

MACROASIA CORPORATION
December 31, 2016

SEC Form 17-A
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended December 31, 2016
2. Commission Identification Number 40524
3. BIR tax Identification No. 004-666-098
4. Exact name of issuer as specified in its charter MACROASIA CORPORATION
5. City of Makati
Province, Country or other jurisdiction
of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. 12th Floor PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226
Address of Issuer's Principal office Postal Code
8. (632) 840-2001
Issuer's telephone number including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report

b) Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock</u> <u>Outstanding and Amount of Debt Outstanding</u>
Common Stock, ₱1 par value	1,233,404,000 outstanding shares

b) Are any or all of the securities listed on a Stock Exchange?

Yes []

No []

Name of Stock Exchange

Class

Philippine Stock Exchange

Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and RSA Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes []

No []

b) has been subject to such filing requirements for the past 90 days.

Yes []

No []

13. Aggregate market value of the voting stock held by non-affiliates: ₱ 725,195,023 (300,910,798 shares @₱2.41 per share as of December 31, 2016)

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PART I. BUSINESS AND GENERAL INFORMATION

This report contains references to MacroAsia Corporation and its subsidiaries – MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia Properties Development Corporation, MacroAsia Air Taxi Services, Inc., and MacroAsia Mining Corporation, collectively referred to as the “Group”. Any references to “MacroAsia”, “MAC” and “Parent Company” mean MacroAsia Corporation, the parent company, not including its subsidiaries.

ITEM 1. DESCRIPTION OF BUSINESS

A. Business Development

1. Corporate History

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 Company’s Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation.

In June 1996, the Parent Company 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 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 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.

The Group has mining assets, derived principally from Mineral Production Sharing Agreements (MPSAs) as a legacy from its history as a mine operator in the 1970's. It also has Exploration Permit Applications. The further development of these assets is dependent on government regulations and policies.

In the medium-term, the Group'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, as well as growth derived from water concessions. The Group foresees that revenues will be derived from its water projects, as one of its subsidiary has been investing on waterworks systems to service the requirements of some towns outside of Metro Manila. One of the projects that materialized during the first quarter of 2016 is the complete waterworks system in Solano Nueva Vizcaya ("Solano Water", comprising of a water treatment plant and pipeline network). This project which started commercial operations in March 2016, is operated as a subsidiary of MacroAsia Properties Development Corporation (MAPDC). In December 2016, MADPC also acquired 67% of Boracay Tubi System, Inc. (BTSI), one of two current water concessionaires in Boracay Island.

LTP, the aircraft maintenance, repair and overhaul affiliate will continue to place the Philippines in the global map of MRO providers with its growing track record in Airbus 380 repair, through its two A380 hangars. LTP's base maintenance (heavy repair) of wide-body aircrafts will continue to grow, aside from benefitting from line maintenance boosted by the fleet growth of its local airline clients.

MASCORP, the ground-handling subsidiary, continues to expand geographically into other provincial airports or stations where Philippine Airlines/PALEX operate. After growing in Mactan, Cebu, MASCORP has established its presence in Kalibo International Airport, and Clark International Airport. In 2017, it foresees that its ground handling footprint will be seen in about 30 airports and stations all over 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 increase its revenue portfolio from non-airline catering. MACS will be opening a food commissary outside of the airport 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. It will also develop its leased areas inside Mactan Cebu for aviation support activities.

MAATS, the chartering subsidiary, will focus on supporting fixed-based operators, particularly MRO clients of LTP. MAATS provides fixed-based aircraft operations support, 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) will generate revenues only after all the mining permits for operations are secured. Recent pronouncements by the government however, have dampened the prospects of the Philippine mining industry as a whole, and this Infanta Nickel Mine is kept under care and maintenance for now, until there is clarity in the government direction for nickel mining.

MMC on the other hand is providing outsourced exploration services of nickel laterites to third party clients. Notwithstanding the challenges in the directions for nickel mining among others, some mining companies in the Philippines still continue to do their exploration activities, with MMC being able to garner contracts for outsourced nickel mining exploration. These outsourced activities are foreseen to continue in the medium term.

2. Bankruptcy, Receivership or Similar Proceedings

Except as stated in the succeeding paragraphs and in the discussion for each of the Parent Company's subsidiaries and associates, there has been no other business development such as bankruptcy, receivership or similar proceedings not in ordinary course of business that affected MacroAsia and its subsidiaries or associates for the past three (3) years.

3. Material Reclassification, Merger, Consolidation, or Purchase or Sale of Significant Amount of Assets (not in the ordinary course of business)

On July 11, 2011, MAPDC acquired 70% of the shares of stock of WBSI which amounted to ₱3.3 million pursuant to a share purchase agreement between MAPDC and the stockholders of WBSI. On the same date, MAPDC entered into a sale and purchase agreement for the acquisition of the Maragondon Bulk Water Supply Project from ICH. Prior to MAPDC's acquisition of WBSI shares, WBSI assigned and transferred its rights over the Water Project to ICH. On September 15, 2011, MAPDC signed 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.

In 2014, MAPDC entered into an 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, WBSI, as well as CBRI, which is WBSI's wholly owned subsidiary, were consolidated with the Group starting in 2014.

On December 16, 2015, MAPDC sold 49% equity of WBSI to MetroPac Water Investments Corporation (MPWIC). The Group retained majority control at 51% of WBSI. For a more detailed discussion, please see Note 16 of the consolidated financial statements.

In December 2012, MacroAsia Corporation purchased stocks subscriptions of all the previous minority shareholders of MacroAsia Mining Corporation, increasing its shareholdings from 67% to 100% of the Corporation.

On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and transfer of 13% of its stakeholdings to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS. MAC's eighty percent (80%) share of the total issued and outstanding capital stock of MACS has thus been reduced to sixty-seven percent (67%) upon completion of the transaction. SATS is the JV partner of MAC in MacroAsia Catering since the JV started commercial operations in 1998.

On December 2, 2016, MAPDC purchased the 67% shares of stock held by the former individual shareholders of BTSI. BTSI has 80% ownership in MONAD and 100% ownership in NEWS. As a result of the acquisition, MAPDC obtained direct control over BTSI and indirect control over MONAD and NEWS.

B. Business of the Issuer

MacroAsia Corporation (MAC) began commercial operations as a holding company under its amended charter in 1996.

The Group's revenues at present are derived primarily from aviation-related support businesses. It provides aircraft maintenance, repairs and overhaul (MRO) services, in-flight catering services, airport ground handling services, charter flight services, and operates a special economic zone at the Ninoy Aquino International Airport (NAIA). Non-airline sources of income for the group includes catering for institutional clients and rendering of exploratory drilling services for 3rd party clients. In 2016, it also started booking revenues from water concessions.

All airline-related subsidiaries and associated companies of MAC render services directly to the airline customers/locators in various airport locations, generating both local and export revenues. For the past three years, an average of 80% of the total gross operating revenues reported represented revenues from foreign airlines that fly to the Philippines.

In 2016, MAC continued 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) 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 in NAIA. When MACS started commercial operations on September 1, 1998, it was a joint venture between MacroAsia Corporation (67%) and two foreign partners: SATS Ltd. (then known as Singapore Airport Terminal Services 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 continued 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. On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and transfer of 13% of its stakeholdings to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS.

MACS' in-flight kitchen facility is situated in a two-hectare lot being leased from the Manila International Airport Authority (MIAA). MACS' inflight 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 (certified by Certification International of UK) 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 microbiologists and equipped with basic to advanced microbiological testing.

Capturing more than 60% of the in-flight catering market, MACS is the catering service provider to 13 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA.

MACS also has contracts with two airlines to provide top-up meals and ground feeding in case of flight delays.

MACS is also 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 incorporated MacroAsia SATS Food Industries Corporation on July 14, 2015 as a 100%-owned subsidiary to operate a new food commissary near the East 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 is leased from MacroAsia Properties which owns several lots and a 3-storey building in the aforementioned area.

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last May 2016, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2014-2015, a consistent feat for several years now. In 2015, MACS received the Gold Award given by Cathay Pacific on its recently concluded Caterers' Performance Recognition Program (CPRP) for 2014. This is the 3rd 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. MACS also 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 has a wide supplier's 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 Officers together with Purchasing and Production Department representatives at the supplier's premises to inspect and verify the compliance to its manufacturing and supply standards.

In 2016, 2015, and 2014, this subsidiary's sales contributions to MAC's consolidated gross operating revenues were 62%, 61% and 62%, respectively. MACS' airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airways (CI), Dragon Air (KA), 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 5.5 million meals per annum, at an average production of about 15,000 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 December 31, 2016, MACS has a core manpower complement of 339 individuals (41 workers higher than 2015), excluding staff contracted from external providers. Of the total manpower count, 145 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 December 31, 2016, its work force consisted of 1,148 organic staff and 410 out-sourced staff, 52% higher compared to 2015.

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, Airport Specialists' Services Corporation (ASSC), a wholly-owned subsidiary of MASCORP, 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, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

MASCORP contributes an average of 27% of the Group's total operating revenues for the years ended December 31, 2016, 2015 and 2014.

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 entered into new ventures in 2015. It started providing Cargo Services for Pal Express in Manila, Apron Cleaning of Lufthansa Technik Philippines' (LTP) and Philippine Airlines' (PAL) Terminal 2 ramp parking and Ground Support Maintenance Services for LTP in its main hangar in Manila, Cebu and Davao.

Aside from its current Ground Handling services to and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in Cebu, Kalibo, Davao and General Santos. Last December 2016, it started operations in Clark and Tuguegarao to handle Philippine Airlines (PAL) and PAL Express (PALex) flights on the said stations.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila stations (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, Civil Aviation Authority of the Philippines (CAAP) for Kalibo, Davao, General Santos and Tuguegarao stations and Clark International Airport Corporation (CIAC) for Clark Station. Except for the operations in Kalibo, General Santos, & Tuguegarao, MASCORP secures such right by regularly paying the correct monthly Concession Privilege Fee (CPF) which is computed at 7% for MIAA, GMCAC & CAAP and 4.9% for CIAC monthly gross revenues on both domestic and international services.

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 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 Economic Zone (Ecozone) Developer/Operator with the PEZA. 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 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.

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.

Early in 2014, MAPDC acquired a 3-storey building near the East Service Road close to the Sucat Toll area in Muntinlupa City, which will be developed and leased out as the commissary for food services to non-airline clients.

In 2015, MAPDC has entered into 2 long term lease agreements with Mactan Cebu International Airport Authority for a total of 4.3 hectares inside the airport. Also in 2015, LTP assigned its leased area inside the Mactan Cebu International Airport to MAPDC, comprising 2.7-hectares of developed land proximate to MAPDC's new leased areas in the airport. MAPDC is pursuing that 5 hectares of these leased areas be declared as a special ecozone for aviation-related services, an extension of the MacroAsia Special Ecozone.

MAPDC is the subsidiary that serves as a vehicle for the entry of the Group into the water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has projects in provinces outside of Metro Manila. One project entails the treatment of surface water from a Magat River in Cagayan Valley, and the piped distribution of the treated water to the homes of residents in the town of Solano, Nueva Vizcaya. To implement this project, MAPDC formed a 100%-owned subsidiary, SNV Resources Development Corp. (SNVRDC) to be the water treatment facility operator and distributor of treated water in the said municipality. Commercial operations started during the first quarter of 2016. In December 2, 2016, MAPDC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of the two water service providers in Boracay Island. In 2017, MAPDC is targeting to break ground for the construction of water treatment plants in Mabini, Pangasinan and Maragondon, Cavite, as it has signed agreements with counterparties for water supply projects in these areas.

As of December 31, 2016, MAPDC has a workforce of 24 employees out of which, 20 are regular employees.

For the past three years, MAPDC's average rental and administrative revenues represented an average of 10% 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 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 acquired its Airline Operator Certificate (AOC) from the Civil Aviation Authority of the Philippines (CAAP) and Commercial Permit from the Civil Aeronautics Board (CAB) and has periodically re-validated both permits as required by law. This allows MAATS to provide nonscheduled air charter services to both local and foreign customers anywhere in the Philippines (passengers and cargo). MAATS started commercial operations in October 1996 utilizing its Ecureuil AS350-B2, a 5-passenger rotary aircraft for its flight operations. In August 22, 2016, MAATS suffered the fortuitous unfortunate incident of losing its helicopter and crew in one flight mission hampered by unforeseen weather conditions. The losses affecting the crew's families, as well as the company assets were compensated by the insurance cover of MAATS. This tragic event halted MAATS' charter operations temporarily, and kept the revenue source as solely coming from FBO services.

Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO (maintenance, repair, overhaul) clients of Lufthansa Technik Philippines. FBO work entails the provision of airport solutions or logistical support, facilitating and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive and better MRO station.

MAATS' charter flight revenues for the last three years account for an average of one percent (1%) of MAC Group's revenues. MAATS income from FBO (fixed-based operations) in 2016 is 24% of its total net income. Today, MAATS has continued to focus on FBO services, rather than helicopter chartering.

There are no existing or probable government regulations that may have an adverse effect on MAATS operations. MAATS 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 of MAC, 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 nine (9) regular employees as of December 31, 2016.

MMC is now focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. On August 24, 2012, the company entered into a Contract for Service Agreement with a third party to render exploration drilling and sampling of nickel laterite services on the third party's mining tenement in Camarines Norte-Quezon Province area. In October 2015, two nickel exploration service contracts conducted in Nonoc and Dinagat Islands has ended. In 2016, no new exploration and drilling contract projects were

conducted though offers and invitations from interested mining companies were received.

MMC's present 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.

In 2015, LTP completed its project to expand its existing two hangar bays, thus increasing its service capability for A380 heavy maintenance check, also enabling LTP to enter base maintenance for the B777. The hangar expansion was inaugurated in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016.

Furthermore, the B777 base maintenance capability build-up was completed in the later part of 2016, and its check is scheduled in the 1st quarter of 2017.

LTP continues to have Philippine Airlines (PAL) as its main client for aircraft maintenance, repair and overhaul services in LTP's facility in NAIA. Other global clients include among others – Air China, Air Busan, All Nippon Airways, Gulf Air, Japan Airlines and Korean Air. Other international airlines, including those with non-scheduled flights to Manila also avail of LTP's MRO expertise such as Lufthansa Airlines, Virgin Atlantic Airways, Jetstar Japan, Air Mauritius and Starflyer to name a few.

In a showcase of continuing trust in 2016, four Line Maintenance customers renewed their alliances with LTP, namely Japan Airlines, Jin Air, Oman Air, and Royal Brunei. Moreover, Eitihad Airways, KLM Royal Dutch Airlines, and Vanilla Air were added to the client roster of line maintenance. For Base Maintenance, it won contracts with AirAsia X, Asiana Airlines, British Airways, Jetstar Japan, Thai AirAsia X, and VietJet. These are in addition to several long term contracts won in previous year.

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 personnel count did not change significantly as compared to the prior year. They have a labor force of about 2,499 by December 31, 2016. Of the total manpower count, 2,365 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 MCIA. 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 up to 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 2,000 meals a day, using mostly 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, Cathay Pacific as well as Cebu Pacific Airlines.

CPCS's personnel count increased by 28%, to about 103 employees as of December 31, 2016, compared to staff count in previous year. Of the total manpower count, 40 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 flights from MCIA to other regional destinations.

CPCS contributed an average of 6% out of the total MAC equity in the net income of associates.

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.

Status of any publicly-announced new product or service

Except as otherwise disclosed in the discussion of the businesses of each subsidiary and affiliate above, there are no other publicly-announced new products or services for the Group.

Competition

The Group's strength relative to its competitors lies on its skilled manpower, liquid assets relative to its operational funding requirements and adequate capital to continue and expand its existing businesses and develop or venture into new business activities. The Group's strategic advantage in the aviation services sector comes from the close relationships with airline clients, which in turn enables reciprocal arrangements for auxiliary aviation services. The strong backing of the Group's venture partners in some of the subsidiaries/affiliates, namely, Singapore Air Terminal Services (SATS, Singapore), Cathay Pacific Catering Services (CPCS, Hongkong) and Lufthansa Technik AG (Germany) also provides the globally-competitive expertise and market reach for the Company's subsidiaries/affiliates.

The Group's competitive edge is manifested in various service areas through its quality of services, labor/manpower stability, competitive pricing, advanced aircraft (MRO) technology, and a carefully packaged inter-related aviation support services.

Suppliers

The Group has a broad base of suppliers, both local and foreign. Except as otherwise disclosed in the discussion of the businesses of each subsidiary and affiliate above, there are no major existing supply contracts for the Group.

Customers

Except as otherwise disclosed in the discussion of the businesses of each subsidiary and affiliate above, the Group is not dependent upon a single customer or a few customers that a loss of anyone of which would have a material adverse effect on the Group.

Employees

MacroAsia Corporation, the Parent company, has a total workforce of 30 employees. The Group has a total manpower complement of 4,183. Of these, 2,765 are regular employees, 108 are on probation and 1,376 are project and/or contractual staff. The total number of employees is likely to increase in 2017 driven by the growth in certain business segments, particularly in the food business segment.

None of the Parent Company, its subsidiaries and associated companies is subject to any Collective Bargaining Agreement (CBA). There has been no strike, nor any attempt to protest against the Parent Company, its subsidiaries and associated companies during the past three years.

The Group provides health/medical insurance/benefits to its employees through an independent Health Maintenance Organization (HMO).

Compliance with Environmental Laws

MacroAsia Corporation and its subsidiaries have not been subject to any material fines or legal or regulatory action involving non-compliance in any material respect with relevant environmental protection regulations.

Major Risks Involved

MAC recognizes some developments that may have potential impact on the Group.

Global Economic Slowdown, Economic Woes Impacting on Airlines, Safety and Health Issues Affecting Airline Travel.

The Group continues to adopt a simultaneous approach of employing revenue generating strategies for both core and non-core business while cutting down on costs. Aggressive marketing, offering of innovative products and services, optimizing resources and provision of quality services help maintain and expand client patronage. Sustainable cost leadership efforts like staff cost benchmarking (staff cost is the biggest cost among the Group's service companies) were implemented with much vigor. The impact of aviation developments for key clients are discussed in corporate head office meetings (generally on a weekly basis), or in executive/management committee meetings. These items are also highlighted in board meetings of the Parent Company.

Industry Regulations

MacroAsia Corporation and its subsidiaries are subject to the relevant rules and regulations imposed by government and private institutions such as the Civil Aviation Authority, Civil Aeronautics Board, Manila International Airport Authority, Philippine Economic Zone Authority, Department of Labor and Employment, Securities and Exchange Commission as well as the Philippine Stock Exchange. Moreover, being a part of the air travel industry, the Group is subject to various stringent international standards for cleanliness, health, and safety.

Volatility in Foreign Exchange Rates

Bulk of the Group's revenues and part of its costs and expenses are transacted in foreign currency, particularly in US dollars. Any drastic fluctuation in the Peso-US dollar exchange rate may affect the Group's financial performance. The Company's Investment Committee has directed Management to engage in foreign exchange hedging transactions and to limit the Group'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) to minimize exposure to foreign exchange fluctuations.

Competition

The business activities of the Parent Company and its subsidiaries are carried out in a competitive environment, as the Group competes not only with local providers of aviation-related services, but with regional and international players

as well. Operational track record and high quality of services coupled with competitive prices remain to be the Group's advantages over its competitors.

Natural Occurrences

The Group is subject to various other risks which are beyond its control. These include weather conditions, virus outbreak and other natural disasters which may disrupt its operations. There can be no assurance that the above risks will not have an adverse effect on the Group.

Periodic planning sessions/meetings with top management, various committees and members of the Board are being held to identify, assess and formulate related contingency plans to manage or minimize the adverse impacts of potential or identified risks on the Group's operations.

Transactions with and/or Dependence on Related Parties

Please see Note 19 under the Group's Consolidated Notes to Financial Statements (pages 54 to 58).

Significant Agreements and Commitments

Please see Note 29 under the Group's Consolidated Notes to Financial Statements (pages 69 to 74).

Other Information

The Group has not issued any short term or long term commercial papers to date.

There are no other significant patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held by the Group.

MAC, as a listed entity, operates in a highly-regulated environment. The business of the Parent company, including its subsidiaries and affiliates to which it operates, depends upon the permits and licenses issued by the government authorities or agencies for its operation. The Group is not aware of any existing or probable government regulations on its products and services that would have an adverse impact on the operations of the businesses to which the Group operates.

The Group has not incurred any material research and development costs during each of the last three fiscal years.

MacroAsia Corporation's Mining Project

Macroasia Corporation holds two Mineral Production Sharing Agreements (MPSAs), 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 explored within the MPSA is around 536 hectares with the deposit composed of limonite and saprolite ores. Within this delineated nickel ore envelope, 2,754 drill holes were done, resulting into 48,568.7 meters drilled. There were also 482 test pits that were dug, yielding 2,550.8 meters more for sampling. The resulting samples collected numbered 52,284, and these were analyzed for nickel (Ni), iron (Fe) and 12 other elements/oxides, including the loss in ignition (LOI), using fused bead done under X-Ray Fluorescence (XRF) technique at Intertek Laboratories. The Parent Company has completed an exploration report that is compliant to the Philippine Mineral Reporting Code (PMRC). A mining plan and a pre-feasibility studies have also been drafted.

The operation of the Mining Project has already been endorsed by the three impact barangays, including the indigenous people in the area. In 2010, the Parent company has received the Environmental Compliance Certificate (ECC) for operations and presently in the process of renewing the ECC under a revised Environmental Impact Assessment (EIA) Report having lapsed in 2015. Due to some legal issues, the Certificate of Pre-condition (CP) is yet to be released by the National Commission of the Indigenous People (NCIP). The permit under the Special Environmental Plan (SEP) of the Palawan Council for Sustainable Development (PCSD) is adjunct to the CP under NCIP and that of the ECC under the Special Environmental Bureau (EMB). All other permits required for the mining operations have been secured. Simultaneously, it has ongoing discussions with potential partners for the development of the project for the best interest of various stakeholders.

Pending the completion of the permitting process that will enable the project to progress into mine operation, maintenance works in the mineral property has been undertaken since 2012. The second extension of the exploration period of the MPSA 220-2005-IVB was approved by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) on December 5, 2012. The extended exploration period will allow MacroAsia Corporation to gather more exploration data to fine-tune the feasibility study for operations and eventual metallurgical testing of the nickel laterite ore. Additional exploration drilling were conducted in the priority mining area on the 3rd quarter of 2013 in accordance to the approved Exploration Work Program but the work program was disrupted by the local NGO and LGU of Brooke's Point, Palawan and is currently under legal dispute. After consultation with the MGB, an application for the third extension of the exploration permit of MPSA 220-2005- IVB was filed on 20 March 2015.

On December 15, 2016, Regional Director Roland de Jesus of Region 4B approved the Order of Survey of MPSA 220-2005-IVB of the Infanta Nickel Project. The document serves as an assurance of the tenements being excised from the areal limits of Mount Mantalingahan Protected Landscape (MMPL).

On February 13, 2017, MGB issued a certification confirming the validity of the MPSAs of the Company. However, on February 14, 2017, the Secretary of the Department of Environment and Natural Resources (DENR) announced the

cancellation of 75 MPSAs (including MAC's) allegedly located at/in watersheds all over the country. On February 17, 2017, the Company received a "show cause" notice nor reply from DENR requesting the Company to provide reasons why the MPSAs should not be cancelled. On February 21, 2017, the Company responded to DENR stating that MAC's MPSAs are not located on declared watersheds. As of date, the Company has not received any notice from the DENR or MGB for the cancellation of the MPSAs.

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 506-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 molybdenum-silver mineralization. Several copper and gold mining companies have shown interest in the area.

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.

Three (3) mining tenements are under operating agreement between Philex Gold Philippines Incorporated (PGPI), with PNB-MADECOR and PNB-BUMICO. MLC MRD 510 and EP 008-2010-VI are under PGPI-BUMICO agreement. The former is under renewal since 2014 with consequent conversion to MPSA while the latter is under application for the first renewal for exploration and have been signed by the representatives of PNB and PGPI on January 31, 2013. Both applications are yet pending with the MGB Central Office. EXPA 000100-VI, meanwhile, have been endorsed by MGB Region 6 to MGB Central Office for review and approval. The latter tenement is under PGPI-MADECOR agreement.

ITEM 2. DESCRIPTION OF PROPERTIES

MacroAsia Corporation

In January 2016, MacroAsia Corporation sold its Ecureuil AS350-B2, a five-passenger helicopter to MAATS which is previously being leased by the latter. However, due to a fortuitous event in August 22, 2016 during a flight mission, the said helicopter was totally wrecked, resulting into the loss of the two crew as well. The helicopter asset under MAATS was written-off during the year, and the losses for the helicopter and crew were compensated through the proceeds from the insurance cover.

MAC leases from Philippine National Bank (formerly Allied Bank Corporation) the office space it currently occupies. The lease agreement is for a period of two years, with an annual rental rate that is subject to review every year. The contract of lease is being renewed before expiration of the lease term. The current lease agreement has been renewed for a period of five years commencing on January 1, 2016 and terminating on December 31, 2020. The lease is renewable upon approval of the Bank.

The Parent Company entered into one lease agreement in 2011 and three lease agreements in 2010 with third party lessors covering the use of parcels of land for 35 years in Palawan. The leased properties will be used by the Parent Company as drying area and/or stockpile of its mine products and other related purposes. The Parent Company prepaid the rental charges up to 18 to 30 years totaling ₱8.5 million as of December 31, 2016 and 2015. Rental rates are subject to escalation during the lease periods.

MacroAsia Properties Development Corporation

MacroAsia Properties Development Corporation owns five parcels of land with a total area of 7,912 square meters, located at East Service Road, Sucat, Muntinlupa, Metro Manila. These properties were acquired in 1996 for future development. In 2014, MAPDC acquired the land adjacent to the property with a land area of 1,500 square meters together with a building with a floor area of 3,280.02 square meters. These acquired properties in Sucat are being developed to become a commissary for MacroAsia SATS Food Industries Inc., a wholly owned subsidiary of MACS.

Also in 2014, MAPDC acquired 3 hectares of land in Brgy. Bagahabag, Solano Nueva Vizcaya which will be used for the waterworks project of MAPDC and its subsidiaries. Currently, a water treatment plant is being constructed in the area. The treatment plant includes an intake structure and reservoir.

On September 01, 2000, MAPDC executed a 25-year lease agreement with the MIAA covering about 23 hectares located within NAIA. The lease contract may be terminated at the option of the company if the company, its sublessee or any of its successors-in-interest, ceases to operate its business; and MIAA or the government decides to transfer the airport to another location, making it impossible for the company to conduct its business. With the full support of the PEZA, MAPDC has transformed the area into an Economic Zone, and has signed a 25-year sub-lease agreement with LTP, its anchor locator.

On June 5 and November 6, 2015, MAPDC entered into two lease contracts with Mactan-Cebu International Airport Authority (MCIAA) covering the use of parcels of land for 25 years for 23,703 hectares and 20,000 hectares of land, respectively. MAPDC is allowed to sub-lease the leased property.

On February 16, 2015, CBRI entered into a lease agreement with Maragondon Water District for the office space located at 2nd floor of Maragondon Water District Building, 18 Col. Riel St Poblacion 2A Maragondon, Cavite with a total floor area of 71.9 sqm. The term of the contract is for a period of 25 years renewable at the option of the lessee.

On October 13, 2016, MPRDC has entered in to a one-year lease agreement with Municipality of Mabini, Pangasinan reckoned from the date of its effectivity for a vacant office space with a total area of 60 sq.m. more or less situated at the Second Floor of the Rural Health Center, Mabini, Pangasinan. The contract may be renewed at thereafter on mutual consent of the parties.

MacroAsia Catering Services, Inc.

In 1996, MAC assigned all of its rights and obligations to the Company 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 was 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. The original lease contract between the Company and MIAA expired in July 2008. One of the provisions of the lease agreement is that the Company will transfer to MIAA all permanent improvements which the Company might have constructed in the lease premises upon the expiration of the original lease or upon cancellation of the lease agreement. In 2013, the Company 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. In June 2016, the Company renewed the lease contract with MIAA for one year effective June 1, 2016 to May 31, 2017.

MACS has a concession agreement with MIAA to exclusively operate an in-flight catering service for civil and/or military aircraft operating at NAIA and/or MDA. In 2012, the concession agreement is renewable every year upon mutual agreement of the parties. In 2013, the concession agreement of the Company is renewed and effective for a period of 3 years commencing on June 1, 2013 and expiring on May 31, 2016 or earlier depending upon the MIAA development plan affecting the area. In 2016, MACS renewed the agreement for one-year subsequent to further renewal after the change in the MIAA administration. The agreement is renewable yearly up to three years, subject to certain conditions. In consideration of the concession privilege, the Company pays MIAA a monthly concessionaire's privilege fee equivalent to 7% of the Company's monthly gross income on catering services.

MacroAsia Airport Services Corporation

MacroAsia Airport Services Corporation leases its office space and staging area from MIAA in Terminals 1, 2 and 3 on a month-to-month basis, with a monthly rental of ₱548,848, ₱19,807 and ₱156,544 respectively.

On August 10, 2009, the company paid surety cash deposit to MIAA amounting to ₱2 million as one of the requirements for the renewal of the lease agreement. Currently, management is in discussions with necessary parties on the renewal of the lease. Meanwhile, MIAA continues to bill, and the Company continues to pay the rental fee based on current rates.

Meanwhile, MIAA continues to bill, and MASCORP continues to pay the rental fees billed by MIAA based on current rates. In consideration of the concession privilege, the company continues to pay MIAA a monthly concession privilege fee in the amount equivalent to 7% of the company's monthly gross income on domestic and international ground handling services. MASCORP also pays concession privilege to Mactan Cebu International Airport (MCIA) on the same terms as MIAA's.

On April 22, 2014, GMR Megawide Cebu Airport Corporation (GMCAC), a corporation established by the consortium led by Megawide Construction Corporation and GMR Infrastructure Limited executed the concession agreement with the Department of Transportation and Communication and MCIAA for the exclusive right and authority to operate, maintain, develop, design, construct, upgrade, modernize, finance, and manage the Mactan Cebu International Airport for a period of twenty-five (25) years, and may be extended pursuant to the terms and conditions of the concession agreement.

Pursuant to the memorandum dated September 5, 2014 issued by MCIAA to all concessionaires, airlines, businesses, and other airport stakeholders, MCIAA no longer renewed or extended the concession and lease contracts beyond October 31, 2014 due to the turnover of the operation and management of the Mactan Cebu International Airport to GMCAC effective November 1, 2014. The Company has a concession and lease agreement with GMCAC which is valid until January 31, 2015 and was subsequently extended up to May 31, 2015 and further extended up to October 31, 2015. GMCAC issued the draft of concession lease agreement covering the period November 1, 2015 up to May 31, 2018 in favor of the Company but is not yet finalized as of December 31, 2016.

Lease of office spaces in Sky Freight Center located at Ninoy Aquino Avenue, Parañaque City. The first lease is for a period of five years, commencing on April 16, 2012 until April 15, 2017. The second lease is for a period of five years, commencing on October 1, 2015 until September 30, 2020.

Other than what was discussed above, MAC or any of its subsidiaries and affiliates does not expect to buy any significant assets (property or equipment) except if needed for

mining operations, in the next twelve (12) months. For a more detailed discussion of the Group's properties, please refer to the Note 29 of the Consolidated Financial Statements (pages 69-74).

ITEM 3. LEGAL PROCEEDINGS

On May 20, 2015, MacroAsia Corporation, through its legal counsel, filed a motion for reconsideration with the Court of Appeals for its April 22, 2015 decision promulgated by the Special Sixteenth Division confirming the denial by the National Commission on Indigenous People to issue a Certification Precondition applied for by the Company.

Subsequently, on March 21, 2016, through MAC's legal counsel, the company received a copy of the favorable decision issued by the Court of Appeals giving due course to the company's Motion for Reconsideration and reversing the above-mentioned ruling. However, the case has continued to be pending on appeal upon action of the opposing party.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

MAC's common shares are listed and traded at the Philippine Stock Exchange and the approximate number of holders of its common equity as of December 31, 2016 is 860.

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

The high and low prices of the Company's share during 2016 and 2015 are as follows:

<u>2015</u>		<u>High</u>		<u>Low</u>
First Quarter	₱	2.53	₱	2.10
Second Quarter		2.29		1.95
Third Quarter		2.50		1.80
Fourth Quarter		2.40		2.00
<u>2016</u>		<u>High</u>		<u>Low</u>
First Quarter	₱	2.85	₱	1.90
Second Quarter		2.85		2.50
Third Quarter		2.78		2.00
Fourth Quarter		2.50		2.04
<u>2017</u>		<u>High</u>		<u>Low</u>
As of April 11, 2017		4.61		4.50

Common shares outstanding as of December 31, 2016 were 1,233,404,000.

Shares owned by the Public as of December 31, 2016 and March 31, 2017 were 300,910,798 or 24.40%.

The top 20 stockholders of MacroAsia Corporation as of December 31, 2016 are:

	Name	No. of Common Shares Held	% of Total
1	PCD Nominee Corporation (Filipino)	200,992,461	16.30
2	PAL Holdings, Inc. (formerly Baguio Gold Holdings Corporation)	88,000,000	7.13
3	PCD Nominee Corporation (Non - Filipino)	86,507,007	7.01
4	Conway Equities, Inc.	85,110,000	6.90
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	Absolute Holdings & Equities, Inc.	25,000,000	2.03
14	Artisan Merchandising Corp.	25,000,000	2.03
15	Caravan Holdings Corporation	25,000,000	2.03
16	Clipper 8 Realty & Development Corp.	25,000,000	2.03
17	Golden Path Realty Corporation	25,000,000	2.03
18	Primeline Realty, 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 MacroAsia is governed by the By-Laws of the Parent Company 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 2016.

Cash Dividends

<u>Date Approved</u>	<u>Per share</u>	<u>Stockholder of Record Date</u>	<u>Date Paid/Issued</u>
December 14, 2016	₱0.080	January 6, 2017	February 1, 2017
December 14, 2015	₱0.075	January 4, 2016	January 28, 2016
March 25, 2013	₱0.065	April 24, 2013	May 19, 2013
March 07, 2012	₱0.065	April 24, 2012	May 18, 2012

3. Cash Dividends Declared After Balance Sheet Date

No cash dividends were declared as of April 15, 2017.

4. Restriction 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 ₱533.9 million and ₱404.2 million as of December 31, 2016 and 2015, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of December 31, 2016 and 2015.
- Deferred income tax asset amounting to ₱42.7 million and ₱49.7 million as of December 31, 2016 and 2015, respectively.

5. Appropriation of Retained Earnings

On December 8, 2016, the BOD released from appropriation the ₱50.0 million appropriated in 2015 for the purchase of catering delivery trucks and ₱100.0 million appropriated in 2014 and 2012 for the plant expansion. These amounts were approved to be re-allocated for the plant facility expansion in NAIA and offsite commissary construction project. On the same date, the BOD approved the appropriation of additional ₱110.0 million for the same purpose of plant facility expansion in the next two years, such that the total appropriation amounts to ₱260.0 million.

On December 12, 2015, MACS'BOD approved the appropriation of the Company's retained earnings amounting to ₱50.0 million for the purchase of catering delivery trucks in 2016 and the business expansion program in the next 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 projects, respectively. As to the mining project, the Company intends to start development activities and mining operations after the grant of operating permits.

On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30.0 million for business expansion.

Description of Registrants Securities

MacroAsia Corporation has already issued 1,250,000,000 shares of stocks from the total authorized capital shares of 2,000,000,000.

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, 2016, the Company has reacquired 16,596,000 shares for ₱49,418,660.

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 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.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Overview

In 2016, 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 67%¹ 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. 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.

¹ Commencing on September 14, 2015

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.

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.

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.

	2016	2015
<i>(In Thousands except for Ratios)</i>		
Return on $\frac{\text{NI attributable to Equity Holder of Parent}}{\text{Total Net Revenues}}$	$\frac{\text{₱ 388,955}}{2,334,957}$	$\frac{\text{₱ 327,751}}{1,921,447}$
Net Sales	<u>16.66%</u>	<u>17.06%</u>

The minimal decrease in the consolidated RNS resulted from the ₱254.4 million increase in operating expenses due to the provision of additional allowance on deferred mine cost amounting to ₱212.9 million during the year. Were it not for this accounting provision, the return on net sales in 2016 would have been higher.

Return on Investment (ROI)

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

<i>(In Thousands except for Ratios)</i>		2016	2015
Return on Investment	$\frac{\text{NI attributable to Equity holder of Parent}}{\text{Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent}}$	$\frac{\text{₱ } 388,955}{3,753,231}$	$\frac{\text{₱ } 327,751}{3,224,966}$
		<u>10.36%</u>	<u>10.16%</u>

The ROI had a positive increase mainly due to the rise in the income contribution of our MRO associate amounting to ₱532.4 million and continuous upsurge in the income of our other operating subsidiaries. MAC availed of a bank loan during the year amounting to ₱150 million which remains unpaid as of year-end. This bank loan was used for investment-related financing.

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>		2016	2015
Return on Equity	$\frac{\text{NI attributable to Equity holder of Parent}}{\text{Total Equity holder of Parent}}$	$\frac{\text{₱ } 388,955}{3,564,012}$	$\frac{\text{₱ } 327,751}{3,163,026}$
		<u>10.91%</u>	<u>10.36%</u>

The growth in the return on equity is attributable to the higher income contribution of LTP this year together with the increases in the income contribution of our operating 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>		2016	2015
Direct Cost Ratio	$\frac{\text{Total Direct Cost}}{\text{Total Net Revenues}}$	$\frac{\text{₱ } 1,660,507}{2,334,957}$	$\frac{\text{₱ } 1,443,851}{1,921,447}$
		<u>71.12%</u>	<u>75.14%</u>

<i>(In Thousands except for Ratios)</i>		2016	2015
Operating Expense Ratio	$\frac{\text{Total Operating Expenses}}{\text{Total Net Revenues}}$	$\frac{\text{₱ } 713,204}{2,334,957}$	$\frac{\text{₱ } 458,796}{1,921,447}$
		<u>30.54%</u>	<u>23.88%</u>

Direct costs and operating expenses movements are in parallel with the growth in revenues. The 4% decrease in direct cost ratio is due to the higher increase in net revenues which is 24% and 31% than the direct cost with 15% and 24%, relating to in-flight catering and ground handling aviation, respectively.

On the other hand, in addition to the provision of allowance on deferred mine cost, the upward movement in operating expenses is also caused by the increase in labor-related expenses. The lease rental of MAPDC to MCIAA also contributed P21.3 million increase, from P12.8 million in 2015 compared to P34.1 million in 2016.

Current Ratio

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

<i>(In Thousands except for Ratios)</i>		2016	2015
Current Ratio	$= \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	$= \frac{\text{₱ 1,300,214}}{689,777}$	$= \frac{\text{₱ 1,463,079}}{537,062}$
		$= \underline{1.88 : 1}$	$= \underline{2.72 : 1}$

The current assets decreased largely due to the ₱324.5 million consideration paid for the acquisition of BTSI. In addition, there are also purchases of property and equipment during the year paid by MACS and MASCORP amounting to ₱91.3 million and ₱40.2 million, respectively. There is also decrease in other current assets since the Tax Credit Certificates that amounted to ₱ 61.1 million were applied as payment to income taxes. However, the current liabilities also increased due to the one-year term loan obtained by MAC amounting to ₱150.0 million.

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>		2016	2015
Debt-to-Equity Ratio	$= \frac{\text{Total Interest-bearing Debts}}{\text{Total Equity}}$	$= \frac{\text{₱ 189,219}}{3,820,245}$	$= \frac{\text{₱ 61,940}}{3,296,676}$
		$= \underline{4.95\%}$	$= \underline{1.88\%}$

On December 21, 2016, the Parent Company obtained a one-year term loan amounting to ₱150.0 million to finance its capital investments. There are no loans acquired by the Group in 2015.

Interest Coverage Ratio

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

<i>(In Thousands except for Ratios)</i>		2016	2015
Interest Coverage Ratio	= $\frac{\text{Total Earnings before Interest and Taxes}}{\text{Interest Expense}}$	= $\frac{\text{₱ 574,897}}{2,356}$	= $\frac{\text{₱ 391,436}}{3,399}$
		= <u>244.01 : 1</u>	= <u>115.16 : 1</u>

In 2016 and 2015, our ground-handling subsidiary recognized interests amounting to ₱2.4 million and ₱3.4 million, respectively, for loans obtained in 2014 and in 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>		2016	2015
Asset-to-Equity Ratio	= $\frac{\text{Total Assets}}{\text{Total Equity}}$	= $\frac{\text{₱ 4,739,233}}{3,820,245}$	= $\frac{\text{₱ 4,038,691}}{3,296,676}$
		= <u>1.24 : 1</u>	= <u>1.23 : 1</u>

Asset-to-Equity Ratio has a minimal increase from 123% in 2015 to 124% in 2016. The Group finances the purchase of assets mostly through equity or use of internally-generated funds. The low equity multiplier indicates conservative asset financing or it indicates that asset acquisition is not largely done through external debts.

2016 compared with 2015

The Group is reporting a 29% increase in consolidated net income after tax of ₱440.17 million in 2016 from prior year's ₱341.36 million.

The Group's major subsidiaries posted a stronger operating and financial performance in 2016, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering contributed 62% of the total revenues and has been consistent in reporting billion peso revenues from last year's ₱1.17 billion to the current year's ₱1.45 billion. This is brought about by increase in the number of meals served to airline clients and additional institutional clients serviced in 2016. The revenues from ground-handling and aviation services rose to ₱678.77 million from ₱516.92 million in 2015. The growth is due to continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express which increased by a total of 10,603 flights or 42% from 25,467 in 2015 to 36,069 in the current year. PAL flights from Clark and

Tuguegarao, the new airport locations, also contributed additional earnings for MASCORP. Revenues generated from our charter flight services amounts to ₱11.78 million and FBO revenues of ₱3.6 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 relatively at the same level as 2015. Revenues from our water distribution amount to ₱6.26 million and nil in 2016 and 2015, respectively. Our mining service revenues are generated from exploratory drilling and sampling of nickel laterite services agreement with a third party. Revenues from exploration services of ₱2.99 million which is significantly lower than prior year's ₱36.51 million is due to the nickel exploration services conducted in Nonoc/Dinagat Islands which ended in October 2015. The ₱2.99 million revenues in 2016 pertain to the Final Report Phase of the said project. There are no new projects in 2016. Because of the higher cost of personnel-related expenses due to the additional manpower of our catering and ground handling subsidiaries, coupled by mandatory salary increases, additional purchases of ground service equipment for new projects and the expenses pertaining to the water projects, the group posted an increase of ₱216.96 million in direct costs, from ₱1.44 billion in 2015 to ₱1.66 billion in 2016. General and administrative expenses amounting to ₱713.20 million in 2016 increased by ₱254.41 million from 2015's ₱458.80 million due to the provision of additional allowance on deferred mine cost amounting to ₱212.9 million, labor-related expenses, and increase in rental expense by MAPDC to MCIAA amounting to ₱21.3 million.

Interest income amounting to ₱7.01 million decreased from last year's ₱9.22 million due to lower interest income from the short term deposits held by the Parent Company. Financing charges decreased from ₱4.2 million in 2015 to ₱3.3 million in 2016, aligned with the decrease in notes payable of MASCORP. One-year term loan amounting to ₱150.0 million was obtained by MAC in December 2016.

Other income and charges is higher by ₱24.31 million against the ₱50.83 million in 2015. The net recovery from insurance claim amounting to ₱20.39 million and foreign exchange gain amounting to ₱43.01 million mainly contributed to the increase. However, there is also write-off of long outstanding checks of ₱3.22 million during the year.

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. Our MRO business continued contributing to MAC's reporting income wherein its proportionate share increased by ₱211.62 million or 74%, from ₱285.64 million in 2015 to ₱497.27 million in 2016. Meanwhile, our catering associate in Cebu keeps on contributing income with this year's ₱35.17 million, surpassing last year's ₱27.76 million.

The Group posted a provision for income tax in the amount of ₱132.37million in 2016, 184% higher as compared to 2015's ₱46.68 million.

Management remains confident about the Group's future. LTP is foreseen to continue its profitability, 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, water-related businesses and ground handling opportunities that will include passenger lounge servicing and expansion in other secondary airports outside our current locations.

Financial Position

The consolidated total assets of ₱4.74 billion is higher by 18% compared to ₱4.04 billion in 2015. The movement is primarily due to the acquisition of BTSI and the huge increase in the value of our investment in LTP.

Total cash and cash equivalents amounting to ₱559.69 million decreased from prior year's ₱693.33 million largely due to the ₱324.5 million consideration paid for the acquisition of BTSI and payment of purchases of property and equipment by MACS and MASCORP. Accounts receivable did not change significantly from ₱546.89 million in 2015 to ₱575.97 million in 2016. The inventory level increased by 22% or ₱9.25 million from ₱42.69 million in 2015 to ₱51.93 million as of December 31, 2016. This is line with the inventory requirement of our catering subsidiary due to business volume growth.

Other current assets, which creditable withholding and prepaid taxes, other prepaid expenses for insurance covers, rent, utilities, and unconsumed supplies, were recorded at ₱112.62 million, net of allowance for probable losses, as of December 31, 2016, posting a decrease of ₱67.55 million as compared to 2015, principally due to the application of Tax Credit Certificates as payment to income taxes amounted to ₱61.1 million.

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 and losses of the associated companies. The company recorded a growth of 57% from ₱982.87 million in 2015 to ₱1,541.17 million in 2016. This is mainly attributable to the higher share in the net income of LTP in 2016.

The 86% increase in property and equipment, from ₱423.99 million in 2015 to ₱786.61 million in 2016, is mainly driven by property and equipment acquired from the business combination with BTSI which amounted to ₱299.58 million. In addition, there are also acquisitions of catering support equipment by MACS amounting to ₱91.34 million and aviation and transportation equipment by MASCORP amounting to ₱40.13 million. The provision of additional allowance on deferred mine exploration costs of ₱212.89 million caused the material decrease in deferred mine exploration cost from ₱233.31 million in prior year to ₱20.42 million this year.

Accrued rental receivable and payable are recorded in the books of the Group in compliance with PAS 17 which requires the straight-line recognition of operating lease income and expense over the term of the lease. 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. The accrued rental payable is increased this year pertaining to the accrual of rent payable to the MCIAA.

Available-for-sale investments (AFS), in the amount of ₱106.83 million as of December 31, 2016 posted an increase ₱1.06 million due to the higher market value of the AFS held. The account consists of Philippine government treasury bonds, corporate bonds, and equity shares. Service concession right amounting to ₱310.11 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.

Deferred income tax assets decreased by 35% or ₱12.17 million, from ₱34.46 million in 2015 to ₱22.29 million in 2016, primarily due to the decrease in input VAT provision for probable losses of our catering subsidiary. Deposits and other noncurrent assets increased by 5%, from ₱213.56 million in 2015 to ₱224.09 million in 2016, mainly pertains to the increase in the retirement assets amounting to ₱9.47 million. Other noncurrent assets account includes among others, input taxes, deferred rent expense, deferred project costs, deposits, advances to contractors, restricted investments, prepaid rent and pension asset. The goodwill recognized by the Group amounting to ₱167.53 million and ₱17.53 million as of December 31, 2016 and 2015 resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016.

Total liabilities posted an increase of 26% of ₱176.97 million from 2015's ₱742.02 million to this year's ₱918.99 million. This is largely due to two factors, first, ₱150 million new loan acquired by MAC in December 2016. Second, the ₱34.97 million increase in deferred tax liabilities arising from the business combination with BTSI.

Dividends payable of ₱107.29 million represents the total outstanding checks payable to the Company's stockholders as of current year-end.

The Group's share in foreign currency translation adjustments of LTP in the amount of ₱52.04 million decreased by ₱76.80 million from last year's ₱128.84 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 ₱12.05 million represents the unrealized gain on available-for-sale investments due to higher quoted market prices as of December 31, 2016. Other reserves pertain to the amounts pertaining to the gain on sale of shares of stock of 13% of MACS to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MPWIC), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control.

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, 2016.

Movement in the “non-controlling interests” depends on the results of operations of MACS and WBSI, a subsidiary of MAPDC. This account reflects the 33%² equity share of SATS (JV Partner of MAC) in the catering JV, 49% share of MPWIC in WBSI and 33% share of minority shareholders in BTSI. As of December 31, 2016, non-controlling interests amounted to ₱256.23 million.

2015 compared with 2014

The Group is reporting a 180% increase in consolidated net income after tax of ₱341.36 million in 2015 from prior year’s ₱121.9 million. This is after making a 176% turnaround from the past years’ losses of ₱160.8 million and ₱179.8 million in 2013 and 2012, respectively.

The Group’s major subsidiaries posted a stronger operating and financial performance in 2015, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering which contributed 61% of the total revenues and have been consistent in reporting billion peso revenues from last year’s ₱1.1 billion to the current year’s income of ₱1.2 billion. This is brought about by additional institutional clients serviced in 2015. The revenues from ground-handling and aviation services rose to ₱516.9 million from ₱440.6 million in 2014. The growth is due to continuous passenger-check services for the international flights of Cebu Pacific in NAIA Terminal 3 beginning on the second half of 2014. PAL flights from Kalibo, Davao and Gen. San airports also contributed additional earnings for MASCORP. Revenues generated by our charter flight services amount to ₱11.2 million and FBO revenues of ₱3.3 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 2014. Our mining service revenues are generated from exploratory drilling and sampling of nickel laterite services agreement with a third party. Revenues from exploration services of ₱36.5 million did not change significantly from the prior year’s ₱34.9 million. 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, additional purchases of ground service equipments for new projects and the expenses pertaining to the exploration contract obtained by our mining subsidiary, the group posted an increase of ₱114.95 million in direct costs, from ₱1.3 billion in 2014 to ₱1.4 billion in 2014. General, selling and administrative expenses amounting to ₱458.8 million in 2015 increased by ₱31.2 million from 2014’s ₱427.6 million due to resulting higher labor requirements of our catering and ground handling subsidiary, additional provisions for contingent liabilities and losses and the additional rental expense by MAPDC to MCIAA.

Interest income amounting to ₱9.2 million decreased from last year’s ₱12.85 million due to lower interests income from the AFS investments held by the Parent Company. Financing charges remained at almost the same level amounting to ₱4.21 million as no new loans were obtained for the year 2015.

² Commencing on September 14, 2015.

Other income and charges is higher by ₱7.92 million as against ₱42.9 million in 2014. Last year's other income consists of the income from reversal of prior year accruals amounting to ₱19.36 million while foreign currency fluctuation resulted in an exchange gain of ₱12.51 million. In contrast to 2014, the main contributors of other income this 2015 are foreign exchange gains of ₱36.12 million and reversals of prior year accruals amounting to ₱5.3 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 2015, our MRO business continued reporting income and almost tripled 2014's income contribution of ₱110.9 million to 2015's ₱285.6 million. Meanwhile, our catering associate in Cebu keeps on contributing income with this year's ₱27.8 million, surpassing last year's ₱17.3 million.

The Group posted a provision for income tax in the amount of ₱46.68 million in 2015, 94% higher as compared to 2014's ₱24.0 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, water-related businesses and ground handling opportunities will include passenger lounge servicing and expansion in other secondary airports outside our current locations and establishment of a new commissary in the near future.

Financial Position

The consolidated total assets of ₱4.04 billion is higher by 21% compared to ₱3.3 billion in 2014. This is primarily due to the increase in investments in associates and the near completion of the construction in progress of our water business in Solano Nueva Vizcaya reflecting in the increase in the Group's concession asset.

Total cash and cash equivalents amounting to ₱693 million did not change significantly from last year's ₱681 million. Accounts receivable increased by ₱146 million or 36% from ₱409 million in 2014 mainly due to higher trade receivables of our catering and ground handling subsidiaries in line with increase in revenue. The inventory level decreased by 3% or ₱1.4 million from ₱44 million in 2014 to ₱42.69 million as of December 31, 2015. This is line with the inventory requirement of our catering subsidiary at year-end.

Other current assets, which represent restricted short-term investment, creditable withholding and prepaid taxes, other prepaid expenses for insurance covers, rent, utilities, and unconsumed supplies, were recorded at ₱58.2 million, net of allowance for probable losses, as of December 31, 2015, posting an increase of ₱13.2 million as compared to 2014, principally due to the accumulation of prepaid expenses by our property management subsidiary, MAPDC's prepaid rental to MCIAA.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are due to 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 and losses of the associated companies. The company recorded a growth of 49% from ₱661.7 million in 2014 to ₱982.9 million in 2015. This is mainly attributable to the higher share in the net income of LTP in 2015.

The 7% increase in property and equipment, from ₱395.3 million in 2014 to ₱424.0 million in 2015, is mainly driven by the acquisitions of catering support equipment by MACS, ground-handling equipment and additional drilling and mining tools by MMC. 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 ₱233.3 million remained at the same level as 2014.

Accrued rental receivable and payable, deferred rent expense and unearned rent income are recorded in the books of the Group in compliance with PAS 17 which requires the straight-line recognition of operating lease income and expense over the term of the lease. The balances in these four accounts will be nil after the expiration of the lease and sub-lease arrangement of MAPDC with MIAA and LTP. The accrued rental payable is increased this year due to the accrual of rent payable to the MCIAA.

Available-for-sale investments, in the amount of ₱105 million as of December 31, 2015 posted an increase ₱2.4 million in 2015 due to the higher market value of the AFS held. The account consists of Philippine government treasury bonds, and equity shares. Service concession right amounting to ₱301.9 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.

Deferred income tax assets increased by 61% or ₱13.1 million, from ₱21.4 million in 2014 to ₱34.5 million in 2015, primarily due to the increase in DTA pertaining to additional input VAT provision of losses of our catering subsidiary. Deposits and other noncurrent assets decreased by 32%, from ₱175.8 million in 2014 to ₱119.8 million in 2015, due to the amortization of advances to contractors of SNV. Other noncurrent assets account includes among others, prepayments on rent, retirement assets, advances to contractors, restricted investment and goodwill of ₱17.5 million, booked during the Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS. The restricted investment amounting to ₱11 million which was classified in the previous year as current to noncurrent. Advances to contractors of ₱5.2 million pertains to payments made to two major contractors as required in their construction agreements.

Total liabilities posted an increase of 44% of ₱226 million from 2014's ₱516 million to this year's ₱742 million. This is largely due to two factors, first, ₱92.5 million dividends payable by MAC declared last December 14, 2015 which were released last January 2016. Second, the increase in outstanding obligations of our catering subsidiary and our non-operating subsidiary in Solano, Nueva Vizcaya, SNVRDC. The increase in payables in MACS is in line with the increase in their operating revenues, receivables at year-end and cash balance at year-end. These obligations are to be settled in accordance with their respective credit terms after the balance sheet date. Accrued retirement benefits payable of ₱11 million decreased by ₱4 million from last year's ₱15 million, owing to larger increases in the fair value of plan assets as compared to the increase in retirement obligations of the company based on the results of actuarial valuation.

Dividends payable of ₱101 million represents the total outstanding checks payable to the Company's stockholders as of current year-end.

The deferred tax liability in the amount of ₱1.4 million stemmed from the fair value changes of available-for-sale investments.

The Group's share in foreign currency translation adjustments of LTP in the amount of ₱128.8 million decreased by ₱43 million from last year's ₱172.1 million, in accordance with Philippine Accounting Standard (PAS) 21, "The Effects of Changes in Foreign Exchange Rates". The available-for-sale reserve in the amount of ₱11.2 million represents the unrealized gain on available-for-sale investments due to higher quoted market prices as of December 31, 2015. Other reserves pertain to the gain on sale of shares of stock of 13% of MACS to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MPWIC), net of taxes paid. The sale transactions were accounted for as change in ownership in a subsidiary without loss of control.

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, 2015.

Movement in the "non-controlling interests" depends on the results of operations of MACS and WBSI, a subsidiary of MAPDC. This account reflects the 33%³ equity share of SATS (JV Partner of MAC) in the catering JV and 49% share of MPWIC in WBSI As of December 31, 2015, non-controlling interests amounted to ₱133.6 million.

2014 compared with 2013

The Group is reporting a consolidated net income after tax of ₱121.9 million in 2014, reflecting a 176% 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,

³ Commencing on September 14, 2015.

the current year's income of ₱1.04 billion is brought about by additional institutional client 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 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 concerns and the period of mandated repairs and maintenance of the chopper. 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 the higher required manpower of our catering and ground handling subsidiaries, coupled by mandatory salary increases, 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 and assessment of counsels attending its application.

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 ₱0.6 million due to the loans obtained by our ground-handling subsidiary in December 2013 and early 2014 from a 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 thus bringing 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 and establishment of a new commissary in the near future.

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 Parent Company pertaining to waterwork projects.

Total cash and cash equivalents amounting to ₱681 million decreased by 21% from last year's ₱867 million primarily due to the advances to contractors and investments in waterwork projects in 2014. 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 company 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 Company's acquisition of the 13% minority interest of Compass (formerly Eurest International B. V.) in MACS.

Total liabilities posted an increase of 9% of ₱43 million from 2013's ₱474 million to this year's ₱516 million. This is largely due to the outstanding ₱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 an outstanding balance of ₱18 million. 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 company based on the results of actuarial valuation.

Dividends payable of ₱8.6 million represents the total outstanding checks payable to the 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 Group'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.

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.

Plans and Prospects

Within this year and the next two years, the MacroAsia Group will keep on growing its core revenues from its matured business units.

MRO (Aircraft Maintenance, Repair, Overhaul):

The Group's MRO business, through Lufthansa Technik Philippines (LTP) is expected to strengthen its base maintenance business, as it continues to gain experience and book long-term contracts for its two A380 hangars in the MacroAsia Special Ecozone. Its line maintenance business is also expected to flourish, as its base clients in NAIA and Cebu continue to mount more flights from these hubs.

FOOD SERVICES:

Inflight Food: The Group's food services business will continue to see expansion through MacroAsia Catering (MACS) and Cebu Pacific Catering Services, as both business units are increasing production capacity in their respective kitchen facilities.

Non-Airline Food: In a year's time, MacroAsia-SATS Food Industries will become operational, paving the way for a new commissary that will host the non-airline food business of the group, geared to serve institutional clients like BPOs, hotels/casinos, banks and other non-airline clients.

GATEWAY SERVICES:

The Group's ground handling business will continue to grow geographically in 2017. From previous locations in NAIA, Cebu, Davao, Clark and Kalibo, the ground handling footprint of the Group will be established in about 29 airports in Philippines towards the end of 2017. This geographic growth is driven by the servicing of major local carriers operating in airports outside of the big hubs like NAIA, Cebu and Clark. The Group's revenues from gateway services will go beyond ground handling, as this will include apron ramp

cleaning, maintenance of ground support equipment (GSE) and cargo handling.

PROPERTY DEVELOPMENT:

In 2017, the Group will develop the greenfield area (4.3 hectares) in Mactan, Cebu International Airport into facilities that will support ground-handling activities, cargo and aircraft movement in the airport. The leases for this land which impacted on the profitability of MacroAsia Properties Development in 2016 and previous years will soon be converted into revenue-generating assets for the Group.

In recent years, the Group has ventured into natural resources development, considering its rich history as a mining company in the 1970's.

MINING:

Today, as an offshoot of prevailing government policies and announcements, it sees no short-term clarity on the development of its fully-explored nickel tenement in Palawan, although there are offers from third-parties for a JV or co-development of the mine.

Since it has staff that are experienced in nickel exploration, the Group will continue to provide its exploration expertise to third-party clients who continue to pursue exploration activities through contractors like MacroAsia. Such service business though remains constrained by the prevailing mining environment in the country, and the prospect of third party clients remains limited to the major mining players.

WATER SERVICE CONCESSION:

In 2016, the MacroAsia Group started to book revenues from two operating water utilities owned by its subsidiary, MacroAsia Properties Development Corporation (MAPDC).

SNV Resource Devt Corporation (operator/developer of Solano Water) started commercial operations in March 2016 and by December 2016, it already built a client portfolio of about 2,000 accounts (residential and commercial clients) taking service from the complete waterworks system for Solano, Nueva Vizcaya. The portfolio is foreseen to grow in 2017 and beyond.

In December 2016, MAPDC also acquired 67% of Boracay Tubi System Inc. ("BTSI"), one of two water service companies in Boracay, Island. This EBITDA-additive transaction is foreseen to increase the revenue/net income pie from the water business of MacroAsia, as growth is foreseen in Boracay Island and in two other areas where BTSI has a Certificate of Public Convenience (CPC).

MAC and its subsidiaries expect to maintain a liquid position, as cash flow generation shall be seen to increase from current and new businesses of the Group. As of December 2016, the Group's business units generally have no substantial third-party loans. While the Group endeavors to fund new investments mostly from internally-generated funds, the robust growth plans may drive the Group to avail of debt from bilateral partner banks for major projects in 2017 and 2018.

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.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements are filed as part of this Form 17-A (page 59).

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

	2016	2015
Regular annual audit of financial statements	₱4,230,000	₱3,409,250
Non audit fees	-	-
Total	₱4,230,000	₱3,409,250

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, 2016 and 2015. 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 accountants during the last three calendar years or any subsequent interim period.

PART III. MANAGEMENT AND CERTAIN SECURITY HOLDERS

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

Board of Directors*

Name	Position	Committee Membership
Dr. Lucio C. Tan	Chairman of the Board and Chief Executive Officer	Chairman – Nomination and Investment
Washington Z. SyCip	Co-Chairman of the Board	Member – Nomination, Investment Committees
Carmen K. Tan	Director	Member – Audit, Investment Committees
Lucio K. Tan, Jr.	Director	Member – Compensation, Investment, Mining and Risk Management Committees
Michael G. Tan	Director	Member – Audit, Compensation, Investment, Risk Management, and Mining Committees
Joseph T. Chua	President and Chief Operating Officer	Member – Investment, Mining and Risk Management Committees
Jaime J. Bautista	Treasurer	Chairman – Risk Management Committee Member – Audit and Compensation Committees
Stewart C. Lim ²	Director	Member – Audit, Investment Committees
Johnip G. Cua	Independent Director	Chairman – Audit, Compensation and Mining Committees Member – Nomination, Investment and Risk Management Committees
Ben C. Tiu ¹	Independent Director	Member – Audit, Risk Management Committees
Marixi R. Prieto ²	Independent Director	Member – Compensation, Risk Management Committees

*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.

¹Elected as Independent Director during the 2013 annual stockholder's meeting

²Elected during the Regular Board of Director's meeting held on December 14, 2015.

Dr. Lucio C. Tan. Mr. Tan, 82, Filipino, served as Chairman of the Board of Directors since July 2015 and is the Chief Executive Officer from December 14, 2015. Over 50 years, he has held various positions as Chairman and CEO , or Chairman/President/Director of various companies such as: LT Group, Inc. (formerly Tanduay Holdings Inc. since July 1999), PAL Holdings, Inc. (since October 2000), Air Philippines Corporation (since April 2012), University of the East (since 1990), Tangent Holdings Corporation (since 2012), Lucky Travel Corporation (since 1983), Eton Properties Philippines, Inc. (since 2007), Asia Brewery, Inc. (since 1979), Tanduay Distillers, Inc. (since 1988), PMFTC, Inc. (since 2010), Fortune Tobacco Corporation (since 1965), Philippine National Bank (since 1999), The Charter House, Inc. (since 1980), Dominion Realty & Construction Corp., Manufacturing Services & Trade Corp. (since 1978), PNB Life Insurance, Inc. (since 2007), Allied Leasing and Finance Corporation (since 1979), AlliedBankers Insurance Corporation (since 1980), PNB Savings Bank (since 2013), Basic Holdings Corporation (since July 1983), Foremost Farms Inc. (since 1970), Himmel Industries, Inc. (since November 1960) and Grandspan Development Corporation (since 1996).

Washington Z. SyCip. Mr. SyCip, 95, Filipino - American, has served as Co- Chairman of the Board of directors since December 2015. He served as Chairman of the Board of directors from August 1997- December 2015. He is the Chairman of the Board of Lufthansa Technik Philippines, Inc. (July 2000-Present), STEAG State Power (March 2004–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.). He has been a Director of the following: 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-April 2015), Philippine National Bank (December 1999-Present), State Land Group (July 1996-Present) among others.

Joseph T. Chua. Mr. Chua, 60, Filipino, has served as Director since August 1997 and is the President and COO of MacroAsia Corporation since December 15, 2015. He was the CEO of MacroAsia Corporation from July 2003 to December 14, 2015. He is also the President of MacroAsia Catering Services, Inc. (July 2003-Present), MacroAsia Airport Services Corp. (1999-Present), MacroAsia Properties Development Corporation, MacroAsia Air Taxi Services, Inc. (July 2003-Present), MacroAsia Mining Corporation, and Watergy Business Solutions Inc. He is the Chairman of the Board of J.F. Rubber Phils. (1993-Present), Cavite Business Resources Inc. and SNV Resources Development Corp. He also serves as a Director of Bulawan Mining Corporation (June 2009-Present), ETON Properties Philippines, Inc. (May 2013 - Present), Lufthansa Technik Philippines, Inc. (1999-Present), Philippine National Bank and the Managing Director of Goodwind Development Corp. (1982-2012) and President (2013-Present). He serves as Director of PAL Holdings Inc. from Oct. 23, 2014 to Present.

Carmen K. Tan. Ms. Tan, 75, Filipino, has served as Director since July 2012. She currently serves as a Director of the following companies: Fortune Tobacco Corp., Himmel Industries, Inc., LT Group Inc., Manufacturing Services & Trade Corp.; PAL Holdings Inc., PMFTC Inc., Progressive Farms, Inc.; Sipalay Trading Corp. and The Charter

House, Inc. She is also an Incorporator of Asia Brewery Inc., Dominion Realty & Construction Corp.; Foremost Farms, Inc., Lucky Travel Corp. and Shareholdings, Inc.

Lucio K. Tan Jr., 50, Filipino, has served as Director since August 1997. Among the current business affiliations of Mr. Tan are: Eton Properties Phils., as President (February 2013 to present) and Director (since 2007); Tanduy Distillers Inc. as President (2014 to present) and Director (since 2003); Foremost Farms Inc. as Member, Executive Committee (since 1994). Among the Directorship he holds in other companies are the following: Airport Specialist Services Corporation (since June 2000); Allied Bankers Insurance Corporation (since 1992); Air Philippines Corporation (since 2004), LT Group, Inc. (formerly Tanduy Holdings, Inc.) (since February 21, 2013); MacroAsia Catering Services, Inc. (since June 2006); MacroAsia Airport Services, Inc. (since September 1997); MacroAsia Mining Corporation (September 2000); Philippine National Bank (since 2007); PMFTC Inc. (since 2010); and Watergy Business Corporation (since May 2014).

Michael G. Tan. Mr. Tan, 51, Filipino, has served as Director since 17 July 2015. He serves as the Director and Chief Operating Officer of Asia Brewery Inc., President and Director of LT Group Inc., Director and Treasurer of PAL Holdings, Inc. and Air Philippines Corporation, and Director of the following companies: Abacus Distribution Systems Philippines, Inc., AlliedBankers Insurance Corp., Century Park Hotel, Eton Properties Philippines Inc., PMFTC Inc., Grandway Konstruct Inc., Lucky Travel Corp., Philippine Airlines Inc., Philippine National Bank, Pan Asia Securities Corp., Shareholdings Inc., Tangent Holdings Corp. and Victorias Milling Company Inc.

Jaime J. Bautista. Mr. Bautista, 60, 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 Watergy 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 is currently the President and Chief Operating Officer (COO) of Philippine Airlines Inc. and PAL Holdings Inc. (October 2014-Present; August 2004-April 2012).

Stewart C. Lim. Mr. Lim, 62, Filipino, has served as Director since December 2015. He serves as the Executive Vice President, Treasurer and Chief Administration officer of Philippine Airlines from September 2014 to Present. He served from being an Assistant Vice President from 1993-1994 and became Vice President – Treasury from June 1994 – September 14, 2014. He also serves as Director of MacroAsia Catering Services Inc. from Nov. 2015 to Present and Dragon Resources Development Corporation (Oct. 2015-Present). He was formerly the Vice President for Finance of Basic Holdings Corporation from 1985-1993 and was formerly the Manager of Import/Export Department of the same corporation from 1982-1985.

Johnip G. Cua. Mr. Cua, 60, 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) and MGCC Foundation (2015 to present).

Ben C. Tiu Mr. Tiu, 64, Filipino, has served as an Independent Director since July 2013. He serves as the Chairman of the Board of Fidelity Securities (1993-Present), Tera Investments, Inc. (2001-Present), 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 also serves as the Chairman and President of JTKC Equities, Inc. (1993-Present). He is currently the Executive Vice President of JTKC Leisure Group. He also serves as Director of I-Remit Inc. (2006-Present).

Marixi R. Prieto. Ms. Prieto, 76, Filipino, has served as Director since December 2015. She serves as the Chairman of the Board of Philippine Daily Inquirer and Bataan 2020 Inc. She serves as Director for the following companies: Cebu Daily News, Hinge Inquirer Publication Inc., Inquirer Interactive Inc., Inquirer Publications Inc., Printown Group, Sunvar Inc., Investment and Marketing Association, Ionian Industrial Property Inc., Corinthian Industrial Property, Inc., HMR Enterprises, Inc., Lexmedia Realty, Inc., Var Buildings, Inc., Parkside Realty Development Corporation, Golden Pizza Inc., Golden Donuts Inc., International Family Foods Services, Inc., Mix-plant Inc., LRP Inc., Pinnacle Printers Corporation, Inquirer Holdings, Inc., Mediacom Equities, Inc., Matrix Resources Portfolio Holdings, Inc., Excel Pacific Equities, Inc. She also serves as the treasurer of the following companies, Sunvar Realty Development Corporation, Marilex Realty Development Corporation, Ionian Realty & Development Corporation among others.

Executive Officers

Name	Position
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 Dev't.
Atty. Florentino M. Herrera III	Corporate Secretary

Atty. Marivic T. Moya. Ms. Moya, 57, 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), MacroAsia Mining Corp. (2000-Present), SNV Resources Development Corp. (2013-Present), Cavite Business Resources Inc. (2011- May 2016) and Treasurer (May 2016 – Present), and Watergy Business Solutions Inc (2011 – May 2016) and Treasurer (May 2016 - Present). 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, 54, 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., Watergy Business Solutions Inc. and Boracay Tubi System, Inc. (Dec 2016 – present). He is a Director of Cebu Pacific Catering Services, Inc. (2004-Present) and is 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.

Atty. Florentino M. Herrera III, 65, Filipino, has served as Corporate Secretary since December 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 nine (39) 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. 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., Coastal Bay Chemicals, Inc., Domain Property Ventures, Inc., Dunes and Eagle Land Development Corp., Econolink Investments, Inc., Filgrow Corporation, Filsyn Corp., Fontana Resources Corporation, Genshare Holdings 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. He is a Director of Philippines Airlines, Inc. (2014-Present).

Significant Employee

Gladys Lorraine P. Salamatin. Ms. Salamatin, 24, Filipino, Certified Public Accountant (CPA) has served as Financial Accountant since January 2017. She worked with SyCip Gorres Velayo & Co. (SGV & Co.) from January 2014 to September 2016 as an Assurance Associate and Senior Assurance Associate from October 2016 to January 2017.

Jenna Mae V. Diaz. Ms. Diaz, 30, Filipino, Certified Public Accountant (CPA) has served as Financial Accountant from October 2013 to February 2017. She worked with Navarro, Amper & Co. from November 2008 to August 2010 as an 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.

Family Relationships

Dr. Lucio C. Tan, Chairman and CEO, 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, incumbent director; and the father-in-law of Mr. Joseph T. Chua, President and COO. Mr. Washington Z. SyCip, Co-Chairman of the Board, is the father-in-law of Atty. Florentino M. Herrera III, Corporate Secretary.

Involvement in Certain Legal Proceedings

The Directors of the Parent Company have not been involved in any major legal proceedings during the last five years up to the date of filing this report. Furthermore, the Directors are not aware of any major legal proceedings pending or threatened against them personally, or any fact which is likely to give rise to any major legal proceedings which may materially affect their personal capacity as Directors of the Parent Company.

ITEM 10. EXECUTIVE COMPENSATION

The following table summarizes the actual aggregate compensation of all directors and officers of the Company for 2014, 2015 and 2016.

Summary Compensation Table

Name and Principal Position	Year	Salaries and (P'mil)	Bonus (P'mil)	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 ⁴	2015 (Actual)	16.64	2.40	0.71
All Other Directors and Officers as a Group Unnamed		3.0	-	-
Executive Officers Joseph T. Chua, President/CEO Atty. Marivic T. Moya, VP-Human Resources, Legal and External Relations, Compliance Officer/Corporate Information Officer Amador T. Sendin, Chief Financial Officer, VP- Administration & Business Development	2016 (Actual)	18.55	8.65	1.12

⁴ Resigned effective October 30, 2015

Atty. Florentino M. Herrera III, Corporate Secretary				
All Other Directors and Officers as a Group Unnamed		5.9	13.0	-
Executive Officers Joseph T. Chua, President/CEO Marivic T. Moya, VP- Human Resources, Legal and External Relations, Compliance Officer / Corporate Information Officer Amador T. Sendin, Chief Financial Officer, VP- Administration & Business Development Atty. Florentino M. Herrera III, Corporate Secretary	2017 (Estimate)	19.48	9.08	1.18
All Other Directors and Officers as a Group Unnamed		6.20	13.65	-

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 Director receive a per diem of ₱20,000 to ₱ 50,000.
- There are no other 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.
- As provided for in the Parent Company's By-Laws, the Board of Directors is entitled to an annual incentive bonus in an aggregate amount not exceeding five percent (5%) of the Parent Company's net profit before tax.

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 compensatory plan 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.

Warrants and Options Outstanding: Repricing

The Parent Company's ₱50 million warrants were not exercised by the shareholders/officers/directors and had already expired last July 21, 2005.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners of more than 5% of Registrant's Securities as of December 31, 2016

<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>
COMMON	PCD Nominee Corporation G/F MSE Building 6754 Ayala Ave., Makati City (Shareholder)	Various Clients ¹	Filipino	200,992,461	16.30%
COMMON	PAL Holdings (formerly Baguio Gold Holdings Corp.) 7th Flr. PNB Allied Bank Center 6754 Ayala Ave., Makati City (Shareholder)	TrustMark Holdings Corp. ² (Shareholder)	Filipino	88,000,000	7.13%
COMMON	PCD Nominee Corporation G/F MSE Building 6754 Ayala Ave., Makati City (Shareholder)	Various Clients ¹	Non-Filipino	86,507,007	7.01%
COMMON	Conway Equities, Inc. 10 Quezon Avenue, Quezon City	Melito K. Tan, President ³ Orville C. Go. Jr., Treasurer ³ Dinah T. Paginag, Corporate Secretary ³	Filipino	85,110,000	6.90%

¹ 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 participants, 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 common shares.

² TrustMark Holdings Corp. owns 89.78% of PAL Holdings.

³ Designation in Conway Equities, Inc.

Note: *The above listed beneficial or record owner did not acquire additional shares from options, warrants, rights, conversion privilege or similar obligations, or otherwise within thirty (30) days.*

2. Security Ownership of Management as of December 31, 2016

<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	Dr. Lucio C. Tan Chairman and CEO	100,000 Direct (Beneficial)	Filipino	<1%
COMMON	Washington Z. SyCip Co - Chairman	37,545,250 Direct (Beneficial)	Filipino - American	3.04%
COMMON	Carmen K. Tan Director	100,000 Direct (Beneficial)	Filipino	<1%
COMMON	Lucio K. Tan, Jr. Director	125,000 Direct (Beneficial)	Filipino	<1%
COMMON	Michael G. Tan Director	100,000 Direct (Beneficial)	Filipino	<1%
COMMON	Joseph T. Chua President and CEO	125,000 Direct 3,339,000 Indirect (Beneficial)	Filipino	<1%
COMMON	Jaime J. Bautista Treasurer	125,000 Direct (Beneficial)	Filipino	<1%
COMMON	Stewart C. Lim 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	Marixi R. Prieto Independent Director	100,000 Direct (Beneficial)	Filipino	<1%
	Atty. Marivic T. Moya VP- Human Resources, Legal and External Relations; Compliance Officer/Corporate Information Officer	-	-	-
	Amador T. Sendin Chief Financial Officer, VP - Administration & Business Development	-	-	-
	Atty. Florentino M. Herrera III Corporate Secretary	230,000 Direct 5,368,952 Indirect (Beneficial)	Filipino	<1%
	Total	57,458,202		4.66%

3. Voting Trust Holders of 5% or more

There were no persons/shareholders of the Parent Company who have entered into a voting trust agreement during the last three years.

4. Changes in Control

There was no significant change in control of MAC in 2016. We are not aware of any existing or pending transaction which may result in such a change in control.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

1. For detailed discussion of the material related party transactions, please see Note 19 of the Group's Notes to Consolidated Financial Statements (pages 54-58).
 - A. Part of the Group's excess cash are deposited in savings and current accounts and placed with Philippine National Bank, 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 (formerly Allied Banking Corporation) 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 the bank and continues to lease the office space under the last term and condition.
 - 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 fees due from LTP are equivalent to MAPDC's cost of leasing the land from MIAA, plus administrative fees. In Cebu, LTP has assigned its lease agreement with MCIAA to MAPDC for MAPDC to administer and sublease. The arrangement is similar to the lease setup between MAPDC and LTP in the MacroAsia Ecozone in Pasay City, except that for Cebu, it will be a lease pass-on arrangement until the area becomes an ecozone. MAPDC has outstanding advances to WBSI, CBRI, MPRDC, PWBRI and SNVRDC which were eliminated in the consolidation process.
 - C. MASCORP provides ground handling services to various airline companies at NAIA and MCIA, including Air Philippines, an affiliate 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 equipments 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 Bank Corporation) as the fund manager. The Group has not been given any preferential treatment in any of its transactions with the Bank.
 - 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.
2. 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.

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 _____.

MACROASIA CORPORATION

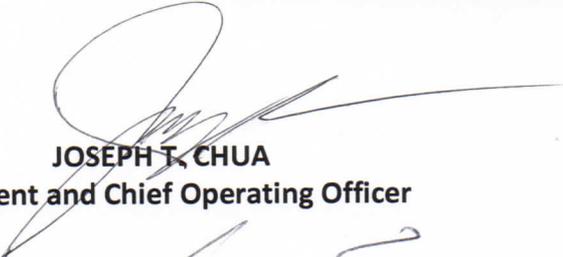
Registrant

By:



DR. LUCIO C. TAN

Chairman and Chief Executive Officer



JOSEPH T. CHUA

President and Chief Operating Officer



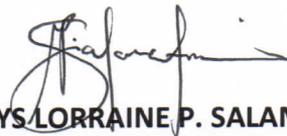
AMADOR T. SENDIN

Chief Financial Officer



ATTY. FLORENTINO M. HERRERA III

Corporate Secretary



GLADYS LORRAINE P. SALAMATIN

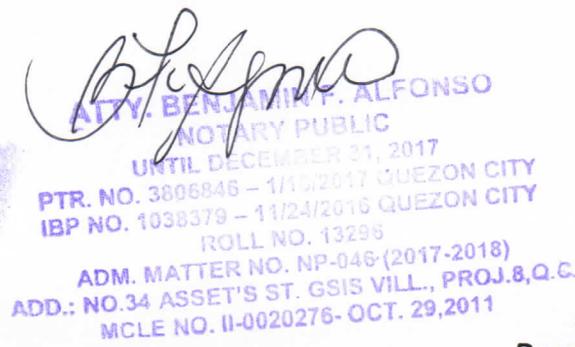
Financial Accountant

7 APR 2017

Subscribed and sworn to before me this _____ day of _____, affiants exhibiting to me his/her Tax Identification Number, as follows:

NAMES	T. I. N.
LUCIO C. TAN	101-914-722
JOSEPH T. CHUA	168-487-675
AMADOR T. SENDIN	135-963-712
ATTY. FLORENTINO M. HERRERA III	106-098-926
GLADYS LORRAINE P. SALAMATIN	444-271-371

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Page No. 87
Book No. 521
Series of 2017



ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806846 - 1/15/2017 QUEZON CITY
IBP NO. 1038379 - 11/24/2016 QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046-(2017-2018)
ADD.: NO.34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
MCLE NO. II-0020276- OCT. 29,2011

PART IV: EXHIBITS AND SCHEDULES

ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17 C

1. Please see accompanying Index to Exhibits in the following pages
2. The Company regularly files various reports on SEC Form 17-C relative to various company disclosures. Of these, the more significant ones are as follows:

Date Filed	Title
January 4, 2016	Disposition of 13% Interest in Subsidiary to JV Partner SATS, Ltd. – Extension of Completion
January 22, 2016	Completion of Disposition of 13% Interest in Subsidiary to JV Partner SATS, Ltd.
January 27, 2016	Completion of Disposition of 13% Interest in Subsidiary to JV Partner SATS, Ltd. – Updated Shareholdings in MacroAsia Catering Services, Inc.
March 4, 2016	Declaration of Dividends of Affiliate, Lufthansa Technik Philippines
March 30, 2016	Notice of Annual Stockholders' Meeting
April 21, 2016	Court of Appeals' Amended Decision on CA - GR SP No. 124632 Dated March 14, 2016
June 1, 2016	Nomination for Election as Directors of MacroAsia Corporation
July 15, 2016	Result of Annual Stockholders' Meeting held on July 15, 2016
September 6, 2016	Amendment of the Articles of Incorporation
December 8, 2016	Declaration of Dividends of Subsidiaries, MacroAsia Airport Services Corporation and MacroAsia Catering Services, Inc.
December 14, 2016	Notice of Dividend Declaration Amounting to P0.08 per Share

ITEM 14. INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Exhibit 1 Consolidated Financial Statements	
Statement of Management’s Responsibility for Financial Statements	59-60
Report of Independent Public Accountants	61-65
Consolidated Balance Sheets as of December 31, 2016 and 2015	66-67
Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014	68
Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014	69
Consolidated Statement of Changes in Equity for the years ended December 31, 2016, 2015 and 2014	70
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014	71-72
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MACROASIA CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of MacroAsia Corporation and its Subsidiaries (collectively referred to as "the Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited 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 audit.

Dr. Lucio Tan
Chairman of the Board and Chief Executive Officer

Washington Sycip
Co-Chairman of the Board

Joseph T. Chua
President and Chief Operating Officer

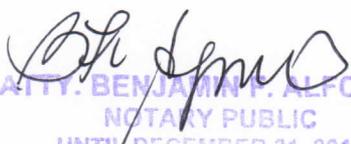
Amador T. Sendin
Chief Financial Officer

Signed this 30th day of March 2017

Subscribed and sworn to before me this 17 day of APR 2017, affiants exhibiting to me his/her Tax Identification Number, as follows:

NAMES	T. I. N.
LUCIO C. TAN	101-914-722
WASHINGTON Z. SYCIP	106-215-942
JOSEPH T. CHUA	168-487-675
AMADOR T. SENDIN	135-963-712

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Series of 2017


ATTY. BENJAMIN T. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806846 - 1/16/2017 QUEZON CITY
IBP NO. 1038379 - 11/24/2016 QUEZON CITY
ROLL NO. 13295
ADM. MATTER NO. NP-046-(2017-2018)
ADD.: NO.34 ASSET'S ST. GISIS VILL., PROJ.8,Q.C.
MCLE NO. II-0020276- OCT. 29,2011

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
MacroAsia Corporation

Opinion

We have audited the consolidated financial statements of MacroAsia Corporation (the Company) and its subsidiaries (collectively as the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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



Accounting for the investment in Lufthansa Technik Philippines, Inc. (LTP)

The Company has a 49% investment in LTP, an associate, with a carrying value of ₱1,524.3 million as of December 31, 2016. The investment is accounted for using the equity method. We consider the accounting for this investment as a key audit matter because of the significance of the Group's share in the income of LTP amounting to ₱497.3 million to the 2016 consolidated net income. The Group's share in the net income of LTP is significantly affected by the amount of provisions for claims and losses recognized by LTP. In the normal course of business, LTP is involved in certain claims by third parties. The determination of whether provision should be recognized and the estimation of provision for the claims and losses require significant management judgment.

Refer to Note 9 to the consolidated financial statements for the discussions on the investment in LTP.

Audit response

We inquired LTP's management their policies and procedures in assessing contingencies and in determining the amounts to be recognized as provisions. We inquired LTP's management about the status and potential exposures of significant claims and losses, progress of the claims, including their assessment of the likely outcome. We reviewed the minutes of meeting of LTP's Board of Directors and other documents supporting LTP management's assessment of contingencies and the estimation of recognized provisions for claims and losses. We evaluated the position of LTP's management on each of the significant claims by considering the relevant documents and information. We also reviewed the calculation of the equity take up in earnings of LTP.

Accounting for the acquisition of Boracay Tubi Systems, Inc. (BTSI)

MacroAsia Properties Development Corporation (MAPDC), a wholly owned subsidiary of the Company, acquired 67% of BTSI for total acquisition price of ₱324.5 million on December 2, 2016. This was accounted for as business combination, which required the identification of the acquired assets and liabilities of BTSI and the determination of their fair values. The Group used the provisional fair values of the identified net assets of BTSI. As of December 31, 2016, the Group recognized goodwill on the acquisition amounting to ₱150.0 million based on the provisional fair values.

The identification of the acquired assets and liabilities and the determination of their fair values involved the use of judgement and estimates. Further, the valuation of the acquired property, plant and equipment required the assistance of an external appraiser whose calculations involved the use of assumptions such as sales price of similar properties and adjustments to sales price based on internal and external factors.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and a discussion of significant judgments, and Note 10 to the consolidated financial statements for the detailed disclosures on the acquisition of BTSI.

Audit response

We reviewed the share purchase agreement between MAPDC and previous stockholders of BTSI and the management's identification of BTSI's assets and liabilities. We reviewed the purchase price allocation prepared on a provisional basis. We considered management's use of the appraiser in relation to the determination of the fair value of property, plant and equipment and evaluated the appraiser's competence, capabilities and objectivity. With the involvement of our internal specialist, we reviewed the methodology and assumptions used in the determination of fair values of BTSI's property, plant and equipment by reviewing the relevant information supporting the sales price of similar properties. We also inquired from the external appraisers the basis of adjustments made to the sales price. We also reviewed the disclosures in the notes to the consolidated financial statements.



Recoverability of deferred mine exploration costs

The Company recognized provision for probable losses amounting to ₱212.9 million for its capitalized deferred mine exploration costs incurred in the exploration of its mining properties in Palawan. These exploration activities are covered by Mineral Production Sharing Agreements (MPSAs), the exploration periods of which expired in 2015. As of December 31, 2016, the Company has on-going applications to renew the exploration periods of its MPSAs. The recovery of deferred mine exploration costs depends on the discovery of recoverable reserves in quantities that can be commercially produced and the subsequent operations of the mining tenements.

Management used significant judgment in assessing whether the necessary permits to allow the Company to continue its exploration activities in the mining tenements and to subsequently operate the mining tenements will be granted.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and a discussion of significant judgments, and Note 30 to the consolidated financial statements for the detailed disclosures on the deferred mine exploration costs.

Audit response

We discussed with management the status of the Company's renewal of the exploration periods. We obtained the Company's correspondences with Mines and Geosciences Board's and other regulatory bodies to assess its ability to respond to clarifications in relation to the application of the renewal of exploration periods for the MPSAs. We reviewed management's assessment of recoverability of deferred mine exploration costs, including management's estimation of the recoverable amount.

Other Information

Management is responsible for the other information. The other information comprises the Philippine Securities and Exchange Commission Form 17-A for the year ended December 31, 2016 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Josephine H. Estomo.

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo
Partner

CPA Certificate No. 46349

SEC Accreditation No. 0078-AR-4 (Group A),
June 9, 2016, valid until June 9, 2019

Tax Identification No. 102-086-208

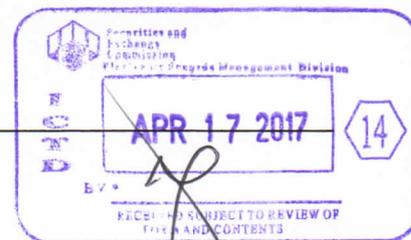
BIR Accreditation No. 08-001998-18-2015,
February 27, 2015, valid until February 26, 2018

PTR No. 5908696, January 3, 2017, Makati City

March 30, 2017



MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS



	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 19, 23 and 24)	₱559,691,049	₱693,325,827
Receivables (Notes 6, 19 and 24)	575,968,475	546,892,019
Inventories (Note 7)	51,934,575	42,689,532
Input taxes and other current assets (Note 8)	112,620,001	180,171,738
Total Current Assets	1,300,214,100	1,463,079,116
Noncurrent Assets		
Available-for-sale (AFS) investments (Note 14)	106,825,300	105,768,900
Investments in associates (Note 9)	1,541,169,118	982,869,990
Property, plant and equipment (Note 12)	786,610,777	423,994,864
Investment property (Note 13)	143,852,303	143,852,303
Service concession right (Note 15)	310,113,300	301,857,381
Accrued rental receivable (Note 19)	116,110,799	118,405,542
Deferred mine exploration costs (Note 30)	20,418,948	233,308,688
Deferred income tax assets - net (Note 26)	22,292,744	34,463,739
Goodwill (Notes 10 and 16)	167,532,279	17,531,232
Deposits and other noncurrent assets (Notes 8, 15, 16, 19, 22 and 29)	224,093,358	213,559,636
Total Noncurrent Assets	3,439,018,926	2,575,612,275
TOTAL ASSETS	₱4,739,233,026	₱4,038,691,391
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 17, 19, 24 and 29)	₱377,892,864	₱387,932,585
Notes payable - current portion (Notes 18, 23 and 24)	169,100,518	25,717,880
Income tax payable	35,490,102	22,285,451
Dividends payable (Note 28)	107,293,081	101,126,061
Total Current Liabilities	689,776,565	537,061,977
Noncurrent Liabilities		
Notes payable - net of current portion (Notes 18, 23 and 24)	20,118,653	36,222,073
Accrued rental payables (Note 29)	134,226,152	129,756,192
Accrued retirement benefits payable (Note 22)	10,947,803	11,007,058
Other employee benefits (Note 22)	11,602,083	10,873,697
Deferred income tax liabilities (Notes 14 and 26)	36,228,686	1,415,000
Other noncurrent liabilities (Note 19)	16,088,183	15,679,454
Total Noncurrent Liabilities	229,211,560	204,953,474
Total Liabilities	918,988,125	742,015,451

(Forward)



	December 31	
	2016	2015
Equity attributable to equity holders of the Company		
Capital stock - ₱1 par value (Note 28):		
Authorized - 2,000,000,000 shares		
Issued - 1,250,000,000 shares (held by 860 equity holders)	₱1,250,000,000	₱1,250,000,000
Additional paid-in capital	281,437,118	281,437,118
Other reserves (Note 28)	143,299,677	143,299,677
Other components of equity (Notes 9, 14 and 22)	(61,882,093)	(172,585,192)
Retained earnings (Note 28):		
Appropriated	983,100,000	873,100,000
Unappropriated	1,017,476,033	837,193,529
Treasury shares - 16,596,000 shares at cost (Note 28)	(49,418,660)	(49,418,660)
	3,564,012,075	3,163,026,472
Non-controlling interests (Note 11)	256,232,826	133,649,468
Total Equity	3,820,244,901	3,296,675,940
TOTAL LIABILITIES AND EQUITY	₱4,739,233,026	₱4,038,691,391

See accompanying Notes to Consolidated Financial Statements.



MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014
NET SERVICE REVENUE (Note 20)			
In-flight and other catering (Note 19)	₱1,446,366,278	₱1,168,768,029	₱1,046,764,899
Ground handling and aviation (Note 19)	678,771,599	516,924,220	440,562,222
Rental and administrative (Note 19)	188,796,035	188,056,543	188,881,639
Charter flights	11,775,699	11,187,913	12,079,872
Water	6,256,102	-	-
Exploratory drilling fees (Note 29)	2,991,504	36,509,913	34,904,148
	2,334,957,217	1,921,446,618	1,723,192,780
DIRECT COSTS (Notes 20 and 29)			
In-flight and other catering	916,872,779	798,529,480	734,878,489
Ground handling and aviation	517,701,442	418,451,527	372,505,516
Rental and administrative	177,275,988	177,713,448	176,652,833
Charter flights	10,046,265	9,295,375	9,210,054
Water related expenses	19,078,392	-	-
Exploratory drilling expense	19,532,386	39,860,819	35,657,085
	1,660,507,252	1,443,850,649	1,328,903,977
GROSS PROFIT	674,449,965	477,595,969	394,288,803
SHARE IN NET EARNINGS OF ASSOCIATES (Note 9)	532,434,774	313,405,233	128,226,824
	1,206,884,739	791,001,202	522,515,627
OPERATING EXPENSES (Note 21)	(713,203,942)	(458,796,272)	(427,641,252)
INTEREST INCOME (Notes 5, 14, 19, 23, and 29)	7,012,043	9,216,562	12,847,063
FINANCING CHARGES (Notes 18, 19 and 23)	(3,295,096)	(4,213,092)	(4,719,554)
OTHER INCOME - net (Note 23)	75,143,625	50,829,051	42,913,824
INCOME BEFORE INCOME TAX	572,541,369	388,037,451	145,915,708
PROVISION FOR INCOME TAX (Note 26)			
Current	123,595,433	61,810,157	29,876,789
Deferred	8,778,373	(15,131,203)	(5,871,370)
	132,373,806	46,678,954	24,005,419
NET INCOME	₱440,167,563	₱341,358,497	₱121,910,289
Attributable to:			
Equity holders of the Company	₱388,954,824	₱327,750,585	₱114,979,503
Non-controlling interests (Note 11)	51,212,739	13,607,912	6,930,786
	₱440,167,563	₱341,358,497	₱121,910,289
Basic/Diluted Earnings Per Share (Note 27)	₱0.32	₱0.27	₱0.09

See accompanying Notes to Consolidated Financial Statements.



MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
NET INCOME	₱440,167,563	₱341,358,497	₱121,910,289
OTHER COMPREHENSIVE INCOME - Net			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of AFS investments - (Note 14)	838,900	2,133,000	5,625,890
Unrealized gain in fair value of AFS investments recycled to profit or loss through disposal (Note 14)	-	-	767,819
Net foreign currency translation adjustments (Note 9)	76,801,660	43,267,780	4,688,978
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains on defined benefit plans, net of tax effect (Note 22)	4,869,053	10,875,952	3,736,460
Share in remeasurement gains (losses) on defined benefit plans of associates (Note 9)	29,068,796	(9,265,974)	85,032,893
	111,578,409	47,010,758	99,852,040
TOTAL COMPREHENSIVE INCOME	₱551,745,972	₱388,369,255	₱221,762,329
Other comprehensive income attributable to:			
Equity holders of the Company	₱110,703,099	₱46,670,546	₱99,235,231
Non-controlling interests (Note 11)	875,310	340,212	616,809
	₱111,578,409	₱47,010,758	₱99,852,040
Total comprehensive income attributable to:			
Equity holders of the Company	₱499,657,923	₱374,421,131	₱214,214,734
Non-controlling interests (Note 11)	52,088,049	13,948,124	7,547,595
	₱551,745,972	₱388,369,255	₱221,762,329

See accompanying Notes to Consolidated Financial Statements.



MACROASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Attributable to Equity Holders of the Company													
	Other components of equity													Total
	Capital Stock (Note 28)	Additional Paid-in Capital	Other reserves (Note 28)	Share in Foreign Currency Translation Adjustments of an Associate (Note 9)	Remeasurements on Defined Benefit Plans (Note 22)	Share in Remeasurements on Defined Benefit Plan of Associates (Note 9)	AFS Investments Reserve (Note 14)	Subtotal	Retained Earnings (Note 28)		Treasury Shares (Note 28)	Subtotal	Non-controlling Interests (Note 11)	
									Appropriated	Unappropriated				
BALANCES AT DECEMBER 31, 2013	₱1,250,000,000	₱281,437,118	₱-	(₱176,800,404)	₱11,283,010	(₱155,662,465)	₱2,688,890	(₱318,490,969)	₱788,100,000	₱585,399,166	(₱49,418,660)	₱2,537,026,655	₱62,167,924	₱2,599,194,579
Net income	-	-	-	-	-	-	-	-	-	114,979,503	-	114,979,503	6,930,786	121,910,289
Other comprehensive income	-	-	-	4,688,978	3,119,651	85,032,893	6,393,709	99,235,231	-	-	-	99,235,231	616,809	99,852,040
Total comprehensive income	-	-	-	4,688,978	3,119,651	85,032,893	6,393,709	99,235,231	-	114,979,503	-	214,214,734	7,547,595	221,762,329
Acquisition of non-controlling interest in a subsidiary during the year	-	-	-	-	-	-	-	-	-	(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	-	-	-	-
BALANCES AT DECEMBER 31, 2014	1,250,000,000	281,437,118	-	(172,111,426)	14,402,661	(70,629,572)	9,082,599	(219,255,738)	823,100,000	654,797,069	(49,418,660)	2,740,659,789	69,715,519	2,810,375,308
Net income	-	-	-	-	-	-	-	-	-	327,750,585	-	327,750,585	13,607,912	341,358,497
Other comprehensive income	-	-	-	43,267,780	10,535,740	(9,265,974)	2,133,000	46,670,546	-	-	-	46,670,546	340,212	47,010,758
Total comprehensive income (loss)	-	-	-	43,267,780	10,535,740	(9,265,974)	2,133,000	46,670,546	-	327,750,585	-	374,421,131	13,948,124	388,369,255
Sale of investment in subsidiaries to non-controlling interests	-	-	143,299,677	-	-	-	-	-	-	-	-	143,299,677	47,137,000	190,436,677
Cash dividends at ₱0.075 per share	-	-	-	-	-	-	-	-	-	(92,505,300)	-	(92,505,300)	-	(92,505,300)
Allocation of goodwill to non-controlling interest	-	-	-	-	-	-	-	-	-	(2,848,825)	-	(2,848,825)	2,848,825	-
Appropriation of retained earnings	-	-	-	-	-	-	-	-	50,000,000	(50,000,000)	-	-	-	-
BALANCES AT DECEMBER 31, 2015	1,250,000,000	281,437,118	143,299,677	(128,843,646)	24,938,401	(79,895,546)	11,215,599	(172,585,192)	873,100,000	837,193,529	(49,418,660)	3,163,026,472	133,649,468	3,296,675,940
Net income	-	-	-	-	-	-	-	-	-	388,954,824	-	388,954,824	51,212,739	440,167,563
Other comprehensive income	-	-	-	76,801,660	3,993,743	29,068,796	838,900	110,703,099	-	-	-	110,703,099	875,310	111,578,409
Total comprehensive income	-	-	-	76,801,660	3,993,743	29,068,796	838,900	110,703,099	-	388,954,824	-	499,657,923	52,088,049	551,745,972
Cash dividends at ₱0.080 per share	-	-	-	-	-	-	-	-	-	(98,672,320)	-	(98,672,320)	-	(98,672,320)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(16,500,000)	(16,500,000)
Appropriation of retained earnings	-	-	-	-	-	-	-	-	260,000,000	(260,000,000)	-	-	-	-
Release from appropriation	-	-	-	-	-	-	-	-	(150,000,000)	150,000,000	-	-	-	-
Non-controlling interests arising on a business combination (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-	86,995,309	86,995,309
BALANCES AT DECEMBER 31, 2016	₱1,250,000,000	₱281,437,118	₱143,299,677	(₱52,041,986)	₱28,932,144	(₱50,826,750)	₱12,054,499	(₱61,882,093)	₱983,100,000	₱1,017,476,033	(₱49,418,660)	₱3,564,012,075	₱256,232,826	₱3,820,244,901

See accompanying Notes to Consolidated Financial Statements.



MACROASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM (USED IN)			
OPERATING ACTIVITIES			
Income before income tax	₱572,541,369	₱388,037,451	₱145,915,708
Adjustments for:			
Depreciation and amortization (Notes 12 and 15)	98,824,688	76,665,739	101,633,900
Loss (gain) on sale of disposal of property and equipment	161,890	(503,182)	–
Share in earnings of associates (Note 9)	(532,434,774)	(313,405,233)	(128,226,824)
Interest income (Notes 5, 14, 19, 23 and 29)	(16,911,945)	(9,216,562)	(12,847,063)
Unrealized foreign exchange gain - net	(33,118,771)	(13,362,430)	(11,217,296)
Financing charges (Notes 18, 19 and 23)	3,295,096	4,213,092	4,719,554
Gain on sale of AFS investments (Note 23)	–	–	(811,298)
Retirement benefits costs (Note 22)	20,374,858	19,042,948	16,369,229
Provision for other long-term benefits (Note 22)	1,567,717	1,073,253	751,970
Net recovery from insurance claim (Note 23)	(20,390,586)	–	–
Provision for losses on deferred mining exploration costs (Note 30)	212,889,740	–	–
Operating income before working capital changes	306,799,282	152,545,076	116,287,880
Decrease (increase) in:			
Receivables	89,062,624	(145,382,677)	(40,948,028)
Inventories	(13,480,367)	1,376,052	2,976,094
Other current assets	(74,052,693)	(48,730,328)	(101,508,162)
Additions to service concession right	(16,548,445)	(141,522,285)	(89,066,055)
Increase in:			
Accounts payable and accrued liabilities	6,494,296	168,617,334	2,754,963
Accrued rental payable	–	11,434,912	–
Cash generated from (used in) operations	298,274,697	(1,661,916)	(109,503,308)
Interest received	16,380,292	7,902,407	13,608,680
Financing charges paid	(2,356,000)	(3,398,516)	(4,012,987)
Contributions to the retirement fund (Note 22)	(21,165,915)	(15,330,036)	(14,992,917)
Retirement benefits and other employee benefits paid	(396,528)	–	(518,963)
Income taxes paid, including creditable withholding taxes	(37,295,226)	(40,527,498)	(38,033,794)
Net cash from (used in) operating activities	253,441,320	(53,015,559)	(153,453,289)

(Forward)



	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM (USED IN)			
INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 12)	(₱180,290,045)	(₱102,772,066)	(₱146,983,036)
Acquisitions through business combination - net of cash acquired (Note 10)	(315,340,303)	-	-
Proceeds from sale of investment in subsidiaries to non-controlling interest (Note 28)	-	187,337,508	-
Payments for project advances (Note 16)	(2,393,400)	(1,505,782)	-
Payment of transaction cost on sale of investment in subsidiary to non-controlling interest (Note 28)	-	(13,436,672)	-
Proceeds from disposal of property and equipment (Note 12)	3,181,818	563,575	4,834
Proceeds from sale of investment in bonds (Note 14)	-	-	41,511,117
Proceeds from insurance claim (Note 23)	56,810,000	-	-
Acquisition of non-controlling interest in a subsidiary (Note 28)	-	-	(10,581,600)
Acquisition of software	(772,500)	-	-
Dividends received (Note 9)	59,148,600	26,000,000	18,000,000
Returns from (payments for) refundable deposits and other noncurrent assets (Note 16)	-	(16,016,146)	1,132,264
Net cash from (used in) investing activities	(379,655,830)	80,170,417	(96,916,421)
CASH FLOWS FROM (USED IN)			
FINANCING ACTIVITIES			
Availment of notes payable (Note 18)	150,000,000	-	81,530,200
Payments of notes payable (Note 18)	(25,344,155)	(25,353,395)	(22,588,367)
Dividends paid (Note 28)	(131,526,580)	-	(4,000,000)
Net cash from (used in) financing activities	(6,870,735)	(25,353,395)	54,941,833
EFFECT OF EXCHANGE RATE			
CHANGES ON CASH AND CASH EQUIVALENTS			
	9,450,467	10,286,831	9,284,481
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(123,634,778)	12,088,294	(186,143,396)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	693,325,827	681,237,533	867,380,929
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱569,691,049	₱693,325,827	₱681,237,533

See accompanying Notes to Consolidated Financial Statements.



MACROASIA CORPORATION AND SUBSIDIARIES

NOTES TO 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 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), Davao International Airport and the General Aviation Area. 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, also provides 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 of the Group as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issuance by the Board of Directors (BOD) on March 30, 2017.

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 AFS financial assets which are carried at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. Amounts are 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 (PFRSs).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2016.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*, clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. The Group continues to measure its investments in associate through equity method.
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, 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. These amendments do not have any impact on the Group's consolidated financial statements.
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*, require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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. These amendments do not have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*, 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. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.



- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*, are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
 - a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
 - b. That specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
 - c. That entities have flexibility as to the order in which they present the notes to financial statements
 - d. That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The Group considered the amendments in the preparation of the 2016 consolidated financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, 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. These amendments do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its noncurrent assets.
- Amendments to PAS 16 and PAS 41, *Agriculture - Bearer Plants*, 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 do not have any impact on the Group as the Group does not have any bearer plants.

Annual Improvements to PFRS (2012 - 2014 cycle)

The Group does not expect these amendments to have a significant impact on the consolidated financial statements.

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, 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.



- Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, 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 for continuing involvement 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.
- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, 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.
- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue*, 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.
- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, 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).

New Accounting Standards, Amendments to Existing Standards
and Interpretation Effective Subsequent to December 31, 2016

The standards, amendments and interpretation which have been issued but not yet effective as at December 31, 2016 are listed below. The Group intends to adopt these standards, amendments and interpretation, if applicable, when they become effective. Unless otherwise stated, adoption of these standards, amendments and interpretation are not expected to have any significant impact on the Group's consolidated financial statements.

Effective in 2017

- Amendments to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)*, clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.
- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative*, require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments,



entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*, clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

Effective in 2018

- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

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

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

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*, address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.



On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The amendments are not applicable to the Group as it does not have any share-based compensation plan for its officers and employees.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRS 2014 - 2016 Cycle)*, clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.
- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.
- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*, clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability arising from advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance



consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective in 2019

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

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

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

Deferred effectivity

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

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



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company, its direct subsidiaries, the subsidiaries of MAPDC, MACS and Boracay Tubi Systems Inc. (BTSI) 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 (SEC) as of December 31 of each year.

	Nature of business	Percentage of Direct Ownership by MAPDC/MACS/WBSI/BTSI		Percentage of Ownership by MAC			
		2016	2015	2016		2015	
				Direct	Indirect ⁽²⁾	Direct	Indirect ⁽²⁾
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) ⁽¹⁾	Manpower services	–	–	100	–	100	–
MMC	Mine exploration, development and operation	–	–	100	–	100	–
MACS	In-flight and other catering services	–	–	67 ⁽³⁾	–	67 ⁽³⁾	–
MacroAsia SATS Food Industries (MSFI)	Meal production and food processing	67	67	–	67 ^(a)	–	67 ^(a)
MacroAsia SATS Inflight Services Corporation (MSISC)	Meal production and food processing	67	–	–	67 ^(a)	–	–
BTSI	Water treatment and distribution	67 ⁽⁵⁾	–	–	67 ^{(5), (b)}	–	–
MONAD Water and Sewerage Systems, Inc. (MONAD)	Water sewerage treatment	80 ⁽⁵⁾	–	–	80 ^{(5), (d)}	–	–
New Earth Water System, Inc. (NEWS)	Water projects	100 ⁽⁵⁾	–	–	100 ^{(5), (d)}	–	–
SNV Resources Development Corporation (SNVRDC)	Water treatment and distribution	100	100	–	100 ^(b)	–	100 ^(b)
Mabini Pangasinan Resources Development Corporation (MPRDC) ⁽⁵⁾	Water projects	100	100	–	100 ^(b)	–	100 ^(b)
Panay Water Business Resources, Inc. (PWBRI)	Water projects	90	90	–	90 ^(b)	–	90 ^(b)
WBSI	Water projects	51 ⁽⁴⁾	51 ⁽⁴⁾	–	51 ^{(4), (b)}	–	51 ^{(4), (b)}
Cavite Business Resources Inc. (CBRI)	Water projects	51 ⁽⁴⁾	51 ⁽⁴⁾	–	51 ^{(4), (c)}	–	51 ^{(4), (c)}

⁽¹⁾ Ceased commercial operations effective May 1, 2001.

⁽²⁾ Effective ownership interest through MACS^(a), MAPDC^(b), WBSI^(c) and BTSI^(d).

⁽³⁾ Effective ownership starting September 14, 2015.

⁽⁴⁾ Effective ownership starting December 16, 2015.

⁽⁵⁾ Effective ownership starting December 2, 2016.

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; and
- 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.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

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. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized in the Company's retained earnings. 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 earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Company should re-attribute a proportion of the goodwill between the controlling and non-controlling interests when their relative ownership interests change. The proportion of goodwill that is attributable to the non-controlling interests is not necessarily equal to their ownership percentage.



Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer has the option to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When a business is acquired, the financial assets and financial liabilities assumed are assessed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39, either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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



Common control business combinations

Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and that the control is not transitory (“business combinations under common control”), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interest method.

In applying the pooling of interest method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interest Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as other equity reserve, i.e., either contribution or distribution of equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- As a policy, comparatives are presented as if the entities had always been combined.

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 LTP, 49%-owned, Cebu Pacific Catering Services, Inc. (CPCS), 40%-owned, and MacroAsia WLL, 35%-owned (see Note 9).

Functional Currency-denominated Transactions and Translations

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) Dollar (\$) 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 and items recognized in other comprehensive income (except for the cumulative translation adjustments) are translated using the monthly average rate.
- c. Equity items other than those resulting from income and expense and other comprehensive income are translated at historical rates of exchange.
- d. All resulting exchange differences are recognized as part of other comprehensive income (loss) and as a separate component of equity presented as "Other components of equity" under "Share in foreign currency translation adjustments of an associate".



Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their 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, 2016 and 2015, the Group's investments in AFS are carried at fair value and with recurring fair value measurements (see Note 14). Also, fair values of financial instruments measured at amortized cost are disclosed in Note 33. The Group also discloses the fair value of its investment property with unrecognized fair value measurements (see Notes 13 and 33).

Current versus Non-Current Classification

The Group presents assets and liabilities in the consolidated 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 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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
- Held primarily for the purpose of trading
- Due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred income 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 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, 2016 and 2015.



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 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, 2016 and 2015, the Group's cash in banks and cash equivalents, receivables 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 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, 2016 and 2015, 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, 2016 and 2015, the Group's investments in retail treasury bonds, golf club share 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 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.

Accounts payable and accrued liabilities, notes payable, 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 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 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 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 investments, 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 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 there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

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 excess creditable withholding taxes and prepayments. 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) and Tax Credit Certificates (TCCs)

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 presented as “Input taxes and other current 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.

TCCs pertain to amount of tax credit or tax monetization 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.

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 carried 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 the helicopter 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 spare parts	Whichever is shorter between the helicopter flying hours or 3 to 5 years
Aviation equipment	2 to 10
Drilling equipment	5



	No. of years
Office furniture, fixtures and equipment	3 to 7
Plant and technical equipment	10 to 20
Water pumps and machineries	10 to 20
Water pipelines	10

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 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 profit or loss.

Investment Property

Investment property, which pertains to a 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 property is derecognized when it has either been disposed of or when the investment property is 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. Amortization period is based on the concession period.

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 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 profit or loss. Accretion of the refundable rental deposits using the effective interest method is included under “Interest income” account in profit or loss.

Unearned Rent Income

Unearned rent income, which is included as part of “Other noncurrent liabilities”, 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 method is included under “Financing charges” account in 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 property, 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 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 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 at each end of the reporting date.

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, water service 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 PFRSs. 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 and the Group’s share in associates’ remeasurements on defined benefit plans.

Direct Costs, Selling Expenses 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.

Selling expenses, which include costs of advertising and promotion, and general and administrative expenses, which include the cost of administering the business, are not directly associated with the generation of revenue and 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; and
- 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 profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding amounts included in net interest on the net defined liability) 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 plan 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 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. 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 in profit or loss 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.



Short-term employee benefits

Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within 12 months after the reporting date in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

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 fulfilment 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.

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 consolidated 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. 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.

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.

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.

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.

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.

Earnings Per Share

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

Diluted earnings per share is calculated by dividing the net income 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, 2016 and 2015.

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, maintenance, repairs and overhaul, mining-related activities and water treatment and distribution. 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's geographic segment is the Philippines only. The Group operates and derives all its revenue from domestic operation.

3. Significant Judgments and Accounting Estimates

The preparation of the consolidated financial statements in accordance with PFRSs 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 Group'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.

The Group, 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\$.

Assessment of control or significant influence over the investee

The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances that indicate that the Group are exposed, or have rights, to variable returns from their involvement with the investee and have the ability to affect those returns through its power over the investee. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if they only have the power to participate in the financial and operating policy decisions, but not control or jointly control over it. As of December 31, 2016 and 2015, the Group still determined that it controls its subsidiaries and has significant influence over its associates.



Impairment of provisional goodwill

Goodwill acquired from the acquisition of BTSI is based on provisional values and therefore the amount of goodwill has yet to be allocated to the cash-generating unit. Impairment testing will commence on the period the initial accounting will be finalized which should not be more than 12 months from date of acquisition. The provisional values were based as of December 2, 2016, which is a month to the reporting date. Also, management did not note any indicators that would change the values during the intervening period. As allowed by PAS 36, *Impairment of Assets*, management no longer tested the impairment of provisional goodwill amounting to ₱150.0 million as of December 31, 2016 (see Notes 10 and 16).

Impairment of AFS investments

For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group 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 ₱64.7 million and ₱65.6 million as of December 31, 2016 and 2015, respectively (see Note 14).

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 generally 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 ₱42.2 million and ₱40.1 million as of December 31, 2016 and 2015, respectively (see Note 14).

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, Nueva Vizcaya (Solano) to provide water distribution facilities, which was subsequently assigned to SNVRDC, is covered by the Philippine Interpretation IFRIC 12. 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).

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 ₱188.8 million in 2016, ₱188.1 million in 2015 and ₱188.9 million in 2014 (see Note 19). Rental expense amounted to ₱237.0 million, ₱212.3 million and ₱197.4 million in 2016, 2015 and 2014, respectively (see Notes 20, 21 and 29).

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, investment property, deferred project costs, service concession right and input and other taxes 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.

Management believes that there are no impairment indicators on its investments in associates, property and equipment, investment property, deferred project costs and service concession right as of December 31, 2016 and 2015. On the other hand, management determined certain facts which indicate impairment of the deferred mine exploration costs, which resulted in recognition of impairment.

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. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims.

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 BTSI

In 2016, the Group acquired BTSI which was accounted for as business combination using the acquisition method. This required the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date where management exercised significant judgment and estimation. With respect to BTSI's property and equipment, the valuation considered the sales, listing and other market data of comparable properties. Other assets and liabilities are recognized at carrying value as management determined that these are primarily short-term in nature.

BSTI acquisition resulted in fair value of net assets amounting to ₱261.5 million as of acquisition date (Note 10).

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 are 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 33 for further disclosures.

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 ₱576.0 million and ₱546.9 million as of December 31, 2016 and 2015, respectively. Allowance for doubtful accounts amounted to ₱11.9 million and ₱13.2 million as of December 31, 2016 and 2015, respectively (see Note 6).

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 of the inventories and Company's experience on write-off and expirations. The Group's inventories carried at cost as of December 31, 2016 and 2015 amounted to ₱42.4 million and ₱38.3 million, respectively. Materials and supplies amounting to ₱9.5 million and ₱4.4 million as of December 31, 2016 and 2015, are carried at NRV (see Note 7). Allowance for inventory obsolescence amounted to ₱1.0 million as of December 31, 2015.

Estimating allowances for probable losses on input taxes and TCCs

The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of December 31, 2016 and 2015, the carrying value of input taxes and TCCs amounted to ₱153.1 million and ₱210.7 million, respectively. Allowance for probable losses amounted to ₱81.1 million and ₱127.8 million, respectively (see Note 8).

Determination of fair value of investment property

The fair value of the Group's 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, 2016 and 2015, the fair value of the investment property is based on valuation performed by an accredited and independent valuer (see Note 13).

Estimation of useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property and equipment is dependent on the grant of certain permits for an entity to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of



property and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives 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 in 2016 and 2015.

The carrying value of property and equipment subject to depreciation as of December 31, 2016 and 2015 amounted to ₱527.7 million and ₱375.1 million, respectively (see Note 12).

Estimation of useful life of service concession right

At the start of operation of the water work facilities, the service concession assets are to be amortized over the concession period until February 11, 2038 as provided in the Agreement. The amortization period are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. In 2016, SNVRDC started its commercial operations and accordingly, started the amortization of the service concession right. Amortization for the service concession asset amounted to ₱11.0 million in 2016 (see Note 15).

Impairment of deferred mine exploration costs

For deferred mine exploration costs, the Company considers its ability to secure the necessary permits to continue its exploration activities within the mining tenements and the probability of subsequent operations of mining tenements. 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.

In 2016, the Company has on-going applications to renew the exploration periods of its Mineral Production Sharing Agreements (MPSAs) in Palawan. Further, recent pronouncements of the DENR indicate no strong support for nickel mine operations in the short-term, applicable to Infanta Nickel and other tenements in the country. While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the Company assessed the prevailing mining prospects in the coming years and saw valid reasons to fully provide with allowance for probable losses on its deferred mine exploration costs relating to Infanta Nickel Project. The provision amounted to ₱212.9 million in 2016 (see Note 30).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis or more frequently, if events or changes in circumstances indicate that it may be impaired. 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 in 2016, 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 is 9% in 2016 and 14% in 2015.

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 on MACS with carrying amount of ₱17.5 million as of December 31, 2016 and 2015, respectively.

Estimation of retirement benefits costs and obligation, and accumulating leave credits

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. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

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 ₱10.9 million and ₱11.0 million as of December 31, 2016 and 2015, respectively (see Note 22). Pension asset amounted to ₱14.4 million and ₱4.9 million as of December 31, 2016 and 2015, respectively, and is included under "Deposits and other noncurrent assets" account (see Note 16). Retirement benefits cost amounted to ₱20.4 million, ₱19.0 million and ₱16.4 million in 2016, 2015 and 2014, respectively (see Note 22). Accumulated leave credits amounted to ₱11.6 million and ₱10.9 million as of December 31, 2016 and 2015, respectively (see Note 22).

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 2016, 2015 and 2014, the Group recognized provision for claims amounting to ₱4.8 million, ₱8.2 million and ₱3.8 million, respectively (see Note 21). Outstanding amounts of provision which are included as part of "Accounts payable and accrued liabilities" amounted to ₱8.9 million and ₱9.7 million as of December 31, 2016 and 2015, 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.

LTP, on the other hand, has recognized provisions as of December 31, 2016, and 2015 which relate to certain claims by third parties. LTP's management exercised significant judgment in assessing the probability of the claims based on historical experience (see Note 9).

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 ₱42.7 million and ₱49.7 million as of December 31, 2016 and 2015, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT (see Note 26).



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 and through the Company's interest in CPCS, refers to servicing of meal requirements of certain foreign and domestic passenger airlines, as well as certain passenger terminal lounges 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, KIA, Davao International Airport, Tuguegarao Airport and Clark International Airport.
- Rental and administrative segment, which is operated through MAPDC, refers to the sub-lease of the MacroAsia Ecozone at NAIA (see Note 29), which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator (see Note 19).
- Charter flights segment, which is operated by MAATS, refers to 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.
- Mining segment, which is operated through MMC, refers to mining-related activities of the Group. This segment refers to expenditures for exploration activities and rendering of exploration-related services.
- Water treatment and distribution segment, which is operated through SNVRDC and BTSI. The Group also has on-going water related projects which pertain to the development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC and its other subsidiaries.
- Maintenance, repairs and overhaul (MRO), which is operated through the Company's interest in LTP, pertains to rendering of MRO services of Airbus and Boeing aircraft for certain airlines.

The Group has only one geographic segment. There were no inter-segment sales in 2016, 2015 and 2014. In 2016, 2015 and 2014, ₱553.7 million (or 24%), ₱341.9 million (or 18%) and ₱233.4 million (or 14%), 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.

For the year ended December 31, 2016:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Water treatment and distribution	Charter flights	Mining	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,446,366,278	₱678,778,295	₱–	₱202,645,535	₱6,256,102	₱11,775,699	₱2,991,504	(₱13,856,196)	₱2,334,957,217
Direct costs	(916,872,779)	(517,701,442)	–	(178,365,054)	(19,378,522)	(10,046,265)	(19,532,386)	1,389,196	(1,660,507,252)
Gross profit	529,493,499	161,076,853	–	24,280,481	(13,122,420)	1,729,434	(16,540,882)	(12,467,000)	674,449,965
Equity in net earnings of associates	35,166,778	–	497,267,996	–	–	–	–	–	532,434,774
Operating expenses	564,660,277 (297,298,075)	161,076,853 (96,849,093)	497,267,996 –	24,280,481 (59,746,298)	(13,122,420) (16,272,505)	1,729,434 (4,643,205)	(16,540,882) (217,904,592)	(12,467,000) (20,490,174)	1,206,884,739 (713,203,942)
Interest income	753,536	57,202	–	1,096,897	9,907	31,585	1,972	5,060,944	7,012,043
Financing charges	–	(2,356,000)	–	(939,096)	–	–	–	–	(3,295,096)
Other income	31,461,261	5,073,944	–	1,349,537	2,086,260	24,127,229	–	11,045,394	75,143,625
Income (loss) before income tax	299,576,999	67,002,906	497,267,996	(33,958,479)	(27,298,758)	21,245,043	(234,443,502)	(16,850,836)	572,541,369
Provision for income tax	(102,784,083)	(20,820,796)	–	(849,500)	(394)	(6,233,790)	(657)	(1,684,586)	(132,373,806)
Segment profit (loss)	₱196,792,916	₱46,182,110	₱497,267,996	(₱34,807,979)	(₱27,299,152)	₱15,011,253	(₱234,444,159)	(₱18,535,422)	₱440,167,563
Depreciation and amortization expense	₱29,452,005	₱44,149,115	₱–	₱1,436,081	₱12,838,193	₱1,856,766	₱6,169,783	₱2,922,745	₱98,824,688
Segment profit attributable to:									
Equity holders of the Company	143,456,290	46,182,110	497,267,996	(34,807,979)	(25,175,265)	15,011,253	(234,444,159)	(18,535,422)	388,954,824
Non-controlling interests	53,336,626	–	–	–	(2,123,887)	–	–	–	51,212,739



Other financial information of the operating segments as of December 31, 2016 is as follows:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Water treatment and distribution	Charter flights	Mining	Eliminations, Adjustments and Others	Total
Assets:									
Current assets	₱647,887,692	₱214,377,526	₱-	₱341,530,628	₱97,272,418	₱43,841,279	₱28,515,848	(₱73,211,291)	₱1,300,214,100
Noncurrent assets	340,776,233	176,174,402	-	927,875,458	698,359,076	2,273,764	55,661,441	1,237,898,552	3,439,018,926
	₱988,663,925	₱390,551,928	₱-	₱1,269,406,086	₱795,631,494	₱46,115,043	₱84,177,289	₱1,164,687,261	₱4,739,233,026
Liabilities:									
Current liabilities	₱419,297,816	₱162,720,118	₱-	₱661,544,009	₱372,275,007	₱11,386,270	₱76,462,145	(₱1,013,908,800)	₱689,776,565
Noncurrent liabilities	7,872,194	21,549,825	-	151,945,919	35,589,579	165,029	2,066,883	10,022,131	229,211,560
	₱427,170,010	₱184,269,943	₱-	₱813,489,928	₱407,864,586	₱11,551,299	₱78,529,028	(₱1,003,886,669)	₱918,988,125
Equity attributable to:									
Equity holders of the Company	₱387,646,336	₱206,281,985	₱-	₱455,916,158	₱291,730,486	₱34,563,744	₱5,648,261	₱2,182,225,105	₱3,564,012,075
Non-controlling interests	173,847,579	-	-	-	96,036,422	-	-	(13,651,175)	256,232,826
Investments in associates	16,902,618	-	1,524,266,500	-	-	-	-	-	1,541,169,118
Additions to noncurrent assets:									
Property, plant and equipment	97,742,681	40,132,704	-	1,705,113	325,436,101	4,056,830	4,451,912	10,109,058	483,634,399



For the year ended December 31, 2015:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Water treatment and distribution	Charter flights	Mining	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,168,768,029	₱516,924,220	₱-	₱189,068,548	₱-	₱11,187,913	₱36,509,913	(₱1,012,005)	₱1,921,446,618
Direct costs	(798,529,480)	(418,451,527)	-	(177,713,448)	-	(10,562,021)	(39,860,820)	1,266,647	(1,443,850,649)
Gross profit	370,238,549	98,472,693	-	11,355,100	-	625,892	(3,350,907)	254,642	477,595,969
Equity in net earnings of associates	27,760,661	-	285,644,572	-	-	-	-	-	313,405,233
	397,999,210	98,472,693	285,644,572	11,355,100	-	625,892	(3,350,907)	254,642	791,001,202
Operating expenses	(303,705,310)	(69,336,493)	-	(40,015,423)	(17,801,734)	(2,981,050)	(4,208,800)	(20,747,462)	(458,796,272)
Interest income	150,646	89,775	-	879,784	18,865	9,408	3,255	8,064,829	9,216,562
Financing charges	-	(3,398,516)	-	(814,576)	-	-	-	-	(4,213,092)
Other income	24,859,820	4,315,682	-	33,898,880	166,121	4,204,552	-	(16,616,004)	50,829,051
Income (loss) before income tax	119,304,366	30,143,141	285,644,572	5,303,765	(17,616,748)	1,858,802	(7,556,452)	(29,043,995)	388,037,451
Provision for income tax	(30,641,199)	(11,318,346)	-	(571,814)	-	(624,568)	(651)	(3,522,376)	(46,678,954)
Segment profit (loss)	₱88,663,167	₱18,824,795	₱285,644,572	₱4,731,951	(₱17,616,748)	₱1,234,234	(₱7,557,103)	(₱32,566,371)	₱341,358,497
Depreciation and amortization expense	₱20,379,615	₱32,982,102	₱-	₱1,935,613	₱1,867,768	₱1,260,748	₱5,792,035	₱12,447,858	₱76,665,739
Segment profit attributable to:									
Equity holders of the Company	74,536,344	18,824,795	285,644,572	4,731,951	(17,616,014)	1,234,234	(7,557,103)	(32,048,194)	327,750,585
Non-controlling interests	14,126,823	-	-	-	(734)	-	-	(518,177)	13,607,912



Other financial information of the operating segments as of December 31, 2015 is as follows:

	Food services	Groundhandling and aviation	Maintenance repairs and overhaul	Property development	Water treatment and distribution	Charter flights	Mining	Eliminations, Adjustments and Others	Total
Assets:									
Current assets	₱559,301,253	₱165,101,679	₱-	₱308,706,992	₱71,396,136	₱31,769,971	₱28,162,032	₱298,641,053	₱1,463,079,116
Noncurrent assets	258,224,937	163,721,684	-	595,919,456	365,128,653	3,696,806	249,944,094	938,976,645	2,575,612,275
	<u>₱817,526,190</u>	<u>₱328,823,363</u>	<u>₱-</u>	<u>₱904,626,448</u>	<u>₱436,524,789</u>	<u>₱35,466,777</u>	<u>₱278,106,126</u>	<u>₱1,237,617,698</u>	<u>₱4,038,691,391</u>
Liabilities:									
Current liabilities	₱399,163,113	₱115,912,051	₱-	₱267,224,763	₱282,801,095	₱16,564,635	₱56,663,121	(₱601,266,801)	₱537,061,977
Noncurrent liabilities	9,532,317	37,421,235	-	146,660,747	199,000	252,091	2,233,184	8,654,900	204,953,474
	<u>₱408,695,430</u>	<u>₱153,333,286</u>	<u>₱-</u>	<u>₱413,885,510</u>	<u>₱283,000,095</u>	<u>₱16,816,726</u>	<u>₱58,896,305</u>	<u>(₱592,611,901)</u>	<u>₱742,015,451</u>
Equity attributable to:									
Equity holders of the Company	₱289,195,117	₱175,490,077	₱-	₱490,740,938	₱142,359,694	₱18,650,051	₱219,209,821	₱1,827,380,774	₱3,163,026,472
Non-controlling interests	119,635,643	-	-	-	11,165,000	-	-	2,848,825	133,649,468
Investments in associates	17,292,204	-	965,577,786	-	-	-	-	-	982,869,990
Additions to noncurrent assets:									
Property, plant and equipment	39,728,745	37,247,660	-	1,571,691	2,257,365	431,476	4,082,196	20,083,982	105,403,115



For the year ended December 31, 2014:

	Inflight and other catering	Groundhandling and aviation	Maintenance repairs and overhaul	Rental and administrative	Water treatment and distribution	Charter flights	Mining	Eliminations, Adjustments and Others	Total
Segment revenue	₱1,046,764,899	₱440,562,222	₱-	₱188,881,639	₱-	₱12,079,872	₱34,904,148	₱-	₱1,723,192,780
Direct costs	(734,878,489)	(372,505,516)	-	(176,652,833)	-	(9,210,054)	(35,657,085)	-	(1,328,903,977)
Gross profit	311,886,410	68,056,706	-	12,228,806	-	2,869,818	(752,937)	-	394,288,803
Equity in net earnings of associates	17,289,917	-	110,936,907	-	-	-	-	-	128,226,824
Operating expenses	329,176,327 (290,243,399)	68,056,706 (50,683,289)	110,936,907 -	12,228,806 (14,025,149)	- -	2,869,818 (4,613,123)	(752,937) (3,894,375)	- (64,181,917)	522,515,627 (427,641,252)
Interest income	179,621	149,385	-	746,097	21,164	258,742	15,287	11,476,767	12,847,063
Financing charges	-	(4,702,233)	-	(706,567)	-	-	-	689,246	(4,719,554)
Other income	28,133,926	1,060,576	-	3,692,778	-	5,102,423	1,382	4,922,739	42,913,824
Income (loss) before income tax	67,246,475	13,881,145	110,936,907	1,935,965	21,164	3,617,860	(4,630,643)	(47,093,165)	145,915,708
Provision for income tax	(15,200,938)	(5,376,968)	-	(731,419)	-	(1,603,530)	(1,952)	(1,090,612)	(24,005,419)
Segment profit (loss)	₱52,045,537	₱8,504,177	₱110,936,907	₱1,204,546	₱21,164	₱2,014,330	(₱4,632,595)	(₱48,183,777)	₱121,910,289
Depreciation and amortization expense	₱53,932,094	₱31,854,805	₱-	₱1,910,900	₱-	₱1,372,546	₱2,622,945	₱9,940,610	₱101,633,900
Segment profit attributable to:									
Equity holders of the Company	45,094,413	8,504,177	110,936,907	1,204,546	21,164	2,014,330	(4,632,595)	(48,163,439)	114,979,503
Non-controlling interests	6,951,124	-	-	-	-	-	-	(20,338)	6,930,786



5. **Cash and cash equivalents**

	2016	2015
Cash on hand and cash in banks (Note 19)	₱397,924,325	₱237,417,826
Short-term deposits (Note 19)	161,766,724	455,908,001
	₱559,691,049	₱693,325,827

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 ₱4.1 million, ₱6.5 million, ₱7.6 million and in 2016, 2015, and 2014, respectively (see Note 23).

6. **Receivables**

	2016	2015
Trade:		
Third parties	₱379,363,913	₱426,709,664
Related parties (Note 19)	147,829,946	92,028,987
Dividends receivable	20,000,000	-
Due from officers and employees	11,347,985	15,476,326
Interest receivable	3,849,350	3,028,390
Other receivables	25,451,388	22,889,299
	587,842,582	560,132,666
Less: allowance for doubtful accounts	11,874,107	13,240,647
	₱575,968,475	₱546,892,019

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 officers and employees pertains to cash advances that are subject to liquidation.

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:

	Specific	Collective	Total
December 31, 2014	₱2,536,150	₱10,547,720	₱13,083,870
Provisions (Note 21)	-	156,777	156,777
Transfer from collective to specific assessment	8,041,607	(8,041,607)	-
December 31, 2015	10,577,757	2,662,890	13,240,647
Provisions (Note 21)	6,455,083	178,384	6,633,467
Transfer from collective to specific assessment	884,370	(884,370)	-
Write-offs	(8,000,007)	-	(8,000,007)
December 31, 2016	₱9,917,203	₱1,956,904	₱11,874,107

In 2016, the Group has written-off receivables amounting to ₱16.4 million which was directly charged to "Other income" (see Note 23).



7. Inventories

	2016	2015
Food and beverage - net of allowance for probable losses of ₱1.0 million in 2015	₱42,393,170	₱38,308,543
Materials and supplies - at cost	9,541,405	4,380,989
	₱51,934,575	₱42,689,532

Cost of inventories recognized as expense and included in the direct costs amounted to ₱562.1 million, ₱494.9 million and ₱412.8 million in 2016, 2015 and 2014, respectively (see Note 20).

8. Input Taxes and Other Current Assets

Other current assets consist of:

	2016	2015
Input taxes - net	₱45,531,561	₱48,662,515
Tax credit certificates	18,080,754	65,589,144
Due from suppliers, contractors and others	16,427,117	7,696,311
Prepaid expenses	10,878,728	37,256,474
Unconsumed supplies	6,978,302	6,978,302
Creditable withholding and prepaid taxes	2,370,292	8,958,600
Others	12,353,247	5,030,392
	₱112,620,001	₱180,171,738

a. Input VAT consists of:

	2016	2015
Gross input tax	₱210,400,630	₱267,131,213
Less allowance for probable losses	75,355,482	122,020,093
	135,045,148	145,111,120
Less noncurrent portion (Note 16)	89,513,587	96,448,605
	₱45,531,561	₱48,662,515

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 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 ₱15.5 million, ₱49.7 million and ₱46.2 million in 2016, 2015 and 2014, respectively (see Note 21).

In 2016, the Group wrote off input taxes amounting to ₱62.2 million which is fully provided with allowance.

b. Tax credit certificates consist of:

	2016	2015
Tax credit certificates	₱23,849,126	₱71,357,516
Less allowance for probable losses	5,768,372	5,768,372
	₱18,080,754	₱65,589,144



The TCCs are available either for tax credit or cash monetization. In 2016 and 2015, the Group received TCC from the BIR amounting to ₱13.6 million and ₱22.5 million, respectively. In 2016, TCCs applied as payment to income taxes amounted to ₱61.1 million.

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

Unconsumed supplies pertain to various supplies which are expensed as used by MASCORP (e.g., fuel and minor spare parts of ground support equipment).

Prepaid expenses and others mostly consist of prepaid insurance, rent and utilities.

9. Investments in Associates

	Percentage of ownership interest	2016	2015
Acquisition costs:			
LTP	49	₱935,759,560	₱935,759,560
CPCS	40	5,000,000	5,000,000
MacroAsia WLL	35*	2,310,175	2,310,175
		943,069,735	943,069,735
Accumulated equity in net earnings:			
Beginning of year		248,785,962	(38,619,271)
Share in net earnings for the year		532,434,774	313,405,233
Dividends declared to the Company		(80,006,100)	(26,000,000)
End of year		701,214,636	248,785,962
Share in re-measurement losses on defined benefit plans of associates:			
Beginning of year		(79,895,546)	(70,629,572)
Remeasurement gains (losses) on defined benefit plans for the year		29,068,794	(9,265,974)
End of year		(50,826,752)	(79,895,546)
Share in foreign currency translation adjustments:			
Beginning of year		(128,843,646)	(172,111,426)
Net foreign currency translation adjustments for the year		76,801,660	43,267,780
End of year		(52,041,986)	(128,843,646)
Impairment allowance on investment in MacroAsia WLL (Note 21)			
		(246,515)	(246,515)
		₱1,541,169,118	₱982,869,990

* Effective ownership interest through MACS

As of December 31, 2016 and 2015, the shares of stock of the associated companies are not traded in public and as such, have no publicly traded price quotation.

In 2015, the Group recognized provision for the probable loss of ₱0.2 million on the investment in immaterial associate equivalent to its remaining carrying amount (see Note 21).

LTP

LTP is a joint venture between Lufthansa Technik AG (LHT), a corporation organized and existing under the laws of the Federal Republic of Germany and MacroAsia Corporation (MAC), a corporation organized under the laws of the Republic of the Philippines. LTP was incorporated



primarily to provide aircraft maintenance, aircraft overhaul, aircraft engine repair and overhaul and aircraft component repair and overhaul services in Manila, Cebu and other locations. LTP is also registered with the Philippine Economic Zone Authority (PEZA). 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 1st 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, 2016, MacroAsia WLL has not yet started its commercial operations.

Summarized financial information of LTP and CPCS as of and for the years ended December 31 is as follows:

	2016	
	LTP	CPCS
Current assets	₱3,662,701,016	₱97,008,528
Noncurrent assets	3,422,363,584	23,863,068
Current liabilities	2,891,689,444	78,615,043
Noncurrent liabilities	1,082,627,196	-
Equity before foreign currency translation adjustments	3,216,956,095	42,256,545
Foreign currency translation adjustments	(106,208,135)	-
Equity	3,110,747,960	42,256,545
Proportion of the Group's ownership	49%	40%
Carrying amount of the investment	₱1,524,266,500	₱16,902,618
Revenue	₱9,652,702,994	₱250,679,257
Direct costs	6,769,253,428	144,493,967
Gross profit	2,883,449,566	106,185,290
General and administrative expenses	1,869,479,856	13,843,067
Net income	1,014,832,645	87,916,945
Other comprehensive income	62,500,322	(3,890,910)
Total comprehensive income	1,077,332,967	84,026,035
Proportion of the Group's ownership	49%	40%
Group's share in total comprehensive income	₱527,893,154	₱33,610,414
	2015	
	LTP	CPCS
Current assets	₱2,800,781,030	₱56,291,936
Noncurrent assets	3,179,047,615	3,125,016
Current liabilities	2,728,772,970	16,186,437
Noncurrent liabilities	1,280,488,764	-

(Forward)



	2015	
	LTP	CPCS
Equity before foreign currency translation adjustments	₱2,233,513,124	₱43,230,513
Foreign currency translation adjustments	(262,946,216)	–
Equity	1,970,566,908	43,230,513
Proportion of the Group's ownership	49%	40%
Carrying amount of the investment	₱965,577,785	₱17,292,205
Revenue	₱7,740,773,739	₱184,569,109
Direct costs	5,789,918,425	101,292,270
Gross profit	1,950,855,314	83,276,839
General and administrative expense	1,320,014,257	9,862,946
Net income	582,948,106	69,401,652
Other comprehensive income	(16,929,056)	(2,426,842)
Total comprehensive income	566,019,050	66,974,810
Proportion of the Group's ownership	49%	40%
Group's share in total comprehensive income	₱277,349,335	₱26,789,924

The Group has interest in an immaterial associate that is accounted for using the equity method.

The financial information of this associate as of and for the years ended December 31, 2016 and 2015 is as follows:

Total assets	₱2,310,175
Total liabilities and equity	2,310,175
Net loss	–

The carrying amount of immaterial associate as of December 31, 2016 and 2015 is nil.

In the normal course of business, LTP is involved in certain claims by third parties. These provisions for claims and losses pertain to estimated probable losses in connection with claims from third parties involving damages, warranties, consignment of inventories, and other issues. As of December 31, 2016, LTP has recognized provisions amounting to ₱1,050.8 million which are included as part of LTP's "Current liabilities." In 2016, provision for probable losses and claims recognized in profit or loss amounted to ₱534.3 million which is included as part of "Direct costs", of LTP's summarized financial information.

The associates have no contingent liabilities or capital commitments as of December 31, 2016 and 2015.

10. Business Combination

On December 2, 2016, MAPDC purchased the 67% shares of stock held by the former individual shareholders of BTSI for a total consideration of ₱324.5 million. BTSI has 80% ownership in MONAD and 100% ownership in NEWS. As a result of the acquisition, MAPDC obtained direct control over BTSI and indirect control over MONAD and NEWS. The total acquisition related costs amounted to ₱3.1 million, which are included as part of "Other expenses" account under "Operating expenses" in the 2016 statement of income.

The Group elected to measure the non-controlling interest at the proportionate share in the fair value of the identifiable net assets.



The provisional fair values of the identifiable assets acquired and liabilities as of the date of acquisition are as follows:

	Fair value recognized on acquisition
Assets	
Cash	₱9,207,697
Receivables	11,982,814
Property, plant and equipment (Note 12)	299,774,600
Deferred tax asset (Note 26)	506,613
Other assets	595,829
	<u>322,067,553</u>
Liabilities	
Accounts payable and accrued expenses	(22,773,476)
Income tax payable	(471,588)
Other current liabilities	(456,690)
Loans payable	(1,855,958)
Deferred tax liability	(34,967,579)
	<u>(60,525,291)</u>
Total identifiable net assets at fair value	261,542,262
Non-controlling interest in BTSI	(86,995,309)
Goodwill (Note 16)	150,001,047
Purchase consideration transferred	<u><u>₱324,548,000</u></u>

The cost of the acquired assets and liabilities BTSI Group is equal to its fair value, except for the property, plant and equipment where the Group employed the services of an independent appraiser to value the property, plant and equipment of BTSI. The total fair value adjustment for the property, plant and equipment amounted to ₱116.6 million. As a result, deferred income tax liability on the fair value adjustment amounting to ₱35.0 million was recognized.

None of the goodwill recognized will be deductible for tax purposes.

For purposes of 2016 reporting, the Group used the provisional fair values of the assets and liabilities as the Group is in the process of completing the identification of the intangibles arising from the acquisition.

If the business combination had taken place at the beginning of 2016, the Group's revenue and income before income tax would have been ₱2,396.5 million and ₱575.5 million, respectively.

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from operating)	(₱3,079,500)
Cash acquired with the subsidiary (included in cash flows from investing)	9,207,697
Cash transferred as purchase consideration (included in cash flows from investing)	(324,548,000)
Net cash flow on acquisition	<u><u>(₱318,419,803)</u></u>



11. Material Partly-owned Subsidiary

Set out below are the summarized financial information of MACS that has material non-controlling interest of 33%. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Summarized balance sheets:

	2016	2015
Current assets	₱615,292,451	₱559,301,253
Noncurrent assets	332,878,474	258,224,937
Current liabilities	404,301,240	399,163,113
Noncurrent liabilities	7,872,192	9,532,317
Equity -	535,997,493	408,830,760
Attributable to non-controlling interest	178,633,763	120,168,736

Summarized statements of income:

	2016	2015	2014
Revenue	₱1,446,366,278	₱1,168,768,029	₱1,046,764,900
Direct costs	916,872,784	798,529,480	734,878,490
Operating expenses	284,394,039	303,705,310	290,243,399
Net income	174,514,293	60,902,506	34,755,620
Net income attributable to non-controlling interest	57,589,717	14,141,738	6,951,124

Summarized statements of comprehensive income:

	2016	2015	2014
Net income	₱174,514,293	₱60,902,506	34,755,620
Other comprehensive income	2,652,455	1,498,183	3,084,043
Total comprehensive income	177,166,748	62,400,689	37,839,663
Total comprehensive income attributable to non-controlling interest	58,465,027	14,467,036	7,567,933

Summarized statements of cash flows:

	2016	2015	2014
Cash flows from operations	₱263,498,809	₱114,348,448	₱42,242,833
Cash flows used in investing activities	(120,182,073)	(49,729,345)	(32,521,103)
Cash flows used in financing activities	(25,000,000)	-	(20,000,000)

Effective on September 14, 2015, the 13% ownership of the Company in MACS amounting to ₱36.4 million was sold and transferred to the noncontrolling interests (see Note 28).



12. Property, Plant and Equipment

	2016				December 31, 2016
	January 1, 2016	Additions	Additions through business combination (Note 10)	Disposal	
Cost					
Land and land improvements	₱59,415,217	₱26,969,286	₱183,010,400	(₱56,804)	₱269,338,099
Building and leasehold improvements	426,530,236	15,512,254	-	-	442,042,490
Kitchen and other operations equipment	316,103,131	14,411,706	-	(6,428)	330,508,409
Transportation equipment	211,617,909	78,914,164	2,892,000	(4,372,111)	289,051,962
Helicopter unit and spare parts	119,996,628	3,668,853	-	(123,665,481)	-
Aviation equipment	272,923,524	19,952,320	-	(2,236,882)	290,638,962
Drilling equipment	5,735,469	-	-	-	5,735,469
Office furniture, fixtures and equipment	77,474,144	16,566,638	-	(265,552)	93,775,230
Plant and technical equipment (Note 10)	-	-	30,775,200	-	30,775,200
Water pumps and machineries (Note 10)	-	-	35,135,400	-	35,135,400
Water pipelines (Note 10)	-	-	47,961,600	-	47,961,600
Construction in progress	834,549	7,864,578	-	-	8,699,127
	1,490,630,807	183,859,799	299,774,600	(130,603,258)	1,843,661,948
Accumulated Depreciation and Amortization					
Land improvements	(10,482,335)	-	-	56,804	(10,425,531)
Buildings and leasehold improvements	(326,950,603)	(17,146,901)	-	-	(344,097,504)
Kitchen and other operations equipment	(254,491,164)	(15,785,233)	-	4,464	(270,271,933)
Transportation equipment	(139,141,054)	(19,647,192)	-	4,372,108	(154,416,138)
Helicopter unit and spare parts	(89,399,986)	(1,245,320)	-	90,645,306	-
Aviation equipment	(166,455,908)	(25,232,670)	-	2,076,962	(189,611,616)
Drilling equipment	(5,735,469)	-	-	-	(5,735,469)
Office furniture, fixtures and equipment	(73,979,424)	(8,582,842)	-	265,549	(82,296,717)
Water and sewage treatment plants (Note 10)	-	-	(66,487)	-	(66,487)
Water pumps and machineries (Note 10)	-	-	(129,776)	-	(129,776)
	(1,066,635,943)	(87,640,158)	(196,263)	97,421,193	(1,057,051,171)
Net Book Value	₱423,994,864	₱96,219,641	₱299,578,337	(₱33,182,065)	₱786,610,777

	2015			December 31, 2015
	January 1, 2015	Additions	Disposal	
Cost				
Land and land improvements	₱59,415,217	₱-	₱-	₱59,415,217
Building and leasehold improvements	419,479,596	7,050,640	-	426,530,236
Kitchen and other operations equipment	290,746,668	25,356,463	-	316,103,131
Transportation equipment	180,060,222	32,511,291	(953,604)	211,617,909
Helicopter unit and spare parts	115,646,739	4,349,889	-	119,996,628
Aviation equipment	248,001,682	24,921,842	-	272,923,524
Drilling equipment	5,735,469	-	-	5,735,469

(Forward)



	2015			December 31, 2015
	January 1, 2015	Additions	Disposal	
Office furniture, fixtures and equipment	₱67,129,997	₱10,378,441	(₱34,294)	₱77,474,144
Construction in progress	–	834,549	–	834,549
	1,386,215,590	105,403,115	(987,898)	1,490,630,807
Accumulated Depreciation and Amortization				
Land improvements	(10,392,156)	(90,179)	–	(10,482,335)
Building and leasehold improvements	(314,085,423)	(12,865,180)	–	(326,950,603)
Kitchen and other operations equipment	(241,268,893)	(13,222,271)	–	(254,491,164)
Transportation equipment	(124,886,931)	(15,207,724)	953,601	(139,141,054)
Helicopter unit and spare parts	(81,941,473)	(7,458,513)	–	(89,399,986)
Aviation equipment	(145,246,551)	(21,209,357)	–	(166,455,908)
Drilling equipment	(5,735,469)	–	–	(5,735,469)
Office furniture, fixtures and equipment	(67,401,196)	(6,612,515)	34,287	(73,979,424)
	(990,958,092)	(76,665,739)	987,888	(1,066,635,943)
Net Book Value	₱395,257,498	₱28,737,376	(₱10)	₱423,994,864

Acquisitions of property and equipment on credit amounting to ₱1.8 million in 2016 and 2015, are included as part of “Accounts payable and accrued liabilities” account as of December 31, 2016 and 2015, respectively. These are treated as noncash investing activities in the consolidated statements of cash flows. The outstanding amount in 2015 was paid in 2016.

Depreciation and amortization is distributed as follows:

	2016	2015	2014
Direct costs (Note 20)	₱74,095,691	₱58,448,987	₱72,752,447
General and administrative expenses (Note 21)	13,740,730	18,216,752	28,881,453
	₱87,836,421	₱76,665,739	₱101,633,900

The helicopter unit was depreciated based on 170, 139 and 176 flying hours in 2016, 2015 and 2014, respectively.

The costs of fully depreciated property and equipment which are still in use amounted to ₱809.6 million and ₱733.4 million as of December 31, 2016 and 2015, respectively.

13. Investment Property

The Group’s investment property pertains to a parcel of land held for future development which amounted to ₱143.9 million as of December 31, 2016 and 2015. The fair value of the investment property amounted to ₱261.1 million which is based on the appraisal report rendered by a Philippine SEC-accredited professional firm of appraisers as of December 31, 2016 (see Note 33).

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 (included as part of “Taxes and licenses”) amounted to ₱0.4 million in 2016 and 2015 and ₱0.2 million in 2014 (see Note 21).

There are neither restrictions on the realizability of investment property nor contractual obligations to develop or maintain such property.

14. AFS Investments

	2016	2015
Debt - Philippine government treasury bonds	₱64,669,500	₱65,630,600
Equity - Golf club share and other proprietary and equity shares	42,155,800	40,138,300
	₱106,825,300	₱105,768,900

Investment in bonds

- a. The Company had investments in Philippine government treasury bonds which carry interest rates of 3.25% to 6% in 2016, 2015 and 2014.

As of December 31, 2016 and 2015, the fair value of the outstanding investment in Philippine government treasury bonds amounted to ₱64.7 million and ₱65.6 million, respectively.

Total interest earned from these government bonds (net of the amortization of premium) amounted to ₱1.8 million in 2016 and 2015 and ₱2.3 million in 2014 (see Note 23).

- b. 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 23). Total proceeds from the sale amounted to ₱41.5 million. Interest income from the corporate bonds amounted to ₱2.3 million in 2014 (see Note 23).

Investment in equity shares

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.

Changes in fair value of AFS investments

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:

	2016	2015
Beginning balance	₱11,215,599	₱9,082,599
Changes in fair value of AFS investments, net of tax effect amounting to ₱200,000 in 2016 and ₱300,000 in 2015	838,900	2,133,000
Ending balance	₱12,054,499	₱11,215,599



Deferred income tax liabilities on the fair value changes of the AFS equity investments amounted to ₱1.6 million and ₱1.4 million as of December 31, 2016 and 2015, respectively (see Note 26).

15. Service Concession Right

	2016	2015
Beginning balance	₱301,857,381	₱99,665,179
Additions	19,244,186	184,798,685
Transfer from deferred project costs (Note 16)	–	17,393,517
	321,101,567	301,857,381
Amortization (Note 20)	(10,988,267)	–
	₱310,113,300	₱301,857,381

The cost of service concession right pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities. 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 29).

Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2. Service concession right pertains to 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, which is considered as non-cash activity in the 2016 and 2015 consolidated statements of cash flows. Outstanding balance as of December 31, 2016 and 2015 is presented as “Advances to contractors” under “Deposits and other noncurrent assets” in the consolidated balance sheets (see Note 16).

Total amortization for the service concession asset in 2016 amounted ₱11.0 million and is included as part of “Depreciation and amortization” under account “Direct costs” (see Note 20).

16. Deposits and Other Noncurrent Assets and Goodwill

	2016	2015
Input taxes - net (Note 8)	₱89,513,587	₱96,448,605
Deferred project costs	42,125,881	40,596,262
Deposits (Note 29)	24,939,435	24,214,691
Pension asset (Note 22)	14,421,462	4,946,835
Deferred rent expense (Note 29)	13,789,155	14,850,012
Restricted investments (Note 29)	11,601,545	11,329,160
Prepaid rent (Note 29)	7,896,833	7,896,833
Advances to contractors (Note 15)	2,494,856	5,190,597
Others	17,310,604	8,086,641
	₱224,093,358	₱213,559,636



Deferred project costs

As of December 31, “Deferred project costs” include:

	2016	2015
Maragondon Bulk Water project costs	₱34,067,350	₱34,067,350
Engineering designs, consultancy, development and geodetic surveys costs	8,058,531	6,528,912
	₱42,125,881	₱40,596,262

a. Maragondon Bulk Water project costs

This pertains to the cost of feasibility study acquired as part of WBSI acquisition in 2011. Prior to acquisition, WBSI had contractual joint venture agreement with Maragondon Water District (MWD) when WBSI submitted an unsolicited proposal to develop a bulk water supply project to be sourced from the Maragondon River, to install and operate the water treatment plant and deliver treated water at the off-takers tapping point. As part of the agreement, MWD’s water permits for the use of the raw water from Maragondon River were assigned to WBSI. As of December 31, 2016, WBSI and CBRI are working with the local government to execute the Bulk Water Supply Agreement which will contain the terms and conditions to operate the water treatment facility, as well as the corresponding tariffs and royalty fees.

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, development and geodetic surveys and other project costs. In 2015, MAPDC assigned the deferred charges amounting to ₱17.4 million to SNV, which formed part of the “Service concession right” (see Note 15).

Goodwill

The goodwill recognized by the Group amounting to ₱167.5 million and ₱17.5 million as of December 31, 2016 and 2015 resulted from the Company’s acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016 (see Note 10).

Restricted investments

Restricted investments pertain to time deposits placed by MACS to guaranty an institutional catering contract.

17. Accounts Payable and Accrued Liabilities

	2016	2015
Accounts payable:		
Trade	₱121,614,187	₱120,376,674
Non-trade	82,806,837	54,783,517
Related parties:		
Trade (Note 19)	14,256,792	13,483,899
Accrued:		
Utilities and others	32,655,885	32,070,942

(Forward)



	2016	2015
Rental	₱3,632,384	₱3,344,460
Construction costs	–	22,848,538
Service fees (Note 29)	22,201,472	13,181,684
Outside services	1,544,975	7,711,071
Personnel cost	2,324,677	2,732,180
Provision for probable losses	8,935,458	9,700,000
Retentions payable	32,769,220	31,050,403
Output VAT	28,769,375	41,536,776
Payable to government agencies	26,381,602	35,112,441
	₱377,892,864	₱387,932,585

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 service fees pertain to the 20% (until September 13, 2015) and 33% (from September 14 to December 31, 2015) of the service fee declared by MACS, which is payable to SATS (see Note 29).

Provision for probable losses pertains to management’s best estimate of probable costs of claims that have been developed in consultation with the Group’s advisor and is based upon an analysis of potential results.

Retention payable pertains to the portion of the contractors’ billings on the construction of the service concession asset retained by SNVRDC upon its acceptance of the completed projects and submission by the contractors of the certificate of completion and guarantee bond.

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 which is included as part of “output VAT” pertains to output VAT of uncollected receivables from the rendering of the Group’s services.

18. Notes Payable

MAC

On December 21, 2016, the Company obtained a one-year term loan amounting to ₱150.0 million to finance its capital investments. The loan is payable on December 15, 2017. The interest rate of 3.25% per annum is payable on a monthly basis.

MASCORP

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 is payable in equal monthly installments which commenced in January 2014. The loan carried an interest of 5.5% per annum subject to monthly re-pricing.

On February 25, 2014, MASCORP obtained five-year term loans from a local bank amounting to ₱37.0 million (with initial interest rate of 5.25% per annum subject to monthly re-pricing) and US\$0.99 million equivalent to ₱44.5 million (with initial interest rate of 4.06% per annum, inclusive of 10.00% onshore tax subject to monthly re-pricing) to finance its liabilities. The loans will be



payable in 60 equal and successive monthly amortization commencing at the end of the first month from initial drawn down date of the loan.

As of December 31, 2016 and 2015, current portion of the notes payable amounted to ₱169.1 million and ₱25.7 million while the noncurrent portion amounted to ₱20.1 million and ₱36.2 million, respectively. Interest expense incurred amounted to ₱2.4 million, ₱3.4 million and ₱4.0 million in 2016, 2015 and 2014, respectively (see Note 23).

19. 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 (i.e., affiliates). 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
	2016	2015	
Affiliates:			
Deposits and cash equivalents (a)	₱163.1	₱235.8	On demand; prevailing interest rate
Interest income on deposits and cash equivalents (a)	6.1	4.4	On demand; prevailing interest rate To be refunded at the end of lease
Rental deposit (b)	0.2	0.2	term; non-interest bearing
Trust fund retirement plan (c)	119.7	97.5	Based on trustee agreement

<i>(Amounts in millions)</i> Nature of Transaction	Amount of Transactions			Outstanding Balance Receivable (Payable)		Terms and Conditions
	2016	2015	2014	2016	2015	
Affiliates:						
Interest income on deposits and cash equivalents (a)	₱6.1	₱4.4	₱3.0	₱-	₱-	On demand; prevailing interest rate
Office rent (b)	4.3	2.9	3.1	-	-	30 day, unsecured, non-interest bearing, unimpaired
Service fees from ground handling services (e and f)	446.1	276.7	233.4	121.6	63.7	30 day, unsecured, non-interest bearing, unimpaired
Equipment rent (i)	7.0	4.0	2.1	(4.5)	(3.3)	On-demand, unsecured, non-interest bearing
Affiliates:						
Share in passenger lounge (l)	-	-	0.1	(7.5)	(7.5)	On-demand, unsecured, non-interest bearing
Catering services (m, n and o)	107.6	65.2	-	24.3	26.7	30 day, unsecured, non-interest bearing, unimpaired
Share in rental and utilities in MIAA (j)	1.6	1.2	1.4	(0.4)	(0.9)	On-demand, unsecured, non-interest bearing

(Forward)



(Amounts in millions) Nature of Transaction	Amount of Transactions			Outstanding Balance Receivable (Payable)		Terms and Conditions
	2016	2015	2014	2016	2015	
Associated companies:						
Rent and administrative income from sublease of land (d)	₱188.8	₱188.1	₱188.9	₱116.1	₱118.4	25 years, non-interest bearing, includes impact of straight-line recognition of lease income
Service fee from contracted ground handling services (g)	-	1.6	-	-	-	30 day, unsecured, non-interest bearing, unimpaired
Service fee from preventive maintenance and waste water treatment services (k)	15.1	1.6	-	1.9	1.6	30 day, unsecured, non-interest bearing, unimpaired
Ground handling fee (h)	2.3	3.5	6.1	(2.0)	(1.8)	30 day, unsecured, non-interest bearing, unimpaired
Dividend (p and q)	80.0	26.0	18.0	20.0	-	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. The Group recognized provision for doubtful accounts pertaining to amounts owed by a related party amounting to ₱1.9 million in 2016 and ₱6.2 million in 2014.

Group

- 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 ₱163.1 million and ₱235.8 million as of December 31, 2016 and 2015, respectively. Interest income amounted to ₱6.1 million, ₱4.4 million and ₱3.0 million in 2016, 2015 and 2014, respectively.
- MAC leases from the local affiliated bank the office space it currently occupies. The lease agreement is for a period of five years up to December 31, 2020, with an annual rental rate of ₱0.2 million. The monthly rental fee is subject to 5% escalation clause per annum, commencing on the second year of the lease term. Total rent expense amounted to ₱3.4 million in 2016, ₱2.3 million in 2015 and ₱2.5 million in 2014.

On the other hand, MMC also entered into a five-year lease contract with the local affiliated bank for its office space starting on January 1, 2016. The monthly rental fee is subject to a fixed price escalation rate of 5% starting on the second year of the lease term. MMC has rental deposit amounting to ₱0.2 million equivalent to three months advanced rental and is refundable and non-interest bearing. Total rent expense amounted to ₱0.9 million in 2016, and ₱0.6 million in 2015 and 2014.

- The Group has a trust fund for its retirement plan with a local affiliated bank. As of December 31, 2016 and 2015, the fund assets amounted to ₱119.7 million and ₱97.5 million, respectively (see Note 22).

Subsidiaries

MAPDC

- 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 29). Rental and administrative income amounted to ₱188.8 million in 2016, ₱188.1 million in 2015 and ₱188.9 million in 2014.

MAPDC received refundable rental deposit from LTP amounting to ₱24.6 million (presented as part of "Other noncurrent liabilities" account in the consolidated balance sheets), which is valued and reported at its accreted value of ₱7.1 million and ₱6.1 million as of December 31, 2016 and 2015, respectively. Accretion of interest (included as part of "Financing charges" account) amounted to ₱0.9 million, ₱0.8 million and ₱0.7 million in 2016, 2015 and 2014 (see Note 23). The difference between the face amount and present value of the deposits at inception date of ₱19.1 million is treated and presented as part of "Other noncurrent liabilities" in the consolidated balance sheets. It is being amortized on a straight-line basis over the term of the lease. The related amortization amounted to ₱1.0 million in 2016, 2015 and 2014. As of December 31, 2016 and 2015, the unearned rent income amounted to ₱8.4 million and ₱9.3 million, respectively.

Further, as a result of the straight-line recognition of operating lease income, accrued rental receivable was recognized which amounted to ₱116.1 million and ₱118.4 million as of December 31, 2016 and 2015, respectively.

MASCORP

- e. MASCORP provides ground handling services to Air Philippines, Inc. (Air Phil.), an affiliated company under common control. Fees for these services amounted to ₱141.0 million, ₱83.3 million, and ₱78.9 million in 2016, 2015 and 2014, respectively. The related receivables as of December 31, 2016 and 2015 amounted to ₱41.0 million and ₱21.2 million, respectively (see Note 6).
- f. MASCORP provides ground handling services to Philippine Airlines, Inc. (PAL), an affiliated company under common control. Fees for these service amounted to ₱305.1 million, ₱193.4 million and ₱154.5 million in 2016, 2015 and 2014, respectively. The related receivables as of December 31, 2016 and 2015 amounted to ₱80.6 million and ₱42.5 million, respectively, and are presented under "Receivables" in the consolidated balance sheets (see Note 6).
- g. MASCORP bills LTP for ground handling services it rendered to clients contracted by LTP. MASCORP recognized revenues amounting to ₱1.6 million in 2015 and nil in 2016.
- h. MASCORP also pays LTP for ground handling services rendered by the latter to MASCORP's clients. Fees for these services amounted to ₱2.3 million, ₱3.5 million and ₱6.1 million in 2016, 2015 and 2014, respectively. The related payables as of December 31, 2016 and 2015 amounted to ₱2.0 million and ₱1.8 million, respectively (see Note 17).
- i. MASCORP also leases ground support equipment from PAL with total rental cost amounting to ₱7.0 million, ₱4.0 million and ₱2.1 million in 2016, 2015 and 2014, respectively. Outstanding payable as of December 31, 2016 and 2015 relating to this transaction amounted to ₱4.5 million and ₱3.3 million, respectively (see Note 17).
- j. MASCORP pays Air Philippines Corporation (APC) its shares on the rental and utilities in MIAA amounting to ₱1.6 million, ₱1.2 million and ₱1.4 million in 2016, 2015 and 2014, respectively. Outstanding payable as of December 31, 2016 and 2015 relating to this transaction amounted to ₱0.4 million and ₱0.9 million, respectively (see Note 17).



- k. In 2016 and 2015, MASCORP rendered waste water treatment services and preventive maintenance services for the ground support equipment of LTP amounting to ₱15.1 million and ₱1.6 million, respectively. Outstanding receivable relating to this transaction amounted to ₱1.9 million and ₱1.6 million as of December 31, 2016 and 2015, respectively (see Note 6).

MACS

- l. MACS has outstanding payable to PAL aggregating to ₱7.5 million as of December 31, 2016 and 2015, representing PAL's share in the results of operation of the passenger lounge at NAIA (see Note 17).
- m. MACS has outstanding receivables to PAL from catering services provided in previous years which amounted to ₱1.9 million as of December 31, 2016 and 2015 (see Note 6).
- n. MACS provided catering services to an airline lounge of PAL amounting to ₱105.4 million in 2016 and ₱62.0 million in 2015. Total outstanding receivable from these transactions amounted to ₱19.7 million and ₱22.6 million as of December 31, 2016 and 2015, respectively (see Note 6).
- o. MACS provided catering services to APC in 2015 amounting to ₱2.2 million and ₱3.2 million in 2016 and 2015, respectively. Outstanding receivable as of December 31, 2016 and 2015 amounted to ₱2.7 million and ₱2.2 million, respectively (see Note 6).

Associates

- p. On March 4, 2016, LTP approved the declaration of cash dividends amounting to \$2,000,000 out of LTP's unrestricted retained earnings to all stockholders of record as of December 31, 2015. The cash dividends declared were paid to stockholders also in 2016.
- q. On April 8, 2016 and December 12, 2016, CPCS declared dividends amounting to ₱35.0 million and ₱50.0 million, respectively.

The following are the transactions among related parties which are eliminated in the consolidated statements of income:

Nature	Revenue and other income recognized by:	Costs and expenses recognized by:	2016	2015	2014
			<i>(In Millions)</i>		
Service fees	MAC	MACS/ MASCORP	₱77.3	₱57.8	₱39.4
Chopper rental	MAC	MAATS	–	1.3	1.3
Technical management fees	MAPDC	MSFI/ SNVRDC	1.4	5.6	–
Land and building rental	MAPDC	MSFI/ SNVRDC	12.6	1.2	–
Dividend revenue	MAC	MAATS/ MACS / MASCORP	78.5	–	15.0

The following are the balances among related parties which are eliminated in the consolidated balance sheets:

Nature	Assets recognized by:	Liabilities recognized by:	December 31	
			2016	2015
<i>(In Millions)</i>				
Due from/to related parties	MAC	MASCORP/ MAPDC/ MMC/ MAATS/ ASSC/ MACS	₱737.4	₱331.3
	MAPDC	MAATS/ MMC/ SNVRDC/ PWRI/ MPRDC/ WBSI/ CBRI	276.3	220.1

(Forward)



Nature	Assets recognized by:	Liabilities recognized by:	December 31	
			2016	2015
			<i>(In Millions)</i>	
Due from/to related parties	ASSC	MAPDC/ MMC	₱5.5	₱3.0
	CBRI	WBSI	–	0.4
	MACS	MSFI/ MSICS	0.3	1.2
Trade receivables/payables	WBSI	CBRI	10.0	–
	MAC	MAC/ MACS/ MAATS	234.2	157.8
	MACS	MASCORP/ MAC	0.5	0.2
	MAPDC	SNVRDC/ MSFI/ MAC	26.5	13.8
	MASCORP	MAATS	0.002	–
	MMC	MAC	2.7	–

Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱85.3 million, ₱65.15 million and ₱62.05 million in 2016, 2015 and 2014, respectively. There are no termination benefits or share-based payments granted to key management personnel.

20. Net Service Revenue and Direct Costs

Net Service Revenue

	2016	2015	2014
Gross service revenue	₱2,458,739,754	₱2,032,136,400	₱1,830,231,762
Less discount	123,782,537	110,689,782	107,038,982
	₱2,334,957,217	₱1,921,446,618	₱1,723,192,780

Direct costs

	2016	2015	2014
Food	₱562,127,554	₱494,909,384	₱412,834,939
Salaries and wages	415,915,479	337,397,495	279,760,778
Leases (Note 29)	181,444,135	180,102,550	178,027,958
Concession privilege fee (Note 29)	142,483,134	114,946,799	106,892,886
Contractual services	88,405,709	83,765,585	75,815,323
Depreciation and amortization (Notes 12 and 15)	85,083,958	58,448,987	72,752,447
Overhead	59,031,995	50,164,621	70,585,700
Employee benefits (Note 22)	44,878,798	31,227,413	25,938,816
Repairs and maintenance	29,722,812	30,293,039	26,729,089
Laundry	12,084,648	9,900,876	11,931,065
Supplies	13,158,518	12,022,099	17,374,914
Insurance	9,236,762	9,044,459	8,822,072
Storage and brokerage	736,620	751,363	2,511,617
Exploratory drilling	–	–	17,825,019
Others	16,197,130	30,875,979	21,101,354
	₱1,660,507,252	₱1,443,850,649	₱1,328,903,977



21. Operating Expenses

	2016	2015	2014
Selling -			
Advertising and promotions	₱1,919,494	₱2,888,703	₱2,892,411
General and administrative:			
Actual and provisions for probable losses (Notes 6, 8, 9, 18 and 30)	239,865,317	64,038,282	51,494,461
Salaries and wages	140,130,187	112,518,039	105,805,761
Rent (Notes 19 and 29)	55,586,005	32,192,619	19,350,478
Employee benefits (Note 22)	65,821,141	57,985,901	48,837,860
Repairs and maintenance	22,448,143	17,190,672	21,097,329
Service fee (Note 29)	22,147,580	13,141,790	9,682,030
Professional and legal fees	20,021,307	21,122,182	20,610,144
Taxes and licenses (Note 13)	20,811,993	23,487,973	17,487,532
Security and janitorial	14,942,021	13,508,256	13,214,339
Depreciation and amortization (Note 12)	13,740,730	18,216,752	28,881,453
Supplies	13,058,620	4,032,250	3,888,968
Entertainment, amusement and recreation	10,865,336	7,815,891	5,755,078
Transportation and travel	9,956,054	7,654,728	4,609,302
Mining expenses (Note 30)	2,707,859	4,939,172	4,953,533
Utilities	9,220,987	9,381,080	10,611,423
Cleaning and other laboratory supplies	7,814,302	5,849,790	7,117,253
Project expenses	8,241,073	4,406,703	20,178,795
Directors' fees	6,337,434	3,357,353	2,881,618
Communications	4,423,528	4,198,743	3,981,390
Gas and oil	2,643,867	2,877,037	2,956,151
Insurance	2,256,323	2,165,125	2,664,754
Others	18,244,641	25,827,231	18,689,189
	711,284,448	455,907,569	424,748,841
	₱713,203,942	₱458,796,272	₱427,641,252

22. Employee Benefits Costs

Retirement Benefits Cost

The Group has funded, non-contributory defined benefit group retirement plans, 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, Retirement Pay Law, 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:

	2016	2015	2014
Current service cost	₱20,056,536	₱18,362,877	₱15,529,069
Net interest cost	318,322	680,071	840,160
	₱20,374,858	₱19,042,948	₱16,369,229
Portions recognized in:			
Direct costs (Note 20)	₱13,416,359	₱10,648,362	₱8,162,122
General and administrative expenses (Note 21)	6,958,499	8,394,586	8,207,107
	₱20,374,858	₱19,042,948	₱16,369,229

The details of the remeasurement in other comprehensive income are as follows:

	2016	2015	2014
Actuarial gain (loss) arising from changes in:			
Experience adjustments	₱6,389,384	₱8,515,959	₱7,806,902
Financial assumptions	4,004,659	7,308,529	(3,525,247)
Demographic assumptions	-	(1,058,092)	-
Remeasurement on plan assets	(1,651,218)	(1,862,777)	360,566
	8,742,825	12,903,619	4,642,221
Tax effect	(3,873,772)	(2,027,667)	(905,761)
	₱4,869,053	₱10,875,952	₱3,736,460

The details of the accrued retirement benefits payable, net of plan assets, are as follows:

	2016	2015
Present value of defined benefit obligation	₱116,217,434	₱103,522,160
Fair value of plan assets	119,691,093	(97,461,937)
	(₱3,473,659)	₱6,060,223

Movements in accrued retirement benefits payable and plan asset follow:

2016	Accrued retirement benefits payable	Pension asset (Note 16)
Beginning balance*	₱9,221,572	(₱3,161,349)
Retirement benefits cost recognized in profit or loss	4,430,594	15,944,264
Remeasurements in other comprehensive income	3,295,637	(12,038,462)
Contributions	(6,000,000)	(15,165,915)
Ending balance	₱10,947,803	(₱14,421,462)

* Beginning balance of plan asset includes net accrued retirement benefits payable of MACS amounting to ₱1,785,486. As of December 31, 2016, MACS, MASCORP and MMC have a net plan asset position.



2015

	Accrued retirement benefits payable	Pension asset (Note 16)
Beginning balance*	₱13,185,693	₱2,065,237
Retirement benefits cost recognized in profit or loss	9,390,968	9,651,980
Remeasurements in other comprehensive income	(6,469,603)	(6,434,016)
Contributions	(5,100,000)	(10,230,036)
Ending balance	₱11,007,058	(₱4,946,835)

* Beginning balance of plan asset includes net accrued retirement benefits payable of MASCORP and MMC amounting to ₱1,420,150 and ₱645,087, respectively, which were both presented as part of accrued retirement benefits payable as of December 31, 2014. As of December 31, 2015, MASCORP and MMC have a net plan asset position.

Changes in present value of defined benefit obligation are as follows:

	2016	2015
Beginning balance	₱103,522,160	₱100,851,544
Current service cost	20,056,536	18,362,877
Interest cost	5,176,651	4,509,285
Actuarial gain on retirement obligation	(10,394,043)	(14,766,396)
Benefits paid out of the Group's plan assets	(2,143,870)	(5,435,150)
Ending balance	₱116,217,434	₱103,522,160

Changes in fair value of plan assets are as follows:

	2016	2015
Beginning balance	₱97,461,937	₱85,600,614
Interest income on plan assets	4,858,329	3,829,214
Contributions to the plan	21,165,915	15,330,036
Benefits paid	(2,143,870)	(5,435,150)
Remeasurement on plan assets	(1,651,218)	(1,862,777)
Ending balance	₱119,691,093	₱97,461,937
Actual return on plan assets	₱3,207,111	₱1,966,437

The major categories of plan assets are as follows:

	2016	2015
Cash and cash equivalents	₱77,279,985	₱72,498,345
Debt instruments:		
Government securities	26,618,860	18,081,202
Unquoted debt securities	15,528,478	6,638,586
Receivables	263,770	243,804
Ending balance	₱119,691,093	₱97,461,937

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 as of December 31 are shown below:

	2016	2015
Average discount rates	4.87%-5.19%	4.87%-5.20%
Average future salary increases	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of defined benefit obligation as of December 31, assuming all other assumptions were held constant:

Assumptions:	2016	2015
Discount rate:		
+100 basis points	(₱13,165,596)	(₱12,544,075)
-100 basis points	17,279,693	16,760,030
Salary increase rate:		
+100 basis points	16,673,371	16,106,457
-100% basis points	(12,772,098)	(12,379,399)

There were no changes in the methods and assumptions from the previous periods used in preparing the sensitivity analysis.

Shown below is the maturity analysis of the undiscounted benefit payments:

Date of retirement:	2016	2015
1 year and less	₱2,575,375	₱417,727
more than 1 year to 5 years	32,987,945	7,785,459
more than 5 years to 10 years	56,106,494	62,303,738
more than 10 years to 15 years	92,218,215	104,370,214
more than 15 years to 20 years	152,368,111	136,887,999
more than 20 years	3,684,992,491	3,518,444,788

The Group expects to contribute ₱34.5 million in 2017. 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 ₱11.6 million and ₱10.9 million as of December 31, 2016 and 2015, respectively. Provision for accumulating leave credits amounted to ₱1.6 million and ₱1.1 million and ₱0.8 million in 2016, 2015 and 2014, respectively.

23. Interest Income, Financing Charges, and Other Income

a. Interest income was derived from:

	2016	2015	2014
Cash and cash equivalents (Notes 5 and 19)	₱4,118,345	₱6,537,837	₱7,583,733
AFS investments (Note 14)	1,819,500	1,819,500	4,556,763
Accretion of refundable deposits (Note 29)	1,074,198	859,225	706,567
	₱7,012,043	₱9,216,562	₱12,847,063



b. Financing charges pertain to:

	2016	2015	2014
Notes payable (Note 18)	₱2,356,000	₱3,398,516	₱4,012,987
Accretion of refundable deposits (Note 19)	939,096	814,576	706,567
	₱3,295,096	₱4,213,092	₱4,719,554

c. Other income - net consist of:

	2016	2015	2014
Construction revenue (Note 15)	₱19,244,186	₱202,192,202	₱99,665,179
Construction costs (Note 15)	(19,244,186)	(202,192,202)	(99,665,179)
Special flight permits	3,583,157	3,263,392	3,132,973
Foreign exchange gain (Notes 24 and 31)	43,008,159	36,120,323	12,506,949
Net recovery from insurance claim	20,390,586	-	-
Gain on sale of investments in bonds (Note 14)	-	-	811,298
Sale of scrap materials	-	-	2,566,404
Reversal of prior years' accruals - net	6,096,872	5,334,749	19,358,658
Reversal of long outstanding checks	870,424	4,091,718	-
Others - net	1,194,427	2,018,869	4,537,542
	₱75,143,625	₱50,829,051	₱42,913,824

Net recovery from insurance claim pertains to excess of insurance proceeds over the net book value of the Group's helicopter which crashed in August 2016. The insurance proceeds amounted to ₱56.8 million while the net book value of the helicopter was ₱33.0 million.

24. Foreign Currency-denominated Monetary Assets and Liabilities

The Group's foreign currency-denominated monetary assets and liabilities as of December 31 are as follows:

	2016		2015	
	US Dollar	Total Peso Equivalent	US Dollar	Total Peso Equivalent
Assets				
Cash and cash equivalents	\$4,914,437	₱244,345,819	\$8,925,276	₱420,023,503
Receivables	5,157,202	256,416,040	6,443,725	303,241,682
	10,071,639	500,761,859	15,369,001	723,265,185
Liabilities				
Accounts payable and accrued liabilities	8,780	436,525	65,950	3,103,617
Notes payable	429,000	21,329,880	627,000	29,506,620
	437,780	21,766,405	692,950	32,610,237
Net foreign currency- denominated assets	\$9,633,859	₱478,995,454	\$14,676,051	₱690,654,948

As of December 31, 2016 and 2015, the exchange rates of the Peso to US\$ dollar were ₱49.72 and ₱44.72 to US\$1, respectively.



25. Registration with the Philippine Economic Zone Authority (PEZA)

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.

26. Income Taxes

- a. The current provision for income tax in 2016, 2015 and 2014 consists of the MCIT of the Company, and MAPDC and MMC (for 2014), the RCIT of MACS and MASCORP (for 2016, 2015 and 2014) and MAATS (for 2015 and 2016), the 5% tax on MAPDC's gross income from its PEZA-registered activities (see Note 25) 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:

	2016		2015	
	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax Liabilities ⁽²⁾	Net Deferred Income Tax Assets ⁽³⁾	Net Deferred Income Tax Liabilities ⁽⁴⁾
<i>Recognized directly in the consolidated statements of income:</i>				
Deferred income tax assets on:				
Allowances for:				
Probable losses	₱25,030,029	₱377,286	₱30,267,807	₱-
Doubtful accounts	3,131,430	-	3,972,194	-
Inventory	-	-	300,000	-
NOLCO	-	38,424	-	1,535,445
Accrued rental receivable	5,820,546	-	5,920,277	-
Accrued retirement benefits payable and other employee benefits	5,957,034	151,688	6,000,496	-
Accrued expenses not yet deductible	1,321,326	-	1,398,371	-
Unrealized foreign exchange loss	64,286	-	193,862	-
Unamortized past service cost	1,336,485	191,156	1,632,898	-
Acquired in business combination	-	506,613	-	-
	42,661,136	1,265,167	49,685,905	1,535,445
Deferred income tax liabilities on:				
Accrued rental payable	(5,820,546)	-	(5,920,277)	-
Unrealized foreign exchange gain	(5,147,883)	(524,513)	(2,947,606)	(1,535,445)
Pension asset	-	-	(21,265)	-
Fair value adjustment on property plant and equipment as a result of business combination	-	(34,967,579)	-	-
	(10,968,429)	(35,492,092)	(8,889,148)	(1,535,445)

(Forward)



	2016		2015	
	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax Liabilities ⁽²⁾	Net Deferred Income Tax Assets ⁽³⁾	Net Deferred Income Tax Liabilities ⁽⁴⁾
<i>Recognized directly in equity:</i>				
Deferred income tax liabilities on:				
Remeasurement gain	(₱9,399,963)	(₱386,761)	(₱6,333,018)	₱-
Fair value changes of AFS investments	-	(1,615,000)	-	(1,415,000)
	(9,399,963)	(2,001,761)	(6,333,018)	(1,415,000)
	₱22,292,744	(₱36,228,686)	₱34,463,739	(₱1,415,000)

⁽¹⁾ Pertains to MACS, MAPDC and MASCORP
⁽²⁾ Pertain to MAC, MAATS and BTSI
⁽³⁾ Pertains to MAC and MAPDC
⁽⁴⁾ Pertain to MACS, MASCORP and MAATS

- c. As of December 31, the deductible temporary differences, MCIT and NOLCO for which no deferred income tax assets were recognized in the consolidated balance sheets are as follows:

	2016	2015	2014
Deductible temporary differences on:			
Allowances for probable losses on:			
Input VAT	₱-	₱29,205,949	₱29,205,949
Deferred mine exploration costs	217,070,924	4,181,184	4,181,184
Accrued retirement benefits payable	10,947,803	9,069,765	11,221,535
Accrued rental payable	17,815,223	11,350,650	-
Accrued incentive pay	730,847	1,271,970	1,271,970
Unrealized foreign exchange losses	165,623	4,181,184	4,075,394
NOLCO	177,769,924	79,754,165	122,476,200
MCIT	4,661,838	5,135,155	5,062,072

MMC, ASSC, SNVRDC, PWBRI, MPRDC 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 against which these temporary differences and NOLCO can be used or RCIT payable against which the MCIT can be applied.

MAC and MAPDC recognized deferred income tax asset to the extent of deferred income tax liability on unrealized foreign exchange gain and on accrued lease rental receivable, respectively.

- 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 the Group NOLCO and MCIT follow:

Year Incurred	Expiry Date	NOLCO		MCIT	
		2016	2015	2016	2015
2016	2019	₱102,144,633	₱-	₱1,684,586	₱-
2015	2018	47,803,219	47,882,618	1,505,351	1,505,351
2014	2017	27,950,162	27,950,163	1,471,901	1,471,901
2013	2016	-	10,687,248	-	2,157,903
		₱177,898,014	₱86,520,029	₱4,661,838	₱5,135,155



e. Movements of NOLCO and MCIT are as follows:

	NOLCO		MCIT	
	2016	2015	2016	2015
Beginning balance	₱86,440,629	₱131,862,660	₱5,135,155	₱5,062,072
Additions	102,144,633	47,882,618	1,684,586	1,505,351
Expired	(10,687,248)	(93,225,249)	(2,157,903)	(1,432,268)
Ending balance	₱177,898,014	₱86,520,029	₱4,661,838	₱5,135,155

f. The reconciliation of the provision for income tax at the statutory tax rates to the provision for income tax as shown in the consolidated statements of income is as follows:

	2016	2015	2014
Provision for income tax computed at the statutory tax rate	₱171,762,411	₱116,411,235	₱43,774,712
Adjustments resulting from:			
Share in earnings of associates	(159,730,432)	(94,021,570)	(38,468,047)
Nondeductible expenses	35,887,436	10,255,274	3,277,740
Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized	77,878,359	14,034,572	19,063,163
Derecognized deferred income tax assets	9,889,731	1,418,794	—
Interest income already subjected to final tax at lower rates or not subject to income tax	(3,313,699)	(1,419,351)	(3,642,149)
Provision for income tax	₱132,373,806	₱46,678,954	₱24,005,419

27. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share are computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the Company	₱388,954,824	₱327,750,585	₱114,979,503
Divided by weighted average number of common shares outstanding	1,233,404,000	1,233,404,000	1,233,404,000
	₱0.32	₱0.27	₱0.09

There are no potential common shares with dilutive effect on the basic earnings per share in 2016.



28. Equity

Capital stock

a. Track record of registration of securities

On August 30, 1974, the Philippine 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 December 10, 1993, the Company amended its articles of incorporation, increasing the par value of its shares from ₱0.01 per share to ₱1.00 per share.

On March 22, 2000, the Philippine Stock Exchange (PSE) 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 PSE and the number of holders of its common equity as of December 31, 2016 and 2015 is 860.

b. Movement in the Company's outstanding shares follows:

Issued shares as of December 31, 2009	1,250,000,000
Acquisition of treasury shares in 2010	(2,985,000)
Issued shares as of December 31, 2010	1,247,015,000
Acquisition of treasury shares in 2011	(7,486,000)
Outstanding shares as of December 31, 2011	1,239,529,000
Acquisition of treasury shares in 2012	(6,125,000)
Outstanding shares as of December 31, 2013, 2014, 2015 and 2016	1,233,404,000

Treasury shares

c. Treasury stock

On July 16, 2010, the Company's 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 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 Company's BOD may direct, subject to appropriate disclosures to the PSE and the Philippine SEC.

As of December 31, 2016, the Company has 16,596,000 treasury shares amounting to ₱49.4 million.



Retained earnings

d. Restriction on retained earnings

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 ₱533.9 million and ₱404.4 million as of December 31, 2016 and 2015, respectively.
- Cost of treasury shares amounting to ₱49.4 million as of December 31, 2016 and 2015.
- Deferred income tax assets amounting to ₱42.7 million and ₱49.7 million as of December 31, 2016 and 2015, respectively.

e. Appropriation of retained earnings

On December 8, 2016, the BOD released from appropriation the ₱50.0 million appropriated in 2015 for the purchase of catering delivery trucks and ₱100.0 million appropriated in 2014 and 2012 for the plant expansion. These amounts were approved to be re- allocated for the production facility expansion in NAIA and offsite commissary construction project. On the same date, the BOD approved the appropriation of additional ₱110.0 million for the same purpose of production facility expansion in the next two years, such that the total appropriation amounts to ₱260.0 million.

On December 12, 2015, MACS' BOD approved the appropriation of the Company's retained earnings amounting to ₱50.0 million for the purchase of catering delivery trucks in 2016 and the business expansion program in the next 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 projects, respectively. As to the mining project, the Company intends to start development activities and mining operations after the grant of operating permits.

On June 21, 2012, MASCORP's BOD approved the appropriation of its retained earnings which amounted to ₱30.0 million for business expansion.

f. 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
December 14, 2016	₱0.080	January 6, 2017	February 1, 2017
December 14, 2015	0.075	January 4, 2016	January 28, 2016

g. Cash dividends received by non-controlling interest

On December 8, 2016, MACS declared the distribution of ₱50.0 million or ₱40.0 per share dividend to be paid in two instalments on or before December 20, 2016 and April 14, 2017. Dividends attributed to non-controlling interest amounted to ₱16.5 million of which ₱4.2 million remained outstanding as of December 31, 2016.



h. Acquisition of and divestment to non-controlling interest

- In December 2015, MAPDC entered into a share purchase agreement with a third party wherein WBSI shall be owned by MAPDC and the third party at 51% and 49%, respectively. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction.

Proportionate share of equity allocated to non-controlling interests and gain on sale, net of transaction costs of ₱2.7 million, amounted to ₱10.7 million and ₱24.3 million, respectively, and are presented as part of “Other reserves” in equity account in the 2015 consolidated balance sheet.

- In July 2015, the Company signed a Sale and Purchase Agreement with SATS to sell 162,500 shares representing 13% of the total issued and outstanding capital stock of MACS. After the sale, MACS is 33% owned by SATS.

Proportionate share of equity allocated to non-controlling interests and gain on sale of investment, net of transaction costs of ₱13.2 million, amounted to ₱36.4 million and ₱119.0 million, respectively, and are presented as part of “Other reserves” in equity account in the 2015 consolidated balance sheet. Total amount of goodwill re-attributed to the noncontrolling interests amounted to ₱2.8 million.

- In 2014, MAPDC paid a total of ₱10.6 million for the remaining 12.6% non-controlling interest to the previous stockholders of WBSI.

29. Significant Agreements and Commitments

Concession Agreements

MACS and MASCORP have concession agreements with 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. The concession agreement of MACS is renewable every year upon mutual agreement of the parties. In 2013, the concession agreement of MACS was renewed for a period of three years commencing on June 1, 2013 and expired on May 31, 2016. In 2016, MACS renewed the agreement for one-year subsequent to further renewal after the change in the MIAA administration. Meanwhile, MASCORP operates domestic and international groundhandling services at Terminals 1, 2 and 3, 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 ₱142.5 million, ₱114.9 million and ₱106.9 million in 2016, 2015 and 2014, respectively, which is presented under direct costs (see Note 20).

Pursuant to the memorandum dated September 5, 2014 issued by MCIAA to all concessionaires, airlines, businesses, and other airport stakeholders, MCIAA no longer renewed or extended the concession and lease contracts beyond October 31, 2014 due to the turnover of the operation and management of the Mactan Cebu International Airport to GMR-Megawide Cebu Airport Corporation (GMCAC) effective November 1, 2014. MASCORP has a concession and lease agreement with GMCAC which is valid until January 31, 2015 and was subsequently extended up to May 31, 2015 and further extended up to October 31, 2015. GMCAC issued the draft of



concession lease agreement covering the period November 1, 2015 up to May 31, 2018 in favor of MASCORP but is not yet finalized as of December 31, 2016.

Lease Agreements

- a. 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.

In 2013, MACS 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. In June 2016, MACS renewed the lease contract with MIAA for one year effective June 1, 2016 to May 31, 2017. Total minimum lease payment for this lease agreement follows:

	<u>2016</u>	<u>2015</u>
Within one year	₱6,123,488	₱6,123,488

Lease expense relating to this lease agreement amounted to ₱14.0 million and ₱14.3 million in 2016 and 2015 (see Notes 20 and 21).

- b. 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:
- i. 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.
 - ii. 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.
 - iii. 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.



- iv. The contract may be terminated and cancelled at the instance of MAPDC if:
- MAPDC, its sub-lessee or any of its successors-in-interest, cease to operate their business; and or
 - 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:

	2016	2015
Within one year	₱168,137,800	₱168,137,800
After one year but not more than five years	683,760,386	675,353,496
Five years up to end of lease contract	647,330,529	823,875,219
	₱1,499,228,715	₱1,667,366,515

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 ₱7.1 million and ₱6.2 million as of December 31, 2016 and 2015, 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 ₱1.0 million in 2016, 2015 and 2014. Accretion of the rental deposit (included as part of "Interest income" account) amounted to ₱0.9 million, ₱0.8 million and ₱0.7 million in 2016, 2015, and 2014, respectively. As of December 31, 2016 and 2015, deferred rent expense amounted to ₱8.4 million and ₱9.4 million, respectively.

Further, as a result of the straight-line recognition of operating lease expense, accrued rental payable was recognized which amounted to ₱120.0 million and ₱118.4 million as of December 31, 2016 and 2015, respectively.

Rent expense amounted to ₱161.5 million in 2016, 2015 and 2014 (see Note 21).

- c. On June 5 and November 6, 2015, MAPDC entered into two lease contracts with Mactan-Cebu International Airport Authority (MCIAA) covering the use of parcels of land for 25 years for 23,703 hectares and 20,000 hectares of land, respectively. Significant terms and conditions of the contract are as follows:
- i. MAPDC is allowed to sub-lease the leased property.
 - ii. The first contract, dated June 5, 2015, prescribes that monthly rental fee shall be ₱59.15 per square meter or a total of ₱1.4 million, with advance rent equivalent to one year rent. The lease rental shall be subject to a fixed price escalation of 5% starting on the sixth year and by another 5% on the 11th, 16th and 21st years. The escalation shall be on a compounded basis. MAPDC is also given a period of six months for site preparation and construction period.
 - iii. The second contract, dated November 6, 2015, prescribes that monthly rental fee shall be ₱65.00 per square meter or a total of ₱1.3 million, with advance rent equivalent to one year rent. The lease rental shall be subject to a fixed price escalation of 5% starting on the sixteenth year and by another 5% on 21st year. The escalation shall be on a compounded basis. MAPDC is also given a period of six months for site preparation and construction period.



Future minimum rentals payable as of December 31, 2016 under MAPDC's operating lease agreement with MCIAA are as follows:

	2016	2015
Within one year	₱32,424,389	₱27,224,389
After one year but not more than five years	130,608,879	129,767,659
Five years up to end of lease contract	675,062,169	708,327,778
	₱838,095,437	₱865,319,826

The total rental deposit made to MCIAA amounting to ₱8.1 million is reported at amortized cost in the consolidated balance sheet. The carrying value of the deposit amounted to ₱2.7 million and ₱2.6 million as of December 31, 2016 and 2015 respectively, 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 ₱5.6 million, is treated as a deferred rent expense and is being amortized over the lease term. Related amortization amounted to ₱1.2 million and ₱0.9 million in 2016 and 2015. Accretion of the rental deposit (included as part of "Interest income" account) amounted to ₱0.12 million in 2016 and ₱0.4 million in 2015. As of December 31, 2016 and 2015, deferred rent expense amounted to ₱5.4 million and ₱5.5 million, respectively.

Further, as a result of the straight-line recognition of operating lease expense, accrued rental payable was recognized which amounted to ₱6.8 million and ₱11.4 million as of December 31, 2016 and 2015, respectively.

Rent expense amounted to ₱34.1 million and ₱12.8 million in 2016 and 2015 (see Note 21).

- d. MASCORP has a lease agreement with MIAA for the lease of office space and staging area in the following locations:
- i. Terminal 1 on a month-to-month basis, with a monthly rental of ₱504,409 and ₱418,659 in 2015 and 2014, respectively.
 - ii. Terminal 2 on a month-to-month basis, with a monthly rental of ₱19,807 in 2015 and 2014.
 - iii. Terminal 3 on a month-to-month basis, with a monthly rental of ₱156,544 in 2015 and 2014.

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 ₱8.1 million, and ₱6.9 million and ₱5.7 million in 2016, 2015 and 2014, respectively (see Note 21).



- e. MASCORP has lease agreements with Sky Freight Center located at Ninoy Aquino Avenue, Paranaque City for its office space. The first 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. The second lease is for a period of five years, commencing on October 1, 2015 until September 30, 2020, subject to 5% escalation starting on second year of the lease term. Total rent expense charged to operations for both leases amounted to ₱2.5 million in 2016 and ₱1.5 million in 2015 and ₱1.2 million in 2014 (see Note 21). Total outstanding security deposit amounted to ₱2.4 million as of December 31, 2016 and 2015, and was included under the “Deposits and other noncurrent assets” account (see Note 16).

The future annual rental commitments of the foregoing lease agreement as of December 31 follow:

	2016	2015
Within one year	₱1,677,935	₱1,737,418
After one year but not more than five years	4,592,592	2,183,377
	₱6,270,527	₱3,920,795

- f. The Company has several lease agreements with third party lessors covering the use of parcels of land for 35 years in Palawan starting 2010 and 2012. 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 30). The Company prepaid the rental charges up to 18 to 30 years with unamortized amount of ₱8.5 million as of December 31, 2016 and 2015, respectively, which is included under “Deposits and other noncurrent assets” account (see Note 16). Rental rates are subject to escalation during the lease periods. Rental expense charged to operations amounted to ₱0.6 million in 2016, 2015 and 2014. This is included as part of “Mining expenses” under “Operating expenses” account (see Note 21).

Service Fee Agreements

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. Starting September 14, 2015, the total service fees shall be divided according to the equity ratio of 67% and 33% between MAC and SATS, respectively. Total service fee recognized by MACS amounted to ₱67.3 million, ₱54.5 million and ₱48.4 million in 2016, 2015 and 2014, respectively. SATS’ corresponding share of the service fee amounted to ₱22.2 million, ₱13.1 million and ₱9.7 million in 2016, 2015 and 2014, respectively (see Note 21). Outstanding payable to SATS amounted to ₱22.2 million and ₱13.2 million as of December 31, 2016 and 2015, respectively (see Note 17).

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 ₱3.0 million in 2016, ₱36.5 million in 2015 and ₱34.9 million in 2014, while the outstanding receivables, included as part of “Trade receivables - third parties”, as of December 31, 2016 and 2015 amounted to ₱12.9 million and ₱19.0 million, respectively.



Waterworks System Agreements

- a. 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. 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). In 2015, MAPDC assigned the concession rights and obligations to SNVRDC under the Agreement which was formalized through a Deed of Assignment as acknowledged by the local government of Solano.

- b. On October 2, 2015, MAPDC entered into a Memorandum of Agreement (the Agreement) with Municipal Government of Mabini (Mabini) to design, construct, commission and maintain a new and complete waterworks system in Mabini, Pangasinan. The Agreement is for a period of 25 years from commencement date as defined in the Agreement subject to renewal based on the provisions of the Agreement.

Certificate of Public Convenience (CPC)

BTSI is a holder of CPC, which allows BTSI to install, operate and maintain waterworks systems in certain barangays in Malay, Aklan. The CPC was granted by National Water Resources Board on December 17, 2014 and is valid until July 18, 2017.

30. Deferred Mine Exploration Costs and Mining-Related Activities

As of December 31, 2016 and 2015, deferred mine exploration costs follow:

	2016	2015
Cost	₱237,489,872	₱237,489,872
Accumulated impairment loss:		
Beginning	4,181,184	4,181,184
Provision	212,889,740	-
	217,070,924	4,181,184
	₱20,418,948	₱233,308,688

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 Mineral Production Sharing Agreements (MPSAs) with the government, MPSA 220IV-B and MPSA 221 IV-B. The MPSAs are 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 exists and is currently being maintained for future use.

The MPSAs run for a term not exceeding 25 years from the date of the grant, and are 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 Department of Environment and Natural Resources (DENR) and the Company. As provided under the MPSAs, the Company is allowed to conduct exploration activities within a certain period ("exploration period"), renewable for like periods but not to exceed a total term of eight years.

In 2008, the Supreme Court has ruled with finality that the Company has vested 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. Further, 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.

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. Currently, the Company is working on the acquisition of the Certificate of Pre-condition (CP) from the National Commission on Indigenous People and approval of its Declaration of Mining Feasibility from the MGB. Simultaneously, it has ongoing discussions with potential partners for the development of the project for the best interest of the various stakeholders. The Company is still working on the third renewal of the exploration period of MPSA 220 IV-B and second renewal of the exploration period of MPSA 221 IV-B. Further, recent pronouncements of the DENR indicate no strong support for nickel mine operations in the short-term, applicable to Infanta Nickel and other tenements in the country. While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the Company assessed the prevailing mining prospects in the coming years and saw valid reasons to fully provide with allowance for probable losses on its deferred mine exploration costs relating to Infanta Nickel Project. The provision amounted to ₱212.9 million in 2016.

On January 30, 2015, the Company executed a Deed of Assignment of the MPSAs to MMC. However, it cannot take effect yet as there were no renewed Exploration Periods granted to both MPSAs. As of December 31, 2016, the Company has submitted the necessary requirements for the renewal of Exploration Period of the two MPSAs; hence, awaiting approval by the MGB.

Administrative expenses related to the mining exploration activities are expensed as incurred and presented under "Mining expenses" under "Operating expenses" account. These amounted to ₱2.7 million, ₱4.9 million and ₱5.0 million in 2016, 2015 and 2014, respectively (see Note 21).

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.

31. 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, 2016 and 2015. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2016.

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:

	2016	2015
Capital stock	₱1,250,000,000	₱1,250,000,000
Additional paid-in-capital	281,437,118	281,437,118
Retained earnings	2,000,576,033	1,710,293,529
Treasury shares	(49,418,660)	(49,418,660)
	₱3,482,594,491	₱3,192,311,987
Net income	₱440,167,563	₱341,358,497
Return on equity	12.64%	10.69%

32. 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 an average of 87% of MACS’ and 63% of MASCORP’s revenue 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 24.

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:

	Movement in US\$ and RMB	Increase (decrease) in Income before Income Tax US\$	Increase (decrease) in Income before Income Tax RMB
<i>(in millions)</i>			
2016	Increase of 4%	₱19.8	₱-
	Decrease of 4%	(19.8)	-
2015	Increase of 3%	(20.7)	-
	Decrease of 3%	20.7	-
2014	Increase of 4%	23.1	0.05
	Decrease of 4%	(23.1)	(0.05)

The Group reported net foreign exchange gain of ₱43.0 million, ₱36.1 million and ₱12.5 million in 2016, 2015 and 2014, respectively (see Notes 23 and 24).

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, 2016:

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loans and receivables:					
Cash in bank and cash equivalents*	₱558,282,748	₱-	₱-	₱-	₱558,282,748
Receivables:					
Trade	305,334,451	25,267,733	13,877,011	182,714,664	527,193,859
Dividends receivable	20,000,000	-	-	-	20,000,000
Due from officers and employees	7,875,717	3,472,268	-	-	11,347,985
Interest receivables	3,849,350	-	-	-	3,849,350
Other receivables	25,451,388	-	-	-	25,451,388
Deposits	24,939,435	-	-	-	24,939,435
AFS investments-					
Retail treasury and corporate bonds	64,669,500	-	-	-	64,669,500
	₱1,010,402,589	₱28,740,001	₱13,877,011	₱182,714,664	₱1,235,734,265

*Exclusive of cash on hand amounting to ₱1,408,301 as of December 31, 2016.

December 31, 2015:

	Neither past due nor impaired			Past due or individually impaired	Total
	High Grade	Standard Grade	Sub-standard Grade		
Loans and receivables:					
Cash in bank and cash equivalents*	₱692,300,961	₱-	₱-	₱-	₱692,300,961
Receivables:					
Trade	274,656,311	28,026,879	14,385,636	201,669,825	518,738,651
Due from officers and employees	₱15,476,326	₱-	₱-	₱-	₱15,476,326
Interest receivables	3,028,390	-	-	-	3,028,390
Other receivables	17,244,019	-	-	5,645,280	22,889,299
Deposits	24,214,691	-	-	-	24,214,691
AFS investments-					
Retail treasury and corporate bonds	65,630,600	-	-	-	65,630,600
	₱1,092,551,298	₱28,026,879	₱14,385,636	₱207,315,105	₱1,342,278,918

*Exclusive of cash on hand amounting to ₱1,024,866 as of December 31, 2015.



The Group's financial assets are categorized based on the Group's collection experience with affiliates and third parties.

- a. High Grade - settlements are obtained from counterparty following the terms given to the counterparty.
- b. Standard Grade - some reminder follow-ups are performed to obtain settlement from the counterparty.
- c. Sub-standard Grade - constant reminder follow-ups are performed to collect accounts from counterparty.
- d. 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					Impaired	Total
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days			
2016	₱66,713,607	₱57,457,670	₱21,554,711	₱25,114,569	₱11,874,107	₱182,714,664	
2015	40,619,743	66,030,662	29,637,274	52,141,499	13,240,647	201,669,825	

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, 2016 and 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) in income before income tax 2016	Increase (decrease) in income before income tax 2015
	<i>(in millions)</i>	
100 bp rise	(₱1.87)	(₱0.84)
100 bp fall	1.87	0.84
50 bp rise	(0.94)	(0.42)
50 bp fall	0.94	0.42



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 and short-term bank loans.

In addition, MASCORP has an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱20.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank. This line of credit was available until January 31, 2017. As of date, MASCORP has not drawn any amount from the 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, 2016:

	<1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	₱559,691,049	₱-	₱-	₱-	₱559,691,049
Receivables:					
Trade	527,193,859	-	-	-	527,193,859
Dividends receivable	20,000,000	-	-	-	20,000,000
Interest receivable	3,849,350	-	-	-	3,849,350
Other receivables	25,451,388	-	-	-	25,451,388
Deposits*	-	-	-	47,851,403	47,851,403
AFS investments-					
Retail treasury and corporate bonds	-	-	64,669,500	-	64,669,500
	1,136,185,646	-	64,669,500	47,851,403	1,248,706,549
Other financial liabilities:					
Accounts payable and accrued liabilities**	322,741,887	-	-	-	322,741,887
Notes payable***	163,126,987	7,598,000	1,266,333	-	171,991,320
Dividends payable	107,293,081	-	-	-	107,293,081
Deposit****	-	-	-	25,210,995	25,210,995
	593,161,955	7,598,000	1,266,333	25,210,995	627,237,283
Liquidity position	₱543,023,691	(₱7,598,000)	₱63,403,167	₱22,640,408	₱621,469,266

* Inclusive of accretion of interest of ₱22,911,968. Presented as part of "Deposits and other noncurrent assets" account.

**Exclusive of nonfinancial liabilities of ₱55,150,977.

*** Inclusive of interest to maturity of ₱2,890,802.

****Inclusive of accretion of interest of ₱17,506,560.



December 31, 2015:

	<1 year	>1-2 years	>2-3 years	>5 years	Total
Loans and receivables:					
Cash and cash equivalents	₱693,325,827	₱-	₱-	₱-	₱693,325,827
Receivables:		-	-	-	
Trade	505,498,004	-	-	-	505,498,004
Interest receivable	3,028,390	-	-	-	3,028,390
Other receivables	22,889,299	-	-	-	22,889,299
Deposits*	-	-	-	48,212,858	48,212,858
AFS investments-					
Retail treasury and corporate bonds	-	-	65,630,600	-	65,630,600
	1,224,741,520	-	65,630,600	48,212,858	1,338,584,978
Other financial liabilities:					
Accounts payable and accrued liabilities**	352,820,144	-	-	-	352,820,144
Notes payable***	27,998,996	18,004,998	20,050,892	-	66,054,886
Dividends payable	101,126,061	-	-	-	101,126,061
Deposit****	-	-	-	39,596,190	39,596,190
	481,945,201	18,004,998	20,050,892	39,596,190	559,597,281
Liquidity position	₱742,796,319	(₱18,004,998)	₱45,579,708	₱8,616,668	₱778,987,697

* Inclusive of accretion of interest of ₱23,971,371 Presented as part of "Deposits and other noncurrent assets" account.

**Exclusive of nonfinancial liabilities of ₱35,112,441.

*** Inclusive of interest to maturity of ₱4,114,933.

****Inclusive of accretion of interest of ₱18,445,656.

33. Fair Values

The following tables provide the comparison of carrying amounts and fair values of the Group's assets and liabilities as at December 31:

2016

	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)
Assets measured at fair value:					
Available for sale financial investments (Note 14)					
Government securities	December 31, 2016	₱64,669,500	₱64,669,500	₱-	₱-
Golf club shares		42,155,800	42,155,800	-	-
Assets for which fair value is disclosed:					
Investment property (Note 13)	December 31, 2016	₱143,852,303	₱-	₱-	₱261,096,000
Deposits (Note 16)	December 31, 2016	24,924,639	-	-	24,924,639
Liabilities for which fair value is disclosed					
Deposits (Note 19)	December 31, 2016	7,704,434	-	-	7,704,434



2015

	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)
Assets measured at fair value:					
Available for sale financial investments (Note 14)					
Government securities	December 31, 2015	₱65,630,600	₱65,630,600	₱-	₱-
Golf club shares		40,138,300	40,138,300	-	-
Assets for which fair value is disclosed:					
Investment property (Note 13)	December 31, 2015	143,852,303	-	-	257,959,500
Deposits (Note 16)	December 31, 2015	16,208,078	-	-	16,208,078
Liabilities for which fair value is disclosed					
Deposits (Note 19)	December 31, 2015	6,342,339	-	-	6,342,339

There have been no transfers between Level 1 and 2 in 2016 and 2015.

Cash and cash equivalents, receivables, accounts payables and accrued liabilities

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities and dividends payable approximate their fair value due to their short-term nature.

Dividends payable

The carrying value of dividends payable approximates its fair value since they are expected to be settled within a short period of time after its declaration.

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, while the fair value of golf club shares is based on publicly available local dailies and websites of club shares broker.

Investment property

The Philippine SEC-accredited and 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 (i.e., industrial purpose).

34. Subsequent Event

Dividend Declaration of LTP

On February 17, 2017, the BOD of LTP approved the declaration of cash dividends amounting to \$15,000,000 out of LTP’s unrestricted retained earnings to all stockholders of record as of December 31, 2016, payable on March 31, 2017.



MPSAs

On February 13, 2017, MGB issued a certification confirming the validity of the MPSAs of the Company. However, on February 14, 2017, the Secretary of the Department of Environment and Natural Resources (DENR) announced the cancellation of 75 MPSAs (including MAC's) allegedly located at/in watersheds all over the country. On February 17, 2017, the Company received a "show cause" notice from DENR requesting the Company to provide reasons why the MPSAs should not be cancelled. On February 21, 2017, the Company responded to DENR stating that MAC's MPSAs are not located on declared watersheds. As of date, the Company has not received any notice from the DENR or MGB for the cancellation of the MPSAs.



Exhibit 2. Index to Supplementary Schedules

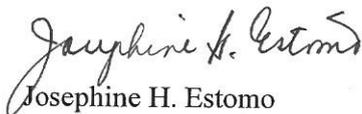
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
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 (the Company) and its subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A and have issued our report thereon dated March 30, 2017. 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 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, present fairly, 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
SEC Accreditation No. 0078-AR-4 (Group A),
June 9, 2016, valid until June 9, 2019
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908696, January 3, 2017, Makati City

March 30, 2017



MacroAsia Corporation and Subsidiaries
Schedule A - Financial Assets
As of December 31, 2016

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		559,691,049	
Receivables		575,968,475	
Deposits		24,939,435	
<u>AFS investments:</u>			
Investment in stock	PLDT	55,800	-
Investment in stock	Tower Club	100,000	-
Investment in stock	Manila Golf and Country Club	42,000,000	-
Retail treasury bond	Philippine Government	64,669,500	1,819,500
Total		1,267,424,259	1,819,500

MacroAsia Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
As of December 31, 2016

	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
<u>Advances to officers & employees</u>							
of MAC	2,584,312	3,328,984	3,076,806	-	2,836,490	-	2,836,490
of MACS	4,505,056	9,977,788	10,739,191	271,385	3,472,268	-	3,472,268
of MASCORP	672,485	9,961,751	8,721,787	-	1,834,516	77,933	1,912,449
of MAPDC	803,808	5,441,601	5,720,988	-	524,421	-	524,421
of SNVRDC	144,867	2,391,359	2,376,328	-	120,040	39,858	159,898
of PWBRI	21,526	-	-	-	-	21,526	21,526
of CBRI	-	30,000	-	-	30,000	-	30,000
of MAATS	4,767,980	493,841	4,573,075	-	688,746	-	688,746
of MMC	1,976,294	1,437,099	1,724,266	-	1,689,127	-	1,689,127
of MPRDC	-	13,061	-	-	3,061	10,000	13,061
<u>Receivables from Related Parties and Principal Stockholders</u>							
of MACS to PAL	1,936,302	6,402	-	-	1,942,704	-	1,942,704
of MACS to PAL - Mabuhay Lounge	21,596,295	117,459,035	119,402,168	-	19,653,162	-	19,653,162
of MACS to PAL - PALEX	3,174,094	6,036,257	6,494,095	-	2,716,256	-	2,716,256
of MASCORP to PAL	42,675,660	375,969,779	338,022,851	-	32,931,028	47,691,560	80,622,588
of MASCORP to Airphil	21,163,322	163,591,148	143,784,900	-	16,234,217	24,735,353	40,969,570
of MASCORP to LTP	1,614,271	17,046,483	16,735,088	-	1,432,882	492,784	1,925,666
of MAPDC to SNVRDC	227,394,422	44,975,865	-	-	44,975,865	227,394,422	272,370,287
of MAPDC to MMC	4,238,355	-	3,500,000	-	-	738,355	738,355
of MAPDC to MPRDC	-	500,000	-	-	500,000	-	500,000
of MAPDC to PWBRI	155,380	-	-	-	-	155,380	155,380
of MAPDC to MAATS	36,739	-	36,739	-	-	-	-
of MAPDC to WBSI	-	11,655,400	155,400	-	11,500,000	-	11,500,000
of MAPDC to CBRI	-	2,600,000	-	-	2,600,000	-	2,600,000
of MAPDC to MSFI	1,902,492	12,994,144	-	-	12,994,144	1,902,492	14,896,636
of ASSC to MMC	3,000,000	-	-	-	-	3,000,000	3,000,000
of ASSC to MAPDC	-	2,500,000	-	-	2,500,000	-	2,500,000
of MACS to MSICS	-	329,115	-	-	329,115	-	329,115
of MACS to MASCORP	248,904	418,780	128,361	-	418,780	120,543	539,323
of WBSI to CBRI	-	10,503,278	500,000	-	10,003,278	-	10,003,278
of MMC to MAC	2,721,162	-	-	-	-	2,721,162	2,721,162
of MASCORP to MAATS	-	6,000	4,500	-	1,500	-	1,500
Total	347,333,723	799,667,171	665,696,543	271,385	171,931,599	309,101,367	481,032,966

MacroAsia Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As of December 31, 2016

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>								
MACS	151,809,828	68,940,120	60,187,500	-	68,940,120	91,622,328	160,562,448	160,562,448
MASCORP	32,207,865	85,378,237	23,913,832	-	85,378,237	8,294,033	93,672,270	93,672,270
MAPDC	255,745,443	418,043,176	24,321,726	-	418,043,176	231,423,717	649,466,893	649,466,893
MMC	41,425,378	26,163,981	-	-	26,163,981	41,425,378	67,589,359	67,589,359
ASSC	341,875	9,931	-	-	9,931	341,875	351,806	351,806
MAATS	6,452,945	-	6,452,945	-	-	-	-	-
<u>MAPDC to</u>								
SNVRDC	227,394,422	44,975,865	-	-	44,975,865	227,394,422	272,370,287	272,370,287
MMC	4,238,355	-	3,500,000	-	-	738,355	738,355	738,355
MPRDC	-	500,000	-	-	500,000	-	500,000	500,000
PWBRI	155,380	-	-	-	-	155,380	155,380	155,380
MAATS	36,739	-	36,739	-	-	-	-	-
WBSI	-	11,655,400	155,400	-	11,500,000	-	11,500,000	11,500,000
CBRI	-	2,600,000	-	-	2,600,000	-	2,600,000	2,600,000
MSFI	1,902,492	12,994,144	-	-	12,994,144	1,902,492	14,896,636	14,896,636
<u>ASSC to</u>								
MMC	3,000,000	-	-	-	-	3,000,000	3,000,000	3,000,000
MAPDC	-	2,500,000	-	-	2,500,000	-	2,500,000	2,500,000
<u>MACS</u>								
MSICS	-	329,115	-	-	329,115	-	329,115	329,115
MASCORP	248,904	418,780	128,361	-	418,780	120,543	539,323	539,323
<u>WBSI to CBRI</u>								
	-	10,503,277.90	500,000	-	10,003,278	-	10,003,278	10,003,278
<u>MMC to MAC</u>								
	2,721,162	-	-	-	-	2,721,162	2,721,162	2,721,162
<u>MASCORP to MAATS</u>								
	-	6,000	4,500	-	1,500	-	1,500	1,500
Total	727,680,786	685,018,027	119,201,003	-	684,358,127	609,139,684	1,293,497,811	1,293,497,811

Following are the related party transactions and balances that were eliminated during the consolidation:

- a. 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 (i.e., 80% and 20%, respectively, starting September 14, 2015 new equity ratio for MAC and SATS 67% and 33% respectively). In 2011, the BOD of MAC and MASCORP have agreed to charge MASCORP service fee amounting to 20% of income before income tax, depreciation, amortization and interests. Service fee recognized by MACS and MASCORP, amounted to ₱67.3 million and ₱32.2 million, respectively.
- MACS and MASCORP declared dividends during the year. Outstanding dividends receivable by MAC amounted to ₱14.3 million and ₱20.0 million, respectively as of December 31, 2016.
- MAPDC obtains short-term, non-interest bearing advances from the Parent company, sister companies (subsidiaries of MAC), and subsidiary. Total advances received for the year ended and outstanding balances as of December 31, 2016 that were eliminated in consolidated are presented in the table above.
- MMC obtains noninterest-bearing cash advances from MAC, MAPDC and ASSC. Outstanding amount of advances from MAC, MAPDC and ASSC amounted to ₱67.6 million, ₱0.7 million and ₱3 million as of December 31, 2016, respectively.
- AASC obtains noninterest-bearing advances from MAC in the normal course of business. Outstanding advances amounted to ₱0.4 million as of December 31, 2016.
- MAPDC granted non-interest bearing advances to SNVRDC, MPRDC, PWBRI, WBSI and CBRI. Outstanding receivables amounted to ₱272.4 million, ₱0.5 million, ₱0.2 million, ₱11.5 million and ₱2.6 million, respectively as of December 31, 2016.
- WBSI granted non-interest bearing advances to CBRI. Outstanding balance as of December 31, 2016 amounted to ₱10.0 million.

MacroAsia Corporation and Subsidiaries
Schedule D - Intangible Assets and Other Assets
As of December 31, 2016

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	-	-	-	150,001,047	167,532,279
Software Licenses - net	118,211	897,143	-	-	(174,517)	840,837
Service Concession Right	301,857,381	19,244,186	(10,988,267)	-	-	310,113,300
Total	319,506,824	20,141,329	(10,988,267)	-	149,826,530	478,486,416

MacroAsia Corporation and Subsidiaries
Schedule E - Long Term Debt
As of December 31, 2016

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)		
Local Bank	PHP 37,000,000	37,000,000	PHP 7,400,000	7,400,000	PHP 8,633,333	8,633,333	16,033,333	4.85%
Local Bank	USD 990,000	44,530,200	USD 198,000	11,700,518	USD 231,000	11,485,320	23,185,838	4.55%
TOTAL		81,530,200		19,100,518		20,118,653	39,219,171	

MacroAsia Corporation and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
As of December 31, 2016

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, 2016

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, 2016

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 (70.92%)	57,458,202 (4.66%)

MacroAsia Corporation and Subsidiaries
Schedule I - Financial Soundness Indicators
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Return on Net Sales (RNS) ¹	16.66%	17.06%
Return on Investment (ROI) ²	10.36%	10.16%
Return on Equity (ROE) ³	10.91%	10.36%
Direct Cost Ratio ⁴	71.12%	75.14%
Operating Expense Ratio ⁴	30.54%	23.88%
Current Ratio ⁵	1.88:1	2.72:1
Debt-to-Equity Ratio ⁶	4.95%	1.88%
Interest Coverage Ratio ⁷	244.01:1	115.16:1
Asset-to-Equity Ratio ⁸	1.24:1	1.23:1

¹ This is the ratio is computed by dividing net income attributable to equity holders of the parent by the total net revenues.

² 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

³ 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.

⁴ 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

⁵ Current Ratio is the ratio of the total current assets divided by the total current liabilities.

⁶ Debt-to-Equity Ratio is the ratio of the total interest-bearing debts divided by total stockholders' equity.

⁷ Interest coverage ratio is the ratio of the total earnings before interest and taxes (EBIT) divided by the interest expense of the period.

⁸ The asset-to-equity ratio is the total assets divided by the equity.

MacroAsia Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2016

Unappropriated Retained Earnings, as adjusted to available for dividend declaration, beginning		603,374,501
Add:		
Net loss during the year closed to retained earnings	(95,627,678)	
Less:		
Movement in deferred income tax assets	1,497,021	
Net loss actually earned during the year		<u>(94,130,657)</u>
Less:		
Dividends declared during the year		<u>98,672,320</u>
Total retained earnings available for dividend declaration, end		<u>410,571,524</u>

**Based on parent company retained earnings*

**MACROASIA CORPORATION AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash - settled Share-based Payment Transactions			✓
	Improvement to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment and Transactions*		✓	
PFRS 3	Business Combinations	✓		

*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
(Revised)	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	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*		✓	
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statement	✓		
PFRS 8	Operating Segments	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	PFRS 9, Financial Instruments: Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)			✓
	PFRS 9, Financial Instruments (2015 or final version)*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard*		✓	
PFRS 13	Fair Value Measurement	✓		

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.*

	Amendment to PFRS 13: Portfolio Exception	✓		
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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	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	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plant			✓

*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.

	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
	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	✓		
	Amendment to PAS 34: Disclosure of Information “Elsewhere in the Interim Financial Report”	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7:	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
	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			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfer of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset,	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
	Minimum Funding Requirements and their Interaction			
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Group Structure

