issues<sup>6</sup></b>	<i>No Significant Issues noted.</i>
<b>Findings<sup>7</sup></b>	<i>No Significant Findings noted.</i>
<b>Examination Trends</b>	<i>The examinations are done mostly on the subsidiaries and investments of the company.</i>

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

*In all of its activities, the Internal Auditor follows the International Standards for the Professional Practice of Internal Auditing (the “Standards”).*

- 1) Preparation of an audit plan inclusive of a timeline and milestones;

*The audit planning process encompasses all activities related to the development of the internal audit plan and schedule, which includes determinations of the engagement’s objectives, scope, timing, and resource allocations. In undertaking this process the Internal Auditor must consider the following:*

- *Understanding the activity being reviewed and control environment*
- *Define factors to be used in assessing risk (Risk Assessment)*
- *Schedule audits and allocate Internal Audit resources according to the priorities established and the current level and expertise of Internal Auditor*

<sup>6</sup>“Issues” are compliance matters that arise from adopting different interpretations.

<sup>7</sup>“Findings” are those with concrete basis under the company’s policies and rules.

**2) Conduct of examination based on the plan;**

*The process of conducting the examination based on the plan is part of the Internal Audit Process. It includes the following:*

- *Engagement Planning*
  - *Establishing audit objectives and scope of work.*
  - *Obtaining background information about the activities to be audited.*
  - *Determining the resources necessary to perform the audit.*
  - *Communicating with all who need to know about the audit.*
  - *Performing, as appropriate, an on-site survey to become familiar with the activities and controls to be audited, to identify areas for audit emphasis, and to invite audited entity comments and suggestions.*
  - *Preparation of audit engagement work program and allocation of audit resources.*
  
- *Performing the engagement*
  - *Identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.*
  - *Information should be sufficient, reliable, relevant, and useful to achieve the engagement's objectives. Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organization meet its goals.*
  
- *Communicating results*
  - *Draft audit report*
  - *Review of draft audit report*
  - *Exit conference with auditee*
  - *Preparation of final audit report*
  - *Disseminate approved audit report*
  
- *Follow-up and monitoring*
  - *Follow-up audit*
  - *Disseminate approved report*

**3) Evaluation of the progress in the implementation of the plan;**

*The progress in the implementation of the plan is being monitored on a regular basis.*

**4) Documentation of issues and findings as a result of the examination;**

*Documentation of the issues and findings is done through the auditor's working paper. Working papers serve both as tools to aid the auditor in performing his work, and as written evidence of the work done to support the auditor's report. Information included in working papers should be sufficient, reliable, relevant, and useful to achieve the engagement's objectives.*

**5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;**

*This is done through the follow-up audit and monitoring process.*

**6) Conduct of the foregoing procedures on a regular basis.**

*The Internal Audit activities are being performed on regular basis through the Internal Auditor and Audit Committee.*

**(f) Audit Control Policies and Procedures**

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
<i>In all of its activities, the Internal Auditor follows the International Standards for the Professional Practice of Internal Auditing</i>	<i>Implemented</i>
<i>The Audit Committee shall review the appointment and replacement of the internal auditor</i>	<i>Implemented</i>
<i>The internal auditor shall report periodically to the Audit Committee regarding any significant deficiencies in the design or operation of the Company's internal controls, material weaknesses in the internal controls and any fraud (regardless of materiality) involving persons having a significant role in the internal controls, as well as any significant changes in internal controls implemented by management during the most recent reporting period of the Company, corporate governance issues and other matters requested by the Audit Committee or the Board of Directors.</i>	<i>Implemented</i>
<i>Internal Auditor/s have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results.</i>	<i>Implemented</i>
<i>The Committee shall review at least annually the structure, resources and performance of the Company's Internal Auditor/s. The Committee shall meet periodically with the Company's internal auditor to discuss the overall responsibilities and budget for the annual internal audit plan, including the adequacy of staffing and other factors that may affect the effectiveness and timeliness of the internal audit.</i>	<i>Implemented</i>

**(g) Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<ul style="list-style-type: none"> <li><i>The Internal Auditor is responsible to an individual in the organization with sufficient authority to</i></li> </ul>	<i>The Company does not provide any material information to any group of financial analysts, investment banks and rating agencies, therefore, no independence issue to be address. Material information are available to the general public after the disclosures made to PSE and/or SEC.</i>		

<p><i>promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.</i></p> <ul style="list-style-type: none"> <li>• <i>The Internal Auditor should have direct communication with the Board of Directors through the Audit Committee.</i></li> <li>• <i>The Audit Committee concurs in the appointment and/or removal of the Internal Auditor.</i></li> <li>• <i>The Internal Auditor should submit annually to management for approval and to the BOD for its information a summary of the audit work schedule, staffing plan, and financial budget.</i></li> <li>• <i>The Internal Auditor should submit activity reports to management and to the BOD annually or more frequently as necessary. Activity reports should highlight significant audit findings and recommendations.</i></li> <li>• <i>The Internal Auditor should not assume operating responsibilities. But if on occasion management directs the Internal Auditor to perform non-audit work, it should be understood that he/she is not functioning as Internal Auditor</i></li> </ul>	
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<ul style="list-style-type: none"> <li>• <i>Persons transferred to or temporarily engaged to do internal audit should not be assigned to audit those activities they previously performed until a reasonable period of time has elapsed</i></li> <li>• <i>The Internal Auditor should not accept anything of value from an employee, supplier, or business associate of the Company which would impair or be perceived to impair their professional judgment or objectivity</i></li> <li>• <i>Appointment of External Auditors requires majority vote of stockholders.</i></li> </ul>	
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**(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.**

- *Mr. Joseph T. Chua – President and CEO*
- *Atty. Marivic T. Moya – Compliance Officer*

**H. ROLE OF STAKEHOLDERS**

1) **Disclose the company’s policy and activities relative to the following:**

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	<i>The Company depends on its clients and should not be the other way around. Everyone is expected to give clients utmost courtesy and respect.</i>	<i>Clients should be attended promptly and never argue or quarrel with them. Should there be any matter that cannot be resolved, the matter should be referred to the concerned Department Head.</i>
Supplier/contractor selection practice	<i>Company profile is required for accreditation of suppliers. All major suppliers of goods and/or services should be a legitimate provider of such.</i>	<i>The company implements a bidding process for the selection of a supplier. All qualified suppliers of goods and/or services will be sent an invitation to submit bid proposals for evaluation.</i>

Environmentally friendly value-chain	<i>The company focuses on helping the community in protecting the environment.</i>	<i>The company is protecting the environment through tree planting activities coordinated with the academe.</i>
Community interaction		<i>Sponsoring activities related to traditions and festivities involving local community.</i>
Anti-corruption programmes and procedures?	<i>For the protection and preservation of the good name and reputation of the company, employees are expected to conduct their official business in the straightforward manner.</i>	<i>All directors, officers and employees are encouraged not to involve in any unauthorized solicitation / accepting directly or indirectly, money or anything in value from suppliers, creditors or other parties doing business with the Company in exchange for a favor, decision or service that may or maybe not be detrimental to the Company.</i>
Safeguarding creditors' rights	<i>It is in the company's values to honor the rights and belief of our employees, our customers, our shareholders, our suppliers and our community.</i>	<i>The management monitors the liquidity of the company and sees to it that the company will be able to settle its current and non-current obligations.</i>

**2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

*Yes. Corporate responsibility report/section is presented as part of our annual report.*

**3) Performance-enhancing mechanisms for employee participation.**

**(a) What are the company's policy for its employees' safety, health, and welfare?**

*In the implementation of Security and Safety Regulations, all employees are enjoined to:*

- 1. Subject themselves to routinary inspection. Employees should undergo frisking and inspection of their bags, attache' cases, packages and other belongings before leaving the Company premises.*
- 2. Use only entrances and exits that have been authorized and designated by Management*
- 3. Leave Company premises after the scheduled working time except when on overtime work. No one shall be allowed to loiter around, or go from one department to another where he is not authorized.*
- 4. Report all areas that have unsafe conditions and security risk problems. This would include all accidents and injuries that been incurred within the Company premises.*
- 5. Observe and be conscious of safety sign, which must not be removed or defaced.*
- 6. Refrain from selling products inside the Company premises specially during working hours*
- 7. Observe non-smoking areas*
- 8. Keep aisle and all passageways clear of unnecessary objects*
- 9. Wear the required uniforms, safety and hygienic gadgets while on duty*
- 10. Switch off or unplug lights and electrically operated machines or equipments when not in use. It is the responsibility of the person nearest to the light switch and to the air-conditioning unit to turn it off after office hours before leaving the office.*
- 11. Resigned or terminated employees shall not be allowed to enter Company premises without prior permission from HRD.*

*All regular employees of the company enjoyed the benefits of having a health care program provided by Health Organization.*

**(b) Show data relating to health, safety and welfare of its employees.**

*All regular employees are required to undergo annual physical examination. No work-related incidents or health concerns have been reported in the Company during the year.*

**(c) State the company's training and development programmes for its employees. Show the data.**

*The Company is committed to provide further training and education to all of its employees for the development of their fundamental knowledge and skills in the job they are performing and to create opportunities for advancement.*

*HRD will regularly conduct Training Need Evaluation to determine what training an employee needs. This is done in coordination with the employee's Supervisor or Department Head.*

**(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures**

*The company's system of incentives will help ensure (1) that overall corporate objectives are achieved; and (2) that the performance of each executive is suitably measured, evaluated and financially compensated.*

*In order to achieve an effective incentive system, all performance targets must be agreed in advance. It is thus the nature and quality of the target – agreement process that will determine whether the Performance Incentive Plan can offer a genuine additional management incentive through which, with extraordinary performance and application, even ambitious targets can be achieved.*

*Performance Incentive will be given for all levels if the minimum quantitative (strategy, budget and business plan) and qualitative ("soft" factors, some of which may not be directly measurable) targets set are achieved.*

**4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

*Any behavior or acts committed by an employee which the Company may have reasons to believe are violation of Company Rules and Regulations will be reflected in the Incident Report prepared by the immediate supervisor or by the reporting party.*

*If the reporting party is not the direct Supervisor of the employee, he should submit the form to the Supervisor of the concerned employee. It is the responsibility of the Supervisor to discuss with the concerned employee the reported violation or incident.*

*The concerned employee must acknowledge receipt of the Incident Report and explain within forty-eight (48) hours in writing the reason for such act.*

*The Supervisor, after evaluating the written explanation of the employee will make his recommendations and forward the same to HRD.*

*HRD will evaluate the case and determine if further investigation is necessary.*

*HRD will render the final decision within five (5) days from conclusion of the investigation. HRD will advise the employee in writing of its decision.*

*The decision of the HRD can be appealed in writing by the employees to the General Manager who will render its decision in writing within five (5) calendar days from receipt of the written appeal.*

*No decision on a case can be made by any Company Official without going through these procedures.*

*All investigation proceedings will be recorded in writing at all times and will form part of the case record.*

The Incident Report will be filed in the employee's 201 file.

**I. DISCLOSURE AND TRANSPARENCY**

**1) Ownership Structure (as of December 31, 2014)**

**(a) Holding 5% shareholding or more**

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corporation (Filipino)	201,922,076	16.37%	*
PAL Holdings, Inc. (formerly Baguio Gold Holdings Corporation)	88,000,000	7.13%	Trust Mark Holdings Corp. (89.78% ownership)
PCD Nominee Corporation (Non-Filipino)	85,627,492	6.94%	*
Conway Equities, Inc.	85,110,000	6.90%	Melito K. Tan– President

\*PCD Nominee Corp. (PCD) is a registered owner of certain shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participant, who hold shares on their behalf or in behalf of their clients. The securities are voted by the trustee's designated officers who are not known to the Company. None of the PCD Nominee Corporation (Filipino and Non-Filipino) account beneficially owns 5% or more of the Company's outstanding common shares.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>None of the senior management holds 5% or more ownership in MAC.</i>			
<b>TOTAL</b>			

**2) Does the Annual Report disclose the following:**

<b>Key risks</b>	Yes
<b>Corporate objectives</b>	Yes
<b>Financial performance indicators</b>	Yes
<b>Non-financial performance indicators</b>	Yes
<b>Dividend policy</b>	Yes
<b>Details of whistle-blowing policy</b>	No
<b>Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners</b>	Yes
<b>Training and/or continuing education programme attended by each director/commissioner</b>	Yes
<b>Number of board of directors/commissioners meetings held during the year</b>	Yes
<b>Attendance details of each director/commissioner in respect of meetings held</b>	Yes

Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes
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Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

*The Company has no written policy on whistle blower yet. To be formalized.*

3) External Auditor's fee (as of December 31, 2014)

Name of auditor	Audit Fee	Non-audit Fee
SyCipGorres and Velayo	P3,409,250* P1,270,000**	-

\* MAC Group

\*\* MAC Parent

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

*All material information about the Corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed.*

*Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.*

*All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the Commission;*

- 1. Other information that shall always be disclosed includes Board changes, related party transactions, shareholdings of Directors and changes to ownership;*
- 2. All disclosed information shall be released via the approved stock exchange procedure for Company announcements as well as through the annual report. The Corporation shall cause the filing of all required information for the interest of the stakeholders;*
- 3. The Board and Officers shall commit at all times to fully disclose material information dealings. The Corporation shall be compliant with disclosure rules and regulations being issued by competent authorities, specifically, but not limited to Sec 4.2 (Selective Disclosures of Material Information) of the Revised Disclosure Rules of the Philippine Stock Exchange.*

5) Date of release of audited financial report:

*April 15, 2014*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
<p><i>For detailed discussion of material related party transactions, please see Note 17 of the Company's Notes to Consolidated Financial Statements attached as part of SEC 17-A 2013 report. Except as otherwise disclosed in the annual report, there are no other parties that fall outside the definition of "related parties" under Philippine Accounting Standards (PAS) 24 with whom the Company or its related parties have a relationship that enabled the parties to negotiate terms of material transactions that may not be available from others or independent parties on an arm's length basis.</i></p>			

**When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?**

*All related party transactions are fully disclosed to the Board of Directors. Related party transactions are performed in the regular course of business and are conducted on an arm's length basis.*

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

**Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.**

<b>Quorum Required</b>	<i>Majority of the subscribed capital stock (entitled to vote) of the Corporation are represented in person or by proxy</i>
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(b) System Used to Approve Corporate Acts

**Explain the system used to approve corporate acts.**

<b>System Used</b>	<i>All corporate acts/resolutions are submitted to the SEC on an annual basis at the first quarter of every year.</i>
<b>Description</b>	<i>All corporate acts are subjected to ratification/approval of stockholders during the Annual Stockholders' Meeting.</i>

(c) Stockholders' Rights

**List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.**

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<i>Voting Right</i>	<i>All rights are in accordance with the Corporation Code.</i>
<i>Pre-emptive Right</i>	
<i>Power of Inspection</i>	
<i>Right to information</i>	
<i>Right to dividends</i>	
<i>Appraisal Right</i>	

**Dividends**

Declaration Date	Record Date	Payment Date
	NOTHING TO REPORT	

**(d) Stockholders' Participation**

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Measures Adopted	Communication Procedure
<i>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</i>	<i>Personal distribution of materials (through courier) for the annual stockholders' meeting are made at least 15 business days prior to meeting date. Notice of Meeting includes the date, time, venue and agenda of the meeting, the record date of stockholders entitled to vote, and the date and place of proxy validation.</i>
<i>It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.</i>	<i>All stockholders are encouraged participate in the Annual Stockholders' Meeting through the Question and Answer portion.</i>  <i>The Company has also designated investor relations officer to handle investor and shareholder queries and requests, and their contact information can easily be accessed through the Company's website.</i>
<i>The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.</i>	<i>All material information about the Corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed.</i>  <i>Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.</i>  <i>All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the Commission;</i> <ul style="list-style-type: none"> <li>• <i>Other information that shall always be disclosed includes Board changes, related party transactions, shareholdings of Directors and changes to ownership;</i></li> <li>• <i>All disclosed information shall be released via the approved stock exchange procedure for Company announcements as well as through the annual report. The Corporation shall cause the filing of all required information for the interest of the</i></li> </ul>

	<p>stakeholders;</p> <ul style="list-style-type: none"> <li>• The Board and Officers shall commit at all times to fully disclose material information dealings. The Corporation shall be compliant with disclosure rules and regulations being issued by competent authorities, specifically, but not limited to Sec 4.2 (Selective Disclosures of Material Information) of the Revised Disclosure Rules of the Philippine Stock Exchange.</li> </ul> <p>The Company continuously maintain its website to provide timely information updates on Its performance on operational, financial and corporate governance.</p>
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**2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:**

- a. **Amendments to the company's constitution**
- b. **Authorization of additional shares**
- c. **Transfer of all or substantially all assets, which in effect results in the sale of the company**

*Voting and Preemption Rights of Stockholders presented in the Company's Definitive Information Statement sent out to all stockholders as of record date*

*All outstanding common shares of the Company as of the record date for the purpose of the Annual Stockholder's Meeting are entitled to vote at the rate of one (1) vote per share.*

*A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected, multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.*

*Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in case (i) any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) of merger or consolidation.*

*The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the value of his shares. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. No payment shall be made to dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.*

**2. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

- a. **Date of sending out notices:**

*May 26, 2014*

**b. Date of the Annual/Special Stockholders' Meeting:**

July 18, 2014

**3. State, if any, questions and answers during the Annual/Special Stockholders' Meeting**

*No relevant questions were raised during the Annual Stockholders' Meeting held on 18 July 2014.*

**4. Result of Annual/Special Stockholders' Meeting's Resolutions**

Resolution	Approving	Dissenting	Abstaining
<p>A. Approved and ratified the following:</p> <p>1. The minutes of the Annual Stockholders' Meeting held on 19 July 2013</p> <p>2. The Annual Report and Audited Financial Statements for 2013 and</p> <p>3. All Acts, Proceedings and Resolutions of the Board of Directors and Management since 19 July 2013 up to 18 July 2014.</p>	<p>Stockholders representing 73.87% of the total issued and outstanding capital stock of the Corporation approved and ratified these matters.</p>	<p>None</p>	<p>None</p>
<p>B. Election of Directors</p>	<p>Stockholders representing 73.87% of the total issued and outstanding capital stock of the Corporation elected the directors of the Corporation.</p>	<p>None</p>	<p>None</p>
<p>C. Appointment of SGV &amp; Co. as External Auditor</p>	<p>Stockholders representing 73.87% of the total issued and outstanding capital stock of the Corporation appointed SGV &amp; Co. as external auditor.</p>	<p>None</p>	<p>None</p>

**5. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

*The results of the annual stockholders' meeting were immediately disclosed to the public through PSE's online reporting system(Edge) within the same date of the meeting (July 18, 2014). Likewise, SEC Form 17-C was submitted to the SEC within 5 days after the occurrence of the event.*

**(e) Modifications**

**State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:**

Modifications	Reason for Modification
<p>No modification made in the ASM regulations during the most recent year.</p>	

**(f) Stockholders' Attendance**

**(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:**

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
<b>Annual Stockholders' Meeting</b>	<u>Directors:</u> <ul style="list-style-type: none"> <li>• Washington Z. Sycip</li> <li>• Harry C. Tan</li> <li>• Joseph T. Chua</li> <li>• Carmen K. Tan</li> <li>• Lucio K. Tan, Jr.</li> <li>• Jaime J. Bautista</li> <li>• George Y. Sycip</li> <li>• Johnip G. Cua</li> <li>• Ben C. Tiu</li> </ul> <u>Officers:</u> <ul style="list-style-type: none"> <li>• Amador T. Sendin</li> <li>• Atty. Marivic T. Moya</li> <li>• Ramon N. Santos</li> </ul>	July 18, 2014	By show of hands	3.93%	69.94%	73.87%
<b>Special</b>	No special meeting held in 2014.					

**(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?**

*Yes, our trust agent Allied Bank is always present during the Annual Stockholders meeting for the said function.*

**(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**

*Yes, the company has only one class of shares (common) and each share carries one vote for one share.*

**(g) Proxy Voting Policies**

**State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.**

	Company's Policies
<b>Execution and acceptance of proxies</b>	<i>Any stockholders entitled to vote at any meeting of stockholders may vote either in person or by proxy. Every proxy shall be in writing, signed by the stockholder or his duly authorized attorney-in-fact, and dated, duly witnessed and acknowledged.</i>
<b>Notary</b>	<i>Not required</i>
<b>Submission of Proxy</b>	<i>All proxies must be duly presented to the Secretary for inspection and recording at least ten (10) business days before the opening of the meeting.</i>
<b>Several Proxies</b>	<i>Stockholders may vote at all meetings, the number of shares registered in their names, either in person or through a proxy duly appointed.</i>
<b>Validity of Proxy</b>	<i>No proxy shall be valid unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be</i>

	<i>voted at any meeting other than the one therein designated or any adjournment thereof.</i>
<b>Proxies executed abroad</b>	<i>Not applicable</i>
<b>Invalidated Proxy</b>	<i>Proxies filed with the Secretary may be revoked by the stockholder concerned in an instrument in writing duly presented and recorded with the Secretary at least six (6) days prior to a scheduled meeting. The presence of a stockholder shall be entitled to vote at such meeting in the same manner and with the effect as if he had not executed a proxy.</i>
<b>Validation of Proxy</b>	<i>Proxies filed with the Corporate Secretary are being validated together with the Corporation's Stock and Transfer Agent.</i>
<b>Violation of Proxy</b>	

**(h) Sending of Notices**

**State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.**

<b>Policies</b>	<b>Procedure</b>
<i>A written or printed notice of meetings, either regular or special, shall be cause to be delivered or mailed by Secretary to each stockholder of record at least (10) days prior to the date set for such meeting.</i>	<i>Distribution of meeting materials through personal delivery/courier to all entitled stockholders as of record date, at least 15 business days prior to meeting date. An affidavit shall be issued by the Stock and Transfer Agent that meeting materials were sent to all stockholders at least 15 business days prior to meeting.</i>

**(i) Definitive Information Statements and Management Report**

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	<i>866 stockholders were entitled to receive Definitive IS and Management Report.</i>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	<i>June 27, 2014</i>
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	<i>June 27, 2014</i>
<b>State whether CD format or hard copies were distributed</b>	<i>Materials in CD format were distributed.</i>
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	<i>All stockholders as of record date were provided hard copies of Definitive IS and Management Report upon their request.</i>

**(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

<b>Each resolution to be taken up deals with only one item.</b>	<i>Yes</i>
<b>Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.</b>	<i>Yes</i>
<b>The auditors to be appointed or re-appointed.</b>	<i>Yes</i>

An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

All the foregoing information was disclosed.

## 2) Treatment of Minority Stockholders

### (a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Voting Right	<p>1) Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</p> <p>2) Cumulative voting shall be used in the election of directors.</p> <p>3) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p>
Pre-emptive Right	<p>The Corporation's Amended Articles of Incorporation specifies that "no stockholder shall, because of his ownership of stock of the Corporation, have any pre-emptive right or other preferential right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying option or warrants to purchase stock of the Corporation. Any part of any such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Corporation pursuant to a resolution of its Board of Directors, without first offering such stock or securities or any part thereof to existing shareholders of the Corporation" (as amended in 1993 and 1987).</p>
Power of Inspection	<p>All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.</p>
Right to information	<p>1) The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the Company, relationships among Directors and key officers, and the aggregate compensation of directors and officers.</p> <p>2) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for</p>

	<p><i>legitimate corporate business purposes.</i></p> <p>3) <i>The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for.</i></p>
<p><i>Right to dividends</i></p>	<p>1) <i>Shareholders shall have the right to receive dividends subject to the discretion of the Board.</i></p> <p>2) <i>The Corporation shall be compelled to declare dividends when its Retained Earnings shall be in excess of 100% of its paid-in capital stock, except:</i></p> <p>a) <i>When justified by definite corporate expansion projects or programs approved by the Board or;</i></p> <p>b) <i>When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured or;</i></p> <p>c) <i>When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.</i></p>
<p><i>Appraisal Right</i></p>	<p><i>The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:</i></p> <p>1) <i>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 class, or of extending or shortening the term of corporate existence;</i></p> <p>2) <i>In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and</i></p> <p>3) <i>In case of merger or consolidation.</i></p>

**(b) Do minority stockholders have a right to nominate candidates for board of directors?**

*For purposes of election to the Board of Directors, any and all nominations shall be submitted to and received at the principal office of the Corporation at least thirty (30) days prior to the scheduled date of the Stockholders' Meeting and addressed to the attention of the Corporate Secretary.*

**K. INVESTORS RELATIONS PROGRAM**

- 1) **Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.**

*All announcements are reviewed by the Corporate Information Officer and must be approved by the Chief Executive Officer/President.*

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
<b>(1) Objectives</b>	<i>To provide a communication channels that is available not only to the investing public but also to the stakeholders.</i>
<b>(2) Principles</b>	<i>The company is guided by the principles of integrity, objectivity, accountability and transparency.</i>
<b>(3) Modes of Communications</b>	<i>Company Website: <a href="http://www.macroasiacorp.com">www.macroasiacorp.com</a> PSE Website: <a href="http://edge.pse.com.ph/">http://edge.pse.com.ph/</a> Through telephone number: (02) 840 – 2001; Email Address: <a href="mailto:info@macroasiacorp.com">info@macroasiacorp.com</a></i>
<b>(4) Investors Relations Officer</b>	<i>Ms. Jenna Mae V. Diaz Financial Accountant 12F PNB Allied Bank Center, 6754 Ayala Ave., Makati City Through telephone number: (02) 840 – 2001;</i>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

*Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in case (i) any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) of merger or consolidation.*

*The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the value of his shares. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. No payment shall be made to dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.*

*None of the proposed corporate actions of MacroAsia Corporation however qualifies as an instance, which allows the exercise by the stockholders of their appraisal rights.*

**Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.**

*Not Applicable. There were no related transactions similar to the above.*

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<i>Livelihood program</i>	<i>Indigenous People/Residence of Brooke's Point, Palawan</i>
<i>Educational program</i>	<i>People from Brooke's Point, Palawan</i>
<i>Scholarship program</i>	<i>Indigenous People of Brooke's Point, Palawan</i>

Contributions to fund the construction of different schools	<ul style="list-style-type: none"> <li>- Students of Liwanay Elementary School in South Cotabato</li> <li>- Students of Calungboyan Elementary School in Ilocos Sur</li> <li>- Students of Talaga Elementary School in Tanauan, Batangas</li> <li>- Students of C.P. Sta. Teresa Elementary School in Taguig</li> </ul>
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**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
<b>Board of Directors</b>	<i>The Board of Directors conduct an assessment of its performance through a self-assessment worksheet that has been prepared based on its responsibilities incorporated in the Revised Manual on Corporate Governance</i>	
<b>Board Committees</b>	<i>The Committee conduct an assessment of its performance through a self-assessment worksheet that has been prepared based on its responsibilities incorporated in the Revised Manual on Corporate Governance</i>	
<b>Individual Directors</b>	<i>The Board of Directors conduct an assessment of its performance through a self-assessment worksheet that has been prepared based on its responsibilities incorporated in the Revised Manual on Corporate Governance</i>	
<b>CEO/President</b>	<i>The Members of the Board conduct an assessment of the CEO/President's performance through an assessment worksheet that has been prepared based on the responsibilities incorporated in the Revised Manual on Corporate Governance</i>	

**N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
<i>First Violation</i>	<i>Violator/s shall be reprimanded</i>
<i>Second Violation</i>	<i>Violator/s shall be suspended from office; duration will depend on the gravity of the violation</i>
<i>Third Violation</i>	<i>Violator/s shall be removed from office</i>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

**SIGNATURES**

\_\_\_\_\_  
WASHINGTON Z. SYCIP  
**Chairman of the Board**

\_\_\_\_\_  
JOSEPH T. CHUA  
**Chief Executive Officer**

\_\_\_\_\_  
JOHNIP G. CUA  
**Independent Director**

\_\_\_\_\_  
ATTY. MARIVIC T. MOYA  
**Compliance Officer**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ ,affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	Tax Identification #
WASHINGTON SYCIP	106-215-942
JOSEPH T. CHUA	168-487-675
JOHNIP G. CUA	120-146-639
ATTY. MARIVIC T. MOYA	133-996-977

**NOTARY PUBLIC**

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Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of \_\_\_\_\_

## SECRETARY'S CERTIFICATE

I, **FLORENTINO M. HERRERA III**, Filipino, of legal age, with office address at 5/F SGV II Building, 6758 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **MACROASIA CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 12<sup>th</sup> Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

2. Pursuant to Securities and Exchange Commission ("SEC") Memorandum Circular No. 12, Series of 2014, I am issuing this certification on the changes to the Corporation's Annual Corporate Governance Report ("ACGR") for the year 2014.

### Summary of Consolidated Changes in the ACGR for 2014

Description of Changes	Event	Basis and Date of Filing with SEC
Shareholdings in the Corporation	Change in Shareholdings of Mr. Joseph T. Chua	SEC Form 23-B of Mr. Joseph T. Chua filed with the SEC on 21 April 2014
Shareholdings in the Corporation	Change in Shareholdings of Mr. Joseph T. Chua	SEC Form 23-B of Mr. Joseph T. Chua filed with the SEC on 11 July 2014
Composition of the Board	Annual Stockholders' Meeting held on 18 July 2014	SEC Form 17-C filed with the SEC on 21 July 2014  Minutes of the 18 July 2014 Annual Stockholders' Meeting posted in the Corporation's website on 23 July 2014
Voting Results of the last Annual General Meeting	Annual Stockholders' Meeting held on 18 July 2014	Minutes of the 18 July 2014 Annual Stockholders' Meeting posted in the Corporation's website on 23 July 2014

Description of Changes	Event	Basis and Date of Filing with SEC
Stockholders' Attendance	Annual Stockholders' Meeting held on 18 July 2014	Minutes of the 18 July 2014 Annual Stockholders' Meeting posted in the Corporation's website on 23 July 2014
External Auditor	Annual Stockholders' Meeting held on 18 July 2014	SEC Form 17-C filed with the SEC on 21 July 2014  Minutes of the 18 July 2014 Annual Stockholders' Meeting posted in the Corporation's website on 23 July 2014
Committee Members	Organizational Meeting of the Board of Directors held on 18 July 2014	SEC Form 17-C filed with the SEC on 21 July 2014
Orientation and Education Program	Completion of Corporate Governance Seminar of Messrs. George Sycip & Johnip Cua	Advisement letter to SEC dated 12 August 2014 filed with the SEC on the same date
Orientation and Education Program	Completion of Corporate Governance Seminar of Mr. Joseph T. Chua	Advisement letter to SEC dated 29 August 2014 filed with the SEC on the same date
Orientation and Education Program	Completion of Corporate Governance Seminar of Mr. Harry Tan and Ms. Carmen Tan	Advisement letter to SEC dated 29 August 2014 filed with the SEC on the same date
Orientation and Education Program	Completion of Corporate Governance Seminar of Directors and Executive Management	Advisement letter to SEC dated 22 October 2014 filed with the SEC on the same date
Orientation and Education Program	Completion of Corporate Governance Seminar of Mr. Washington Z. SyCip	Advisement letter to SEC dated 9 December 2014 filed with the SEC on the same date

Description of Changes	Event	Basis and Date of Filing with SEC
Officers	Resignation of Atty. Marivic Moya and election of Atty. Florentino M. Herrera III as Corporate Secretary of the Corporation	SEC form 17-C filed with the SEC on 17 December 2014
Attendance of Directors	Attendance of Directors in Board Meetings from 1 January 2014 up to 31 December 2014	Advisement letter to SEC dated 7 January 2015 filed with the SEC on the same date
Disclosure of Related Party Transactions	Annual Report	SEC Form 17-A for the fiscal year ending 31 December 2013 filed with the SEC on 15 April 2014
Definitive Information Statements and Management Report	Definitive Information Statement (SEC Form 20-IS) and Management Report for the 18 July 2014 Annual Stockholders' Meeting	Definitive Information Statement (SEC Form 20-IS) and Management Report for the 18 July 2014 Annual Stockholders' Meeting filed with the SEC on 19 June 2014

3. A copy of the Minutes of the 18 July 2014 Annual Stockholders' Meeting of the Corporation, which is the basis for the changes in the composition of the Board, attendance, voting results and other results of the last annual general meeting, and external auditor, is attached hereto as Annex "A".

4. The foregoing is in accordance with the records of the Corporation in my possession.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 12<sup>th</sup> day of January 2015 at Makati City.



**FLORENTINO M. HERRERA III**  
Corporate Secretary

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

SUBSCRIBED AND SWORN, to before me this 12<sup>th</sup> day of January 2015 at Makati City, affiant exhibiting to me his Community Tax Certificate No. 10889629 issued on 27 January 2014 at Makati City and Republic of the Philippines Passport No. EB1948842 issued on 19 February 2011 at Manila.

Doc. No. 504;  
Page No. 102;  
Book No. I;  
Series of 2015.

SC-ACGR 2014  
LTC USR/MAC

*Clarisse Ann Marie M. De La Cruz*  
**CLARISSE ANN MARIE M. DE LA CRUZ**  
Notary Public  
Until 31 December 2015  
PTR No. 4421870 / Makati / 30 June 2014  
IBP LM No. 012622 / Laguna / Lifetime Member  
Appointment No. M-530  
ROLL OF ATTORNEY NO. 63471  
SF SGV II BLDG., 6758 AYALA AVE.,  
MAKATI CITY





# **MACROASIA CORPORATION AND SUBSIDIARIES**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

**For the First Quarter and  
Period Ended March 31, 2015**

## **PART I. FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

Our unaudited condensed consolidated financial statements include the accounts of MacroAsia Corporation and its subsidiaries, collectively referred to as the “the Group” in this report.

The unaudited condensed consolidated financial statements for the first quarter ended March 31, 2015 have been prepared in accordance with Philippine Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements which are filed as Annex 1 of this report, do not include all the information required by generally accepted accounting principles in the Philippines (Philippine GAAP) for complete financial statements as set forth in the Philippine Financial Reporting Standards (PFRS).

### **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The main objective of this MD&A is to help the readers understand the dynamics of our Group’s businesses and the key factors underlying our financial results. Hence, our MD&A is comprised of discussions about our core business units and our analysis of the results of their operations. This section also focuses on key statistics from the unaudited condensed consolidated financial statements and discusses known risks and uncertainties relating to the aviation industry in the Philippines where we operate during the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general, economic, political and environmental conditions after the stated reporting period or after the date of this report.

Our MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes. All financial information is reported in Philippine peso (₱), unless otherwise stated.

Any references in this MD&A to “we, us, our, MacroAsia and Group” means the MacroAsia Group and references to the “Company” means MacroAsia Corporation, not including its subsidiaries.

Additional information about the Group which includes annual and quarterly reports can be found in our corporate website, [www.macroasiacorp.com](http://www.macroasiacorp.com).

## **BUSINESS OVERVIEW**

### **MacroAsia Corporation**

MacroAsia Corporation (the Company or MAC) is a publicly-listed company, incorporated in the Philippines on February 16, 1970, under the name Infanta Mineral and Industrial Corporation to primarily engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Company's Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation. MAC began commercial operations as a holding company under its amended charter in 1996.

MAC, through its subsidiaries and associates, is presently engaged in aviation-related support businesses. It provides in-flight and institutional catering services, airport ground handling services, aircraft maintenance, repairs and overhaul (MRO) services, charter flight services, and operates an economic zone at the Ninoy Aquino International Airport (NAIA). Its subsidiaries or associated companies render services directly to airline customers/locators at NAIA, Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA) and Kalibo International Airport (KIA) and other General Aviation Areas, generating both local and export revenues. A subsidiary of MAC also provides exploratory drilling services for 3<sup>rd</sup> party clients. Another subsidiary is also pursuing revenue-generating activities arising from water treatment or bulk water supply using surface water sources and water distribution in areas outside of Metro Manila.

MAC continues to operate mainly through its four (4) wholly and one (1) majority owned subsidiaries and two (2) affiliates, as fully discussed below.

### **MacroAsia Catering Services, Inc.**

MacroAsia Catering Services, Inc. (MACS) was incorporated on November 5, 1996, then with a corporate name of MacroAsia-Eurest Catering Services, Inc. (MECS), to primarily provide in-flight catering services at the NAIA and the MDA. When MACS started commercial operations on September 1, 1998, it was a joint venture between MAC (67%) and two foreign partners: Singapore Airport Terminal Services (SATS, at 20%) and Compass Group International B.V. (then known as Eurest International B.V., at 13%). By mutual agreement of the three JV partners, a sale and purchase agreement with Compass Group International B.V. was executed on June 28, 2006 whereby MAC acquired the 13% shareholdings of the Compass Group. Since then, MACS continues to operate as a joint venture between MAC (80%) and SATS (20%). In the same year, the Board of Directors of MACS decided to change its company name to MacroAsia Catering Services Inc.

MACS' in-flight kitchen facility is situated on a two-hectare lot being leased from the MIAA. It has an initial design capacity of approximately 10,000 meals a day. MACS' operations is under a concession agreement with Manila International Airport Authority (MIAA) that grants the right to operate an in-flight catering service for civil and/or military aircraft operating at the NAIA and/or Manila Domestic Airport. MACS secures such right by

remitting the monthly Concessionaire's Privilege Fee (CPF) to MIAA, equivalent to 7% of its gross sales.

MACS consistently complies with both international and local hygiene standards and environmental regulations. It is the only in-flight caterer in the Philippines that holds an ISO certification, in addition to Hygiene and Food Safety, HACCP and HALAL certificates conferred by independent and professional certifying organizations. It has a fully-equipped laboratory manned by in-house microbiologists to ensure that high standards are maintained at all times.

Capturing more than 63% of the in-flight catering market, MACS is the catering service provider to 13 full-service foreign carriers and 2 cargo freighters plus 10 VIP and General Aviation clients, 3 airport lounges operating at the NAIA and 4 institutional accounts. MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. The most recent award is the Gold Award given by Cathay Pacific on its recently concluded Caterers' Performance Recognition Program (CPRP) for 2014. This is the 3<sup>rd</sup> award received for 3 consecutive years. In 2013 MACS was given the Gold Award surpassing 46 caterers among the Cathay Pacific network, worldwide and in 2012, MACS bagged the Diamond Award, the highest recognition in Cathay Pacific's CPRP, indicating that MACS is the best among 40 catering stations in the Cathay Pacific network, worldwide. This followed the Silver Award for 2012 performance received by MACS from Dragon Air, as MACS got recognized for top performance among the 24 catering stations in Dragon Air's network. MACS also was recognized this year by All Nippon Airways (ANA), as the "Gold Award winner for The Best Short Haul Caterer 2012", besting 12 other caterers in ANA's short-haul network.

MACS is currently providing food services management and meals to a number of non-airline institutional clients outside NAIA. This business has grown in line with the expansion plans of MACS to go beyond its airline catering portfolio. Because of the significant growth of this business, MACS is currently setting up a new food commissary near the West Service Road, Muntinlupa City, to service the food production requirements of institutional clients and to support the inflight kitchen inside NAIA as well. The property for this commissary will be leased from MacroAsia Properties which owns several lots and a 3-storey building in the aforementioned area.

### **MacroAsia Airport Services Corporation**

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales.

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. (formerly Ogden Water Systems of Muscat B.V.). Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. Subsequently, on April 12, 2007, MAC acquired the 30% share of Menzies, making MASCORP a wholly owned subsidiary of MAC.

On July 2, 1999, a wholly-owned subsidiary of MASCORP, Airport Specialists' Services Corporation (ASSC), was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. The effective ownership of MAC in ASSC was thus increased from 70% to 100%. Through the restructuring, MAC effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

MASCORP's operations is dependent upon its concession agreements with MIAA and GMR Megawide Cebu Airport Corporation (GMCAC), which grants the company the right to operate ground handling services in NAIA and MCI terminal. MASCORP secures such right by paying the monthly concession privilege fees on time.

Through its aggressive marketing efforts, capability to offer a total aviation product (in synergy with the catering and MRO business of MAC), and competitiveness, MASCORP is currently increasing its market share at NAIA, with services rendered for key local clients based in Terminal 2 and Terminal 3. Among the ground handlers in Manila, MASCORP is the only service provider present in three terminals (Terminal 1, 2, and 3). Aside from NAIA, MASCORP is also operating in Mactan Cebu International Airport and Kalibo International Airport.

### **MacroAsia Properties Development Corporation**

MacroAsia Properties Development Corporation (MAPDC), another wholly-owned subsidiary, was incorporated on June 4, 1996 to primarily engage in the acquisition, development and sale of real properties. After it completed its first infrastructure project in 1997 and following the Asian economic crisis, the company suspended pursuing further property development projects as a core business and refocused its efforts on aviation-support activities.

On August 31, 2000, MAPDC was registered as an Ecozone Developer/Operator with the Philippine Economic Zone Authority (PEZA), and as such, it enjoys tax incentives. It restarted commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with Lufthansa Technik Philippines, Inc. (LTP) as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

MAPDC has a 25-year lease covering the 23-hectare property occupied by the Ecozone with the Manila International Airport Authority (MIAA). Today, the MacroAsia Special Ecozone is the only operational ecozone at the NAIA.

MAPDC is the subsidiary that serves as a vehicle for the entry of MAC into the water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has ongoing projects in provinces outside of Metro Manila. Revenues from its first major water project in one town north of Luzon is expected to be generated this second half of 2015. This project entails the treatment of

surface water from a river, and the piped distribution of the treated water to the homes of residents in the town.

Early in 2014, MAPDC acquired a 3-storey building in Muntinlupa City, close to the Sucat expressway, which will be developed and leased out to MacroAsia Catering as the commissary for food services to non-airline clients.

### **MacroAsia Air Taxi Services, Inc.**

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines.

MAATS started commercial operations in October 1996. It has since been leasing MAC's Ecureuil AS350-B2, a 5-passenger helicopter aircraft for its chartering business. It is powered by a Turbomeca Arriel engine that has a float kit reserved for emergency water landing requirements. Revenues derived from chartering operations are 100% domestic, with majority of its customers being local businessmen or corporate accounts.

MAATS is duly licensed by the Civil Aeronautics Board (CAB), as well as an Air Operator Certificate (AOC) and Certificate of Airworthiness issued by the Civil Aviation Authority of the Philippines (CAAP). MAATS is greatly dependent on the two aforementioned licenses, without which the company cannot provide charter services to the public. Both licenses have to be renewed annually. As part of its safety standard, the company ensures that its helicopter receives a year-round preventive maintenance in accordance with the manufacturer's specifications and complies with the stringent requirements of the CAB and CAAP.

MAATS adheres to the stringent safety standards and procedures set by the local regulating agencies. The company's pilot and mechanics undergo mandatory training programs to enrich their expertise and to keep up with the latest trends in operational safety, efficiency and customer service, a practice that has lifted the company ahead of its competitors. MAATS is recognized as one of the best players in the helicopter charter service industry in the country.

MAATS also provides support services for fixed-based operators, as well as specialized ground handling services for executive jets and similar specialized aircraft.

### **MacroAsia Mining Corporation**

MacroAsia Mining Corporation, another wholly owned subsidiary, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained.

MMC is now geared towards the provision of consultancy and mining exploration services, focusing on nickel areas. On August 24, 2012, the Company entered into a Contract for Service Agreement with a third party to render exploratory drilling and sampling of nickel

laterite services on the third party's mining tenement. This year, it has signed another exploration contract with another mining company for nickel exploration services.

### **Lufthansa Technik Philippines, Inc.**

Lufthansa Technik Philippines, Inc. (LTP) is a joint venture between MAC (49%) and Lufthansa Technik AG of Germany (51%). It is the only company which provides a wide range of aircraft maintenance, repair and overhaul services at the NAIA, DMIA, MCIA and Davao International Airport.

Following the signing of the joint venture agreement on July 12, 2000, and its subsequent registration with the PEZA as an economic zone locator on August 30, 2000, LTP started its commercial operations on September 01, 2000. Since then, it has been recognized as an outstanding company that has consistently generated export revenues for the country.

On February 10, 2012, LTP opened its third aircraft hangar to accommodate maintenance works for the Airbus A380, the world's biggest and most technologically advanced commercial aircraft today.

LTP continues to have Philippine Airlines (PAL) as its main client in providing aircraft maintenance, repair and overhaul services from its facility in NAIA. Other global clients include among others – Asiana Airlines, ANA, Air Nuigini, China Airlines, Etihad Airways, Eva Air, Gulf Air, Japan Airlines, Korean Air, Qatar Airways and Royal Brunei Airlines. Moreover, other international airlines including those with non-scheduled flights to Manila also avail of LTP's MRO expertise. These include Lufthansa German Airlines, Virgin Atlantic, Qantas Airways, Indigo, Jetstar Japan, Jetstar Airways, Vietjet Air and Vietnam Airlines to name a few.

In a showcase of continuing trust in 2014, nine airlines renewed their alliances with LTP. For line maintenance, these were Air Busan, Asiana Airlines, China Airlines, Emirates Airlines, Etihad Airways, Japan Airlines Jeju Air, Jin Air and Royal Brunei Airlines. For base maintenance, Qantas entrusted the performance of two C4 checks to LTP after the successful conclusion of its A380 cabin reconfiguration. This is a major step for LTP to further strengthen its capabilities in base maintenance for the A380.

Aviation authorities/agencies from the respective countries of origin of these airline clients issue licenses/certificates to LTP for its accreditation to provide MRO services to the aforementioned associated airlines. It is certified by 33 airworthiness organizations worldwide as a qualified provider of aircraft MRO services including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Industry (FAA) and European Aviation Safety Agency (EASA). It also holds an EASA 21 Design organization extension from Lufthansa Technik AG, enabling them to create in-house change/repair designs. The extent of LTP's work/services largely depends on these certifications, which describe/specify that LTP's services must be carried out in accordance with the respective countries' aviation regulations. These certifications are renewed either annually or every two years.

In 2015, LTP expects to complete the modification and extension of two hangars into a second A380 hangar. Construction work is currently ongoing and the 2<sup>nd</sup> A380 hangar is expected to be operational by November 2015. LTP expects to have strong base maintenance revenues, strengthened by its competitive advantage of being the only MRO provider in the Philippines that can service two A380 planes at the same time.

LTP also has a concession agreement with MIAA upon which the company's business operations is highly dependent. The agreement grants the company the right to operate as a provider of aircraft MRO services at NAIA Terminals 1, 2, and 3. LTP secures such right by yearly renewal of the agreement and paying the monthly CPF (7% of gross revenue) on time.

### **Cebu Pacific Catering Services, Inc.**

Cebu Pacific Catering Services, Inc. (CPCS) is MacroAsia's first in-flight catering venture which started commercial operations in October of 1996. MAC has 40% equity in this joint venture, while its partners - Cathay Pacific Catering Services of Hongkong and MGO Pacific Resources Corporation hold 40% and 20% equity, respectively.

CPCS is the first and presently still the only full-service airline catering company at the MCI A. CPCS is an economic zone locator covering 3,050 sqm in Mactan, Cebu and services both domestic and international airlines.

CPCS owns a two-storey kitchen facility designed to fully meet projected total airline catering demands and to easily accommodate future expansion. The facility is capable of producing over 3,000 meals a day in accordance with stringent international hygiene standards. The facility was designed and developed by Cathay Pacific Catering Services (HK). With its current portfolio of clients, the facility still has excess capacity to serve the requirements of Mactan Cebu International Airport in the years to come.

CPCS is presently serving an average of 1,300 meals a day, using local raw materials for its menus. It procures its raw materials from the local market and does not have any major raw materials supply contracts. CPCS services Philippine Airlines, Korean Air and Asiana Airlines as well as local airlines like Cebu Pacific and AirAsia Zest Airlines.

As the only full-service airline catering company in Cebu, CPCS expects to provide most if not all of the catering services for future ex-Cebu flights to other regional destinations.

## KEY PERFORMANCE INDICATORS

(in thousands except for ratios)

### March 31, 2015 and 2014

The Company uses major performance measures or indices to track its business results. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year. Among the measures are the following:

#### Return on Net Sales (RNS)

This ratio measures the amount of income, after all costs and expenses, including taxes are deducted, for every peso of net revenue earned.

		2015	2014
Return on Net Sales	$= \frac{\text{NI attributable to Equity Holder of Parent}}{\text{Total Net Revenues}}$	$= \frac{\text{₱ 97,734}}{435,186}$	$= \frac{\text{₱ 39,900}}{398,142}$
		<u>22.46%</u>	<u>10.02%</u>

The increase in the consolidated RNS is caused by the income contributed by LTP as compared to last year's contribution of earnings. This profitability was brought about by PAL as being one of the main clients of LTP. The revenue growth and sustained profitability of the catering and ground handling subsidiaries also contributed to the doubling up of the RNS.

#### Return on Investment (ROI)

This ratio measures the amount of income earned on invested capital.

		2015	2014
Return on Investment	$= \frac{\text{NI attributable to Equity holder of Parent}}{\text{Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent}}$	$= \frac{\text{₱ 97,734}}{2,917,381}$	$= \frac{\text{₱ 39,900}}{2,681,180}$
		<u>3.35%</u>	<u>1.49%</u>

The ROI increased primarily because of the current period's income contribution of our MRO associate, LTP. The ROI was also affected by the interest bearing loans obtained by our ground-handling subsidiary, MASCORP.

#### Return on Equity (ROE)

This KPI is a measure of the owner's return for every peso of invested equity.

		2015	2014
Return on Equity	$= \frac{\text{NI attributable to Equity holder of Parent}}{\text{Total Equity holder of Parent}}$	$= \frac{\text{₱ 97,734}}{2,837,982}$	$= \frac{\text{₱ 39,900}}{2,576,420}$
		<u>3.44%</u>	<u>1.55%</u>

The increase in the ROE resulted basically from the higher income contribution of our associate, LTP and the net income growth of our catering and ground handling subsidiaries.

### Direct Cost and Expense Ratio

This ratio measures the average rate of direct costs and expense on products/services sold.

		2015	2014
Direct Cost Ratio	$= \frac{\text{Total Direct Cost}}{\text{Total Net Revenues}}$	$= \frac{\text{₱ 324,350}}{435,186}$	$= \frac{\text{₱ 310,588}}{398,142}$
		<u>74.53%</u>	<u>78.01%</u>
Operating Expense Ratio	$= \frac{\text{Total Operating Expenses}}{\text{Total Net Revenues}}$	$= \frac{\text{₱ 96,311}}{435,186}$	$= \frac{\text{₱ 82,204}}{398,142}$
		<u>22.13%</u>	<u>20.65%</u>

Direct costs increased mainly due to increases in food costs and labor costs aligned with increase in operational requirements, government regulations, higher repairs and maintenance charges on ground support equipment. Operating expense ratio exhibited an increase due to higher manpower costs of our catering subsidiary and water related projects.

### Current Ratio

This ratio measures the group's ability to settle its current obligations.

		2015	2014
Current Ratio	$= \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	$= \frac{\text{₱ 1,279,727}}{296,147}$	$= \frac{\text{₱ 1,402,560}}{351,598}$
		<u>4.32 : 1</u>	<u>3.99 : 1</u>

The company maintained its healthy current ratio as compared to the same period last year.

### Debt-to-Equity Ratio

This ratio indicates relationship of the group's debt to the equity of the owners.

		2015	2014
Debt-to-Equity Ratio	$= \frac{\text{Total Interest-bearing Debts}}{\text{Total Equity}}$	$= \frac{\text{₱ 79,398}}{2,912,925}$	$= \frac{104,760}{2,640,940}$
		<u>0.027 : 1</u>	<u>0.039 : 1</u>

Interest bearing debts were availed by MASCORP near-end of 2013 and on the first quarter of 2014 for general corporate purposes and to finance payment of its liabilities arising from its re-fleeting of ground support equipment.

### Interest Coverage Ratio

This ratio measures the number of times a company could make the interest payments on its debt with its earnings before interest and taxes.

		2015	2014
Interest Coverage Ratio	$= \frac{\text{Total Earnings before Interest and Taxes}}{\text{Interest Expense}}$	$= \frac{\text{₱ 110,144}}{910}$	$= \frac{\text{₱ 49,253}}{523}$
		$= \underline{121.04 : 1}$	$= \underline{94.17 : 1}$

Interest bearing debts were availed by MASCORP near-end of 2013 and on the first quarter of 2014 to be used in general corporate purposes and to finance the payment of its liabilities.

### Asset-to-Equity Ratio

This ratio measures the company's leverage and long-term solvency.

		2015	2014
Asset-to-Equity Ratio	$= \frac{\text{Total Assets}}{\text{Total Equity}}$	$= \frac{\text{₱ 3,419,076}}{2,912,925}$	$= \frac{\text{₱ 3,235,043}}{2,640,940}$
		$= \underline{1.17 : 1}$	$= \underline{1.22 : 1}$

The Asset-to-Equity Ratio did not have a significant change compared to last year, signifying the stability of the company's leverage and long-term solvency.

## RESULTS OF OPERATION

The Group recorded a consolidated net income after tax of ₱100.7 million for the first quarter of 2015, exhibiting a positive variance of ₱58.5 million as compared to the consolidated net income after tax of ₱42.3 million during the same period last year. The increase is largely yielded by MAC's share in the net income of its MRO associate, LTP, accompanied by the continuing profits from our associate in Cebu and our catering and ground handling subsidiaries.

Revenue from operations amounted to ₱435 million, a growth of ₱37 million from last year's consolidated operating revenues of ₱398 million. MACS' in-flight and other catering revenues of ₱262 million comprise 60% of our total consolidated operating revenues. The ₱16 million increase in MACS' revenues is primarily attributable to the higher meal count as compared to the prior year while the income from institutional accounts remained at the same level. Ground handling and aviation revenues of ₱120 million grew by 17% from last year's ₱103 million due to higher non-routine revenues. Rental and administrative

revenues remained almost the same with last year because lease rental is being accounted for on a straight-line basis over the lease term, in compliance with Philippine Accounting Standards (PAS) 17. Revenue derived from chartered flights of ₱2.9 million is higher by ₱0.3 million as compared to previous year's ₱2.6 million due to a slight increase in clients serviced this year.

The Group's mining business segment contributed ₱3.9 million revenue stream as of the current period attributable to the provision of exploration services for a 3<sup>rd</sup> party mining company client. During the same period in the prior year, the exploration services have not generated revenues yet.

Total direct costs for the first quarter of the year reached ₱324 million, posting an increase of 4% or ₱14 million from the same period in 2014. The increase in the current year is driven primarily by higher food and labor costs of our catering subsidiary attributable to the expansion of institutional accounts handled, higher repairs and maintenance charges of our operating subsidiaries and the increase in mining expenses incurred in preparation of the startup of another client for exploration services in the second quarter of this year. Consolidated operating expenses increased by ₱14.1 million from last year's ₱82 million due to the higher manpower requirement of the parent company and our water related subsidiaries. This also includes start-up costs of the said water related subsidiaries, some of which are expected to bring in income on the 3<sup>rd</sup> quarter of 2015.

Interest income of ₱2 million remained at almost the same level as at the end of the previous year. Equity in net income/loss of associates amounting to ₱92 million represents MAC's share in the net operating result of its associated companies. Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. For the first quarter of 2015, our MRO business registered profits of ₱172.8 million for which we share 49% or ₱84.6 million. CPCS - our catering associate in Cebu, contributed its share on the Group's net earnings amounting to ₱7.4 million, or an increase of 50% compared to last year's first quarter period.

Today, the Philippine airline industry continues to be dynamic, with significant factors within and outside the Philippines that are impacting on the Philippine aviation outlook. As a Group, we have not been immune to the challenges of our airline clients, especially some base clients and those from foreign countries who are also coping with difficulties arising from economic and security issues within their geographical regions, rising fuel prices, and the like. Our services and products to these clients are often subjected to cost pressures, as everybody is bent on cutting down or avoiding expenses in order to operate competitively. Our Group remains steadfast and resilient, as we continue to expand our existing core businesses and pursue new viable opportunities in order to further increase our Group's shareholders' value.

## **FINANCIAL POSITION**

At the consolidated level as of March 31, 2015, total assets remained strong at ₱3.4 billion, posting a ₱75 million increase from last year-end's level of ₱3.3 billion. Cash and cash equivalents of ₱686 million slightly increased by ₱5 million or 0.7%, as the company remains stable in its cash position standing. Receivables grew by ₱33.1 million or 8% due to

trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱31.4 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱120.6 million represent unused input taxes, tax credit certificates and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of March 31, 2015.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared and actually received during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 14% or ₱91 million in this investment account, from ₱661.7 million in 2014 year-end to ₱753.2 million as of March 31, 2015 primarily due to the share in net income for the period arising from LTP and CPCs.

The group's property and equipment of ₱386.7 million decreased by ₱8.5 million. Deferred mine exploration costs of ₱233 million remained the same as exploration activities were almost done in 2010. Investment property of ₱143.9 million pertains to land held for future development by MAPDC.

Accrued rental receivable and payable of ₱117.5 million remained the same, and is in compliance with PAS 17, which requires the straight-line recognition of operating lease income and expense over the term of the lease. Likewise, deferred rent expense and unearned rent income of ₱10 million are being amortized on a straight-line basis over the same lease term.

Available-for-sale investments amounting to ₱103 million represents the remaining investment in corporate bonds and golf club shares held by the parent company.

The carrying amount of deferred income tax assets of ₱19.9 million as of March 31, 2015 mostly came from the allowances on probable losses and doubtful accounts. Deposits and other noncurrent assets decreased by ₱33 million (or 8%) to ₱371.5 million due to the reclassification of water project advances from the previous year. Other noncurrent assets account also includes prepayments on rent, retirement benefits, goodwill of ₱17.5 million from the Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS and concession asset in compliance with IFRIC 12 accounting for concession privilege right granted to SNVRDC.

Accounts payable and accrued liabilities increased by ₱1.2 million or less than 1% as of March 31, 2015. Notes payable of ₱79 million refers to the loan availed from a local bank that was used by our ground-handling subsidiary to finance its asset acquisition and for general corporate purposes. Accrued retirement benefits payable of ₱20.1 million increased by 31% due to the actuarial valuation last year. Deferred tax liabilities of ₱1.7 million remained at almost the same level as prior year's ending balance. Dividends payable of ₱8.62 million shows the total outstanding checks payable for past dividends declared to the Company's stockholders as of record date.

The Company's share in foreign currency translation adjustments of LTP in the amount of ₱173 million and share in re-measurements of defined benefit plan of associates remained at the same level as last year-end. Available for sale (AFS) investments reserve amounting to ₱9.1 million arose due to fair value valuation of the remaining investment in bonds and golf shares.

Changes in non-controlling interests are largely dependent on the results of operations of MacroAsia Catering Services, Inc. This account represents the 20% equity share of SATS in the abovementioned company. The account also includes the equity attributable to the non-controlling interests in Panay Water Business Resources Inc., a MAPDC subsidiary.

### **MacroAsia Corporation's Mining Project**

Macroasia Corporation holds two Mineral Production Sharing Agreements (MPSA), MPSA-220-2005-IVB and MPSA-221-2005-IVB, both located in Brooke's Point, Palawan. MPSA-220 or the Infanta Nickel Project covers a total land area of 1,114 hectares with nickel in the form of laterite ore as the primary commodity. This area was the source of ore shipments to Japan in the 1970's.

The total extent of the laterite area within the MPSA is around 536 hectares, with nickel deposits comprising of limonite and saprolite ores. Within this delineated nickel ore envelope, 2,751 drill holes were done, resulting into 47,273.9 meters drilled. There were also 480 test pits that were dug, yielding 2,568.2 meters more for sampling. The resulting samples collected numbered 54,412, and these were analyzed for nickel (Ni), iron (Fe) and 12 other elements/oxides, including the loss in ignition (LOI), using fused bead X-Ray Fluorescence (XRF) technique at Intertek Laboratories. The Company has completed an exploration report that is compliant to the Philippine Mineral Reporting Code. A mining plan has also been drafted.

The operation of the Mining Project has already been endorsed by the three beneficiary barangays, including the indigenous people in the area. In 2010, the Company has received the Environmental Compliance Certificate (ECC) for operations. The Company is still securing its Certificate of Precondition (CP) from the National Commission on Indigenous People (NCIP). This document signifies the formal granting of Free and Prior Informed Consent by the indigenous people within the host barangays as attested by the NCIP.

Exploration and maintenance works in the mineral property was done in 2012. The exploration period of the MPSA 220-2005-IVB has been approved for extension by the Department of Environment and Natural Resources (DENR) on December 5, 2012. The extended exploration period will allow MAC to finalize the data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore. Confirmatory drilling were done in the priority mining area for future mining plans on the 3<sup>rd</sup> quarter of 2013 but the work program is currently on hold.

Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 403 hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold

mineralization. The exploration permit application is now under MAC's name. This tenement can be subject to a JV for exploration with other interested entities.

BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex. In relation to the operating agreement between Philex and BUMICO, Philex committed to submit quarterly reports to MAC which will be subjected to regular validation by MAC's technical team.

The Exploration Permit (EP) for the Sipalay Project, another BUMICO project that was part of BUMICO's assignment to MAC, has been renewed by the Mines and Geosciences Bureau on December 10, 2012.

### **NUMBER OF STOCKHOLDERS**

The number of stockholders as of March 31, 2015 and December 31, 2014 are 859 and 856, respectively.

## **OTHER MATTERS**

1. Passenger loads and flight frequencies of airlines are the two most important factors that affect the revenue levels of the Group's operating units. The Group constantly monitors these two factors to efficiently manage its costs.
2. Management is not aware of any known trends or any known demands, commitments, events or uncertainties that may or will have a material negative impact on the Group's liquidity.
3. The Group is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
4. Management is not aware of having or anticipates having within the next twelve (12) months any cash flow or liquidity problems. The Group's generally sources its liquidity requirements through its operating revenues and collections. Excess cash are invested in placements with better yields.
5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
6. There are no material commitments for capital expenditures created during the reporting period.
7. There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations.
8. The Group is not aware of any future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.
9. The Group is not aware of any seasonal aspects that have material effect during the reporting period.
10. The Group has not issued, repurchased or repaid any debt or equity securities during the current interim reporting period.
11. No material events have occurred subsequent to the end of the current interim period that should be reflected in the financial statements for the interim period.

**SIGNATURES**

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on May 14, 2015.

**MACROASIA CORPORATION**

Registrant

By:



**JOSEPH T. CHUA**  
President and Chief Executive Officer



**AMADOR T. SENDIN**  
Chief Financial Officer

Annex 1

# **MACROASIA CORPORATION AND SUBSIDIARIES**

## **Interim Condensed Consolidated Financial Statements**

**March 31, 2015 and 2014 (Unaudited)**

**and**

**December 31, 2014 (Audited)**

## **GENERAL INFORMATION**

### **Directors (as of March 31, 2015)**

Washington Z. SyCip	(Chairman)
Harry C. Tan	(Vice Chairman)
Joseph T. Chua	(President and CEO)
Lucio K. Tan, Jr.	
Jaime J. Bautista	(Treasurer)
George Y. SyCip	
Carmen K. Tan	
Johnip G. Cua	(Independent Director)
Ben C. Tiu	(Independent Director)

### **Chief Financial Officer**

Amador T. Sendin

### **Compliance Officer/ CIO**

Atty. Marivic T. Moya

### **Corporate Secretary**

Atty. Florentino M. Herrera III

### **Stock and Transfer Agent**

Trust Banking Group  
Philippine National Bank (formerly Allied Banking Corporation)  
3<sup>rd</sup> Floor, PNB Financial Center  
Pres. Diosdado Macapagal Blvd., Pasay City

### **Banks**

Philippine National Bank (formerly Allied Banking Corporation)  
6754 Ayala Avenue, Makati City

Philippine Bank of Communications  
565-567 Sto. Cristo, Binondo Manila

Banco de Oro Universal Bank  
EPC Building, Paseo de Roxas cor.  
Gil Puyat Ave., Makati City

Unionbank of the Philippines  
Tektite Building, Ortigas Center, Pasig City

Asia United Bank  
G/F Morning Star Center Building,  
Gil Puyat Avenue, Makati City

China Banking Corporation  
8745 Paseo de Roxas corner Villar St. Makati City

### **Auditors**

SyCip Gorres Velayo & Co.  
6760 Ayala Avenue, Makati City

**MACROASIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**

	MARCH 31, 2015 (UNAUDITED)	DECEMBER 31, 2014 (AUDITED)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 685,875,725	P 681,237,533
Receivables - net	441,822,609	408,750,678
Inventories - at cost	31,447,382	44,065,584
Other current assets	120,581,032	101,252,076
Total Current Assets	1,279,726,749	1,235,305,871
<b>Noncurrent Assets</b>		
Available-for-sale investments	103,374,400	103,335,900
Investments in associates	753,195,179	661,709,466
Property and equipment - net	386,717,751	395,257,498
Investment property - net	143,852,303	143,852,303
Accrued rental receivable	117,459,459	118,031,312
Deferred income tax assets - net	19,893,531	21,360,200
Deferred rent expense	10,051,611	10,290,482
Deferred mine exploration costs	233,308,688	233,308,688
Deposits and other noncurrent assets - net	371,496,718	404,155,311
Total Noncurrent Assets	2,139,349,640	2,091,301,160
<b>TOTAL ASSETS</b>	<b>P 3,419,076,389</b>	<b>P 3,326,607,030</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	P 260,766,384	P 259,546,612
Notes payable - current portion	25,250,600	25,254,560
Income tax payable	1,508,961	2,237,204
Dividends payable	8,620,761	8,620,761
Total Current Liabilities	296,146,706	295,659,137
<b>Noncurrent Liabilities</b>		
Notes payable - net of current portion	54,147,583	60,472,773
Accrued rental payables	117,459,460	118,031,311
Accrued retirement benefits payable	20,061,379	15,333,727
Other employee benefits	-	10,000,529
Unearned rent income	10,051,611	10,290,482
Deposits	6,624,514	5,328,763
Deferred tax liability	1,660,633	1,115,000
Total Noncurrent Liabilities	210,005,180	220,572,585
<b>Total Liabilities</b>	<b>506,151,886</b>	<b>516,231,722</b>

**Equity**

Capital stock - ₱ 1 par value		
Authorized - 2,000,000,000 shares		
Issued and fully paid - 1,250,000,000 shares	<b>1,250,000,005</b>	1,250,000,000
Additional paid-in capital	<b>281,437,118</b>	281,437,118
AFS investments reserve	<b>9,082,599</b>	9,082,599
Share in foreign currency translation adjustments of an associate	<b>(172,643,128)</b>	(172,111,426)
Remeasurements on defined benefit plans	<b>14,402,659</b>	14,402,661
Share in remeasurements on defined benefit plan of associates	<b>(70,629,572)</b>	(70,629,572)
Retained earnings		
Appropriated	<b>823,100,000</b>	823,100,000
Unappropriated	<b>752,651,473</b>	654,797,069
Treasury shares	<b>(49,418,660)</b>	(49,418,660)
Total equity attributable to equity holders of the parent company	<b>2,837,982,494</b>	2,740,659,789
<b>Non-controlling interests</b>	<b>74,942,009</b>	69,715,519
<b>Total Equity</b>	<b>2,912,924,503</b>	2,810,375,308
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 3,419,076,389</b>	₱ 3,326,607,030

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**MACROASIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**For the period ended March 31**

		2015		2014
<b>REVENUES</b>				
In-flight catering and other catering	P	262,238,588	P	245,893,839
Groundhandling and aviation		119,869,027		102,682,936
Rental and administrative		46,313,725		46,998,392
Exploratory drilling fees		3,864,291		-
Charter flights		2,900,192		2,566,812
		<b>435,185,823</b>		<b>398,141,979</b>
<b>DIRECT COSTS</b>				
In-flight catering and other catering		175,634,614		171,308,638
Groundhandling and aviation		98,089,616		88,821,926
Rental and administrative		42,291,440		43,215,630
Exploratory drilling fees		6,103,741		5,117,222
Charter flights		2,231,574		2,124,377
		<b>324,350,985</b>		<b>310,587,793</b>
<b>GROSS PROFIT</b>	<b>P</b>	<b>110,834,838</b>	<b>P</b>	<b>87,554,186</b>
<b>OPERATING EXPENSES</b>				
General and administrative expenses		94,067,053		80,413,691
Project development expenses (mining)		1,186,153		554,337
Directors' fees and incentives		562,500		525,000
Selling expenses		495,523		710,660
		<b>96,311,229</b>		<b>82,203,688</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>P</b>	<b>14,523,609</b>	<b>P</b>	<b>5,350,498</b>
<b>OTHER INCOME (CHARGES)</b>				
Equity in net income of associates		92,017,415		36,973,383
Foreign exchange gain/(loss) - net		(324,392)		2,984,999
Interest income		1,972,896		2,168,666
Financing charges		(909,285)		(690,678)
Others - net		2,864,102		1,943,247
		<b>95,620,736</b>		<b>43,379,617</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>P</b>	<b>110,144,345</b>	<b>P</b>	<b>48,730,115</b>
<b>PROVISION FOR INCOME TAX</b>		<b>(9,436,749)</b>		<b>(6,477,878)</b>
<b>NET INCOME</b>	<b>P</b>	<b>100,707,596</b>	<b>P</b>	<b>42,252,237</b>
<b>Attributable to:</b>				
Equity holders of the parent		97,733,614		39,900,545
Non-controlling interests		2,973,982		2,351,692
	<b>P</b>	<b>100,707,596</b>	<b>P</b>	<b>42,252,237</b>
<b>Basic Earnings Per Share</b>		<b>0.079</b>		<b>0.032</b>

**MACROASIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	2015	2014
<b>NET INCOME (LOSS)</b>	<b>P 100,707,596</b>	<b>P 42,252,237</b>
<b>OTHER COMPREHENSIVE LOSS - Net</b>		
Net foreign currency translation adjustments	(532,000)	44,000
Changes in fair value of AFS investments - net of tax effect	-	(550,195)
Remeasurements on defined benefit plan	2	-
	<b>(531,998)</b>	<b>(506,195)</b>
<b>Total Comprehensive Income (Loss)</b>	<b>100,175,598</b>	<b>41,746,042</b>
<b>Attributable to:</b>		
Equity holders of the parent	<b>P 97,201,616</b>	<b>P 39,394,350</b>
Non-controlling interests	<b>2,973,982</b>	<b>2,351,692</b>
	<b>P 100,175,598</b>	<b>P 41,746,042</b>

**MACROASIA CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the period ended March 31			
	2015		2014	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	P	110,144,345	P	48,730,115
Adjustments for:				
Equity in net income of associates		(92,017,415)		(36,973,383)
Depreciation and amortization		17,465,064		24,468,225
Interest income		(1,972,896)		(2,168,666)
Unrealized foreign exchange (gain) loss - net		(769,578)		(2,941,031)
Provision for losses		3,156,189		1,300,000
Movements in accrued retirement benefits payable		4,727,652		281,726
Financing charges		909,000		690,678
Loss (gain) on sale of asset		(216,000)		
Operating income before working capital changes		41,426,361		33,388,000
Decrease (increase) in:				
Receivables		(33,071,931)		(26,115,177)
Inventories		12,618,202		6,157,697
Other current assets		(19,328,956)		(42,448,194)
Increase (decrease) in notes payable-current		(3,960)		
Increase (decrease) in accounts payable and accrued liabilities		1,219,772		37,060,435
Cash generated from (used in) operations		2,859,487		8,042,761
Interest received		1,973,000		2,168,666
Financing charges paid		(909,000)		(50,476)
Other employees benefits		(10,000,529)		
Income taxes paid , including creditable withholding taxes		(10,165,243)		(6,809,039)
Net cash from (used in) operating activities	P	(16,242,285)	P	3,351,912
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease in other noncurrent assets		18,284,650		8,836,013
Proceeds from disposal of property and equipment				(95,612,505)
Acquisitions of property and equipment		(5,720,376)		-
Increase in investment in AFS debt securities		38,500		
Increase in refundable deposits and other noncurrent assets		1,602,513		-
Net cash from (used in) investing activities	P	14,205,287	P	(86,776,492)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from avilment of notes payable				77,760,736
Payments of notes payable		6,325,190		-
Net cash from (used in) financing activities	P	6,325,190	P	77,760,736
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		350,000		1,367,000
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	P	4,638,192	P	(4,296,844)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		681,237,533		867,381,000
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	P	685,875,725	P	863,084,156

MACROASIA CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 For the period ended March 31

Attributable to the Equity Holders of the Parent

Retained Earnings

	Capital Stock	Additional Paid-in Capital	Share in Foreign Currency Translation Adjustment of an Associate	Remeasurements on Defined Benefit Plan	Share in Remeasurements on Defined Benefit Plan of Associates	AFS Investments Reserve	Treasury Shares	Appropriated	Unappropriated	Subtotal	Non-controlling Interest	Total
<b>BALANCES AT DECEMBER 31, 2013, as previously reported</b>	1,250,000,000	281,437,118	(176,800,404)	11,283,010	(155,662,465)	2,688,890	(49,418,660)	788,100,000	585,399,166	2,537,026,655	62,167,924	2,599,194,579
Total comprehensive income (loss)			44,000			(550,195)			39,900,000	39,393,805	2,351,692	41,745,497
<b>BALANCES AT MARCH 31, 2014</b>	<b>P 1,250,000,000</b>	<b>281,437,118</b>	<b>(176,756,404)</b>	<b>11,283,010</b>	<b>(155,662,465)</b>	<b>2,138,695</b>	<b>(49,418,660)</b>	<b>788,100,000</b>	<b>625,299,166</b>	<b>2,576,420,460</b>	<b>64,519,616</b>	<b>2,640,940,076</b>
<b>BALANCES AT DECEMBER 31, 2014, as previously reported</b>	1,250,000,000	281,437,118	(172,111,426)	14,402,661	(70,629,572)	9,082,599	(49,418,660)	823,100,000	654,797,069	2,740,659,789	69,715,519	2,810,375,308
Total comprehensive income (loss)			(532,000)	2		-			97,733,614	97,201,616	2,973,982	100,175,598
<b>BALANCES AT MARCH 31, 2015</b>	<b>P 1,250,000,000</b>	<b>281,437,118</b>	<b>(172,643,426)</b>	<b>14,402,663</b>	<b>(70,629,572)</b>	<b>9,082,599</b>	<b>(49,418,660)</b>	<b>823,100,000</b>	<b>752,530,683</b>	<b>2,837,861,405</b>	<b>72,689,501</b>	<b>2,910,550,906</b>

**SUMMARIZED INCOME STATEMENT INFORMATION FOR  
UNCONSOLIDATED SUBSIDIARY**

**LUFTHANSA TECHNIK PHILIPPINES, INC.**  
**SUMMARIZED INTERIM STATEMENTS OF INCOME**  
(In Thousand Pesos)

	January to March (UNAUDITED)	
	2015	2014
<b>REVENUE</b>	<b>P 2,014,760,650</b>	<b>P 1,511,648,320</b>
<b>LESS: COST OF SALES</b>	<b>844,443,743</b>	<b>370,884,874</b>
<b>GROSS PROFIT</b>	<b>1,170,316,907</b>	<b>1,140,763,446</b>
<b>LESS: OPERATING EXPENSES</b>	<b>924,780,406</b>	<b>1,017,330,265</b>
<b>INCOME FROM OPERATIONS</b>	<b>245,536,501</b>	<b>123,433,181</b>
<b>LESS/ (ADD): OTHER CHARGES/(INCOME)</b>	<b>42,578,513</b>	<b>52,448,584</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>202,957,988</b>	<b>70,984,597</b>
<b>LESS: PROVISION FOR INCOME TAX</b>	<b>30,206,265</b>	<b>5,936,477</b>
<b>NET INCOME</b>	<b>P 172,751,723</b>	<b>P 65,048,120</b>
<b>EQUITY SHARE IN NET INCOME (49%)</b>	<b>P 84,648,344</b>	<b>P 31,873,579</b>

**SUMMARIZED INCOME STATEMENT INFORMATION FOR  
UNCONSOLIDATED SUBSIDIARY**

**CEBU PACIFIC CATERING SERVICES  
SUMMARIZED STATEMENTS OF INCOME**

	<b>January to March (UNAUDITED)</b>	
	<b>2015</b>	<b>2014</b>
<b>REVENUE</b>	<b>P 46,772,695</b>	<b>P 34,381,533</b>
<b>LESS: COST OF SALES</b>	<b>24,858,130</b>	<b>19,070,580</b>
<b>GROSS PROFIT</b>	<b>21,914,565</b>	<b>15,310,953</b>
<b>LESS: OPERATING EXPENSES</b>	<b>2,341,370</b>	<b>2,345,864</b>
<b>INCOME FROM OPERATIONS</b>	<b>19,573,195</b>	<b>12,965,090</b>
<b>LESS/ (ADD): OTHER CHARGES/(INCOME)</b>	<b>24,786</b>	<b>(114,478)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>19,548,409</b>	<b>13,079,568</b>
<b>LESS: PROVISION FOR INCOME TAX</b>	<b>1,125,733</b>	<b>797,860</b>
<b>NET INCOME</b>	<b>P 18,422,676</b>	<b>P 12,281,708</b>
<b>EQUITY SHARE IN NET INCOME (40%)</b>	<b>P 7,369,071</b>	<b>P 4,912,683</b>

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## **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Corporate Information and Business Operations**

#### Corporate Information

MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Company's Articles of Incorporation was again amended to change its corporate name to its present name. Its registered office address is at 12<sup>th</sup> PNB Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

#### Business Operations

The principal activities of the Company and its subsidiaries (collectively referred to as the Group) are described in Note 4. The Company, through its subsidiaries and associates, is presently engaged in aviation-support businesses at the Ninoy Aquino International Airport (NAIA), Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA), Kalibo International Airport (KIA) and the General Aviation Areas. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MacroAsia Catering Services, Inc. (MACS), the Company, is now providing the food requirements of some passenger terminal lounges in NAIA. It has also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Further, considering the expertise of staff gained through the exploration of the Company's Infanta Nickel Project in Palawan, the Company started providing nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC), a wholly-owned subsidiary. Through MacroAsia Properties Development Corporation (MAPDC), the Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Company provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

## **2. Summary of Significant Accounting and Financial Reporting Policies**

### **Basis of Preparation**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments, which are carried at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (₱), the Company's functional and presentation currency. Amounts are rounded to the nearest thousands unless otherwise indicated.

### **Statement of Compliance**

The interim condensed consolidated financial statements for the three-month period ended March 31, 2015 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2014.

### **Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of new standards and interpretations issued but not yet effective as December 31, 2014. Except as otherwise indicated, the new standards and amendments have no significant impact on the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

- **PFRS 9, *Financial Instruments: Classification and Measurement*.** PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Group is currently assessing the impact of adopting this standard.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of

PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group will not opt to early adopt the standard.

The following new standards and amendments were already adopted by the FRSC but are still for approval by BOA.

*Effective in 2015*

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*. PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is expected that this amendment would not be relevant to the Group since the Group's retirement plan is noncontributory.
- Annual Improvements to PFRS (2010 to 2012 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.
- PFRS 2, *Share-based Payment - Definition of Vesting Condition*. This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*. The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the

scope of PAS 39. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*. The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*. The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. These amendments are not relevant to the Group.
- Annual Improvements to PFRS (2011-2013 cycle) which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the Group does not expect these amendments to have a significant impact on the financial statements.
- PFRS 3 - *Scope Exceptions for Joint Arrangements*. The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13 - *Portfolio Exception*. The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*. The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

#### *Effective in 2016*

- PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments). The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.
- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments). The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company does not intend to change its accounting for its subsidiaries and associates in the separate financial statements.

- PFRS 10 and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments). These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- PFRS 11 - *Accounting for Acquisitions of Interests in Joint Operations* (Amendments). The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- Annual Improvements to PFRS (2012-2014 cycle). The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to the Group. They include:
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*. PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing

contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements.* This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19 - Regional Market Issue Regarding Discount Rate.* This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'.* The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### *Effective in 2018*

- *PFRS 9 - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39.* PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

- PFRS 9, *Financial Instruments* (2014). In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

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

#### *Deferred Effectivity*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standard and amendments issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted.
- Amendments to International Accounting Standards (IAS) 1, *Presentation of Financial Statements*. In December 2014, the IASB issued the amendments to IAS 1. The amendments include narrow-focus improvements in five areas; namely, materiality,

disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective on or after January 1, 2016.

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28, *Investments in Associates and Joint Ventures*. In December 2014, the IASB issued *Investment Entities: Applying the Consolidation Exception* (amendments to IFRS 10, IFRS 12 and IAS 28). The amendments address certain issues that have arisen in applying the investment entities exception under IFRS 10.

The Group is currently assessing the impact of IFRS 15 and the amendments to IAS 1 and IFRS 10, IFRS 12 and IAS 28 and plans to adopt the new and amended standards on their required effective dates once adopted locally.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its direct subsidiaries, the subsidiaries of MAPDC and the subsidiary of Watergy Business Solutions, Inc. (WBSI) which were all incorporated in the Philippines and are registered with the Philippine Securities and Exchange Commission, as of the date of reporting.

	Nature of business	Percentage of Direct Ownership by MAPDC		Percentage of Ownership by MAC			
		2015	2014	2015	2014	Direct	Indirect <sup>(2)</sup>
MAPDC	Economic Zone (Ecozone) developer/operator and water supply	–	–	100	–	100	–
MacroAsia Airport Services Corporation (MASCORP)	Groundhandling aviation services	–	–	100	–	100	–
MacroAsia Air Taxi Services, Inc. (MAATS)	Helicopter chartering services	–	–	100	–	100	–
Airport Specialists' Services Corporation (ASSC) <sup>(1)</sup>	Manpower services	–	–	100	–	100	–
MMC	Mine exploration, development and operation	–	–	100	–	100	–
MACS	In-flight and other catering services	–	–	80	–	80	–
WBSI	Water projects	100	100	–	100	–	100
SNV Resources Development Corporation (SNVRDC)	Water projects	100	100	–	100	–	100
Dragon Resources Development Corporation (DRDC)	Water projects	100	100	–	100	–	100
		99	99	–	99	–	99
Cavite Business Resources Inc. (CBRI)	Water projects						
Panay Water Business Resources, Inc. (PWBRI)	Water projects	90	90	–	90	–	90

<sup>(1)</sup> Ceased commercial operations effective May 1, 2001.

<sup>(2)</sup> Effective ownership interest through MAPDC and WBSI.

Subsidiaries are entities over which the Group has control. Control is achieved when the Group 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.

Specifically, the Group controls an investee if and only if the Group 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:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated financial statements comprise the financial statements of the Company, its direct subsidiaries and subsidiaries of MAPDC as of March 31, 2015 (unaudited) and December 31, 2014 (audited). The financial statements of the subsidiaries are prepared for the same reporting period using accounting policies that are consistent with those of the Company. All significant intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

#### Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in the consolidated statement of income; and (g)

reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained; (h) earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Prior to January 1, 2010, acquisition of non-controlling interest was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized as goodwill. After the initial recognition, goodwill is measured at cost less accumulated impairment loss.

The goodwill recognized by the Group amounting to ₱17.53 million as of March 31, 2015 and December 31, 2014 resulted from the Company's acquisition of non-controlling interest (13%) from a previous stockholder of MACS in 2006. The carrying amount of goodwill is allocated to MACS, the cash-generating unit.

### ***3. Significant Judgments and Accounting Estimates***

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial estimates are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

#### **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 amounts recognized in the interim condensed consolidated financial statements.

##### *Determination of the Company's functional currency*

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken. Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of that of the Group rather than being carried out with significant autonomy.

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso (₱). It is the currency of the primary economic environment in which the Group operates. The functional currency of LTP, one of the Group's associated companies has been determined to be US\$.

##### *Classification of financial instruments*

The Group classifies a financial instrument, or its components, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance

of the contractual arrangement and the definition of a financial liability, a financial asset or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated balance sheets.

*Impairment of AFS investments*

For AFS debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the company assesses whether the market prices of these bonds indicate objective evidence of impairment. Based on management's assessment there is no objective evidence of impairment on its investment in bonds, especially as the counterparties are able to pay the contractual payments. The carrying value of AFS debt investments amounted to ₱66.2 million as of March 31, 2015 and December 31, 2014, respectively.

For AFS equity investments, management exercised judgment in assessing whether the quoted market price of the AFS equity investments at reporting date indicated an impairment vis-à-vis the cost. Management assesses that impairment is sustained once the decline in value reaches 20% of cost or that the decline in value persisted for more than 12 months. No impairment loss was recognized for the current year. The carrying value of AFS equity investment amounted to ₱37.1 million as of March 31, 2015 and December 31, 2014, respectively.

*Accounting for acquisition of Watergy Business Solutions, Inc. (WBSI) shares and water project*

As discussed in Note 14 to the annual consolidated financial statements, on July 11, 2011, MAPDC acquired the 70% of the shares of stock of WBSI pursuant to a share purchase agreement between MAPDC and the former stockholders of WBSI. On the same date, MAPDC entered into a sale and purchase agreement for the Maragondon Bulk Water Supply Project (the Water Project) from Islington Capital Holdings, Inc. (ICH). On September 15, 2011, MAPDC signed an amended sale purchase agreement with stockholders of WBSI and ICH, related to the acquisition of additional 12.6% shares over WBS and rights to the Water Project, respectively.

Prior to MAPDC's acquisition of WBSI shares, WBSI assigned and transferred its rights over the Water Project to ICH on September 15, 2010. Having regard to the substance of the agreements, the acquisition of WBSI shares is deemed to be linked to the acquisition of the Water Project from ICH and as such, the acquisition is treated as one transaction for accounting purposes. As of December 31, 2013, the sale and purchase agreement has not been consummated in view of certain water permits inherent in the Water Project that are yet to be secured. Accordingly, the investment in WBSI shares are still presented as part of "Project advances and investment" under the "Deposits and other noncurrent assets" account in the consolidated balance sheets.

In 2014, MAPDC entered into compromise agreement with the former stockholders of WBSI where a final consideration for the acquisition of the Water Project was agreed. This event confirmed the control of the MAPDC over WBSI. Accordingly, WBSI, as well as CBRI, which is WBSI's wholly owned subsidiary, was consolidated with the Group.

*Classification of lease arrangements – the Group as Lessee and Lessor*

The Group has property leases where it has determined that the risks and rewards related to such property are retained with the lessor (e.g., no transfer of ownership of leased assets by the end of the lease term). Both the lease and sub-lease agreements are accounted for as operating leases. Operating lease income and expenses are recognized on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.

*Determination of indicators of impairment of nonfinancial assets*

The Group assesses at each reporting date whether there is any indication that its investments in associates, property and equipment and investment property may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount.

The factors that the Group considers important which could trigger an impairment review included the following, among others:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant negative industry or economic trends.

In 2013, an impairment test was made on the Group's investment in LTP primarily due to losses incurred by LTP (See Note 9 of the consolidated annual financial statements). The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering a three-year projection. The projected cash flows was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the three year period are extrapolated into perpetuity assuming a zero growth rate, for impairment test purposes. The discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used in 2013 was 13%.

Based on management's evaluation as of December 31, 2013, the Company's investment in LTP is not impaired. Management believes that no reasonably possible change in these key assumptions would cause the carrying value of the cash generating unit to materially exceed its recoverable amount.

In 2014 and 2015, LTP reported positive results from its operations. Management believes that LTP will continue to report positive results of operations in the next years based on the associate's operating budget. Accordingly, management believes that the 2013 indication of impairment is not anymore present.

Except for the Group's investment in LTP in 2013, management believes that there are no impairment indicators on its investment in associates, property and equipment, investment property, deferred project costs, service concessions, and deferred mine exploration cost as of March 31, 2015 and December 31, 2014.

#### *Assessment whether SNVRDC is an operator under Philippine Interpretation IFRIC 12*

Management has assessed that MAPDC's memorandum of agreement with the Municipality of Solano, NuevaVizcaya (Solano) to provide water distribution facilities is covered by the Philippine Interpretation IFRIC 12. MAPDC has assigned to SNVRDC the rights and obligations under the memorandum of agreement. The memorandum of agreement qualifies under the intangible asset model with respect to the operation of the waterwork facilities as SNVRDC has the right (license) to charge users of public service (see Note 15 of the consolidated annual financial statements).

#### **Estimates and Assumptions**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

*Determination of fair value of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these assumptions about these factors could affect the reported fair value of financial instruments.

*Determination of fair value of investment property*

The Group's fair value of investment property is valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of March 31, 2015 and December 31, 2014, the fair value of the investment property is based on valuation performed by an accredited independent value.

*Estimation of allowance for doubtful accounts*

Allowance for doubtful accounts is provided for accounts that are specifically identified to be doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectability of the accounts, such as historical performance of counterparties, among others.

In addition to specific allowance against individually significant receivables primarily from airline customers, the Group also assesses, at least on an annual basis, a collective impairment allowance against credit exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally granted to customers. This collective allowance is based on various factors such as historical performance of the counterparties within the collective group, deterioration in the markets in which the customers operate, various country or area risks, overall performance of the airline industry, and technological obsolescence which affects the confidence of the air transport market, as well as identified structural weaknesses or deterioration in the cash flows of counterparties.

The carrying value of the Group's receivables amounted to ₱441.8 million and ₱408.8 million as of March 31, 2015 and December 31, 2014, respectively. Allowance for doubtful accounts amounted to ₱15.2 million and ₱13.1 million as of March 31, 2015 and December 31, 2014.

The carrying value of the Group's project advances and investments related to advances made to ICH and its stockholders amounted to ₱15.6 million as of December 31, 2013.

#### *Determination of NRV of inventories*

The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age and status of the inventories and the Group's experience on write-off and expirations.

The carrying value of inventories amounted to ₱31.4 million and ₱44.1 million, net of allowance for probable losses of ₱1.0 million as of March 31, 2015 and December 31, 2014, respectively.

#### *Estimating allowances for probable losses on input taxes and tax credit certificates (TCC)*

The Group estimates the level of provision for probable losses on input taxes and TCC based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCC. As of March 31, 2015 and December 31, 2014, the carrying value of input taxes and TCC amounted to ₱205.1 million and ₱203.0 million, respectively. Allowance for probable losses amounted to ₱53.9 million and ₱72.3 million, respectively.

#### *Estimation of useful lives of property and equipment and number of flying hours of helicopter unit*

The Group estimates the useful lives of property and equipment and number of flying hours of helicopter unit based on the internal technical evaluation and experience with similar assets. Estimated useful lives and number of flying hours are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property and equipment and number of flying hours as of March 31, 2015 and December 31, 2014.

The carrying value of property and equipment as of March 31, 2015 and December 31, 2014 amounted to ₱386.7 million and ₱395.3 million, respectively.

#### *Estimation of retirement benefits costs and obligation*

The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement benefits payable amounted to ₱20.1 million and ₱15.3 million as of March 31, 2015 and December 31, 2014, respectively. Pension asset amounted to ₱0.1 million as of March 31, 2015 and December 31, 2014, respectively, and is included under

“Deposits and other noncurrent assets - net” account. Retirement benefits cost amounted to ₱5.1 million and ₱16.4 million as of March 31, 2015 and December 31, 2014, respectively.

#### *Recognition of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions about the Group’s future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT.

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱19.9 million and ₱21.4 million as of March 31, 2015 and December 31, 2014, respectively. The Group also has unrecognized deferred income taxes primarily on the Company’s and non-operating subsidiaries’ temporary differences, NOLCO and MCIT.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires the estimation of value-in-use of the cash generating unit to which goodwill relates. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the purpose of impairment testing, goodwill has been allocated to MACS, the cash generating unit. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets as approved by management covering a three-year projection. The projected cash flows was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management’s future plans. Cash flows beyond the three year period are extrapolated into perpetuity assuming a zero growth rate, for impairment test purposes. The discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rate used in 2014 and 2013 is 9%.

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill to exceed its recoverable amount. Based on management’s assessment, the recoverable amount of the goodwill is higher than the carrying value, thus no impairment loss was noted on the goodwill with carrying amount of ₱17.5 million as of March 31, 2015 and December 31, 2014.

#### *Estimation of provisions for probable loss*

The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company’s legal counsel and is based upon an analysis of potential results. In 2015 and 2014, the Group recognized provision for contingencies in the normal course of business

amounting to ₱3.8 million and ₱4.7 million, respectively. Outstanding amounts of provision amounted to ₱3.8 million as of March 31, 2015 and December 31, 2014. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

#### **4. Segment Information**

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support services provided by the four subsidiaries, mining-related activities and water-related projects, which is the basis on which the Group reports its primary segment information. The Group also monitors its share in the results of operations of its associates (LTP and CPCS) that are accounted for using the equity method.

The operations of Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS, refers to servicing of meal requirements of certain foreign and domestic passenger airlines at the NAIA and the MDA and of certain non-airline institutional accounts.
- Ground handling and aviation segment, which is operated by MASCORP, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at NAIA, MCIA and KIA.
- Charter flights segment, which is handled by MAATS, provides international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners.
- Rental and administrative segment, which is primarily operated through MAPDC, pertains to the sub-lease of the MacroAsia Ecozone at NAIA, which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator.
- Mining segment, which pertains to mining-related activities of the Group, refers to expenditures for exploration activities and rendering of exploration-related services.
- Water-related projects, which pertain to development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC and its subsidiaries.
- Associates - this segment represents the Group's investments in associates that are accounted for using the equity method. Information with respect to these associates are disclosed in Note 9 of the annual consolidated financial statements.

The Group has only one geographic segment. There were no inter-segment sales in 2015, 2014 and 2013. Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets and property and equipment, net of allowances, depreciation and any impairment in value. Segment liabilities include all operating liabilities for and consist principally of notes payable, accounts payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes. Segment results pertain to operating income.

Financial information on the Group's business segments as of and for the period ended March 31, 2015 and 2014 are as follows:

(In Thousand Pesos)

	January to March	
	2015	2014
<b>REVENUE – External</b>		
In-flight and other catering services	262,239	245,894
Ground handling and aviation	119,869	102,683
Rental and administrative services	46,314	46,998
Mining	3,864	-
Charter flights service	2,900	2,567
<b>Total segment and consolidated revenue</b>	<b>435,186</b>	<b>398,142</b>
<b>RESULT – Segment result</b>		
In-flight and other catering services	21,371	16,797
Ground handling and aviation	8,229	1,558
Rental and administrative services	(557)	1,686
Mining	(2,979)	(5,786)
Charter flights service	(284)	271
Water-related projects	(1,362)	
Share in net income (loss) of associates	92,017	36,973
<b>Total segment results</b>	<b>116,435</b>	<b>51,499</b>
Unallocated corporate income (expenses) and eliminations	(7,653)	(2,769)
Provision for income tax	(9,437)	(6,478)
<b>Consolidated net income (loss)</b>	<b>100,708</b>	<b>42,252</b>
<b>OTHER INFORMATION</b>	<b>Mar-15</b>	<b>Dec-14</b>
<b>Segment assets</b>		
In-flight and other catering services	663,380	612,448
Rental and administrative services	705,686	259,391
Ground handling and aviation	308,247	308,844
Charter flights service	41,803	39,750
Investment in associates	753,195	661,709
Water-related projects	211,115	194,017
Mining	32,201	268,523
<b>Total segment assets</b>	<b>2,715,627</b>	<b>2,344,683</b>
Investment property	143,852	143,852
Deferred tax asset	19,894	21,360
Unallocated corporate assets	539,704	816,712
<b>Consolidated total assets</b>	<b>3,419,076</b>	<b>3,326,607</b>
<b>Segment liabilities</b>		
In-flight and other catering services	301,767	285,725
Rental and administrative services	531,276	444,181
Ground handling and aviation	149,911	157,665
Charter flights service	24,311	22,942
Water-related projects	119,247	118,770
Mining	43,676	43,681
<b>Total segment liabilities</b>	<b>1,170,189</b>	<b>1,072,965</b>
Deferred tax liabilities	(1,661)	1,115
Unallocated corporate liabilities and eliminations	(662,377)	(557,848)
<b>Consolidated total liabilities</b>	<b>506,152</b>	<b>516,232</b>

**Capital expenditures**

	January to March	
	2015	2014
In-flight catering services	3,713	6,007
Rental and administrative services	1,429	91,324
Ground handling and aviation	-	-
Charter flights service	98	-
Water-related projects	158	-
Mining	-	-
<b>Total</b>	<b>5,398</b>	<b>97,331</b>

**Depreciation & amortization**

In-flight catering services	5,245	13,126
Rental and administrative services	414	528
Ground handling and aviation	8,183	7,842
Charter flights service	306	349
Water-related projects	422	-
Mining	759	55
Unallocated corporate depreciation and amortization	2,136	2,568
<b>Total</b>	<b>17,465</b>	<b>24,468</b>

**Non cash expenses other than depreciation & amortization**

In-flight catering services	4,486	1,300
Ground handling and aviation services	4,302	55
<b>Total</b>	<b>8,788</b>	<b>1,355</b>

## 5. Basic/Diluted Earnings per Share

Basic/diluted earnings per share are computed as follows:

<i>(In thousand pesos except earnings per share)</i>	Mar-15	Dec-14	Mar-14
Net income attributable to equity holders of the parent	97,734	114,980	39,901
Divided by weighted average number of common shares	1,233,404	1,233,404	1,233,404
	0.0792	0.0932	0.0323

## 6. Equity

### a. Restriction on retained earnings of the Company

The retained earnings as of March 31, 2015 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱249.4 million and ₱151.7 million as of March 31, 2015 and December 31, 2014, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of March 31, 2015 and December 31, 2014.
- Deferred income tax assets amounting to ₱1.4 million and ₱1.4 million as of March 31, 2015 and December 31, 2014.

b. Appropriation of retained earnings

On December 12, 2014, the MACS' BOD approved the appropriation of its retained earnings amounting to ₱50.0 million for plant expansion. MACS' BOD allocated this appropriation for the company's plans to operate an offsite commissary within the next two years.

On September 26, 2012, MACS' BOD approved the appropriation of its retained earnings which amounted to ₱50.0 million for various investments to expand business and renovation of facilities of MACS. On December 31, 2013, MACS' BOD has allotted this appropriation for the operation of an offsite commissary within the next two years.

On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30 million for business expansion. The expansion program is expected to run for another two years.

On December 12, 2011 and July 15, 2011, the Company's BOD approved the appropriation of the Company's retained earnings which amounted to ₱393.1 million and ₱300.0 million, respectively, for the mining development projects and water project, respectively. The water project is expected to be completed and operational on the last quarter of 2015. As to the mining project, the Company intends to start development activities and mining operations on 2015, after the period allotted for the extension of exploration, if on-going studies indicate favorable economics.

On December 12, 2011, MAATS' BOD approved the appropriation of its retained earnings which amounted to ₱15.0 million for purposes of expanding the business of MAATS, particularly the construction of an aircraft hangar. Acquisition is to be made in 2015 or earlier. In 2014, however, MAATS' BOD reversed the appropriated amount to declare as dividend during the year.

c. Cash dividends declared by the Company from the unappropriated retained earnings are as follows:

Date Approved	Per share	Stockholder of Record Date	Date of Payment
March 25, 2013	₱0.065	April 24, 2013	May 19, 2013
March 7, 2012	0.065	April 24, 2012	May 18, 2012

d. Treasury stock

On July 16, 2010, the BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Company from the market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Company to be lower than the inherent value of the share. The Program will run until the ₱50.0

million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

There was no reacquisition of shares as of March 31, 2015 and December 31, 2014. In 2012, the Company reacquired 6,125,000 shares for ₱17.5 million.

e. Movement in the Company's outstanding shares follows:

Outstanding shares as of December 31, 2011	1,239,529,000
Acquisition of treasury shares in 2012	6,125,000
<hr/>	
Outstanding shares as of December 31, 2013, 2014 and March 31, 2015	1,233,404,000
<hr/>	

f. Track record of registration of securities

On August 30, 1974, the SEC authorized the registration and licensing of the Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On March 22, 2000, the Philippine Stock Exchange, Inc. authorized to list the Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

- i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;
- ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and
- iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.
- iv. All warrants expired in 2005.

MAC's shares are listed and traded at the Philippine Stock Exchange, Inc. and the approximate number of holders of its common equity as of March 31, 2015 and December 31, 2014 is 859 and 856, respectively.

g. Cash dividends received by non-controlling interest

On December 10, 2013, MACS' BOD approved the declaration of cash dividends amounting to ₱20.0 million or ₱16 per share payable on or before April 15, 2014.

On March 27, 2013, MACS' BOD approved the declaration of cash dividends amounting ₱20.0 million or ₱16 per share payable on or before May 15, 2013 and

another ₱20.0 million or ₱16 per share payable on or December 31, 2013. These were fully paid in 2013.

Dividends attributed to non-controlling interest amounted to ₱12.0 million. Outstanding payable as of December 31, 2013 amounted to ₱4.0 million, which was paid in 2014.

h. Acquisition of non-controlling interest

In 2014, MAPDC paid a total of ₱10.6 million for the remaining 12.6% non-controlling interest to the previous stockholders of WBSI.

In 2012, MAC paid for the subscription payable of all of the previous non-controlling stockholders of MMC bringing MAC's ownership over MMC from 67% to 100%. The carrying value of the interest acquired as of that date amounted to ₱2.1 million.

## **7. Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of March 31, 2015 and December 31, 2014. Further, no changes were made in the objectives, policies or processes for the three-month period ended March 31, 2015 and December 31, 2014.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

	31-Mar-15	31-Dec-14	31-Mar-14
Capital stock	1,250,000	1,250,000	1,250,000
Additional paid in capital	281,437	281,437	281,437
Treasury shares	-49,419	-49,419	-49,419
Retained earnings	1,575,751	1,477,897	1,413,400
	<b>3,057,769</b>	<b>2,959,915</b>	<b>2,895,418</b>
Net income after tax	97,577	121,910	42,252
Return on equity	<b>3.19%</b>	<b>4.12%</b>	<b>1.46%</b>

## **8. Financial Risk Management Objectives and Policies**

### **Risk Management Structure**

#### *Audit Committee*

The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

#### *Risk Management Committee*

The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

#### *Board of Directors*

The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

### **Financial Risk Management**

The Group's principal financial instruments comprise cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

#### *Foreign currency risk*

The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately 90% of MACS' and 63% of MASCORP's revenue in 2014, 2013, and 2012, respectively, are denominated in US\$. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations.

The following table demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US\$, with all other variables held constant:

<i>(in millions)</i>	Movement in US\$	Increase (decrease) on Income/Loss before Income Tax US\$
2015	Increase of 5%	15.6
	Decrease of 5%	(15.6)
2014	Increase of 5%	10.2
	Decrease of 5%	(10.2)
2013	Increase of 5%	13.4
	Decrease of 5%	(13.4)

### *Credit and concentration risk*

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis with the result that the Group's exposure to bad debts is not significant. The Group has major concentration of credit risk given that the Group's cash and cash equivalents are deposited in the local affiliated bank. Further, MASCORP's major customers include PAL and Air Phil. However, since these companies are related parties and the local affiliated bank is one of the country's reputable banks, management believes that the Company is not exposed to any significant risk.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements.

### *Credit quality per class of financial assets*

The credit quality of financial assets is managed by the Group using internal credit ratings.

The tables below show the credit quality of the Group's financial assets and an aging analysis of past due but not impaired financial assets.

March 31, 2015 (in '000)	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
<i>Loans and receivable:</i>					
Cash in bank and cash equivalents*	684,920,942	-	-	-	684,920,942
<i>Receivables:</i>					
Trade	123,055,367	-	-	216,562,084	339,617,451
Due from officers and employees	19,323,857	-	-	-	19,323,857
Interest receivable	2,465,439	-	-	-	2,465,439
Other receivables	48,085,375	-	-	-	48,085,375
Deposits	20,151,931	-	-	-	20,151,931
Project advances and investment	-	64,023,930	-	-	64,023,930
<i>AFS investments</i>					
Retail treasury and corporate bonds	103,374,400	-	-	-	103,374,400
	1,001,377,311	64,023,930	-	216,562,084	1,281,963,325

\*Exclusive of cash on hand amounting to P954,783 as of March 31, 2015

December 31, 2014 (in '000)	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
<i>Loans and receivable:</i>					
Cash in bank and cash equivalents*	680,209,788	-	-	-	680,209,788
<i>Receivables:</i>					
Trade	158,830,386	41,756,342	-	172,120,184	372,706,912
Due from officers and employees	16,907,870	-	-	-	16,907,870
Interest receivable	2,573,415	-	-	-	2,573,415
Other receivables	9,847,087	-	-	3,224,887	13,071,974
Deposits	20,335,958	-	-	-	20,335,958
<i>AFS investments</i>					
Retail treasury and corporate bonds	66,197,600	-	-	-	66,197,600
	954,902,104	41,756,342	-	175,345,071	1,172,003,517

\*Exclusive of nonfinancial assets of P1,027,745 as of December 31, 2014.

The Group's financial assets are categorized based on the Group's collection experience with affiliates and third parties.

- High Grade – settlements are obtained from counterparty following the terms of the counterparty.
- Standard Grade – some reminder follow-ups are performed to obtain settlement from the counterparty.
- Sub-standard Grade – constant reminder follow-ups are performed to collect accounts from counterparty.
- Impaired – difficult to collect with some uncertainty as to collectability of the accounts.

Overall, the Group considers its high grade and standard grade accounts of good quality and it expects to collect all receivables except for impaired accounts where credit losses may be incurred.

*The aging analysis of past due but not impaired financial assets per class of financial assets*

	Past Due but not Impaired						
	Less than 30 days			More than 90 days		Impaired	Total
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days			
31-Mar-15	97,510,215	122,669,907	130,875,514	51,105,799	1,278,529	403,439,965	
31-Dec-14	37,153,642	58,588,286	23,408,940	43,110,333	13,083,870	175,345,071	

*Impairment assessment*

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue,

the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

#### *Interest rate risk*

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows. Management closely monitors the behavior of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The following table sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel challenges in the interest rate curve in terms of basis points (bp) as of March 31, 2015, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

	Increase (decrease) on Income before Income Tax March 31, 2015	Increase (decrease) on Income before Income Tax December 31, 2014
100 bp rise	₱ (0.21 million)	₱ (0.86 million)
100 bp fall	0.21million	0.86 million
50 bp rise	(0.11 million)	(0.14 million)
50 bp fall	0.11 million	0.14 million

#### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows, advances from related parties and short-term bank loans.

In addition, MASCORP has an available credit line for ₱20.0 million as of December 31, 2014. The line of credit is available through drawing of checks up to the approved credit line and will be effective up to November 2015. As of December 31, 2014, there was no amount drawn against this line of credit.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

As of March 31, 2015 (in '000)	< 1 year	>1-2 years	>2-3 years	>5 years	Total
<b>Loans and receivables:</b>					
Cash and cash equivalents	685,875,725	-	-	-	685,875,725
Receivables:					
Trade	339,617,451	-	-	-	339,617,451
Due from officers and employees	19,323,857	-	-	-	19,323,857
Interest receivable	2,465,439	-	-	-	2,465,439
Other receivables	80,415,863	-	-	-	80,415,863
Deposits	-	-	-	20,151,931	20,151,931
Project advances and investment	64,023,930	-	-	-	64,023,930
AFS - debt	-	103,374,400	-	-	103,374,400
	<b>1,191,722,264</b>	<b>103,374,400</b>	<b>-</b>	<b>20,151,931</b>	<b>1,315,248,596</b>
<b>Other financial liabilities:</b>					
Accounts payable and accrued liabilities	260,766,384	-	-	-	260,766,384
Notes Payable	25,250,600	19,174,194	19,174,194	15,799,194	79,398,183
Dividends payable	8,620,761	-	-	-	8,620,761
Deposit	-	-	-	24,781,908	24,781,908
	<b>294,637,744</b>	<b>19,174,194</b>	<b>19,174,194</b>	<b>40,581,103</b>	<b>373,567,236</b>
Liquidity position	<b>897,084,520</b>	<b>84,200,206</b>	<b>(19,174,194)</b>	<b>(20,429,171)</b>	<b>941,681,360</b>

As of Dec. 31, 2014 ('000)	< 1 year	>1-2 years	>2-3 years	>5 years	Total
<b>Loans and receivables:</b>					
Cash and cash equivalents	681,237,533	-	-	-	681,237,533
Receivables:					
Trade	372,706,911	-	-	-	372,706,911
Due from officers and employees	16,907,870	-	-	-	16,907,870
Interest receivable	2,573,415	-	-	-	2,573,415
Other receivables	13,071,974	-	-	-	13,071,974
Deposits*	-	-	-	40,195,739	40,195,739
Available for sale - debt	-	66,197,600	-	-	66,197,600
	<b>1,086,497,703</b>	<b>66,197,600</b>	<b>-</b>	<b>40,195,739</b>	<b>1,192,891,042</b>
<b>Other financial liabilities:</b>					
Accounts payable and accrued liabilities**	241,594,196	-	-	-	241,594,196
Notes payable***	88,048,792	-	-	-	88,048,792
Dividends payable	8,620,761	-	-	-	8,620,761
Deposit****	-	-	-	39,596,190	39,596,190
	<b>338,263,749</b>	<b>-</b>	<b>-</b>	<b>39,596,190</b>	<b>377,859,939</b>
Liquidity position	<b>748,233,954</b>	<b>66,197,600</b>	<b>-</b>	<b>599,549</b>	<b>815,031,103</b>

\*Inclusive of accretion of interest of P19,859,781

\*\*Exclusive of nonfinancial liabilities of P17,952,416.

\*\*\*Inclusive of interest to maturity P2,321,459

\*\*\*\*Inclusive of accretion of interest of P19,260,232

## 9. Fair Value of Financial Instruments

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of March 31, 2015 and December 31, 2014:

		Date of valuation	Carrying value	Fair value measurements using		
				Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>As at 31 March 2015</b>						
<b>Assets measures at fair value:</b>						
Available for sale financial investments						
Government Securities		March 31, 2015	66,197,600	66,197,600		
Golf club shares		March 31, 2015	37,138,300	37,138,300		
<b>Assets for which fair value is disclosed:</b>						
Investment property		March 31, 2015	143,852,303			143,852,303
Deposits		March 31, 2015	20,151,931			20,151,931
<b>Liabilities for which fair value is disclosed</b>						
Deposits		March 31, 2015	24,781,908			24,781,908
<b>As at 31 December 2014</b>						
<b>Assets measures at fair value:</b>						
Available for sale financial investments						
Government Securities		December 31, 2014	66,197,600	66,197,600		
Golf club shares		December 31, 2014	37,138,300	37,138,300		
<b>Assets for which fair value is disclosed:</b>						
Investment property		December 31, 2014	143,852,303			257,959,500
Deposits		December 31, 2014	16,208,078			16,208,078
<b>Liabilities for which fair value is disclosed</b>						
Deposits		December 31, 2014	5,328,763			5,328,763

There have been no transfers between Level 1 and 2 in 2015 and 2014.

### *Cash and cash equivalents, receivables, accounts payables and accrued liabilities*

The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

### *Notes payable*

The carrying value of notes payable approximates its fair value due to the re-pricing feature of the interest it carries.

### *AFS investments*

Fair value of the quoted notes and bonds is based on exit price at the reporting date.